Yes. Every kid.

Weighted student funding

Streamlining education dollars

The delivery of education dollars should be streamlined based on students’ needs using a weighted student formula so funding is fair, portable, and transparent.

Most school finance formulas contain arbitrary and restrictive provisions that cause inequities and limit local discretion. Such funding streams should be eliminated so dollars can be freed up and used more productively. The best way for state policy makers to do this is to streamline operating revenue into weighted student formula (WSF) that allocates dollars based on individual students’ needs.

The concept is simple: A per-pupil foundational allotment is established for regular program students and weights are added to this amount for selected categories of need. For example, California’s Local Control Funding Formula (LCFF) allocates a per-pupil foundational amount based on students’ grade level and adds a 20 percent weight for unduplicated counts of English learner, low-income, and foster students. As a result, additional dollars are targeted to individual students who are costlier to educate in a fair and transparent manner.

**Chain of Command**

An important first step is to identify and eliminate funding streams that can undermine the goal of streamlining education dollars. Here are some of the most common examples:

- **Non-equalized local revenues:** Many state funding systems allow districts both to raise local dollars beyond their formula amount and to tax at above formula-assumed rates to do so. This creates funding inequities, restricts school choice by making dollars less portable, and makes competing for talent hard for neighboring districts that can't access the same dollars. This funding is also sometimes restricted for certain purposes such as facilities or transportation. For example, in Arizona, districts can raise excess local dollars through a variety of voter-approved and other avenues to spend on debt, additional staff and operation supports, and excess transportation funding.

- **Non-equalized state grants:** Many states — outside of their equalized funding formulas — also disburse funds to schools via grants that do not factor in available district resources. This creates inequities by disbursing state dollars to districts that might already have excess local resources. It also can be inefficient because it puts the full funding burden for certain purposes on the state. If the funding were instead disbursed in an equalized formula, the funding responsibility could be shared between state and local sources and greater state funding could go to districts with less local wealth.
For example, in Arkansas, funding for low-income students and teacher professional development is disbursed as pupil-based block grants that aren’t part of their equalized formula.

- **Categorical grants:** Often non-equalized grants, categorical funding has restrictions on its use that prevents districts from repurposing those dollars for more pressing local needs. This means that districts with varying amounts of property wealth are getting the same funding from the state, and the dollars can be spent only on specific, state-approved programs. South Carolina is an example, with many categorical grants for things such as early childhood programs and reading programs.

- **Hold harmless provisions:** These are school funding mechanisms intended to ensure that certain districts don’t lose funding or go below a historical funding level. They are common in many funding systems, but some states rely on them more than others. For example, Pennsylvania has a large hold harmless function in its funding formula where, by some estimates, more than half of its total basic education funding is disbursed based on 1990-1991 district enrollment numbers.

- **Minimum state aid requirements:** This kind of provision effectively establishes a funding floor for state supports, so that even the wealthiest districts still receive it even if they already have excess resources. In New York, for example, districts can’t receive less than $500 per pupil in foundation aid, even if their local revenue contribution is enough or nearly enough to cover their total revenue entitlement.

- **Resource-based allotments:** Some states primarily disburse funding via a “resource-based” model, or a model where funding amounts are based on staffing costs to serve certain types of students or deliver certain programs, or to specific types of resources such as technology or supplies. These allotments are generally restricted in use. Delaware is an example of this because it does not use a per-pupil funding amount to determine district funding but instead mandated staffing ratios to deliver general education services, as well as services for low-income and special need students.

- **Allotments for size and sparsity:** States often build in special allocations, both inside and outside of their main formulas, for districts based on size or rural status. While these are intended to account for unique cost and economies-of-scale challenges faced by some districts, they undermine equity on student-based metrics. For example, Arizona uses several adjustments in its main formula that place higher funding weights on students living in small and isolated districts and grants special taxing authority for these districts to raise additional money without voter approval.

### DEVELOPING A WEIGHTED STUDENT FORMULA

As non-optimal funding streams are eliminated, those dollars can then be collapsed into a weighted student formula (WSF). While there isn’t one right way to structure a WSF, policymakers can customize a formula to their students’ needs by applying the following principles.

- **Be strategic:** Weighted student categories should be selected based on a state’s unique needs, accounting for things such as student demographics and current performance levels. States must also ensure that accurate data exist for these categories and that good projections of student counts can be made.

- **Keep it simple:** Generally, it is best to have a straightforward formula that avoids overlap among categories.

- **Consider all funding:** Policymakers should aim to allocate all or nearly-all dollars through a WSF. Some states will need to create one from scratch while those that already
Phase-out/phase-in: Because districts need to be able to adjust to funding changes, it’s sometimes helpful for large-scale reforms to be introduced gradually. But it is also important to ensure that transitional funding amounts are temporary and don’t become locked into the formula in the long run.

Examine allocation patterns: While it’s clear that some students are costlier to educate than others, it’s difficult to determine exactly how much more they should receive. When setting weights, policymakers should start by examining current allocation patterns for various student sub-groups and model how changes to the formula would affect these distributions.

No strings attached: Dollars should be delivered as unrestricted revenue so that district leaders are empowered to make spending decisions. In this system accountability is for outcomes, not inputs. Financial reporting tools should be created so stakeholders know exactly how dollars are allocated and spent.

BENEFITS

• Better alignment between spending and strategy: District and school leaders are given the flexibility to make tradeoffs over how resources are used, which allows them to respond to the unique needs of students, staff, and communities.

• More equity: Education funding is targeted to students who are costlier to educate without complex and restrictive formulas.

• Portable dollars: Tying education dollars to individual students makes it easier for funding to follow children outside of their residentially assigned school districts, which is especially crucial for open enrollment policies.

• Increased transparency: It is easier to understand exactly how funding is allocated while also giving policymakers a lever to prioritize scarce resources.

• Responsive funding: Because funding levels automatically adjust to a district or school’s student population, dollars are directed to where they’re needed most.

STATE EXAMPLES

California

In 2013, California enacted its Local Control Funding Formula (LCFF), which sought to increase funding equity and give school districts greater autonomy over spending decisions. LCFF streamlined more than 30 categorical grants into a weighted student formula that delivers dollars with fewer strings attached, including additional funding for three categories of at-risk students. Early research has given LCFF high marks and several themes are emerging.

Widespread support: In a survey of superintendents, 82 percent agreed that LCFF allows them to better align goals, strategies and resource allocation decisions. Researchers have also found “little enthusiasm” among district officials for returning to categorical funding.

Cultural shifts within school districts: There is evidence of greater collaboration between fiscal and academic leaders in developing budgets as silos. According to one official, “We’re finally [asking] who are the students with the highest need and how do we address those needs?”

Evidence of customization: Research by Edunomics Lab found evidence that districts have used flexibility to customize without radical shifts in spending.

Focus on Equity: Research by The Education Trust-West found a substantial improvement in equity. By 2015-2016 the state’s highest poverty districts received on average $334 per pupil more than its lowest poverty districts.

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Sources: