

WHAT PORTION OF DISTRICT FUNDS FOLLOW STUDENTS?

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JUNE 2014

Over the last two decades, increasing numbers of urban school districts are changing the way they allocate funds to their schools. Historically, districts used a staffing formula to assign fixed numbers and types of staff to each school, then budgeted school resources based on staff salaries. Though many districts still use the staffing formula approach, growing numbers of big-city districts are shifting away from allocating resources based on staffing and toward funding schools based on the number and kinds of students they serve. This new funding process is known by many names, including student based allocation, weighted student funding, student based budgeting, and fair student funding. This paper will use the term student based allocation, or SBA.

Under SBA, a district determines a fixed dollar increment per student and allocates resources to schools based on their student enrollment. Frequently, districts allocate additional per-pupil increments for different types of students, thus “weighting” resources toward students who require additional services, such as low-income students or English-language learners. Districts making the shift to SBA seek to enhance budget transparency, increase funding equity across schools, and devolve resource-use decisions to schools. When districts can make their per-student allocations portable, SBA can also facilitate school choice for students and families.

In order to understand the extent to which SBA formulas have or have not changed districts’ resource allocations, the Edunomics Lab at Georgetown University is conducting an ongoing study of district budgets in cities implementing SBA. To date, researchers have examined 12 urban district budgets for FY 2014 to analyze the similarities and differences in their SBA formulas, and calculated the percentage of each district’s total resources allocated via SBA. Key findings to date include:

- Districts can measure progress using a %SBA metric
- Districts had a smaller share of their budgets in the SBA formula than expected
- Districts vary on the student types and weights assigned
- Some districts are deploying multiple funding sources through SBA
- There are common opportunities to expand SBA in most districts

Methodology: The %SBA Metric

To measure the extent to which study districts are meeting their goals of enhancing transparency and equity, the Edunomics Lab measured the percent of their total FY 14 expenditures disbursed through SBA, minus long-term obligations, and called this metric %SBA. Figure 1 shows the metric used.

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Figure 1. Calculation for %SBA metric

$$\frac{\$ \text{Allocated on the basis of students or student types}}{\$ \text{Total district spending less long-term obligations (debt, private funds, capital)}} = \% \text{SBA}$$

Given that districts use different SBA formulas, the Edunomics Lab set strict, uniform criteria to determine whether an allocation qualified as student-based:

1. The allocation delivered a fixed dollar amount per qualifying student versus a staffing allocation, etc.
2. The allocation was driven only by counts of students or defined student characteristics, not participation in a program or school type. Student characteristics might include grade level, low income, learning disability, etc.
3. If a student changed schools from one year to the next, the allocation's fixed dollar amount transferred with the student.

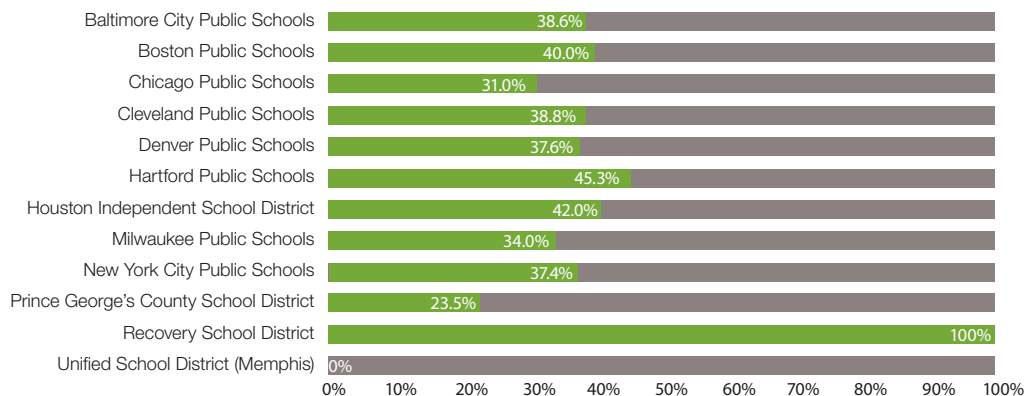
It is important to note that some funds districts often distribute on a per-pupil basis—such as monies for small or alternative schools—did not meet these criteria for student-based spending because they are awarded to schools by school type, not by student characteristics. Also, student allocations had to be defined in categories and assigned fixed dollar amounts, an important consideration in evaluating special education allocations. When districts grouped students into categories and funded those categories at fixed dollar amounts, those funds were counted as SBA. However, when districts funded individual special education students according to their unique IEP staffing prescriptions, those annual expenditures were not counted as SBA.

Only dollars that met the above criteria and were deployed as a strict function of student counts made up the metric's numerator. The denominator included all the district's annual expenditures (less debt or other multi-year obligations) yielding a percentage for each district.

Key Finding: Smaller Share Of Budgets In SBA Formula Than Anticipated

Figure 2 shows the %SBA metric for each of the 12 districts analyzed to date. Overall, districts allocated between 23.5 percent and 42.1 percent of their budgets using an SBA formula. On the high end, districts in Boston, Hartford, and Houston deployed 40 percent or more of their total funds via a student-based formula, while districts in New York City and Prince Georges County used SBA to distribute less than 30 percent of all funds.

Figure 2. SBA districts vary on portion of funds following students



Several district leaders were surprised at these results and expected to see higher percentages of their budgets categorized as SBA. Part of the confusion is around the nature of the measure. The %SBA metric does not zero in on only the share of school-based funds allocated per student but rather uses the full district's budget as the denominator. Nor does it attempt to measure the share of the district's budget expended at schools. Rather, %SBA creates a ratio of SBA monies to total district monies, regardless of where those funds are expended (district or school). In this sense, the measure used here is a way to understand the SBA formula, not necessarily the split between central and school-based funds as other measures might be.

The strict %SBA metric is a unique and important tool for education leaders. With insight into the share of the district's total funds actually following each student, education leaders can predict how school budgets may change based on enrollment, ascertain portable dollars in districts with choice models and establish decision-making and accountability roles within each district. For districts working to direct more funds using SBA, the %SBA metric is also useful for tracking progress over time.

Key Finding: District Weights And Student Categories Differ Across Districts

A central feature of SBA is the flexibility to build an allocation model that responds to the district's distinct mix of students, including allocations of different dollar amounts based on different types of students. Each of the districts studied weighted a variety of student characteristics. However, some weights were more common, such as for English-language learners and by grade level. Table 3 summarizes the types of students weighted in six of the districts, illustrating that no two districts used the same student categories.

Table 3. Overview of student types across six districts¹

	English Language Learners	At-Risk	Grade Level	Students with Disabilities	Poverty	Students with Interrupted Formal Education	Gifted & Talented
Baltimore Public Schools		✓		✓			
Boston Public Schools	✓	✓	✓	✓	✓	✓	
Denver Public Schools	✓	✓			✓		✓
Milwaukee Public Schools	✓		✓				
New York City Public Schools	✓	✓	✓	✓			
Prince George County School District	✓	✓	✓		✓		

Key Finding: Some Districts Are Deploying Multiple Funding Sources Through SBA

While some districts use their SBA formula only to deploy flexible state monies to schools, others have leveraged their SBA formula to deploy some federal monies, and even local levy dollars, as well as state grants, to schools. For instance, in FY 14, Denver Public Schools (DPS) increased its %SBA by adding revenues from the Mill Levy, a local property tax fund, to its SBA formula. Elementary schools receive \$7 per-pupil from a 2003 Mill Levy. Even more of the 2012 Mill Levy has been deployed through SBA. This Mill Levy allocates \$49 million annually to DPS across six academic programs, including \$11 million divided between physical education and the arts. Rather than investing that money into centrally-allocated staff positions or supplies to schools, DPS leaders added these funds to their SBA formula. The arts portion of the funding stream is allocated to schools in increments of \$167 for each middle

¹ At-Risk: Students who are under credited and are at-risk of dropping out of school. Students with Disabilities: Students with special needs (those who have IEPs).

and high school student, while the physical education fund distributes \$65 per student at all grade levels. While the district requires certain levels of services in these areas be provided at all schools, principals can use the dollars flexibly to decide how to provide these enrichments.

Districts are also beginning to use their SBA formulas to deploy resources long managed centrally, like substitute teachers and technology budgets. Denver Public Schools directly allocates the monies for substitute teachers to the schools, allowing principals to decide when to draw on those funds. As of spring 2014, Baltimore City Public Schools was exploring how to restructure its centrally-managed technology department to be funded via a student-based formula. In the new model, some of the funds would be allocated directly to schools to purchase back technology services, and other funds would be allocated in per-pupil increments directly to the central department as a way of creating financial transparency and stability to this costly central department.

Key Finding: Districts Share Common Opportunities To Expand The Use Of SBA Formulas.

Generally, districts shift funds into an SBA model gradually. Most districts start with the core staffing at schools, and then blend in funds for other functions over time. By adding more funds to the formula, the district is systematically restructuring its budget around students, creating stability, transparency, and increased school-level flexibility. As districts look to expand the portion of their budgets allocated via SBA, district leaders should consider the following opportunities:

- Eliminate allocations for school characteristics or programs, such as small school subsidies, magnet schools, and hold-harmless agreements. When these allocations are removed, the funds can be redeployed to schools via the SBA formula, creating more equity and, over time, enabling incentives for schools to seek greater enrollments, efficiencies, and other within-school tradeoffs that don't draw funds from the rest of the district's schools.
- Consider using the SBA formula for special education allocations. Many districts worry that the complex requirements around serving high needs special education students preclude the use of SBA for these services. However, the Recovery School District has grouped student service requirements into different levels of service (based on the student's Individual Education Program, or IEP) and then funds schools a fixed dollar amount depending on the level of services required. Schools then make decisions about how to apply staff and schedule time so as to meet the requirements of the IEP.
- Use SBA formulas for centrally managed services. Even central office departments can be funded on a student basis. Administrative or back office functions might be budgeted in fixed amounts per student, thereby ensuring that the central department expands and contracts as district enrollment shifts. Where the district wants to shift control of the services to the school site, the SBA formula can be used to distribute the funds to the schools, allowing schools to then buy services back as needed or desired. Budgeting for these functions in student increments can often improve cost transparency and budget predictability.