

Design Considerations: Establishing a Foundation Formula

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Student-based Funding Systems

- Student-based funding systems:
 - Allocate funding to districts **based on the number of students enrolled or in attendance**
 - State **guarantees a basic spending amount** – or “foundation” - for each student
 - Districts may receive **additional funding based on certain student or school characteristics**, using pupil **weights** or fixed per pupil **grant** amounts.

Student-based funding systems are widely used by 37 states, Washington DC, and Puerto Rico, and are viewed as the strongest starting point for ensuring an equitable state school funding system.

Key Design Questions

1. What should be the **base spending amount** per student?
2. What **cost adjustments** should be incorporated in the formula?
 - When adjusting for costs, should the formula use *pupil weights*, *fixed grant amounts per pupil*, or *both approaches* to adjust for differences in cost due to student needs and school context-related factors?
3. What **student count** should be used to calculate a district's membership in the formula?

Establishing a Base Spending Amount

- What should be included in a base spending amount?
- Should the formula use a single or a variable base?
- How will the base spending amount be updated over time?

What should be included in a base spending amount?

- Base spending is the amount of education spending required for a student with no additional needs to attain state grade level performance standards
- Includes:
 - All general education operating expenditures
- Excludes:
 - Capital and debt service spending
 - Spending for special education programs and services
 - Spending for other programs funded through federal and state categorical programs

Should the formula use a single or a variable base?

		Advantages	Limitations
Single	Districts receive the same amount for every student in the system (statewide)	<ul style="list-style-type: none"> • Transparent • Straightforward to administer and update 	<ul style="list-style-type: none"> • Does not differentiate among districts' base operating cost
Variable			
Simple	State calculates a range of different base funding amounts based on district or school characteristics (e.g., size, grade level, locale)	<ul style="list-style-type: none"> • Transparent • Differentiates among districts' base costs on a specific set cost factors 	<ul style="list-style-type: none"> • Introduces more complexity • The extent to which the formula is efficient and equitable is dependent on the selected cost factors
Complex	Highly individualized calculations ("formula within a formula")	<ul style="list-style-type: none"> • Has the potential to recognize and adjust for multiple cost factors that result in varying operating costs among school districts in a state 	<ul style="list-style-type: none"> • Difficult for the public to understand • Requires additional monitoring and adjustment to ensure the formula is efficient and equitable

Adapted from: *How does the base amount work in student-based funding formulas?* Bellwether. https://bellwether.org/wp-content/uploads/2023/10/SplittingtheBill_10_Bellwether_October2023.pdf

How will the base spending amount be updated over time?

- Most common approach:
 - Base spending amount stipulated in statute, along with an inflation factor
 - Requirement (in statute) to evaluate the formula using established school finance methods, every 4-5 years

What cost adjustments should be incorporated in the formula?

Factors Affecting Differences in Costs of Achieving Common Outcome Goals Across Districts Within a State

Individual Student "Risk" (where specific students require specific programs/services/interventions)	Social Context of Schooling (collective student population has greater need)	Scale and Sparsity	Geographic Variation in Input Prices
<p>Disability Status English Language Learners</p> <p>(Requires specific staff, with specific credentials to provide services children in need)</p>	<p>Concentration of Economic Disadvantage (Generally requires schoolwide supports involving additional staffing resources such as, expanded pre-k options, smaller class sizes, specific pupil-support staff, etc.)</p>	<p>District and School Enrollment Size (Affects required staffing ratios)</p> <p>Grade Level (Differences in academic and non-academic programming)</p> <p>Population Sparsity (Affects transportation costs)</p> <p>Degree of Rurality (Affects cost of providing specialized services)</p>	<p>Employee Wages (Wage required for recruiting and retaining comparably qualified teachers, administrators and other staff)</p> <p>Non-Personnel Resources (Includes contracted services, fuel and utilities, equipment, materials and supplies)</p>



- **Factors affecting differences in costs among school districts, and the magnitude of the effect, vary by state**
- **Cost factors for a state funding formula should be determined using empirical methods (i.e., a "needs" analysis)** See: Baker (2025)

<https://edworkingpapers.com/aj25-1127>

Cost Adjustments in Vermont's Existing Funding System

- **Student Need factors**

- Student economic disadvantage (weight)
- English language learner (weight)
- Students receiving special education (categorical grant)

- **District/school context**

- Grade range (weights)
- School enrollment (weights)
- Population density (weights)
- Transportation (categorical grant)

What student count should be used to calculate a district's membership in the formula?

- **Current formula:**

- Average two-year enrollment

“Average enrollment of the two most recently completed school years, and “enrollment” means the number of pupils who are enrolled in a school operated by the district on October 1” (Vermont Act 127)

- **Other approaches:**

- Average daily membership (ADM)
- Most recent year's enrollment