2024-2026

Education Finance Research Agenda

EdFund

Introduction

At EdFund, we envision evidence-based state funding policies that align with district and student needs. In pursuit of our mission and vision, EdFund is committed to fostering and investing in rigorous, policy-relevant education finance research that generates answers to the questions that policymakers ask most often. We will bolster the development of research-informed policy by supporting actionable research and getting findings into the hands of policymakers and advocates.

Given incentives in the research field to engage with theoretical questions, much of today's K-12 finance research has been structured around the ethereal and ongoing debate about whether "money matters." But schools are funded within a resource-constrained environment where this type of discourse does little to advance policy. Each year legislators must make decisions related to _how_ and _what_ to fund for public education, and there is very little evidence or modeling to support the policy changes states face. We must start generating research that is actionable, informative, and contributes to a policy-relevant research base.

Each state has a unique formula that is used to fund its schools. In general, this formula is made up of two distinct and important calculations. First, the state estimates how much each school district needs to operate. They do so through either a student-based formula that allocates funds based on student characteristics or through a resource-based formula that assumes an operating model and funds the associated line-items. Next, the state determines what portion of each school district's total should be raised locally—largely through property wealth—and what portion the state should provide. After that calculation, states largely abdicate any responsibility for local funds communities generate in excess of what is calculated in the formula. In addition, beyond the state formula, a web of laws and regulations affect how districts can spend their funding, thereby shrinking the actual amount of available revenue for instruction and programming. New research that addresses key questions regarding these features of school finance policy can help spur evidence-based reforms in K-12 finance.

To cultivate a stronger evidence base to inform how we finance schools, EdFund will provide grants and fellowships to foster new research that we feel will advance what the field knows, provide new data or tools, and/or connect policy to outcomes.

Through engagement with policymakers and advocates, we identified the key unanswered questions in the policy space around how states determine how much to budget for individual districts and how funding for K-12 is raised. The results of these discussions have been organized into the research areas presented herein.

The type of projects that are most policy-relevant will vary based on what we do and do not currently know. For some topics, we lack sufficient documentation of current practice and the field would benefit from a survey of the landscape or the construction of a new dataset that researchers can utilize. For other topics, there exists enough foundational knowledge to pursue questions around the outcomes of policies and programs for students, districts, or states as a whole. Sample questions are included for each topic to offer guidance on the types of research for which we believe the evidence base can be strengthened.

Allocating Funding

States differ in how they determine allocations to individual school districts. Some states calculate each school district's funding using a resource-based model. Resource-based formulas are structured around the cost of inputs, including and especially teacher salaries. Allocations are distributed primarily in the form of "teacher units" or "resource units," which approximate the costs of a single teacher or classroom. These formulas can potentially create a downstream effect that implies how districts should operate, thereby limiting innovation.

Other states use a student-based formula, which is driven by the count of students in the district, both generally and those in particular demographic categories. These formulas traditionally include a base amount that represents the allocation for a student with no special needs or disadvantages. Additional funding is added to the base to accommodate students who have greater learning needs. However, while these formulas assume a higher district investment in some students, these weights vary dramatically on a state-by-state basis, with very little evidence to support the total dollars allocated to these students. Additionally, in order to account for district-specific costs, these formulas often provide "weights" for cost of living adjustments or economies of scale.

We need to understand the effects of different types of formulas. We also need better evidence to support the details of formula constructs. We are interested in new research that sheds additional light on how differences in the policies that allocate funding to districts relate to the amount of funding received by districts with different characteristics, how districts themselves allocate money to schools and programs, the degree of discretion districts have in spending their funds, and other relevant outcomes.

We engaged with policymakers and advocates to understand the questions they need answered and developed a list of topics where new research insights are vital to the development of informed policies around how school funding is allocated.

Weight setting

Weighted student funding formulas are intended to allow for more flexible resource distribution for school districts while providing a framework for distributing dollars. These formulas imply the expected costs of educating students with differing characteristics through the weights a state sets to determine a district's share. Resource-based formulas may also contain weights or multipliers to account for differential staffing or operational costs. At present, there is insufficient evidence to demonstrate how state priorities, as conveyed through the funding formula, translate to the distribution of resources at the district level. Examples of policy-relevant questions on the impact of weight setting include:

- Do districts distribute resources differently based on how weights are structured in state funding formulas (e.g., high base grant and lower need-based weights vs. low base grant and higher need-based weights; weights for concentrated need vs. only weighting for individual student need)?

- What factors impact districts' ability to distribute resources in alignment with state weights (legal mandates around funding for special education students and other groups, ability of district leaders to recruit and place teachers, etc.)?

Funding based on district characteristics

In any given state, school districts' local contexts may result in differing operational costs that are outside of a district's control. For example, districts that are sparsely populated and/or geographically remote may be confronted with logistical challenges, difficulties with work force recruitment and retention, and diseconomies of scale because of low enrollment. Similarly, differences in regional cost of living may lead to disparate resource costs for districts. Recognizing variation across local contexts, states' funding policies may account for such district characteristics. Examples of policy-relevant questions on school district characteristics include:

- How does the definition of remoteness or sparsity (census designation, students per square-mile, etc.) impact the distribution of resources? Which definitions best target the higher costs resulting from sparsity/remoteness?

- How do districts allocate additional resources provided to adjust for local cost of living or other district characteristics?

- How do adjustments for cost of living or sparsity affect the progressivity of funding formulas?

Assessing local contribution in state funding formulas

In nearly every state, local revenue is a major funding source for public schools, and these funds are addressed in school finance policy through the setting of a local share. After a state establishes its allocation formula, an expected or required local contribution is calculated to determine the district's responsibility for funding their formula amount. The expected local share dictates how much the state is expected to provide to local districts in an effort to equalize resources, both in total and to individual districts. Examples of policy relevant questions on assessing the local contribution in state funding formulas include:

- How do states assess local tax capacity? How do different methods of assessment impact the distribution of resources?

- How closely do expected local contribution calculations reflect underlying ability to pay based on district income and wealth?

- How closely do expected local contribution calculations match actual revenues raised locally?

District resource distribution

State funding formulas determine the share of resources that a given district will receive. More than this, the calculation used in the formula may imply how districts should distribute their resources and/or include explicit requirements that limit the share of resources that districts may allocate autonomously. Understanding how state funding formulas influence districts' distribution of resources is key to providing lawmakers and advocates with the evidence they need to advance school funding policy. Examples of policy relevant questions on district resource distribution include:

- How do state funding formulas influence district resource distribution?

- Can states influence district resource allocations to align with priorities and goals through advice or incentives (providing evidence of best practice, offering grants for certain programs, outcomes-based funding, etc.)? Which approaches to motivating alignment are most impactful on resource distribution?

- Do state policies and influence affect district flexibility in allocating resources across students, schools, and programs?

- How do state policies outside of the funding formula influence district resource distribution?

- Do state policies or programs that influence district resource distribution have an impact on student outcomes?

Raising Resources

Across states, there is considerable variation in policies that impact how revenue for K-12 public education is raised. These incentives and requirements determine the overall tax rates of each school district. They can also create substantial disparities in funding and tax burden for communities.

For example, some states have policies that require local communities to dedicate a portion of their overall wealth and/or their state-calculated education budget to cover the cost of schools. Other states incentivize communities to increase local taxes through matching programs. These incentives and requirements determine the overall financial burden of taxpayers and can create substantial imbalance in resources and/or the level of effort for communities.

Conversely, some states institute local tax caps to create more equity in education funding. Others set growth limits or business exemptions for industry and business that would otherwise contribute to education-specific revenue at the local or state level. These policies determine how much total revenue can be raised to support schools.

Advocates and lawmakers need to understand much more about the effects of fundraising policies on states' ability to fund schools. They are interested in new research that sheds additional light on how differences in these policies relate to the distribution of local tax effort, the relative stability or volatility of revenues, voter behavior, and other relevant outcomes.

Our engagement with policymakers and advocates identified the questions they need answered and culminated a list of topics where new research insights are vital to the development of informed policies around how school funding is raised.

Constraints on local funding generation

To curb or equalize spending above what is allocated through the state's funding system, states may opt to impose constraints on how much local revenue can be levied for schools. Such policies are intended to dampen the ability of better-resourced districts to outspend other districts in the state with more limited tax bases. Little is known about the broader implications of these policies on the total amount and distribution of school funding within a state. Examples of policy-relevant questions about constraints to local funding generation include:

- Does constraining the generation of local funding affect the overall amount of funding in the system?

- Do local revenue constraints impact district priorities (e.g., operations vs. capital)?

- Do local revenue constraints affect revenues raised outside of governmental control (e.g., PTA fundraising)?

- Do local revenue constraints impact student sorting into private schools?

- Do local revenue constraints impact the makeup of the teacher workforce?

Tax effort

The degree to which a local community leverages their capacity to raise taxes constitutes the local tax effort. To raise the same level of funding, the tax effort required of families is higher in some communities than in others because of variation in the value of the local tax base. Local tax effort has ramifications for both the total amount of money in the funding system as well as for which communities bear the greatest tax burden. Additional research is needed to explore the distribution of tax burden across different communities and how this relates to state funding formulas. Examples of policy-relevant questions on tax effort include:

- What are the characteristics of the communities who pay the highest proportion of their wealth for schools?

- What is the impact of local tax effort on the distribution of funds in a state?

- Is there a relationship between the degree of progressivity in a state's funding formula and voter behavior/overall local tax burden?

- Is there a relationship between the share of local students who attend public schools and local taxpayers' willingness to impose taxes upon themselves?

- How do state funding formulas and policies (e.g., progressive vs. regressive formulas, requiring a minimum local tax effort) impact tax effort in the state and in different local contexts?

Restricted state revenues

In some states, there are self-imposed limits to the amount of revenue that can be spent and retained by the state government (e.g., Colorado's Taxpayer's Bill of Rights, Oklahoma's requirement of at least a three-quarters legislative vote for bills that increase taxes). When present, these restrictions may be enshrined in the state constitution. These types of provisions impact a state's ability to raise money, however, there is not sufficient research to assess the consequences of these types of revenue constraints on school funding. Examples of policy-relevant questions on restricted state revenues include:

• How do policies that restrict growth in state collected taxes/revenues affect year-over-year education appropriations?

• Do policies that restrict growth in state collected taxes/revenues lead to more regressive funding?

• How do restrictions on state revenues impact the share of total state revenue that is earmarked for education?

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