

State School Funding Formulas Determining Local Wealth

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August 2025

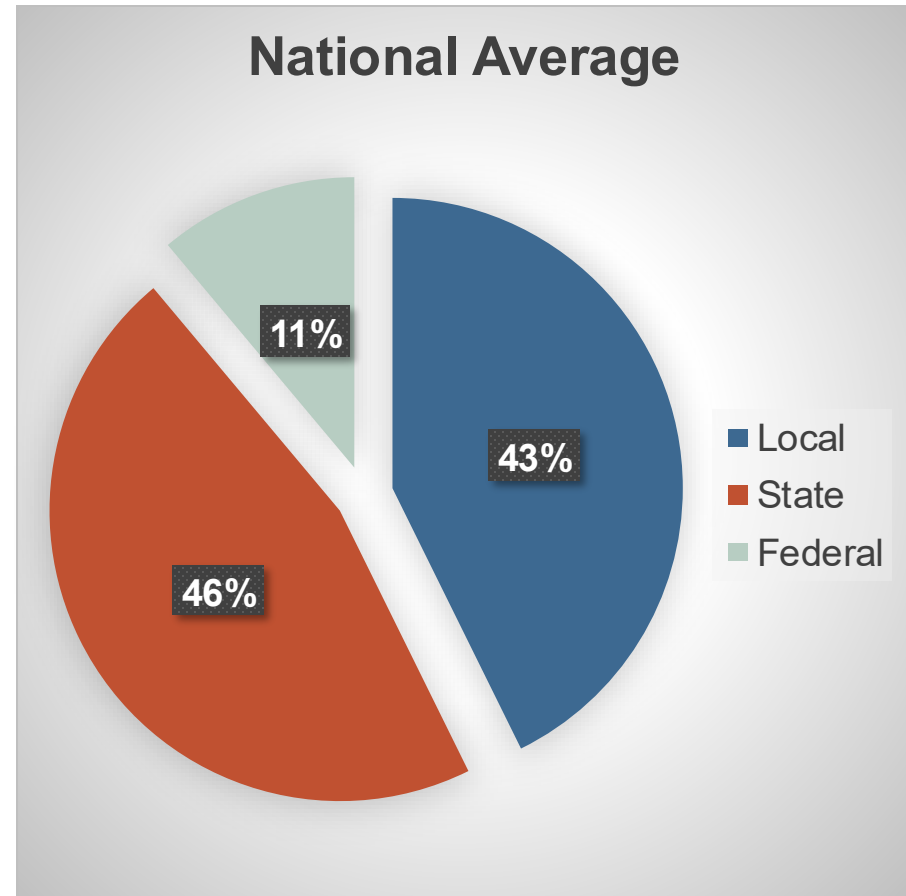
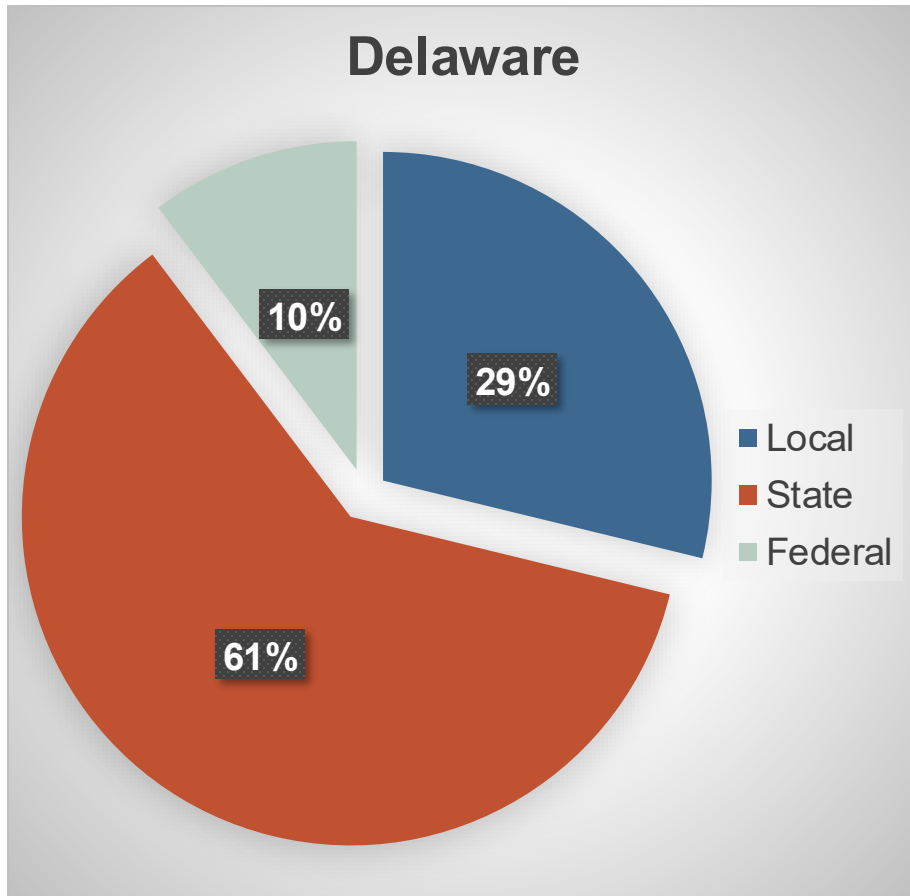


Overview

1. Why equalization matters
2. Local wealth & school finance equalization
3. How do states determine local wealth
4. State examples

K-12 Revenue Sources

2023-24



Why Equity in School Funding Matters

- If the state does not provide some form of equalization based on a district's relative wealth, it can lead to significant disparities in funding.
- Limited local resources can lead to:
 - Difficulty in recruiting/retaining qualified staff
 - Reductions in educational offerings
 - Reduction in programs targeted to high-need students (after-school, summer school, etc.)

History of School Funding Equalization

(In two slides)

- For over 100 years states have recognized the need to take a district's relative wealth into account when distributing school funding
- Today, all but a handful of states provide some form of equalization in their funding formulas

History of School Funding Equalization

(In two slides)

- Originally, states provided equalization funding via a separate line-item
- The most common equalization programs provided districts a payment either based on their relative poverty or on how much funds were raised based on their tax levies
- Today, the majority of states provide equalization funding through their primary funding formula

How States Determine a School Districts Wealth

- The majority of states use property values as the only measure of wealth
- Some states include additional measures to determine wealth, these can include:
 - Income
 - Sales tax revenue
 - Taxes on other property (utility property, personal property)
 - Other smaller local taxes

Examples of Wealth Measures

	Property	Income	Other
Maryland	Yes	Yes	Utility property and personal property
New Jersey	Yes	Yes	
New York	Yes	Yes	
Pennsylvania	Yes	Yes	
Tennessee	Yes	Yes	Sales tax revenue and other local tax revenue

Equalization As a Separate Line-Item

Total formula amount

+

Equalization aid

=

Total State Funding

Equalization As a Separate Line-Item Maryland

- The state's equalization aid (Guaranteed Tax Base Program) exist as a separate line-item
- Eight districts (out of 24) receive equalization aid
- In the 2024-25 school year this aid equated to less than 1% of total education funding:
 - GTBP - \$75 million
 - Total K-12 funding - \$7.84 billion

How Funds are Equalized in State Funding Formulas

Base funding

+

Funding for
high-need students

(At-risk, English Language Learners, Special Ed.)

+

Additional adjustments

(Regional costs, district size, special districts, etc.)

=

Total formula amount

How Funds are Equalized in State Funding Formulas

Total formula amount

-

Local contribution

=

State formula funding contribution

What is a “Local Contribution”?

- The local contribution is the amount of funding that districts are expected to contribute to run their schools
- In funding formulas, states can treat local contribution in two ways:
 - Assumed – The formula assumes a minimum level of local taxes. However, the local funding amount is not mandated
 - Mandated – This is a mandated minimum local tax that all districts must levy

Equalization in a Funding Formula Colorado

- The state makes use of a traditional foundation formula
- All districts are required to levy a local property tax of:
 - 27 mills (\$27 per \$1,000 of taxable property value), or
 - An amount necessary to cover the total amount of formula funding for the district
- The state funds 54.5% of the cost of the formula and local funding must cover the remaining 45.5%

Equalization in a Funding Formula

Colorado (2024-25)

	Byers	Durango	Aspen
Type of District	Low-Wealth	Mid-Wealth	High-Wealth
Total Formula Funding	\$80.8 million	\$50.8 million	\$23.7 million
Mandated Local Contribution	-\$2.2 million (27 mills)	-\$23 million (27 mills)	-\$23.6 million (4 mills)
State Funding	\$78.6 million	\$27.8 million	\$1,623 (In reality - \$0)
% of Funding from the State	97.3%	54.7%	>1%

Equalization

Final Thoughts

	Line-Item Funding	Within the Formula
Positives	Ease of use	Equalizes all state funding
Negatives	Often is not enough to fully equalize funding in the state	Difficult to adopt

Questions or Comments?

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