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# Foundation Formula 101

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# School Finance Terms

- Equity
  - Horizontal Equity – districts/students with similar circumstances are treated the same
  - Vertical Equity – districts/students with higher needs require additional resources
  - Taxpayer Equity – similar effort to participate to generate similar resources
- Fiscal Neutrality – Where a student lives shouldn't determine the resources available to a student
- Adequacy – the level of resources needed to ensure all students can meet state standards/expectations

# Components of a Funding Formula

- There are two parts to most school finance formulas
  - First, the amount of funding needed for each district is set by the state through a funding formula
    - This includes adjustments for student and district characteristics
  - Second, the state and local share amount is determined
- These two pieces are combined in Vermont and there is not a clear process for step 1 that is led by the state
  - All funding is state funding with a large percentage coming from property taxes

# Common Themes for Changing Formulas

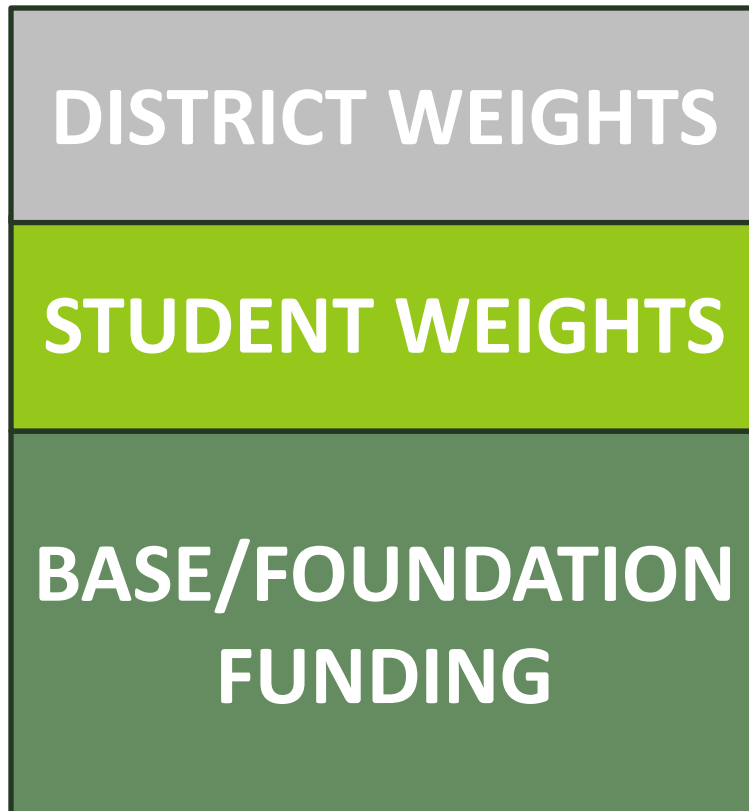
- The focus is on providing similar educational opportunities for all students
- The formulas are attempting to become more student centric by targeting additional funding for certain student groups
- States may direct a percentage of dollars to follow students to a school, this percentage may vary by type of students
- States also adjust for district cost drivers outside of district control

# Types of Formulas by State

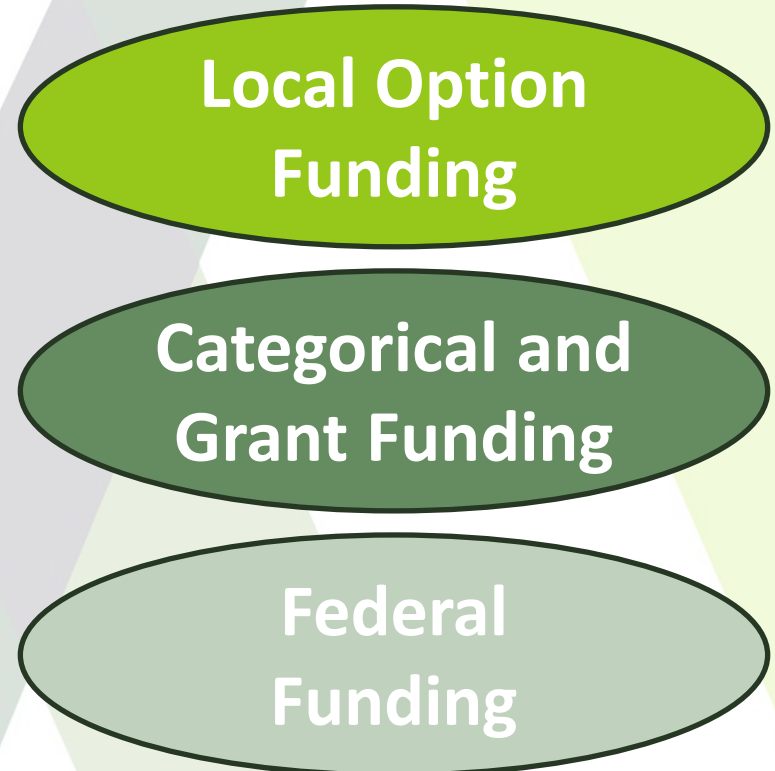
- According to a March 2024 Education Commission of the States (ECS) analysis of state funding systems:
  - 36 Foundation Formulas
    - Regional: New Hampshire, New York, Connecticut
    - Recently Changed: Tennessee, Nevada, Maryland
  - 9 Resource Based
  - 4 Hybrid
    - Regional: Massachusetts, Maine
  - 2 Other
    - Vermont

# Components of a Funding System When Using a Foundation Formula

## FOUNDATION FORMULA



## OTHER FUNDING



# Foundation Formula

- A foundation formula:
  - Starts with a base/foundation amount that is the amount a student with no identified needs in a district with no additional cost drivers receives
  - Adjustments, usually through weights, are made for student characteristic differences such as:
    - Economically disadvantage students
    - English Learners
    - Special education
  - Adjustments are also made for district characteristic differences such as:
    - Cost of living/cost of doing business
    - District size and/or small schools

# Funding a Foundation Formula

- Many states that use a foundation formula utilize an equalization approach to determining state/local share
  - This approach attempts to equalize taxpayer equity, requiring all taxpayers to contribute the same effort as part of the state's funding formula
  - Generally, a targeted mill rate is set, that rate is applied to local property values, and the state backfills the remaining dollars needed per district
  - Higher property wealth districts pay a higher share of the formula, and lower property wealth districts pay less



# Vermont Context

- Vermont already has some components of a foundation formula, most specifically the state has identified student and districts weights through Act 127
- However, without a foundation amount to apply the weights to, they are used to determine tax capacity, not funding
  - They also do not limit how funds are spent by districts

# Vermont Context

- Vermont's system is fully state funded, so there is not a state/local match calculation
- The state's formula does work to provide taxpayer equity by adjusting local tax rates in relation to the communities' decisions on how much to spend per weighted pupil
- System allows for variation in spending through local budgeting decisions, unrelated to a targeted amount of spending

# Implementing a Foundation Formula in Vermont

- Vermont has a starting point with the Act 127 weights and a recent history of using weights for funding
  - The weights need to be evaluated in context of an identified base. Weights are generally set with a base amount.
- The state would need to identify a base amount to apply weights to which can be done in a number of ways
  - Most common approach is to set it based on available revenues
  - Best practice approach is to set through an adequacy approach such as the Evidence Based approach used in the 2024 Picus Odden and Associates report

# Implementing a Foundation Formula in Vermont, continued

- Input based approaches include the Evidence Based and Professional Judgment approaches
  - Both provide an identified resource bases for the base and weights
  - Often include state educators in the work
- Output based approaches include Cost Function and Successful School Districts
  - Both are data driven and identify specific levels of performance

# Implementing a Foundation Formula in Vermont, continued

- Vermont's funding system allows for variation in per pupil spending based on local decisions
- Many foundation formulas allow for additional local mills to increase spending
  - States must decide if they cap these differences and if they equalize these additional mill levies
- Important to understand changes in the context of Brigham



**Questions?**