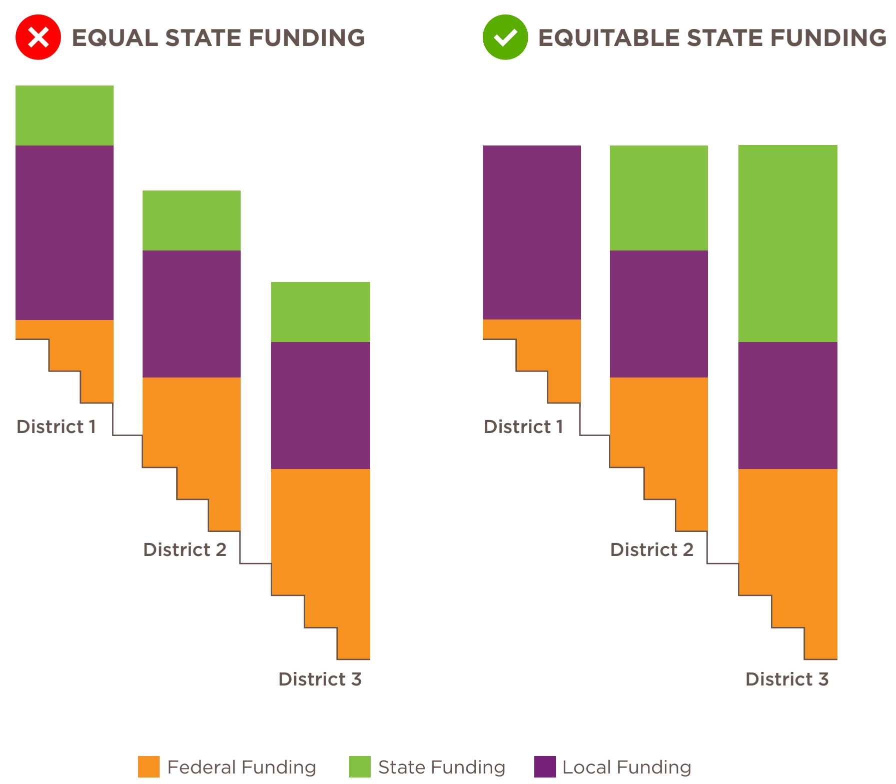
EDUCATION COMMISSION OF THE STATES

FUNDING EQUITY

OVERVIEW

Historically, public education funding has been inequitable. Reliance on local property tax revenue for education drives higher per-pupil funding in wealthier areas and results in education funding inequity that state funding often struggles to equalize. During a recessionary period, inequities are magnified by revenue declines, which can exacerbate existing funding gaps within and across early education programs, K-12 schools and postsecondary institutions. States typically rely on income and sales tax revenues to fund education, which are more vulnerable to declines during recessions than property taxes. State revenue declines often result in greater reliance on inequitable local funding and tuition. Recessions also impose financial constraints on states, which may limit their ability to offset learning loss, promote social and emotional learning and respond to student mental health concerns. Additionally, educational services are counter-cyclical, meaning there is more demand for services during a recession. For example, more students qualify for Head Start programs, free and reduced-price lunch programs and postsecondary financial aid during economic downturns.

State funds have been used to equalize school finance resources to counter this historical pattern. In recent years, education finance has shifted its focus to equitable, rather than equal, student funding models. Equitable distribution refers to resource allocation that accounts for the needs of individual students across the P-20 spectrum and recognizes that some students need more support than others. Instead of equalizing resources, equitable distribution aims to provide enough resources to equalize student achievement, regardless of individual student characteristics.



EQUITY IMPLICATIONS

The equitable distribution of financial resources becomes especially concerning during economic downturns. At the K-12 level, the pivot to greater dependence on local revenue sources can exacerbate the funding gap between property-wealthy and property-poor districts. Without the consideration of wealth disparity, equal state funding cuts disproportionally affect students from low-income backgrounds. Postseconary education funding typically experiences steep declines in state funding during recessionary periods, which worsens inequity.

COVID-19 IMPACT

Schools and postsecondary institutions face additional costs unique to the COVID-19 pandemic because of widespread school shutdowns and a massive shift to online learning. Schools and institutions are considering the costs of providing safety equipment, socially distanced transportation and updated ventilation systems, among other considerations, to conduct in-person instruction. At the same time, technology expenses increase as distance education expands. Schools and institutions using hybrid instruction are also considering both in-person and virtual instruction costs. They may also need to adjust their education service model throughout the year in response to local health conditions.

POLICY CONSIDERATIONS

- Distribute resources equitably and account for both short-term and long-term benefits and costs.
- Provide flexibility at local and institutional levels so education leaders can spend money in a way that works best for them. This includes the flexibility to reserve current funds for unanticipated future needs.
- Create guardrails for flexibility by instituting accountability structures to ensure funds are used in a way that addresses the needs of underserved populations.
- Determine essential services and priorities unique to in-school, hybrid and remote learning environments when making decisions about the investment of limited resources.

POLICY EXAMPLES

CA

California A.B. 48 (enacted, 2019) redesigns the state's allocation process for school building construction to prioritize financial assistance for low-income, low-property wealth districts.

MS

Mississippi S.B. 3044 (enacted, 2020) allocates funding to schools, based on student enrollment, to reimburse students and teachers for technology purchases. H.B. 1792 (enacted, 2020) appropriates $150 million for school technology reimbursements in fiscal year 2021.

NC

North Carolina H.B. 1043 (enacted, 2020) appropriates funding for the Extended Learning and Integrated Student Supports Competitive Grant Program for fiscal years 2019-20 and 2020-21. The purpose of the program is to fund extended learning and integrated student support service programs for students whose learning has been negatively affected by the COVID-19 pandemic. H.B. 1071 (enacted, 2020) provides supplemental funding to low-wealth counties to respond to education impacts associated with the pandemic.

PA

Pennsylvania H.B. 2510 (enacted, 2020) appropriates COVID-19 relief funding for the Pre-K Counts Program and the Head Start State Supplemental Assistance Program. It specifies that the funding may only be used to cover necessary COVID-related costs.