

Since 2020, inflation has increased the prices of goods and services by over 20 percent, placing increasing financial strain on school district budgets in recent years.¹ However, the foundation amount in Connecticut's Education Cost Sharing (ECS) formula has remained the same since 2013.²

This divide between the cost of providing services and the stable ECS foundation has created challenges for Connecticut school districts in maintaining educational services among growing expenses. To address this issue, some states have codified inflationary increases for their education funding formulas into statute. The purpose of this document is to provide an overview of the current inflationary increases in state school funding formulas, and what this means for Connecticut.

Key Takeaways

- At least 15 states have codified into law inflation adjustments to their education funding formula foundation amounts to ensure school funding keeps pace with rising costs.
- States have implemented different approaches to incorporating inflation adjustments to their funding formulas, using various measures to balance increases with fiscal stability.
- To address increasing district costs in a sustainable manner, Connecticut could incorporate a multi-faceted inflation adjustment in the ECS formula consisting of:
 - A data-based inflation adjustment grounded in the real costs of goods and services; and
 - Safeguards to ensure state budget sustainability, such as proration of funds in years of insufficient funding (like Kansas) or capping adjustments in years with high inflation (like Maryland, Massachusetts, and Montana).

¹ US Inflation Calculator. (2025, March). Consumer Price Index Data from 1913 to 2025. Retrieved from <https://www.usinflationcalculator.com/inflation/consumer-price-index-and-annual-percent-changes-from-1913-to-2008/>.

² To learn more about adjusting Connecticut's ECS formula for inflation, please visit <https://schoolstatefinance.org/reports/adjusting-the-ecs-formula-for-inflation>.

The measures used to adjust student funding generally fall into one of five categories. These categories are outlined in the table below.

Table 1: Types of Inflationary Measures

Measure	Description	Number of States
Consumer Price Index (CPI)	A measure of inflation that tracks changes in the costs of goods and services purchased by households over time. An adjustment based on the CPI ensures education budgets keep pace with rising prices but may be costly in years with high inflation if uncapped.	7
Discretionary adjustments	This measure allows the state legislature to determine annual increases each year, rather than relying on fixed inflation formulas. These adjustments allow for flexibility but may lead to funding inconsistencies.	3
Implicit Price Deflator for State and Local Governments (IPD)	A measure of inflation that tracks price changes in goods and services purchased by state and local governments. The IPD approach can provide more stability than the CPI, as it tends to fluctuate less.	1
Fixed rate	A measure that establishes a flat percentage increase to be applied each year to the foundation amount, regardless of actual inflation. This method provides predictability but may not fully account for rising costs.	1
Hybrid approaches	An approach that incorporates multiple inflationary measures, such as taking the lesser of several measures or using a state-specific formula incorporating multiple measures to calculate the adjustment. Hybrid approaches balance responsiveness with predictability.	4

For a detailed look at each state's policies, please see Table 2 on the following page.³

³ This work largely draws from the Education Commission of the States' 50-State Comparison of "K-12 Funding 2024: Base Amount." To view the full table compiled by ECS, please visit <https://reports.ecs.org/comparisons/k-12-funding-2024-02>.

Table 2: Inflationary Measures and Statutes by State

State	Inflationary Measure	Language Establishing Use of Inflation in the Funding Formula	Statute
California	Implicit Price Deflator for State and Local Governments	<p>“Commencing in the 2023–24 fiscal year, the add-on amounts referenced in paragraphs (1) and (2) shall receive the annual cost-of-living adjustment specified in paragraph (2) of subdivision (d).”</p> <p><i>From paragraph Cal. Educ. Code § 42238.02 (d)(2):</i> “In each year the grade span adjusted base grants in paragraph (1) shall be adjusted by the percentage change in the annual average value of the Implicit Price Deflator for State and Local Government Purchases of Goods and Services for the United States, as published by the United States Department of Commerce for the 12-month period ending in the third quarter of the prior fiscal year. This percentage change shall be determined using the latest data available as of May 10 of the preceding fiscal year compared with the annual average value of the same deflator for the 12-month period ending in the third quarter of the second preceding fiscal year, using the latest data available as of May 10 of the preceding fiscal year, as reported by the Department of Finance.”</p>	Cal. Educ. Code § 42238.02 (h)(3)
Colorado	Consumer Price Index	<p>“For the 2025-26 budget year and budget years thereafter, the dollar amounts set forth in subsection (4.9)(a) of this section are annually increased by the rate of inflation, as defined in section 22-55-102.”</p> <p><i>From Colo. Rev. Stat. § 22-55-102(7):</i> “‘Inflation’ means the percentage change in the consumer price index for the Denver-Boulder consolidated metropolitan statistical area for all urban consumers, all goods, as published by the United States department of labor, bureau of labor statistics, or its successor index.”</p>	Colo. Rev. Stat. § 22-54-104 (4.9)(b)
Iowa	Discretionary amount	“1. State percent of growth. The state percent of growth for a budget year shall be established by statute which shall be enacted within thirty days of the submission in the base year of the governor’s	Iowa Code § 257.8

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		<p>budget under section 8.21. The establishment of the state percent of growth for a budget year shall be the only subject matter of the bill which enacts the state percent of growth for a budget year.</p> <p>2. Allowable growth calculation. The department of management shall calculate the regular program allowable growth for a budget year by multiplying the state percent of growth for the budget year by the regular program state cost per pupil for the base year and shall calculate the special education support services allowable growth for the budget year by multiplying the state percent of growth for the budget year by the special education support services state cost per pupil for the base year.</p> <p>3. Combined allowable growth. The combined allowable growth per pupil for each school district is the sum of the regular program allowable growth per pupil and the special education support services allowable growth per pupil for the budget year, which may be modified as follows:</p> <ul style="list-style-type: none"> a. By the school budget review committee under section 257.31. b. By the department of management under section 257.36." 	
Kansas	Consumer Price Index	<p>"'Base aid for student excellence' or 'BASE aid' means an amount appropriated by the legislature in a fiscal year for the designated year. The amount of BASE aid shall be as follows: ...</p> <p>(6) for school year 2023-2024, and each school year thereafter, the BASE aid shall be the BASE aid amount for the immediately preceding school year plus an amount equal to the average percentage increase in the consumer price index for all urban consumers in the midwest region as published by the bureau of labor statistics of the United States department of labor during the three immediately preceding school years rounded to the nearest whole dollar amount."</p>	Kan. Stat. Ann. § 72-5132(e)

State	Inflationary Measure	Language Establishing Use of Inflation in the Funding Formula	Statute
Maryland	Hybrid Approach: Lesser of CPI or IPD or 5%	<p>“(1) Subject to paragraph (2) of this subsection, ‘inflation adjustment’ means a percentage, rounded to the nearest two decimal places, that is the lesser of:</p> <p>(i) The increase in the implicit price deflator for State and local government expenditures for the second prior fiscal year;</p> <p>(ii) The Consumer Price Index for All Urban Consumers for the Washington Metropolitan Area, or any successor index, for the second prior fiscal year; or</p> <p>(iii) 5%.</p> <p>(2) If there is no increase in the implicit price deflator for State and local government expenditures for the second prior fiscal year or in the Consumer Price Index for All Urban Consumers for the Washington Metropolitan Area, or any successor index, for the second prior fiscal year, then ‘inflation adjustment’ means 0%.”</p>	Md. Code Ann., Educ. § 5-201(h)
Massachusetts	Hybrid Approach: Lesser of ratio of previous year's IPD/IPD 2 years prior and 1.045	<p>“‘Foundation inflation index’, the lesser of: (i) the ratio of the value of the implicit price deflator for state and local government purchases in the third quarter of the prior fiscal year to its value in the third quarter of the fiscal year 2 years prior; and (ii) 1.045.”</p>	Mass. Gen. Laws ch. 70, § 2
Michigan	Consumer Price Index	<p>“(b) For a district that had a foundation allowance for the immediately preceding fiscal year that was greater than the target foundation allowance for the immediately preceding fiscal year, the district's foundation allowance is an amount equal to the lesser of (the sum of the district's foundation allowance for the immediately preceding fiscal year plus any per pupil amount calculated under section 20m(2) in the immediately preceding fiscal year plus the increase in the target foundation allowance for the current fiscal year, as compared to the immediately preceding fiscal year) or (the product of the district's foundation allowance for the immediately preceding fiscal year times the percentage increase in the United States</p>	Mich. Comp. Laws § 388.1620

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		<p>Consumer Price Index in the calendar year ending in the immediately preceding fiscal year as reported by the May revenue estimating conference conducted under section 367b of the management and budget act, 1984 PA 431, MCL 18.1367b).</p> <p>(c) For a district that had a foundation allowance in the immediately preceding fiscal year that was less than the target foundation allowance in effect for that fiscal year, the district's foundation allowance is an amount equal to the lesser of (the sum of district's foundation allowance for the immediately preceding fiscal year plus any per pupil amount calculated under section 20m(2) in the immediately preceding fiscal year plus the increase in the target foundation allowance for the current fiscal year, as compared to the immediately preceding fiscal year) or (the product of the district's foundation allowance for the immediately preceding fiscal year times the percentage increase in the United States Consumer Price Index in the calendar year ending in the immediately preceding fiscal year as reported by the May revenue estimating conference conducted under section 367b of the management and budget act, 1984 PA 431, MCL 18.1367b)."</p>	
Minnesota	Consumer Price Index	"In January of the calendar year in which the formula allowance begins, the commissioner of education must calculate the rate of change in inflation equal to the change in the Consumer Price Index for all urban consumers as published by the Bureau of Labor Statistics of the Department of Labor for the average of the fourth calendar quarter of the second prior fiscal year compared to the average of the fourth calendar quarter of the immediately prior fiscal year."	Minn. Stat. § 126C.10 (c)
Mississippi	Hybrid approach: 0.4 * base student cost of previous	"For each of the fiscal years between the recalculation of the base student cost under the provisions of this paragraph (b), the base student cost shall be increased by an amount equal to	Miss. Code Ann. § 37-151-7

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	year * annual inflation rate of MS (as determined by the State Economist) + discretionary amount	forty percent (40%) of the base student cost for the previous fiscal year, multiplied by the latest annual rate of inflation for the State of Mississippi as determined by the State Economist, plus any adjustments for additional state requirements such as, but not limited to, teacher pay raises and health insurance premium increases."	HB 1613 (2023 Session)
Montana	Consumer Price Index	<p>“(1) In preparing and submitting an agency budget pursuant to 17-7-111 and 17-7-112, the superintendent of public instruction shall determine the inflation factor for the basic and per-ANB entitlements, the data-for-achievement payment, the per-ANB amount used to calculate the total special education allocation in 20-9-306, and the general fund payments in 20-9-327 through 20-9-330 in each fiscal year of the ensuing biennium. The inflation factor is calculated as follows:</p> <p>(a) for the first year of the biennium, divide the consumer price index for July 1 of the prior calendar year by the consumer price index for July 1 of the calendar year 3 years prior to the prior calendar year and raise the resulting ratio to the power of one-third; and</p> <p>(b) for the second year of the biennium, divide the consumer price index for July 1 of the current calendar year by the consumer price index for July 1 of the calendar year 3 years prior to the current calendar year and raise the resulting ratio to the power of one-third.</p> <p>(2) The present law base for the entitlements referenced in subsection (1), calculated under Title 17, chapter 7, part 1, must consist of any enrollment increases or decreases plus the inflation factor calculated pursuant to this section, not to exceed 3% in each year, applied to both years of the biennium.</p> <p>(3) For the purposes of this section, "consumer price</p>	Mont. Code Ann. § 20-9-306, 9-326

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		index" means the consumer price index, U.S. city average, all urban consumers, for all items, using the 1982-84 base of 100, as published by the bureau of labor statistics of the U.S. department of labor."	
New Hampshire	Fixed rate	"Beginning July 1, 2024 and every year thereafter, the department of education shall adjust the following with an increase of 2 percent annually: I. Per pupil costs in RSA 198:40-a, II; II. Extraordinary need grant "grant floor," "grant ceiling," "factor," and "max grant" as defined in RSA 198:40-f, II, (a)-(d); and III. Chartered public school additional grants under RSA 194-B:11, I(b)(1)(A) and (B)."	N.H. Rev. Stat. Ann. § 198:40-d
New Jersey	Consumer Price Index	<p>"The commissioner shall determine, based on the standards established pursuant to section 4 of this act, a base per pupil amount, and shall develop appropriate weights reflecting the differing costs of providing education at the kindergarten, elementary, middle school, and high school levels, which weights shall be applied in determining a district's base cost as set forth in section 8 of this act. The base per pupil amount for the 2008-2009 school year shall be \$9,649. The weight for kindergarten shall be 0.5 in the case of a pupil enrolled in a half-day kindergarten program and 1.0 in the case of a pupil enrolled in a full-day kindergarten program, and shall be 1.0 for the elementary (grades 1-5) level, 1.04 for the middle school (grades 6-8) level, and 1.17 for the high school (grades 9-12) level.</p> <p>The base per pupil amount shall be adjusted by the CPI in the 2009-2010 and 2010-2011 school years as required pursuant to subsection b. of section 4 of this act. For subsequent school years, the base per pupil amount and the grade level weights shall be established in the Educational Adequacy Report, with the base per pupil amount adjusted by the CPI for each of the two school years following the first school year to which the</p>	N.J. Stat. Ann. § 18A:7F-49

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		report is applicable."	
New York	Consumer Price Index	"The foundation amount shall reflect the average per pupil cost of general education instruction in successful school districts, as determined by a statistical analysis of the costs of special education and general education in successful school districts, provided that the foundation amount shall be adjusted annually to reflect the percentage increase in the consumer price index as defined by paragraph hh of subdivision one of this section, provided that for the two thousand twenty-four--two thousand twenty-five school year, the percentage increase in the consumer price index shall be deemed to be two and eight-tenths percent (0.028)."	N.Y. Educ. Law § 3602
South Carolina	Discretionary amount	<p>"The base student cost shall be established annually by the General Assembly. The base student cost shall be established in such a manner that five years after July 2, 1978, the funding level shall approximate the cost of the defined minimum program as set forth by the State Board of Education.</p> <p>Each year the Revenue and Fiscal Affairs Office shall submit to the Legislature an estimate of the projected rate of inflation for the fiscal year to be budgeted, and the base student cost shall be adjusted to incorporate the inflated cost of providing the Defined Minimum Program."</p>	S.C. Code Ann. § 59-20-40(1) (b)
Utah	Discretionary amount	<p>"In accordance with Subsection (2), the Legislature shall annually determine:</p> <p>(a) the estimated state cost of adjusting for inflation in the next fiscal year, based on a rolling five year average ending in the current fiscal year, ongoing state tax fund appropriations to the following programs:</p> <p>(i) education for youth in custody, described in Section 53E-3-503;</p> <p>(ii) the Basic Program, described in Title 53F, Chapter 2, Part 3, Basic Program (Weighted Pupil</p>	Utah Code Ann. § 53F-2-208

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		<p>Units);</p> <p>(iii) the Adult Education Program, described in Section 53F-2-401;</p> <p>(iv) state support of pupil transportation, described in Section 53F-2-402;</p> <p>(v) the Enhancement for Accelerated Students Program, described in Section 53F-2-408;</p> <p>(vi) the Concurrent Enrollment Program, described in Section 53F-2-409; and</p> <p>(vii) the juvenile gang and other violent crime prevention and intervention program, described in Section 53F-2-410; and</p> <p>(b) the estimated state cost of adjusting for enrollment growth, in the next fiscal year, the current fiscal year's ongoing state tax fund appropriations to the following programs:</p> <p>(i) a program described in Subsection (1)(a);</p> <p>(ii) educator salary adjustments, described in Section 53F-2-405;</p> <p>(iii) the Teacher Salary Supplement Program, described in Section 53F-2-504;</p> <p>(iv) the Voted and Board Local Levy Guarantee programs, described in Section 53F-2-601; and</p> <p>(v) charter school local replacement funding, described in Section 53F-2-702.</p> <p>(2)</p> <p>(a) In or before December each year, the Executive Appropriations Committee shall determine:</p> <p>(i) the cost of the inflation adjustment described in Subsection (1)(a); and</p> <p>(ii) the cost of the enrollment growth adjustment described in Subsection (1)(b).</p> <p>(b) The Executive Appropriations Committee shall make the determinations described in Subsection (2)(a) based on recommendations developed by the Office of the Legislative Fiscal Analyst, in consultation with the state board and the Governor's Office of Planning and Budget.</p> <p>(3) If the Executive Appropriations Committee includes in the public education base budget or the final public education budget an increase in the value of the WPU in excess of the amounts</p>	

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		described in Subsection (1)(a), the Executive Appropriations Committee shall also include an appropriation to the Local Levy Growth Account established in Section 53F-9-305 in an amount equivalent to at least 0.5% of the total amount appropriated for WPUs in the relevant budget."	