



Inflation Adjustments In State Education Funding Formulas

By Michael Griffith

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Several states place inflation, or cost of living, adjustments in their funding formulas that automatically increase state spending on education from one year to the next. In most cases this inflation adjustment is contained within legislation, however, in the case of Colorado it is actually contained within the state's constitution. Please note that this is not intended to be a comprehensive list of all states that have inflation adjustments – but just a sampling of state policies:

State	Language Establishing the Use of Inflation	Definition of Inflation
Arizona	<i>“If approved by the qualified electors voting at a statewide general election, for fiscal years 2001-2002 through 2005-2006, <u>the legislature shall increase the base level or other components of the revenue control limit by two per cent. For fiscal year 2006-2007 and each fiscal year thereafter, the legislature shall increase the base level or other components of the revenue control limit by a minimum growth rate of either two per cent or the change in the GDP price deflator, as defined in § 41-563. from the second preceding calendar year to the calendar year immediately preceding the budget year, whichever is less, except that the base level shall never be reduced below the base level established for fiscal year 2001-2002.” § 15-901.01</u> (This was approved by the voters in 2000.)</i>	For fiscal years 2002 to 2006 inflation is set at 2% (§ 15-901.01) for FY 2007 and every year after it is established in § 41-563.
Colorado	<i>In state fiscal year 2001-2002 through state fiscal year 2010- 2011, the statewide base per pupil funding, as defined by the Public School Finance Act of 1994, article 54 of title 22, Colorado Revised Statutes on the effective date of this section, for public education from preschool through the twelfth grade and the total state funding for all categorical programs shall grow annually at least by <u>the rate of inflation plus an additional one</u></i>	From the state's constitution – Article X, § 20, (2), (f): "Inflation" means the percentage change in the United States Bureau of Labor Statistics Consumer Price Index for Denver-Boulder, all items, all urban consumers, or its successor index.

	<i>percentage point. In state fiscal year 2011-2012, and each fiscal year thereafter, the statewide base per pupil funding for public education from preschool through twelfth grade and total state funding for all categorical programs shall grow annually at a rate set by the general assembly that is at least equal to the rate of inflation. Article IX, § 17 (1) of the State Constitution.</i>	
Iowa	<i>“The state percent of growth for the budget year beginning July 2005, is four percent. The state percent of growth for the budget year beginning July 1, 2006, is four percent.” Section 257.8, subsection 1, code 2005.</i>	<i>“The state percent of growth for each subsequent budget year shall be established by statute which shall be enacted within thirty days of the submission in the year preceding the base year of the governor's budget under section 8.21.” Section 257.8, subsection 1, code 2005.</i>
Massachusetts	<i>“The foundation budget shall be calculated using foundation enrollments for the respective fiscal years as estimated by the department according to the procedures outlined in section 2. <u>The monetary factors used in calculating the foundation budget for such years shall be adjusted for inflation by multiplying each such factor by the foundation inflation index.</u> The factors to be inflated shall be the monetary values for the foundation payroll, foundation nonsalary expenses, professional development allotment, expanded program allotment, extraordinary maintenance allotment and book and equipment allotment.” Part I, Title XII, Chapter 70 § 3</i>	<i>"Foundation inflation index", in fiscal year 2003, the Foundation inflation index shall equal 1.256286153. In fiscal year 2004 and in each fiscal year thereafter, the Foundation inflation index shall equal the prior year's Foundation inflation index multiplied by the minimum of (a) the ratio of the value of the implicit price deflator for state and local government purchases in the first quarter of the prior fiscal year to its value in the first quarter of the year 2 years prior" 1.045. Part I, Title XII, Chapter 70 § 2</i>
Ohio	<i>The general assembly, having analyzed school district expenditure and cost data for fiscal year 1999, performed the calculation described in division (B) of this section, <u>adjusted the results for inflation</u>, and added the amounts described in division (A)(2) of this section, hereby determines that the base cost of an adequate education per pupil for the fiscal year beginning July 1, 2001, is \$4,814. The base cost per pupil, <u>reflecting an annual rate of inflation of two and eight-tenths per cent</u>, is \$4,949 for fiscal year 2003.</i>	<i>The inflation rate for 1999 is established in state statute: Title XXXIII - § 3317.012, (B) (3). It appears that all subsequent inflation rates are established in the bi-annual state appropriation bills.</i>

	<i>The base cost per pupil, reflecting <u>an annual rate of inflation of two and two-tenths per cent</u>, is \$5,058 for fiscal year 2004 and \$5,169 for fiscal year 2005. Title XXXIII - § 3317.012, (A) (1)</i>	
North Dakota	<i>““Per student allocation,” for school fiscal year 2006 is \$4,237.72. Each school fiscal year thereafter, the per student allocation is the previous fiscal year's per student allocation increased by the index factor:” § 13-13-10.1 (4)</i>	<i>““Index factor,” is the annual percentage change in the consumer price index for urban wage earners and clerical workers as computed by the Bureau of Labor Statistics of the United States Department of Labor for the year before the year immediately preceding the year of adjustment or three percent, whichever is less;” § 13-13-10.1 (3)</i>
South Carolina	<i>(b) <u>The base student cost shall be established annually by the General Assembly. The base student cost shall be established in such a manner that five years after July 2, 1978, the funding level shall approximate the cost of the defined minimum program as set forth by the State Board of Education. Each year the Division of Research and Statistics of the Budget and Control Board shall submit to the Legislature an estimate of the projected rate of inflation for the fiscal year to be budgeted, and the base student cost shall be adjusted to incorporate the inflated cost of providing the Defined Minimum Program. Chapter 20 § 59-20-40, (1)</u></i>	<i>“Each year the Division of Research and Statistics of the Budget and Control Board shall submit to the Legislature an estimate of the projected rate of inflation for the fiscal year to be budgeted ...” Chapter 20 § 59-20-40, (1), (b):</i>
Wyoming	<i>(i) <u>To the extent specifically provided within the school foundation program budget as enacted by the legislature, the amount shall be adjusted to provide for the effects of inflation beginning with school year 2003-2004 and adjusted on a cumulative basis each school year thereafter; § 21 –13 – 301 (o)</u></i>	<i>“The joint appropriations interim committee shall submit a recommendation to the legislature and governor not later than November 1 of each year on the external cost adjustment in accordance with paragraph (o)(i) of this section.” § 21 – 13 – 301 (r):</i>

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