

## This response was prepared for Ann Cummings, Vermont State Senate

### Your Question:

You asked about (1) information on states with ceilings/limits on the amount local districts can raise above the funding formula; (2) states with weights in their funding formula for career and technical education; and (3) additional information on states that ECS has classified as “hybrid” K-12 funding model.

### Our Response:

The following response provides an overview of the topic and state examples summarizing limits on local funding contributions for K-12 education, weighted funding for career and technical education (CTE), and states with a primary funding model that ECS has classified as hybrid.

#### Limits on Local Funding Contributions for K-12 Education

Schools rely heavily on local property taxes to fund public education with more than one-third of total revenues nationwide coming from property taxes. Yet, due to residential segregation, stark differences exist across district lines in terms of the home prices used to generate those resources, which results in education funding inequities between districts and opportunity gaps for students. States have taken a variety of approaches to addressing property tax differences as summarized by Bellwether in this brief and more detailed report (see pg. 22 – 26).

These strategies include limits on local revenues and state recapture of a portion of local revenues in excess of spending limits. The final strategy noted by Bellwether is enacting a statewide property tax – which only Vermont has implemented and is not summarized here.

#### Local Revenue Limits

Most states have limits on local collections of property tax revenue. The Tax Foundation has identified 46 states and D.C. with property tax limitations, which they classify as assessment limits, levy limits or rate limits. States may have more than one type of property tax limitation.

- **Assessment limit** (18 states): Places restrictions on how much an individual’s taxes can rise due to an increase in the assessed value of a property.

- **Levy limit** (34 states): Constrains the overall revenue growth by restricting the increase in property tax collections to a certain amount or forbids increases above a given level.
- **Rate limit** (35 states): Caps the millage rate that can be set by local policymakers to levy property taxes.

Many states with property tax limits include an override provision which typically allows the governing body to circumvent the limit by a simple majority or super majority vote. The Lincoln Institute of Land Policy [Access Property Tax Database](#) and [state profiles](#) summarize the override processes in each state.

An ECS review of this data has identified the number of states where local governments can override the limit with approval by a local referendum. In total, 37 states have an override process by referendum for at least one of the three property tax limitations. The number of states with a referendum override differs for each property tax limit.

### Recapture of Excess Spending

States may disincentivize wealthy communities from raising local revenues far above the needs of their schools by establishing a revenue recapture policy. States with this policy redirect surplus funds raised by communities above a certain threshold back to the state school funding formula or directly to districts with lower revenue capacity.

- **Texas** state law ([Tex. Educ. Code Ann. § 48.257](#)) requires school districts to share their excess local tax revenue to fund formula allocations for less property wealthy school districts. The state collects [excess local revenue](#) for districts that generate more local revenue than is required for the basic entitlement based on enrollment, student characteristics, and other factors. The state collected [\\$2.92 billion](#) (slide 10) in recapture revenues to assist with financing public education for all school districts in the 2024-25 school year.
- **Wyoming** allocates state funds to school districts through the [School Foundation Program](#) that guarantees a base level of funding to districts. Both the state and local districts contribute to pay for the costs of the foundation guarantee. School district revenues are generated through a county-wide levy of 6 mills and a school district-wide levy of 25 mills. The state has a recapture policy ([Wyo. Stat. Ann. § 21-13-102](#)) for school districts that generate revenues in excess of 300% of the foundation program. The department of education collects 50% of the excess revenues which it directs to the amount to the School Foundation Program. The remaining funds remain with the district.

## Weighted Funding for Career and Technical Education

Secondary career and technical education (CTE) programs help students develop technical, academic and workforce skills that can be applied to employment or additional postsecondary education. As demands in workforce needs shift in favor of employees with practical knowledge and skills, it is important that state policies in this area provide students with pathways from high school that lead to employment and education. To help districts cover the additional staffing, technology, and equipment expenses for these courses, some states provide weighted funding for students participating in CTE courses by multiplying their base funding amount with an additional weight.

- **Georgia** – The Quality Basic Education Program ([Ga. Code Ann. § 20-2-161](#)) provides an additional 18.3% per high school student participating in a career and technical education course.
- **Kansas** – The Kansas School Equity and Enhancement Act ([Kan. Stat. Ann. § 72-5155](#)) provides a CTE weighting factor of an additional 50%.
- **Mississippi** – Enacted the [Mississippi Student Funding Formula](#) in 2024 that includes a per pupil weight of an additional 10% for students in career and technical education classes. You can read more in this [ECS summary](#).
- **South Carolina** – The state provides an additional weight of 29% ([S.C. Code Ann. § 59-20-40](#)) for high school students participating in approved CTE courses.

## Hybrid Funding Models

In the [50-State Comparison: K-12 Funding](#), ECS classifies states' primary K-12 funding models as student-based, resource-based, hybrid or other. States using a hybrid approach allocate some of the state aid based on student characteristics and some of the aid based on required resources, such as staffing, technology, and school supplies. Hybrid approaches are often the most complex funding formulas.

- **Massachusetts** determines aid for districts in their [Chapter 70 Program](#) by multiplying enrollment with 13 different enrollment categories (by grade, special education, English Learners, etc.) and costs by 11 different cost categories (administration, teaching, pupil services, equipment, etc.) along with a wage adjustment factor. A complete list of the enrollment and cost categories can be found in the department of elementary and secondary education's Chapter 70 [overview](#) (slide 17).

Within each enrollment category, the state further differentiates funding to districts. For example, for special education services, the state provides more funding for students receiving services out-of-district (\$37,115 per student) than for students receiving services in-district (\$30,771). For students from low-income backgrounds the state varies funding based on concentration, with

districts with 0 – 5.99% identified as low-income receiving \$12,065 per student and districts with 80% or more low-income receiving \$19,755.

- **Maine’s [Essential Programs and Services](#)** (EPS) formula determines both the state and local share of funding needed for each local school administrative unit. EPS model is comprised of five major components: 1) pupil counts for PreK/K, grades 1-5, grades 6-8, grades 9-12; 2) the EPS per pupil rate for each administrative unit; 3) weighted amounts for specialized student populations, such as economically disadvantaged and English Learners; 4) the targeted amounts for early education (PK – grade 2 students), student assessment, and technology resources; and 5) adjustments for small schools and adult education courses for secondary students.

The EPS formula is largely student-based except for the targeted funds for student assessment and technology resources and the small school payments. For targeted funds, the state ([Me. Rev. Stat. Ann. tit. 20-A, § 15681](#)) sets an annual cost rate that is adjusted for inflation based on estimated costs for services. For small and isolated schools, the state ([Me. Rev. Stat. Ann. tit. 20-A, § 15683](#)) makes adjustments to the student-to-staff ratios and the per-pupil amount for operations and maintenance and other essential programs as established by the commissioner.

## Resources

- **Lincoln Institute of Land Policy [State-by-State Property Tax at a Glance](#)** (2023) a series of narratives on property tax systems in the 50 states and the District of Columbia, published in conjunction with Significant Features of the Property Tax database.
- **Pew Trusts [Local Tax Limitations Can Hamper Fiscal Stability of Cities and Counties](#)** (2021) provides ways in which states can improve localities budget flexibility and resiliency.
- **Tax Foundation [Property Tax Limitation Regimes: A Primer](#)** (2018) discusses property tax limitations adopted by states.
- **Tax Policy Center [What are tax and expenditure limits?](#)** (2020) explains how tax and expenditure limits restrict the growth of government revenues or spending