

# How Should Policymakers Apportion School Funding Postpandemic?

## *Five Solutions for K–12 Funding Allocations in 2021–22*

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In most states, a sizable portion of [K–12 education funding comes from state and local dollars](#), with federal funding accounting for around 10 percent.

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Increases in per student educational [spending has been shown to increase wages and reduce adult poverty](#).

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In the 2016–17 school year, [33 states directed more funding to low-income students](#) than to higher-income students.

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Cutting state budgets by [a flat rate would predominantly disadvantage schools serving low-income students](#) in almost every state.

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With declines in enrollment and attendance, increases in student poverty, and potential reductions in state revenue, policymakers are facing a perfect storm of uncertainty in apportioning K–12 education funding.

State policymakers typically use prior-year enrollment numbers or average daily attendance to allocate funding proportional to the number of students a school serves. In most states, these [funding formulas are designed to more equitably distribute money](#) to schools serving low-income students. This year, however, substantial pandemic-induced changes in enrollment, as well as uncertainty in the measurement of student poverty, will complicate the assessment of which school districts need funding the most.

To understand how states can most equitably allocate available funding, we modeled five policy approaches, each with benefits and drawbacks. From our analysis, it is clear that policymakers cannot rely on the status quo to efficiently distribute resources to the districts most in need.

### **POLICY OPTIONS ADDRESSING STUDENT WITHDRAWAL AND POVERTY**

The pandemic has led to relatively large changes in measures of student poverty and enrollment. Policymakers need to assess which students have withdrawn— younger or older, low income or higher income—and how student poverty measures have changed in order to best fund school districts in 2021–22. To understand all the options, we tested five changes to funding formulas against multiple enrollment and poverty scenarios.

**1. Use pandemic measures.** Policymakers could stick to the status quo and use prior-year enrollment and poverty measures to determine funding allocations. This would mean using 2020–21 data to determine 2021–22 funding. If enrollment declines are more prevalent among economically disadvantaged or young students, using pandemic measures could disadvantage schools that serve low-income students. Although this method captures any rise in student poverty, it could overrepresent students experiencing short-term poverty and decrease funding to schools that predominately serve students experiencing long-term poverty.

**2. Ignore pandemic measures and use prepandemic measures.** With so much uncertainty around 2020–21 enrollment and poverty data, using prepandemic

values from 2019–20 could more equitably allocate funding. But poverty rates will likely be underrepresented. Further, if higher-income students who switched to private schooling do not return to public school next year, this approach could overallocate funds to wealthier districts, disadvantaging schools serving low-income students. To address these educational gaps, funding allocations should incorporate current student poverty rates, not the lower rates from 2019–20.

**3. Average both 2019–20 and 2020–21 measures.** This approach offers policymakers an easy calculation, lessens funding losses from decreased enrollment, and helps mitigate any overrepresentation of short-term poverty. But if students who withdrew were predominantly low income, this approach could reduce funding for districts serving those students next year. It also rewards districts that retained students and likely overallocates funding to districts with wealthier students.

**4. Average from both years, but weight toward prepandemic measures.** A weighted average could create a more equitable funding picture. By putting, for example, a two-thirds weight on prepandemic (2019–20) values and a one-third weight on pandemic (2020–21) values, policymakers can minimize the effects of enrollment declines and short-term poverty changes. But this approach rewards districts that retained students (less so than a straight average) and likely disadvantages districts serving low-income students.

**5. Use progressive adjustments to benefit low-income districts.** Although this approach likely requires broader changes to state funding formulas, policymakers could seek to preserve or increase funding to districts with large shares of low-income students. These progressive adjustments rely more on prepandemic values while boosting estimated poverty rates, increasing funding to districts most in need. But these adjustments could introduce costs, which may not be feasible if state budgets contract.

## WHAT ARE THE BEST APPROACHES FOR CREATING EQUITABLE FUNDING FORMULAS?

For any of these solutions to help the school districts most in need, state policymakers must understand how the pandemic has affected districts. Which students have withdrawn and how poverty rates have changed will dictate how equitable any 2021–22 funding formula might be. Policymakers should do the following:

- **Work proactively with districts to understand their needs.** Large swings in enrollment or attendance from this year to next could severely harm school districts without the necessary funding to accommodate a sudden return of students to prepandemic levels.
- **Allow for flexibility in any funding allocation.** Districts could project additional enrollment and poverty needs if the funding formula insufficiently projects their 2021–22 needs. If those projected targets are not met, the state could reclaim the extra funds.
- **Focus on funding formulas that preserve or increase funding to districts that serve large shares of low-income students.** Long-term poverty can have long-lasting academic consequences, so policymakers should prioritize districts that served large shares of students who were experiencing poverty before the pandemic.

Without a considered policy approach to 2021–22, K–12 funding formulas that rely too heavily on 2020–21 measures could exacerbate funding disparities and disproportionately harm districts with large shares of low-income students. But with many states experiencing revenue declines, increasing funding to meet increased student need may not be an option without federal support. As students' educations have already been significantly upended by the pandemic, policymakers should ensure that school districts move forward with the financial support they need.

This fact sheet draws from the Urban Institute report *How COVID-19-Induced Changes to K–12 Enrollment and Poverty Might Affect School Funding*, available on [urban.org](https://www.urban.org). See the report for more information about the data.