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This response was prepared for Pad McCracken, Montana Legislative Services Division, School Funding Interim Commission.

Your Question:

You asked a series of questions regarding best practices in school finance reform.

- What has made efforts successful?
- What are the pitfalls?
- What can Montana learn from others?
- What trends do you see in formula design?

Our Response:

What has made efforts successful?

Robust stakeholder and public engagement. The state can ensure that all these voices and perspectives are heard in the design of K-12 funding formulas by establishing multiple pathways for public engagement. This approach can include town hall discussions, public surveys in multiple languages, requests for public comment on proposals or assigning a diverse stakeholder representation to topic area subcommittees. These engagement opportunities build trust and buy in from community members and allow the state to be a partner that can help solve challenges.

Tennessee enacted the Tennessee Investment in Student Achievement Act (TISA) at the start of the 2022 legislative session, which overhauled their 30-year-old formula with a new student-centered approach. As part of the process for designing TISA, the state department of education convened 18 review committees with participation from a wide range of stakeholders, such as students, teachers, principals, charter schools and interest groups. The department held 16 town halls and multiple conversations with local leaders to create opportunities for public engagement.

Clear communication with the public. State K-12 funding formulas are notoriously complex, which limit public understanding and engagement in state funding conversations. Some complexity may be necessary in allocating funds to cover such a wide range of services. However, the state can take steps to simplify the formula and integrate the people it is intended to serve into the design process. The state can take the lead communicating how the formula works to the public and publish spending data online. **Utah** created a website called Transparent Utah in 2008 to ensure state and local government financial information is readily available to the public. The website publishes K-12 education tools for examining performance and spending.

Ensure the new formula addresses the shortcomings of the current model. A clear understanding of the problems of the current funding model can help inform decision makers and help prioritize investments in the redesign process. States have budgetary constraints that place restrictions on what can be accomplished in a new formula. By identifying the most pressing challenges, state leaders focus on addressing those challenges. Frequent concerns include an overly complex and confusing funding system, inequitable distribution to districts, insufficient local autonomy, and inadequate funding levels. The K-12 Funding Toolkit published by Education Commission of the States highlights policies states can adopt to address challenges related to many of these issues, including those related to transparency, adequacy, fairness, sustainability, and being student centered.

What are the pitfalls?

No revenue plan to fully implement the formula. State's may phase-in funding formulas overtime, rather than implementing the formula all at once. This policy choice can be made to provide time for districts to transition to new funding allocations. States may phase-in formulas if they do not have sufficient revenue to fully implement the new formula at the time of adoption. If the state does not have a plan to generate the revenue, then this can result in a prolonged phase-in period, where districts may be receiving funding from more than one formula – creating a complex and disjointed funding system. Both Maryland and New York have phased in their formulas over more than a ten-year period. New York adopted their Foundation Aid Formula in 2007. Yet, after experiencing financial challenges during the recession, the formula was not **fully funded** until 2024.

What can Montana learn from others?

State technical support for districts to help transition to the new formula. Alabama adopted the Renewing Alabama's Investment in Student Excellence (RAISE) Act (S.B. 305) during the 2025 legislative session creating a new state funding formula for K-12 schools. To assist local districts in the transition, the state Department of Education will offer a professional learning series on the RAISE Act for district leaders that explains the components of the RAISE Act and provides guidance on how to budget at the district level. This will be important as the new formula provides more flexibility in spending choices at the local level. The RAISE Act also establishes two bodies to oversee the implementation of the formula. The Accountability and Implementation Board will monitor the progress of school districts in reaching their goals for student achievement and to ensure that funds are spent effectively. The review committee will determine the effectiveness of the program and recommends revisions for continuous improvement.

What trends do you see in formula design?

More centralized. States recently adopting new funding models often attempt to incorporate separate funding streams into a centralized formula with limited allocations outside of the formula. States have separate funding streams to designate dollars for specific services or student groups. However, there are drawbacks to relying on many different funding streams. A state that uses dozens of different grant programs creates a complex funding picture for school district leaders and the public. For example, prior to the state's transition to the Local Control Funding Formula, California had more than 30 separate categorical grants that determined how much aid schools received from the state. One funding formula can be difficult to effectively communicate, but creating transparency for 30 different allocation methods can be excessively burdensome. In addition, categorical grants may or may not be mandated to increase with inflation or enrollment. If they are not, then funds can diminish in adequacy over time.

Nevada adopted the **Pupil-Centered Funding Plan** in 2019 with transparency as one of its four core concepts. This plan consolidated more than **30 different** categorical grants previously allocated through the Nevada Plan largely into one centralized formula. The new formula provides a guaranteed basic level of support for each student in the state with multipliers for certain geographic areas and student groups. This approach allows the state to differentiate funding to different communities without relying on numerous allocation methods.

Increased differentiation by using multiple weights. States allocate supplemental funding for students and districts with additional learning needs to receive specialized instruction or supports. In a student-based formula, funding for these student groups is often allocated by using a weighted funding factor. In states with multiple weights, the different weights can be assigned based on many criteria. In the **50-State Comparison on K-12 Funding**, ECS identified that many states now use more than one weighting factor for different student groups. The comparison identified 25 states and D.C. use multiple weights for special education services, 21 states use multiple weights for the small or sparse aid factor, 18 states use multiple weights for students from low-income backgrounds, and 16 states use multiple weights for English learners.

For example, for special education services, the weights can be assigned based on: How much the student's disability impedes activities of daily living (often described as mild, moderate or severe); the specific disability determined in the Individualized Education Program (e.g., visually impaired students receive one weight and autistic students receive another weight); or the placement of the student (e.g., students who are educated out-of-district or in a private facility receive a higher amount).