WEALTH EQUALIZATION FORMULA - OTHER FACTORS

What factors other than net taxable income and property values do states use when incorporating local wealth in determining the state's share of each Local Education Agency's (LEA) foundational education funding?

As part of the Blueprint's goal to ensure all students across Maryland have the resources and supports they need to be successful, the state incorporates a *wealth equalization formula* into its overall calculations to determine how much of each Local Education Agency's (LEA) foundational education funding comes from the state (state share) compared to the county (local share) (see MD Code, Ed. § 5-201). Maryland's *wealth equalization formula* is used to determine a county's wealth based on the sum of the following:

- Net taxable income
- 100% of the assessed value of the operating real property of public utilities;
- 40% of the assessed value of all other real property; and
- 50% of assessed value of personal property.

Local Wealth Calculation = NTI (100%) + Operating Real Property of Public Utilities (100%) + All Other Real Property (40%) + Personal Property (50%)

The majority of states incorporate a version of a *wealth equalization formula* when determining the state share and local share for each LEA's foundational education funding. State *wealth equalization* models are generally classified into three (3) distinct categories.

WEALTH EQUALIZATION FORMULA - OTHER FACTORS

CATEGORY	FACTORS USED TO DETERMINE LOCAL WEALTH	EXAMPLES
Property - Exclusive	• Real estate property valuations • Millage rates *(tax rate used to calculate local property tax)*	Colorado, Maine, Montana, Texas, & Wisconsin

Income - Integrated	• Real property values
	• Resident personal income metrics
	• Note: Factors are weighted differently depending on state calculations
		• Maryland → NTI
		• Massachusetts → Aggregate Municipal Personal Income
		• New York → NY Adjusted Gross Income
		• Pennsylvania →
		  ○ Median Household Income
		  ○ Personal Income Index
		• New Jersey → District Aggregate Income
		• Connecticut →
		  ○ Per Capita Incomes
		  ○ Median Household Income
		• Ohio →
		  ○ Median Household Income Capacity
		  ○ Total Individual Income Capacity

Mult-Variate & Econometric Indices	• Real estate
	• Personal income
	• Local commercial sales
	• Population metrics
	• Note: Factors are weighted differently depending on state calculations
		• Tennessee
		  ○ Taxable Local Retail Sales
		  ○ Per Capita Income
		• Virginia
		  ○ Resident Adjusted Gross Income (AGI)
		  ○ Taxable Local Retail Sales