

What is Fair Funding?

Fairness in funding is defined as “a state finance system that ensures equal education opportunity by providing a sufficient level of funding distributed to districts within the state to account for additional needs generated by student poverty” (Baker, 2012, p.6). Understanding the fairness-of-funding mechanisms is critical “in our efforts to ensure a high quality education and to close opportunity and achievement gaps among subgroups of students which include special needs students” (p.6). The core principles inherent in a fair funding formula include the following:

- Varying levels of funding are required to provide equal educational opportunities to children with different needs.
- The costs of education vary based on geographic location and other factors, particularly regional differences in teacher salaries, school district size, population density and various student characteristics. It is critical to account for as many of these variables as possible, given the availability of reliable data.
- The level of funding should increase relative to the level of concentrated student poverty. That is, state finance systems should provide more funding to districts serving larger shares of students in poverty. Economists often evaluate systems as “progressive” or “regressive.” As used in this report, a “progressive” finance system allocates more funding to districts with high levels of student poverty; a “regressive” system allocates less to those districts; and a “flat” system allocates roughly the same amount of funding across districts with varying needs.
- Student poverty—especially concentrated student poverty—is the most critical variable (p.5).

The fairness measures include the following:

Funding level—This measurement gauges the overall level of state and local revenue provided to school districts, and compares each state’s average per pupil revenue with that of other states, including those within a particular region. To recognize the variety of interstate differences, each state’s revenue level is adjusted to reflect differences in regional wages, poverty, economies of scale and population density.

Funding distribution—This factor measures the distribution of funding across local districts within the state relative to student poverty.

Effort—This factor weighs differences in state spending for education relative to state fiscal capacity. “Effort” is defined as “the ratio of state spending to state per capita gross domestic product.”

Coverage—This factor measures the proportion of school-age children attending the state’s public schools, as compared with those not attending public schools (primarily private, parochial and home-schooled students). The share of the state’s students in public schools, and the median household income of those students, is an important indicator of the distribution of funding relative to student poverty and to overall effort to provide fair school funding (p.7).

“Is School Funding Fair: A National Report Card” found that, in 2012, New Jersey ranked among the top four states in all measures along with Iowa, Massachusetts, Vermont and Kansas.

(For a more detailed look at this research framework, methodology and findings and a for deeper understanding of the importance of fair school funding as a critical determinant of successful school outcomes, go to www.schoolfundingfairness.org.)

As important as adequate, equitable and fair funding is to special education, any discussion of the costs of providing special education services is incomplete without examination of cost-effective delivery models that correlate to improved student outcomes. As Commissioner of Education Chris Cerf noted:

Recognizing that “how well” education dollars are spent is as important as “how much” is spent and changing the way money is spent is by far the most important means of actually changing behavior in schools and ensuring that all students, regardless of birth circumstances, graduate from high school ready for college and career. Even as we continue to invest in our public education system, we must remain willing to examine how we are spending our limited dollars and work towards solutions that make every dollar we invest count.⁷

⁷ Assembly Budget Committee Testimony from the Department of Education, delivered by Commissioner Chris Cerf, Thursday, April 11, 2013.

Evaluating Funding Mechanisms

Following are optimal funding criteria, identified by Hartman (1992), Parrish (2005), and Chambers and Levin (2009). Viewed holistically, the criteria illustrate a fundamental value that should be at the core of any discussion of the funding and delivery of special education: *fairness*.

Understandable, Transparent, Accessible and Politically Acceptable	<ul style="list-style-type: none"> • The funding system, its underlying policy objectives and concepts are clearly articulated and understood by all stakeholders, e.g., legislators, school administrators, boards of education, advocates. • Implementation avoids any major short-term loss of funds. • Implementation involves no major disruption of existing services.
Equitable	<ul style="list-style-type: none"> • Student equity: Dollars are distributed to ensure comparable program quality regardless of district. • Wealth equity: Availability of overall funding is not correlated with local wealth. • District-to-district fairness: Funding for comparable resources provided for comparable students. (Parrish, <i>et al.</i> (2003) p.13; Chambers and Levin (2009)
Adequate	<ul style="list-style-type: none"> • Funding is sufficient for all districts to provide appropriate programs for special education students.
Predictable, stable and timely	<ul style="list-style-type: none"> • Local education agencies of funding allocations are informed in a timely manner so that they can properly plan for the delivery of needed services. • The system produces predictable demands for state funding. • State and Local education agencies can count on stable funding across years.
Flexible	<ul style="list-style-type: none"> • Local education agencies are given latitude to deal with local conditions in a cost-effective manner. • Changes affecting programs and costs can be incorporated into with minimal disruption. • LEA's are given maximum latitude in use of resources in exchange for outcome accountability.
Identification Neutral	<ul style="list-style-type: none"> • The number of students identified as eligible for special education is not the only or primary basis for determining the amount of special education funding to be received. • Students do not have to be labeled "disabled" in order to receive services.
Reasonable Reporting Burden	<ul style="list-style-type: none"> • Maintenance costs are minimized at both the local and state levels. • Data requirements, record-keeping, and reporting are kept at a reasonable level.
Cost-Based	<ul style="list-style-type: none"> • Special education funding is linked to the costs districts face in providing programs and services.
Cost Control	<ul style="list-style-type: none"> • Patterns of growth in special education costs statewide are stabilized over time. • Patterns of growth in special education identification rates statewide are stabilized over time.
Placement-Neutral	<ul style="list-style-type: none"> • District funding for special education is not linked to where the services are received. • District funding for special education is based on the type of educational placement. • District funding for special education is not based on disability label.
Accountability for Spending and Learning Outcomes	<ul style="list-style-type: none"> • Conventional accounting procedures are followed to assure that special education funds are spent in an authorized manner. • Procedures contain excessive or inappropriate special education costs. • Costs are linked to outcomes. • State monitoring is based on multiple measures of student outcomes. • A statewide system for demonstrating satisfactory progress for all students in all schools is developed, implemented and monitored. • Schools showing positive results for students are given maximum program and fiscal latitude to continue producing favorable results.
Connection to Regular Education Funding	<ul style="list-style-type: none"> • The special education funding formula should have a clear conceptual link to regular education financing. • Integration of funding will likely lead to integration of services.