HOW STATES PROTECT FUNDING FOR K-12 PUBLIC SCHOOLS

A summary of state policies

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edCHOICE

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EdChoice is a 501(c)(3) nonprofit, nonpartisan organization. Our mission is to advance educational freedom and choice for all as a pathway to successful lives and a stronger society. We are committed to understanding and pursuing a K–12 education ecosystem that empowers every family to choose the learning environment that fits their children's needs best. EdChoice is the intellectual legacy of Milton and Rose D. Friedman, who founded the organization in 1996 as the Friedman Foundation for Educational Choice. The contents of this publication are intended to provide empirical information and should not be construed as lobbying for any position related to any legislation.

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PRIMER ON FUNDING PROTECTION POLICIES

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STATE PROFILES INDEX

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EXECUTIVE SUMMARY

As current trends across the country indicate widespread declining student enrollment and attendance, EdChoice is interested in how states respond. It enlisted Hanover Research to summarize publicly available information for each of the 50 U.S. states about the role enrollment plays in state funding formulas, as well as any state-level policies that may reduce the impact of declining enrollment on education funding.

This report presents an analysis of the policy scan and summarizes the key findings of the policy scan including trends in education funding formulas, funding, and enrollment protections across the United States. Key findings covered in this report include: the type of education funding formulas in each state; the metrics these formulas use to measure enrollment; as well as the declining enrollment; hold harmless, and temporary provisions for enrollment and funding protections identified in the initial policy scan. This policy scan analysis is part of a series of studies that will enable EdChoice to examine the broader landscape of the impact of declining enrollment on school funding and related policies across the United States.

The full version of the policy scan can be found in How States Protect Funding for K-12 Public Schools: State Profiles Index.

Key Findings

- **More than half of the states (30) use a funding formula that is largely student-based, tying education funding for districts directly to enrollment metrics.** Seven states use a primarily resource-based formula and only one state uses a primarily program-based formula. Ten states use hybrid formulas that combine student-, resource-, and program-based funding components. Two states, Illinois, and Pennsylvania, use hybrid methods that combine funding formula components with historical allocations. These two states, as a result, allocate most of their state funding through hold harmless provisions.

- **States use a variety of methods to calculate enrollment for funding purposes: 23 use Average Daily Membership, six use Average Daily Attendance, 12 use a single count date, and nine use multiple count dates.** Most states that use a single count pick a day in the fall, while most states that have more than one count use a day in the fall and another in the spring. Finally, a number of states average out several years of data or allocate funding based on the greater of several metrics. These approaches soften the effects of declining enrollment on funding losses in any single year and stretch them out over a longer period.

- **The policy scan identified 16 states that currently have declining enrollment provisions that mitigate the impact of declining enrollment from one year to the next.** Additionally, four states once had declining enrollment provisions, but these are no longer in effect. A declining enrollment provision delays or softens the impact of enrollment decline on state aid by basing funding allocations on the greater of several enrollment data points. A state may, for example, use the greater of the current year or the prior year's numbers, or it may use the greater of the current year or a 3-year rolling average. Unique cases include Colorado, which allocates funds on a rolling average that extends up to five years, and Michigan, which allocates funding based on a 90:10 ratio of current year to prior year enrollment.

- **A total of 22 states currently have hold harmless provisions that protect districts against year-to-year losses.** Three additional states once had former hold harmless provisions, which are no longer in effect. Six states currently hold districts harmless by guaranteeing their prior year funding levels, though sometimes with some restrictions. Twelve states currently have provisions that give districts some relief from funding loss, and seven states currently guarantee certain levels of funding based on historical allocations. Two states have other forms of hold harmless policies that guarantee districts a percentage of state aid or tuition reimbursements for students transferring from public districts to charter schools.

- **The policy scan identified 27 states that had temporary provisions in place during the pandemic to provide protection against funding losses, largely as a result of enrollment decline.** Most of these states changed their formulas temporarily or gave one-time grants to limit the impact of enrollment changes. A few states changed specific components of their funding formula, such as instructional days, accountability, or benchmarking data. Several states temporarily guarantee districts a certain level of funding regardless of their current enrollment.

- **A total of 42 states offered either temporary or permanent protections during the pandemic (2020 to present) to help district finances through enrollment or hold harmless provisions.** The policy scan found that most states had at least one policy or provision in place that limited reductions in funding that may be caused by declining enrollment (among other factors). Eight states had only temporary provisions. Twelve states had funding formulas with declining enrollment provisions, 18 had active hold harmless policies in place, and four states had both declining enrollment and hold harmless protections.

METHODOLOGY

This report analyzed findings from the policy scan that Hanover conducted in December 2022.[i] As part of the analysis, Hanover created a summary table of all the relevant policies and funding formula information.[ii] It then reviewed secondary research to identify initial categories for this analysis and then organized the policies by type (declining enrollment, hold harmless, and temporary provisions), and identified further categories for comparison.[iii] Hanover then identified all the states with temporary provisions or current declining enrollment and hold harmless provisions to provide an initial analysis of states with any form of funding protection active during the COVID-19 pandemic that could protect districts from funding losses due to enrollment decline.

This report contains the following four sections:

- **State Funding Formulas** provides a summary of the education funding formula used in each state and how these formulas measure enrollment, including the enrollment metric, count dates, and count year.

- **Declining Enrollment Provisions** summarizes the states that have current or former provisions in their funding formulas that mitigate funding losses from one year to the next by delaying the impact of enrollment decline.

- **Hold Harmless Provisions** summarizes the states that have current or former provisions that hold districts harmless for at least a portion of funding losses from one year to the next. This section differentiates between provisions that hold districts harmless to a certain percentage of the decline, provisions that hold districts harmless to prior year funding, and provisions that hold districts harmless in relationship to certain historical allocations.

- **Enrollment Protections During the COVID-19 Pandemic** summarizes the states that implemented temporary funding and enrollment protections during the pandemic. It also provides a summary of all states that had active provisions, including declining enrollment, hold harmless, and temporary provisions, that would provide protection against funding losses during the period of the pandemic (2020 to present).

[i] Martin F. Lueken (2023), "How States Protect Funding for K-12 Public Schools: State Profiles Index," EdChoice, prepared by Hanover Research..

[ii] Methodology Note: This analysis excludes one provision about budget adjustments for enrollment growth and only includes small schools' provisions identified in the initial policy scan that are specific to declining enrollment. It also only includes formula transition hold harmless provisions that were active during the COVID-19 pandemic. Additionally, although this analysis includes former declining enrollment and hold harmless provisions, there may be other formerly active provisions that were not identified in the policy scan.

[iii] Sources that informed the methodology for this analysis include: EdBuild, "FundEd: National Policy Maps," http://funded.edbuild.org/national, policy, funding, education, 50; Syverson, E. and C. Duncombe (2022), "Student Counts in K-12 Funding Models," Education Commission of the States, https://www.ecs.org/wp-content/uploads/Student-Counts-in-K-12-Funding-Models.pdf; Atherton, M.J. and M.E. Rubado (2014), "Hold Harmless Education Finance Policies in the U.S.: A Survey," Center on Regional Politics, https://williampennfoundation.org/sites/default/files/reports/Hold%20Harmless.pdf; Jarmolowski, H. and M. Roza (2021), "Proceed with Caution: With Enrollment Drops, States Are Looking to Hold District Budgets Harmless," Edunomics Lab, https://edunomicslab.org/wp-content/uploads/2021/02/Proceed-with-caution.pdf; "How States Implement Hold-Harmless Provisions in 2020 and 2021," National School Board Association, 2021, https://www.nsba.org/-/media/NSBA/File/cpe-hold-harmless-research-brief-2021.pdf

STATE FUNDING FORMULAS

This section summarizes the findings about the education funding formulas used in each state and how these formulas measure enrollment.

States by Type of Funding Formula

States use three primary types of funding formulas: Student-Based, Resource-Based, and Program-Based. Some states use hybrids that draw on each of these types. In some cases, states also use historical allocations, which are not determined through a formula. Figure 1 provides an overview of the three main types of formula, as well as funding based on historical allocations.

Most states use primarily student-based funding formulas, followed by hybrid formulas and resource-based formulas. This analysis identified 30 states that use primarily student-based formulas to fund education. It also identified seven states that fund education primarily through resource-based formulas. These states base funding allocations on the cost of education, and generally they use enrollment counts when they calculate units or thresholds for distributing funding. One state, Wisconsin, has a primarily program-based funding formula, and 12 states have hybrid formulas that use a combination of components. Two of the 12 states, Illinois and Pennsylvania, base much of their state aid amounts on historical allocation levels, rather than funding formulas, due to hold harmless provisions (see section "Hold Harmless Provisions"). Figure 2 gives a snapshot of how each state allocates education funding.

States by Enrollment Count Metrics

State funding formulas draw on one or more methods to measure enrollment for funding purposes: ADA, ADM, single count, and multiple counts. States that measure Average Daily Attendance (ADA) base their funding on the average number of students in attendance during the school year. States that measure Average Daily Membership (ADM) base state funding on the number of students enrolled in the district during the school year.

FIGURE 1 Funding Formula Types



Student-Based — The formula assigns a base cost for educating an average student and then calculates state funding for districts primarily by multiplying that number by a district's enrollment. The state accounts for the additional cost of educating specific categories of students in one of several ways: by applying multipliers to the base cost; by adding flat, per-student dollar amounts to the base cost; and/or through program-specific allocations.



Resource-Based — The formula determines the cost of delivering education in a district by looking at the cost of specific resources, such as staff salaries and course materials, required to do so. The state may separately account for the additional cost of educating specific categories of students by distributing flat, per-student dollar amounts and/or using program-specific allocations.



Program-Based — The formula determines the cost of delivering education in a district by using the cost of specific programs and initiatives. In general, it does not itemize either the costs related to particular resources or the costs of delivering education to specific categories of students.



Historical Allocations — The state allocates most or all funding to districts without using a formula. The bulk of education is instead distributed based on historical allocation levels.

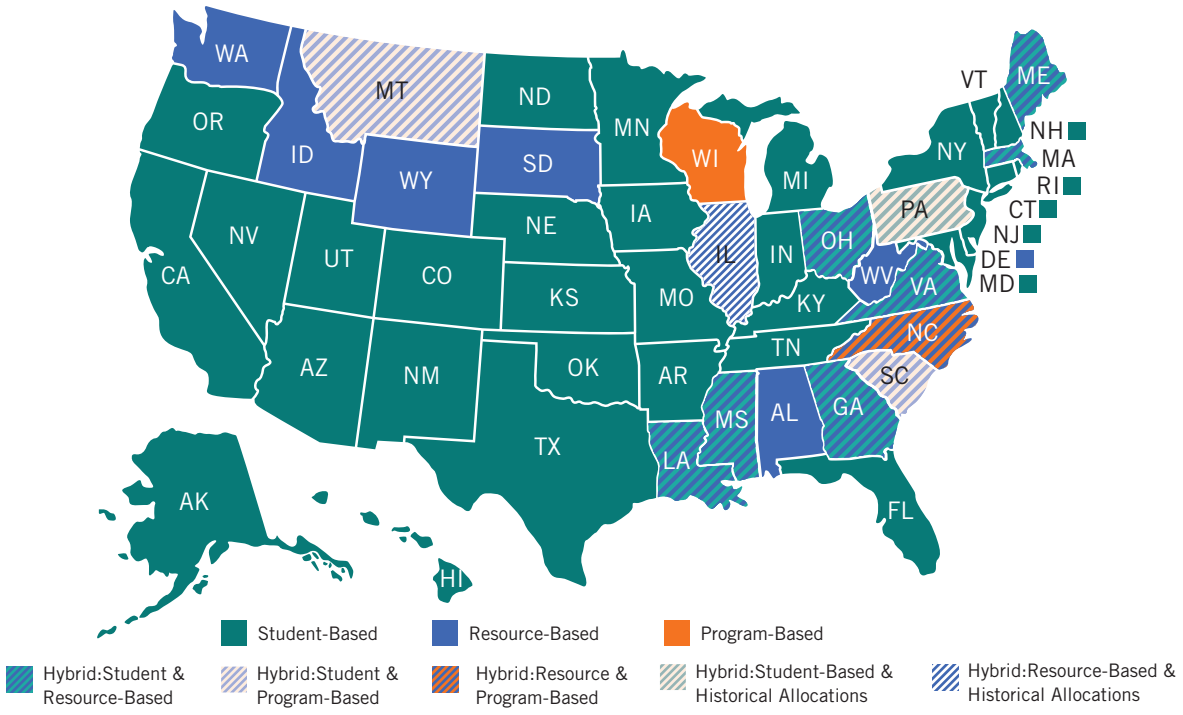
Source: EdBuild, "FundEd: National Policy Maps," http://funded.edbuild.org/national, policy, funding, education, 50.

States that use single count metric base funding on one enrollment or attendance count date during the school year, while states that use the multiple count metric base funding on more than one enrollment count or period.

ADM is the most common enrollment metric for funding purposes, followed by single count dates and multiple counts. The ADA is the least common metric. According to the information identified by the policy scan, 23 states use Average Daily Membership (ADM) as the primary enrollment metric for funding purposes. The second most common enrollment metric is the single count, which 12 states use, with all but Louisiana using a fall count. Nine states use multiple count dates, with most using one fall and one spring count. (Florida and Washington are exceptions.) A total of 6 states use Average Daily Attendance (ADA) to measure enrollment for funding purposes. Figure 3 uses to measure enrollment.

While most states base funding allocations on either current year or prior year enrollment numbers, many also use the average of multiple years' enrollment data. One state, Michigan, bases funding on a ratio of current year and prior year data. Table 1 summarizes what each state uses to calculate enrollment for funding purposes. It includes the enrollment metric, the count date(s), and the count year(s).

FIGURE 2 States by Funding Formula Type



Sources: Martin F. Lueken (2023), "Protect Funding for K-12 Public Schools: State Profiles Index," EdChoice, prepared by Hanover Research.; "FundEd: National Policy Maps," Op. cit.

FIGURE 3 States by Enrollment Count Metric

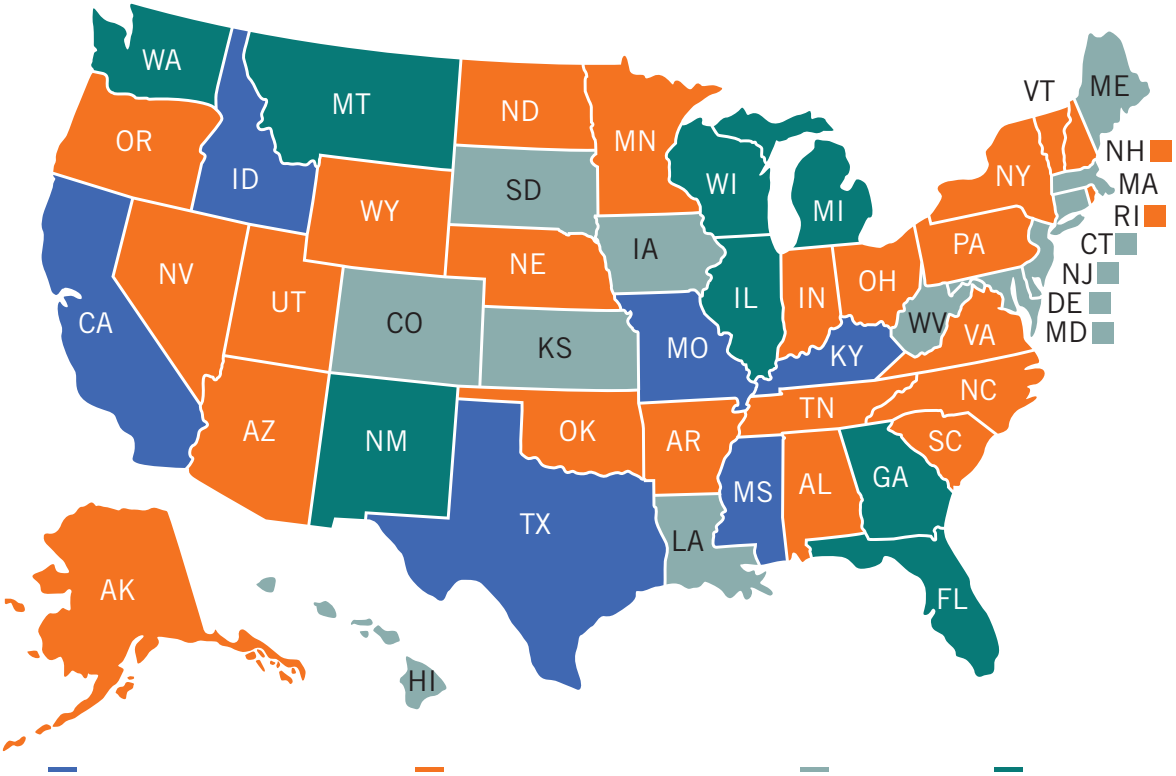
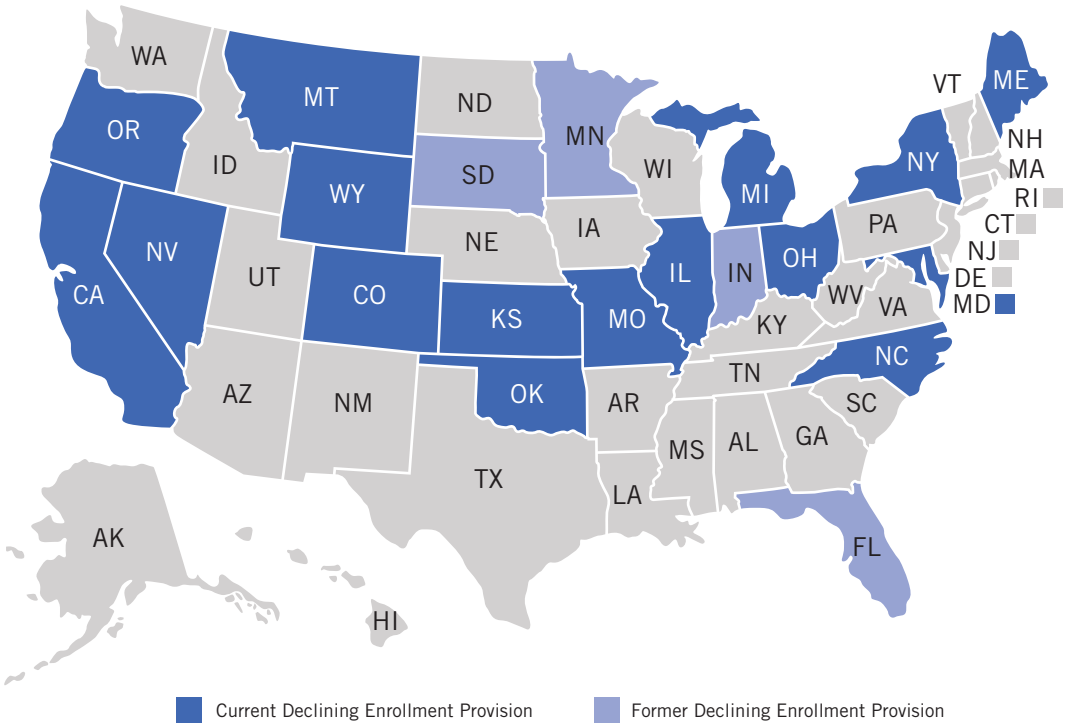


TABLE 1 States by Enrollment Count Metric

State	Metric	Count Date(s)	Count Year(s)
Alabama	ADM	September	Prior Year
Alaska	ADM	October	Current Year
Arizona	ADM	100th day of instruction	Current Year
Arkansas	ADM	3rd Quarter	Prior Year
California	ADA	From the beginning of the school year to December; from the beginning of School year to April 15, Entire School year	Greater of Current Year or Prior Year (or 3-Year Average)
Colorado	Single Count	October 1	Up to 5 years
Connecticut	Single Count	October 1	Current Year
Delaware	Single Count	Last school day of September	Not Available
Florida	Multiple Counts	July, October, February, June	Current Year
Georgia	Multiple Counts	Between Oct 1 - Nov 17, Between March 1-May 1	Not Available
Hawaii	Multiple Counts	Beginning of the School year, end of first quarter (Sept or Oct), and beginning of third quarter	Current Year
Idaho	ADA	First day of the fall semester to the first Friday in November, 28 highest weekly ADA counts of the entire school year	Not Available
Illinois	Multiple Counts	October 1 and March 3	Current Year or 3-Year Average
Indiana	ADM	September (Fall) and February (Spring)	Current Year
Iowa	Single Count	October 1	Prior Year
Kansas	Single Count	20-Sept	Prior Year or Second Prior Year
Kentucky	ADA	Not Available	Prior Year
Louisiana	Single Count	February 1	Prior Year
Maine	Single Count	October 1	Greater of prior 2-Year or prior 3-Year Average
Maryland	Single Count	September 30	Prior Year or 3-Year Average
Massachusetts	Single Count	October 1	Prior Year
Michigan	Multiple Counts	First Wednesday of October and First Wednesday of February	90:10 ratio — Current Year to Prior Year
Minnesota	ADM	Not Available	Current Year
Mississippi	ADA	October and November	Current Year
Missouri	ADA	First Wednesday in September and First Wednesday in January	Highest of current year, prior year, and second prior year
Montana	Multiple Counts	First Monday in October and First Monday in February	Current Year, 3-Year Average
Nebraska	ADM	October 1	Prior Year, adjusted by ADM-to-Fall Membership ratio of 3 preceding school years
Nevada	ADM	October 1, January 1, April 1, July 1 (Quarterly)	Current Year
New Hampshire	ADM	November 15	Prior Year
New Jersey	Single Count	Last school day of prior year to October 16 of current year	Current Year
New Mexico	Multiple Counts	First school day in December and Second Wednesday in February	Prior Year
New York	ADM	First Wednesday in October	Current Year, Average of Current Year and Prior Year
North Carolina	ADM	Not Available	Current Year or highest of first two months from Prior Year
North Dakota	ADM	Not Available	Not Available
Ohio	ADM	October 31 March 31 and June 30	Greater of Prior Year or 3-Year Average
Oklahoma	ADM	First nine weeks of the school year	Greater of Current Year or Prior Year
Oregon	ADM	June	Greater of Current Year or Prior Year
Pennsylvania	ADM	Entire Year	Three-year Adjusted ADM
Rhode Island	ADM	March	Current Year
South Carolina	ADM	Cumulative 135-day	Not Available
South Dakota	Single Count	Last Friday in September	Current Year
Tennessee	ADM	Nine periods of 20 days each period	Prior Year
Texas	ADA	Six-week count periods	
Utah	ADM	End of Prior Year ADM + Growth Factor (October 1 Current Year)	Prior Year + Current year growth
Vermont	ADM	December 1	Current Year
Virginia	ADM	March 31 (and Sept 30)	Not Available
Washington	Multiple Counts	Ten monthly counts	Not Available
West Virginia	Single Count	First day of the second month	Prior Year
Wisconsin	Multiple Counts	Third Friday in September, Second Friday in January, and Summer Full-time Equivalent (FTE)	Prior Year
Wyoming	ADM	Not Available	Prior Year or 3-Year Average

Notes: Information coded as "Not Available" was not identified in the Enrollment Protections Policy Scan.

FIGURE 4 States with Declining Enrollment Provisions



DECLINING ENROLLMENT PROVISIONS

This section provides a summary of states with current or former provisions in their funding formulas that mitigate funding losses from one year to the next by delaying the impact of enrollment decline.

States with Declining Enrollment Provisions

The policy scan identified 16 states with declining enrollment provisions that are currently active and four states with provisions that are no longer in effect. In this analysis, "declining enrollment provision" refers to a component of the state funding formula that delays or softens the impact of declining enrollment from one year to the next. It can do this either by allocating funding based on a rolling average or by using the greater of several enrollment metrics. The declining enrollment provisions described in this section mitigate the effects of declining enrollment on funding, but they do not necessarily hold districts harmless for all parts of the decline.[5] Figure 4 shows the states that have or had declining enrollment provisions.

TABLE 2 States With Current Declining Enrollment Provisions

California	California's funding formula has historically included a declining enrollment provision that allocates funding based on the current or prior year's Average Daily Attendance (ADA), whichever is higher. Since 2022-23, the formula considers the higher of the current year, prior year, or the average of three prior years' ADA.	Current Year, Prior Year, or 3-Year Average
Colorado	The funded pupil count formula uses average enrollment counts from up to five years.	Current Year or Greater of the 2-Year, 3-Year, 4-Year, or 5-Year Average
Illinois	The formula mitigates declining enrollment by considering the current enrollment or the 3-year average, whichever is greater.	Current Year or 3-Year Average
Kansas	A district that had a declining enrollment last year can get state funding based on its enrollment in the year before that year. The state had a declining enrollment weighting which expired in 2018. It now uses low and high enrollment weightings when determining weighted full-time equivalent en rollment.	Prior Year or Second Prior Year
Maine	Before 2017, the formula considered two count dates and used the greater of the prior year or 3-year average. From 2018 to 2021-22, the formula considered only one count date and only the prior 2-year average. From 2022-23 onward, the formula considers the prior 3-year average for districts with an enrollment decline of 10 percent or more if its decline is greater than the 2-year average.	Prior 2-Year or Prior 3-Year Average
Maryland	The formula mitigates declining enrollment by using either the prior year or a 3-year average full-time equivalent. Fro m 2012 to 2021 the state also provided supplemental grants to districts with declining enrollment. The percentage of the decline funded by these grants varied widely during these years, as did eligibility guidelines.	Current Year or 3-Year Average
Michigan	The formula uses a ratio of the current year to prior year enrollment. This ratio was 80:20 percent (current year: prior year) from 2000-01 to 2003-04; 75:25 percent from 2005-06 to 2010-11; and finally, 90:10 percent from 2011 on. The fall count has weight of 90 percent, and the spring count has one of 10 percent.	90:10 Ratio - Current Year to Prior Year
Missouri	Missouri's funding formula protects districts from declining enrollment by using the highest Average Daily Attendance (ADA) from the past three years.	Highest year in 3 Prior Years
Montana	The formula includes a declining enrollment provision which bases funding on the greater of the current year Average Number Belonging (ANB) enrollment count or the average of the current year and the prior two years.	Current Year or 3-Year Average
Nevada	Districts and charter schools with at least a 5 percent decline will receive funding based on enrollment figure from the previous year's enrollment.	Current or Prior Year
New York	New York accounts for decreasing enrollment by allowing districts to choose to use either the pupil units calculated based on the current year or the average of the current year and the base year.	Current Year or 2-Year Average
North Carolina	The formula mitigates the effects of enrollment decline by basing allotted Average Daily Membership (ADM) on the higher of the current year projections or the prior year ADM. In the first two months of the current school year, the allotments are decreased if the difference in current year ADM is greater than 2 percent or 100 students less than the allotted ADM.	Current or Prior Year
Ohio	Ohio calculates per-pupil base cost using enrolled Average Daily Membership (ADM) from either the greater of the previous fiscal year ADM or the ADM from the three previous fiscal years.	Greater of Prior Year or 3-Year Average
Oklahoma	Oklahoma allows districts to use an Average Daily Membership (ADM) from the current or preceding school year.	Current or Prior Year
Oregon	Oregon uses the greater of the district's current year or prior year weighted Average Daily Membership (ADM).	Current or Prior Year
Wyoming	Wyoming calculates base resource allocations by using the greater of the prior year Average Daily Membership (ADM) or the average of the ADM counts from three preceding school years.	Prior Year or 3-Year Average

TABLE 3 States with Former Declining Enrollment Provisions

Florida	The declining enrollment provision typically guaranteed districts with lower enrollment 25 percent of the difference between the current and the previous year's unweighted full-time equivalent. The provision was replaced in 2020 with a hold harmless provision.
Indiana	Indiana's former "deghoster " provision gradually phased out funding losses for declining enrollment by- providing partial funding for each departed student. Districts could add 0.8 student to their enrollment numbers for each student lost in the prior year, and 0.6 student for each student lost in the year preceding the prior year. In 2011, the provision was phased out over two years.
Minnesota	Before 2015, Minnesota used Adjusted Marginal Cost Pupil Units (AMCPU), which included per-pupil enrollment from the prior year through a "marginal" component that included the greater of the current year's count, or 77 percent of current year's count and 23 percent of the previous year's count.
South Dakota	The formula, which was replaced in 2016, allowed districts to use either the current year enrollment count or the average of the enrollment count from the previous two years.

States with Current Declining Enrollment Provisions

Sixteen states have active declining enrollment provisions that protect district finances from declining enrollment. Table 2 shows that they draw on several possible methods.

States with Former Declining Enrollment Provisions

Three states had declining enrollment provisions and then replaced or repealed them. Table 3 offers some details.

HOLD HARMLESS PROVISIONS

This section summarizes current or former provisions that hold districts harmless for at least a portion of funding losses from one year to the next.

States with Hold Harmless Provisions

The policy scan identified 22 states that have some form of Hold Harmless provisions in place to protect districts against funding losses. Three states once had these hold harmless provisions. Although definitions for "hold harmless" vary, this analysis identifies a policy or provision as hold harmless if it restricts declines in funding that would otherwise occur as a result of the funding formula.[9] This includes provisions that guarantee districts their prior year funding amount, provisions that guarantee at least a portion of the difference in funding between the current year and a previous one, and provisions that guarantee districts will receive funding equal to certain historical allocation levels. Although not all hold harmless provisions are directly related to enrollment decline, they generally also protect against funding losses caused by enrollment decline through their effect of limiting funding declines. Figure 5 shows the states that have or had hold harmless provisions.

States with Hold Harmless for Prior Year Funding

Six states have provisions that hold districts harmless from declines from their prior year funding. Table 4 summarizes these provisions.

States with Hold Harmless for a Percentage of Decline

Twelve states have provisions that protect districts from having their funding decrease by more than a given percentage. Table 5 summarizes these provisions.

FIGURE 5 States with Hold Harmless Provisions

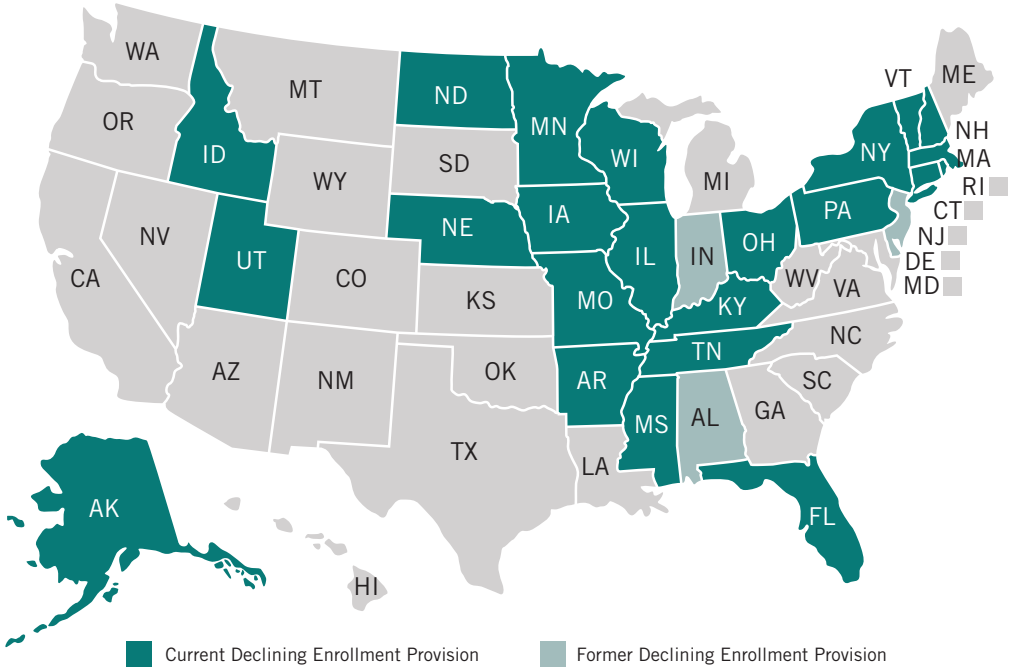


TABLE 4 States with Hold Harmless for Prior Year Funding

Connecticut	Connecticut has a history of using hold harmless provisions and other funding cap and stop-loss measures to minimize funding losses from one year to the next, which are largely attributed to declining enrollment. Currently, Connecticut holds harmless certain low performing (alliance) districts from any decreases in formula funding.
Illinois	Only a limited portion of state aid is allocated through the formula, and a large portion is based on prior year funding through the Base Funding Minimum funding protection. This measure guarantees that all school districts have at least the same level of funding as they did in the prior year. Furthermore, the Base Funding Guarantee ensures districts with higher needs will receive the same level of funding as they did in prior years, even if a reduction in state appropriations causes the state to reduce the Base Funding Minimum for districts with more local resources.
Massachusetts	The base aid and minimum aid components of the foundation aid formula serve as hold harmless provisions that guarantee districts at least their foundation aid from the prior year, plus a minimum per-pupil increase.
Nebraska	A formula needs-stabilization provision holds districts harmless for declines in “needs” calculations from the previous year, which includes those that stem from an enrollment decline. The provision ensures that a district’s need-based funding for the current year will be no less than 100 percent of the funding from the previous year and no more than 112 percent of the amount from the previous year. Districts may, however, see reduced funding due to changes in the “resources” calculations.
New York	New York's funding formula includes a "Save Harmless" provision that guarantees districts the same or similar amounts of aid as they received in the previous year. In the 2021-22 school year, approximately 42 percent of districts received more aid through save harmless provisions than they would have received from the formula alone. Most districts that received save harmless funds were high-needs rural districts, and declining enrollment is the main reason they receive save harmless funds.
Ohio	In FY 2022, districts are guaranteed no less funding than they received in FY 2020, unless they reduce their open enrollment student population by more than 10 percent or 20 students.

TABLE 5 States with Hold Harmless for a Percentage of Decline

Alaska	Alaska's hold harmless provision mitigates declining enrollment of 5 percent or more through a step-down process. The protection, which extends over a three-year period, guarantees a district 75%, 50%, and then 25% of the difference between current and base year enrollment.
Arkansas	Arkansas provides declining enrollment funding grants for schools with enrollment decline. The funding for Average Daily Membership (ADM) decreases between the base year and the year preceding the base year.
Connecticut	Connecticut holds harmless districts that would receive a decrease in funding from the prior year to a percentage of their prior year entitlement. However, this provision will be phased out by FY 2024.
Florida	In 2020, the declining enrollment protection was replaced with a hold harmless provision that allows legislatures to appropriate hold harmless funding on an annual basis. The new provision states that legislatures may allocate funding based on the funding difference between the prior year funding and state average, or funding may be based on a change in a district's Cost Differential, a factor used to adjust funding to reflect each district’s cost of living.
Idaho	Idaho’s funding formula includes a declining enrollment provision that funds school districts with enrollment decline by basing funding on the prior year’s Average Daily Attendance (ADA), decreased by 3 percent.
Iowa	The 101% budget adjustment postpones the effects of declining enrollment on the budget for one year. It guarantees school districts 101% of the regular program costs in the base year, but it does not include the budget adjustments from the previous year.
Kentucky	Kentucky's formula for base funding includes an adjustment if there is a decline in Average Daily Attendance (ADA) of more than 2 percent or more than 10 percent. If the ADA decreases by more than 2 percent, program funding is based on 2 percent less the average ADA from the two preceding years. If the ADA decreases by more than 10 percent, program funding is based on adjustments to ADA which increases it by two-thirds of the decrease in the first year and by one-third of the decrease in the following year.
Minnesota	Minnesota’s funding formula includes a declining enrollment factor that offers districts with declining enrollment a share of revenue based on the difference in enrollment between the current and prior year. This is available to charter schools, not just school districts.
Tennessee	Tennessee's new funding formula, known as the Tennessee Investment in Student Achievement (TISA) formula, goes in effect in the 2023-24 school year. It has a hold harmless provision that ensures that funding reductions from one year to the next will be no more than 5%.
Utah	Utah's funding formula includes a hold harmless provision for enrollment decline that gives districts additional funds if their Average Daily Membership (ADM) is four percent less than their two highest ADMs in the three preceding prior years. School districts where ADM was at least 4% less than the historical mean ADM can file a petition with the superintendent before September 15 to seek funding for enrollment losses for factors outside their control. Charter schools are not entitled to funding under this provision.
Vermont	The Vermont formula has a hold harmless provision for calculating weighted membership. Its provisions have changed over time, but generally, they hold schools harmless for enrollment declines of 3.5 percent or more. The hold harmless provision is currently set to be suspended between FY 2024 and FY 2029.
Wisconsin	The Special Adjustment aid delays the effects of declining enrollment by guaranteeing districts 85% of their general aid from the previous year. This provision is meant to mitigate declines in the district’s general aid from one year to the next, whether they would come from decreased enrollment or changes in property values.

States with Hold Harmless for Historical Allocations

Seven states hold districts harmless for funding declines with provisions that are based on historical funding levels. Table 6 summarizes these provisions.

States with Other Hold Harmless Provisions

Two states have provisions that hold districts harmless in unique ways. Connecticut guarantees a certain percentage of state aid regardless of formula need, and Massachusetts temporarily reimburses a portion of the tuition to school districts whose students transition to charter schools. Table 7 summarizes these other hold harmless provisions.

States with Former Hold Harmless Provisions

At least five states formerly had hold harmless provisions. Although Iowa and Ohio had hold harmless provisions that ended, they have different hold harmless provisions that are still in effect. Table 8 describes the hold harmless provisions that have been phased out, repealed, or replaced.

TABLE 6 States with Hold Harmless for Historical Allocations

Kentucky	Kentucky's state budget includes a hold harmless provision that, when invoked in the biennial budget, guarantees districts will receive at least as much in per-pupil aid as they received in FY 1991-92.
Massachusetts	The minimum aid adjustment provision adopted in 2019 holds districts harmless, letting them receive funding under the previous foundation aid rates of 2019, if it is higher than the foundation aid determined by the current formula.
Mississippi	The Mississippi funding formula includes a hold harmless guarantee that ensures districts no less than their 2002 funding.
Missouri	The formula includes a transition hold harmless provision, ensuring districts do not receive less per-pupil funding under the formula than they did before the formula was enacted in 2005. The present formula includes a provision for schools with less than 350 ADA.
New Hampshire	New Hampshire includes a formula transition hold harmless measure that offers a stabilization grant to districts whose formula funding is less than their funding from 2012, when the formula was enacted. While the state does not always fund the Stabilization Grant to 100% of 2012's funding level, it has each year since 2020.
North Dakota	Since transitioning to a new formula in 2013, the state has an option for districts that would receive less funding to opt out of the new formula and be held harmless to their 2012-13 baseline, and then later to their 2017-18 baseline funding. After 2020-21, this hold harmless begun to be phased out by 15 percent each year.
Pennsylvania	Pennsylvania has a hold harmless provision that maintains districts' funding level from the 2014-15 school year and then adds funding from the Fair Funding Formula. Before 2016, districts were held harmless to their prior year funding plus additional new funding. For the 2019-20 school year, only 11.2 percent of the state's education funding was distributed based on the Fair Funding Formula, as most was distributed according to the hold harmless provision.

TABLE 7 States with Other Hold Harmless Provisions

Connecticut	Connecticut's funding formula includes a minimum aid ratio, which guarantees all districts at least one percent of state formula funding regardless of their wealth factor. It also guarantees alliance and priority districts at least 10 percent state formula funding. (These districts have large enrollments and a high percentage of students on temporary family assistance.)
Massachusetts	Massachusetts school districts pay tuition for resident students who attend charter schools. The state offers tuition transition aid to reimburse school districts for a percentage of these additional tuition costs including 100 percent in the first year, 60 percent in the second year, and 40 percent in the third year.

TABLE 8 States with Former Hold Harmless Provisions

Alabama	Alabama had a hold harmless program that ensured schools did not receive less per-pupil funding than in previous years. The hold harmless allocation was adjusted for changes in Average Daily Membership (ADM) and was phased out in 2002.
Indiana	Before 2012, Indiana's funding formula included a restoration grant that provided school districts and charter schools a portion of the difference in funding between the current year and the prior year basic tuition support funding. The formula provided caps for funding gains and losses from the prior year basic foundation grant before calculating additional grants.
Iowa	The former 100% budget guarantee ensured that districts would receive up to one hundred percent of the base year's funding, including any budget adjustments added in the base year. This guarantee was phased out over a period of 10 years, to end by 2013.
Ohio	Ohio has traditionally included aid guarantees and gain caps that place upper and lower limits on funding changes based on enrollment thresholds. There have been some changes to these provisions in the most recent formula, however, including an end to the gain cap. Under the temporary transitional aid guarantee, districts where Average Daily Membership (ADM) decreased less than 5% were guaranteed 100% of the base year aid. Districts where ADM decreased more than 10% were guaranteed 95% of the base year aid, and districts where ADM decreased between 5% and 10% were guaranteed a scaled percentage between 95% and 100% of the base aid.
Vermont	The state offered a small school financial stability support grant to some schools whose two-year average enrollment decreased by more than 10 percent in any one year. The provision was repealed in 2019.

ENROLLMENT PROTECTIONS DURING THE COVID-19 PANDEMIC

This section summarizes steps states took to offer temporary funding and enrollment protections during the pandemic. It also summarizes the active provisions, including declining enrollment, hold harmless, and temporary provisions, that would provide protection against funding losses during the pandemic (2020 to present).

These provisions are independent of the more than $190 billion that states and school districts received from the federal government's Elementary and Secondary School Emergency Relief (ESSER) Fund.

States with Temporary Provisions

The policy scan identified 28 states with temporary provisions in place during the pandemic, protecting against funding losses as a result of enrollment decline. As the COVID-19 pandemic accelerated attendance and enrollment decline across the country, many states implemented new declining enrollment or hold harmless provisions.[16] This policy scan identified 28 states that implemented temporary policies or funding changes that provided funding protections at some point during the 2020-21 through the 2022-23 school years. Figure 6 provides an overview of the states that provided enrollment protections or other protections against funding losses. Table 9 summarizes the temporary provisions active at any point during the period from 2020 to present.

States with Enrollment Protections During the Pandemic

The policy scan identified 43 states that had some form of enrollment protection during the COVID-19 pandemic, including temporary, declining enrollment, or hold harmless provisions. This analysis identified all states that had provisions at any point from 2020 to the present. Among these 43 states, nine had only temporary provisions. Twelve states had active declining enrollment provisions (see section "Declining Enrollment Provisions"), 18 had active hold harmless provisions (see section "Hold Harmless Provisions"), and four states had both declining enrollment and hold harmless protections. Figure 7 shows the states with enrollment protections during the COVID-19 pandemic.

FIGURE 6 States with Temporary Provisions

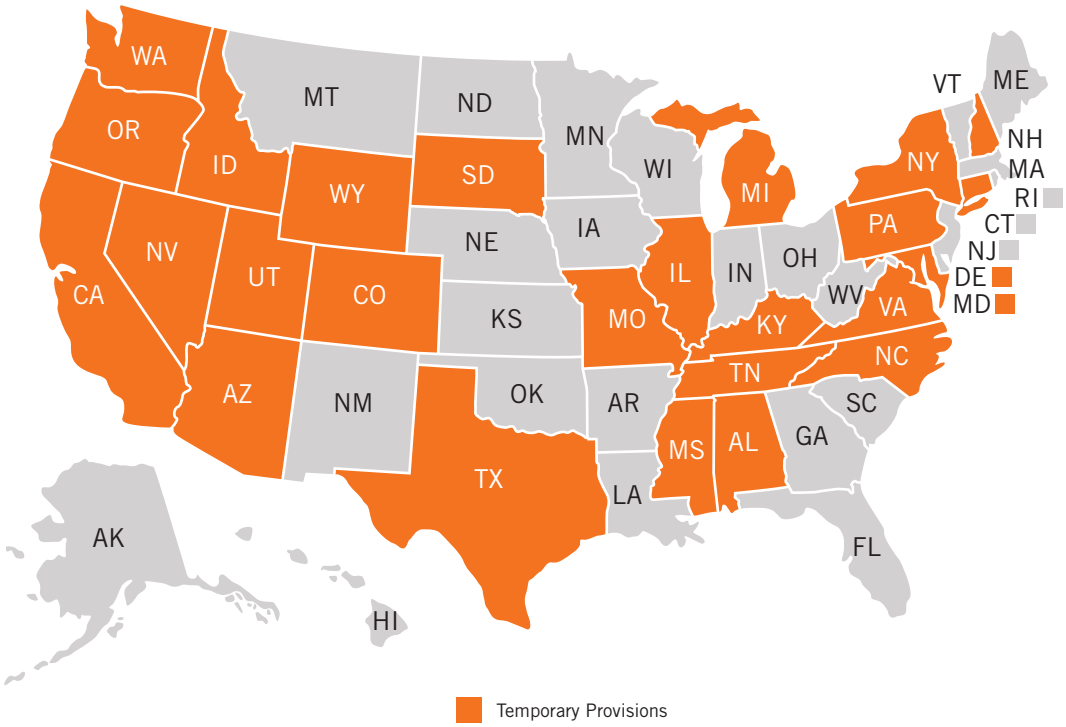


FIGURE 7 States with Funding Protections During the Pandemic

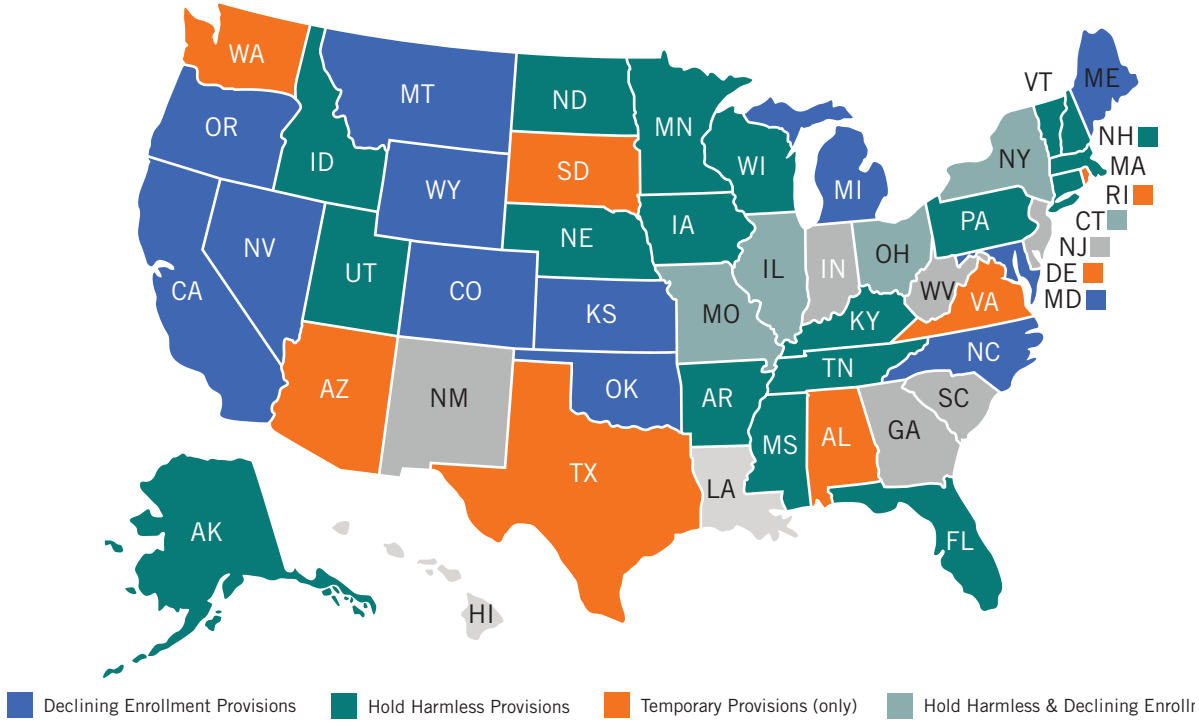


TABLE 9 States That Implemented Temporary Funding & Enrollment Protections During the Pandemic

Alabama	Alabama had a temporary hold harmless provision in 2022 to stabilize staff levels in districts with declining enrollment.
Arizona	Arizona's Temporary Enrollment Stabilization Grant intended to hold public and charter schools harmless for declining enrollment by guaranteeing 98 percent of their 2019-20 enrollment in the following school year. The state did not, however, allocate enough funds to meet this guarantee.
California	In the 2019-20 school year the count period for Average Daily Attendance (ADA) was shortened to February to account for enrollment losses after school closures. In the 2020-21 year, a temporary hold harmless provision based attendance data on the prior year' ADA data. The temporary hold harmless was dropped in the 2021-22 school year. In the 2022-23 school year the funding formula was adapted to take the account for not only current and prior year ADA, but also the average of prior three years ADA, if it was the highest value.
Colorado	Colorado allocated additional funding in the 2020-21 school year for public districts and charter schools to compensate for program funding decreases due to decreases in tax revenue and enrollment.
Connecticut	While Connecticut's regular funding system holds harmless certain low performing (alliance) districts from any decreases in ECS funding, a temporary hold harmless provision prevents decreases in aid for all other districts, holding them harmless for decreases from their FY 2021 funding in FY 2022 and FY 2023.
Delaware	Delaware distributed $9M in one-time funding in 2020 for districts and charter schools with declining enrollment. To receive the funding, districts must certify they will not lay off their staff and will use the funds for student instruction.
Idaho	The formula includes an Average Daily Attendance (ADA) hold harmless provision in the case of emergency school closures and declines in attendance. Since 2020, the state has implemented a temporary rule to switch funding allocations from ADA to average Full-time Equivalent (FTE) enrollment. This temporary rule was set to expire in spring 2023, but legislators are considering making it permanent.
Illinois	Illinois included temporary enrollment hold harmless provisions between 2019 and 2024 to reduce funding declines during the pandemic and a transition to the new formula.
Kentucky	A hold harmless guarantee included in the state budget for the 2020-22 and 2022-24 biennium guaranteed that each district would receive at least the same per-pupil state funding that they received in the FY 1991-92. It also holds districts harmless from a formula provision that would otherwise reduce funding allocations if the funds appropriated to the formula were insufficient.
Maryland	A temporary enrollment hold harmless provision excluded 2020-21 enrollment from the FY 22-24 calculations for state aid. The FY 2022 budget provided one-time hold harmless education grants to mitigate declining enrollment, and the FY 2023 budget provided a Compensatory Education one-time hold-harmless measure to mitigate the decline in free or reduced price meals enrollment.
Michigan	Michigan introduced temporary provisions for the 2020-21 and 2021-22 school years. These included temporary membership definitions for "pupils engaged in pandemic learning" and altered the formula for calculating membership to mitigate enrollment losses. The temporary provision included a "super blend" of current year: prior year ratios for the 2020-21 school year.
Mississippi	In the 2020-21 school year, the state introduced a temporary Average Daily Attendance (ADA) hold harmless provision for school districts and charter schools. It used the higher of the 2019-20 and 2020-21 ADA for funding purposes.
Missouri	The formula includes a provision to use the prior year's Average Daily Attendance (ADA) in the case of an infectious disease that impacts attendance.
Nevada	As the state transitions to the new funding formula in the 2021-23 biennium, it has implemented a temporary hold harmless provision. It guarantees school districts and charter schools a similar level of funding as they received in FY 2020, with some adjustments for enrollment decline over two years or more.
New Hampshire	New Hampshire enacted a temporary hold harmless provision that uses the greater Average Daily Membership (ADM) of 2019-20 and 2020-21 instead of only the 2020-21 ADM, as would be called for by the standard formula.
New York	New York's funding formula includes a provision that allows districts to exclude attendance days on which school attendance was adversely affected during an emergency such as an epidemic or natural disaster, with permission from the Commissioner.
North Carolina	In the 2020-21 and 2021-22 school years, the state implemented a temporary hold harmless provision that suspended funding adjustments of allotments if they were based on a discrepancy between actual and allotted Average Daily Membership (ADM).
Oregon	In 2022, Oregon instituted a temporary four-year grant fund to support districts that lost funding due to enrollment decreases caused by wildfires in 2020. It also suspended a rule requiring districts to drop from the rolls students who are absent ten days or more during the 2019-2020 and 2020-2021 school years.
Pennsylvania	Recognizing the indeterminate impact of the COVID-19 pandemic and economic instability on school funding, the Pennsylvania legislature paused the Fair Funding Formula for the 2020-2021 school year. It instead provided school districts with the same amount of funding they received for the 2019-2020 school year.
Rhode Island	Recognizing the negative impact of pandemic-related enrollment declines on formula funding, Rhode Island issued a hold harmless provision for fiscal years 2022 and 2023. Under this provision, the funding calculation for fiscal year 2022 uses the resident average daily membership (RADM) of March 2020 or 2021, whichever is greater. For fiscal year 2023 it uses the greater RADM of March 2020, 2021, or 2022, adjusted for growth in charter schools.
South Dakota	In 2021, the state approved one-time funding to address pandemic-related enrollment declines. A portion of the $11M in state aid was allocated on a per-student basis to all schools, based on 2020 fall enrollment. Another portion was used to address unexpected declines in districts that had lower enrollment in fall 2020 than the average of their three prior fiscal years.
Tennessee	Tennessee implemented a temporary hold harmless to prevent reductions in funding in the 2021-22 school year. Under this provision, a school district would not receive a decrease from the previous year's Basic Education Program funding as long as it was in full compliance with the state attendance and truancy laws for tracking and intervening in attendance issues.
Texas	The state implemented temporary hold harmless measures in the 2020-21 and 2021-22 school years to mitigate funding losses due to decreases in daily attendance during specific counting periods. These measures did not, however, hold schools harmless for declines in Average Daily Attendance (ADA) due to declining enrollment. In the 2020-21 school year, schools were held harmless for declines in attendance. They were funded by ADA projections if those projections were higher than actual ADA counts, as long as the schools continued to offer in-person instruction. In 2021-22, the funding formula lowered the required minimum number of operational minutes in the first four reporting periods. This was done to mitigate losses that might be attributed to declining attendance. These measures applied to both school districts and open-enrollment charter schools.
Utah	Utah implemented a temporary Enrollment Growth Contingency Program to mitigate the impact of enrollment changes on funding in the fiscal years 2021, 2022, and 2023. The program stipulates that for districts with declining enrollment, the formula will use the prior year Average Daily Membership (ADM) when calculating the prior year plus growth factor. It will also pre-fund anticipated enrollment growth for schools who expect a rise in enrollment in 2022 and 2023.
Virginia	Virginia implemented three temporary provisions in response to the COVID-19 pandemic that offered various funding protections against declining enrollment or other funding losses. These include a provision for enrollment loss, which was adopted in May 2020 and removed in April 2021. It also includes a No Loss Funding provision which was in effect for the 2020-2022 biennium. Finally, a Hold Harmless for Re-benchmarking Data provision is in effect for the 2022-2024 biennium.
Washington	Washington introduced temporary hold harmless measures for declining enrollment during the pandemic. These included enrollment stabilization funding for the 2020-21 and 2021-22 school years and local enrichment levy stabilization funding for the 2022 and 2023 calendar years. The enrollment stabilization funding was also available to charter schools.
Wyoming	Wyoming implemented a temporary hold harmless provision for instructional days lost during a period of three weeks, to guarantee these would not impact school funding in the following year. After April 6, 2020, districts were held harmless for reductions in block grant funding due to school closures if they adhered to their adapted learning plans throughout the school year.

NOTES

1. Syverson, E. and C. Duncombe (2022), "Student Counts in K-12 Funding Models," Education Commission of the States, https://www.ecs.org/wp-content/uploads/Student-Counts-in-K-12-Funding-Models.pdf

2. Atherton, M.J. and M.E. Rubado (2014), "Hold Harmless Education Finance Policies in the U.S.: A Survey," Center on Regional Politics, https://williampennfoundation.org/sites/default/files/reports/Hold%20Harmless.pdf

3. See: Toutkoushian, R.K. and R.S. Michael (2008), "The Impacts of School Funding Formula Modifications on Equity, Fiscal Neutrality, and Adequacy," Journal of Education Finance, 33:4; Atherton and Rubado, Op. cit.; Jarmolowski, H. and M. Roza (2021), "Proceed with Caution: With Enrollment Drops, States Are Looking to Hold District Budgets Harmless," Edunomics Lab, https://edunomicslab.org/wp-content/uploads/2021/02/Proceed-with-caution.pdf; "How States Implement Hold-Harmless Provisions in 2020 and 2021," National School Board Association, 2021, https://www.nsba.org/-/media/NSBA/File/cpe-hold-harmless-research-brief-2021.pdf

4. Jarmolowski and Roza, Op. cit.; "How States Implement Hold-Harmless Provisions in 2020 and 2021," Op. cit.

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