

School Finance Studies

School finance studies generally fall into one of three categories, though most studies include more than one of the categories. The three categories include evaluation of the overall structure, equity of the system, and adequacy of the system.

Overall Structural Review

A structural review of a state's finance system is focused on understanding how a state's system works and determining if the finance system is meeting the needs of the state. This includes looking at the types of adjustments made in the system for students and districts and the inherent incentives built into the system. At their most base level, they simply examine how a formula can be changed within the current funding constraints of a state.

These studies often present as having some aspects of an equity or adequacy study but do not undertake a full examination of either concept. For example, a state may change a specific student adjustment to be more "equitable" without examining the impact of the change on the overall funding of the system. Similarly, this change might increase the funding for a specific student weight, but the change is not based on any type of costing out study.

Examples include:

- [Review of Alaska's School Funding Program](#)
- [Tennessee Investment in Student Achievement Formula](#)

Equity Study

An equity analysis examines the horizontal, vertical, and fiscal neutrality of a finance system. It works to understand how districts, students, and taxpayers are treated by the funding formula. Horizontal equity examines how funds are distributed across districts, determining if like districts are treated similarly. Equity analysis examines all forms of funding for districts, including the adjustments for all students and district characteristics.

Vertical equity examines how differences are treated within a system. Looking at the vertical equity of a system allows researchers to understand how well the finance system is addressing differences districts face that they cannot control for. This includes student need differences such as special education, economically disadvantaged students, and English Language Learners (ELL).

Fiscal neutrality measures the relationship between the wealth of a district and the amount of resources available to serve students. A fiscally equitable system would see a low relationship between resource levels and the wealth of a district. This analysis also measures how equitable the amount of tax effort is across the state.

Though equity studies can be done on their own, they are important to include when conducting either of the other studies. They allow policymakers to understand the impacts on equity due to any changes to aspects of the formula.

Examples include:

- [Overview or the Structure of the Illinois School Finance System](#)
- [Utah Education Funding Study Phase 1](#)

Adequacy/Costing Out Study

Examining adequacy allows policymakers to understand the level of resources needed for districts and students to meet state standards. Four main approaches to measuring adequacy have been developed to examine adequacy including Professional Judgment (PJ), Successful Schools/Districts (SSD), Evidence-Based (EB) and Statistical (or cost-function) (CF). The studies begin by identifying the base cost needed for a student with no special needs in a district with no special circumstances. They then identify the additional resources needed for students with special needs, including special education, economically disadvantaged, and ELL. The studies also identify adjustments for district circumstances such as size or cost of living/doing business.

The approaches can be grouped into two general methods. The PJ and EB approaches are resource-based approaches that provide a detailed breakdown of the resources identified at the school and district levels to identify the base cost and adjustments. The SSD and CF approaches are data driven approaches that provide a base cost and adjustments but do not provide detail on what resources make up the parameters. Most recent adequacy studies utilize multiple approaches and then reconcile the results to identify a single set of parameters for state consideration.

Examples Include:

- [Final Report of the Study of Adequacy of Funding for Education in Maryland](#)
- [Equity and Adequacy of New Hampshire School Funding](#)
- [A Study of Cost Adequacy, Distribution, and Alignment of Funding for North Carolina's K-12 Public Education System](#)
- [Costing out the Resources Needed to Meet Michigan's Standards and Requirements](#)

Additional Resources

<http://apaconsulting.net/portfolio-view/review-alaskas-school-funding-program/>

<http://apaconsulting.net/portfolio-view/nevada-education-adequacy-study/>

<http://apaconsulting.net/portfolio-view/illinois-school-finance-structure-review/>

<http://apaconsulting.net/portfolio-view/study-of-adequacy-of-funding-for-education-in-the-state-of-maryland/>

<http://apaconsulting.net/portfolio-view/michigan-education-finance-study/>

[Future of Fair School Funding November 2022 final.docx - Google Docs](#) – various states

[AQE-Foundation-Aid-May-2023.pdf \(aqeny.org\)](#) - New York

[School Funding: Education Adequacy Report Released; Review Planned - New Jersey School Boards Association \(njsba.org\)](#)

[ED594719.pdf](#) California

[Working Toward K–12 Funding Adequacy | Policy Analysis for California Education \(edpolicyinca.org\)](#)

[Microsoft Word - WY Use of Resources Study 187 schools 1-25-08 .doc \(wyoleg.gov\)](#)

[New Mexico Public Funding Formula | American Institutes for Research \(air.org\)](#)

[Utah Education Funding Study. Summary 1: Phase 2 Visualized in Nine Key Findings](#)