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MEMORANDUM

TO: Interested Parties
FROM: Penn Hill Group
DATE: February 8, 2018
SUBJECT: Launch of the “Student-Centered Funding Pilot”

Introduction

On February 7, 2018, the U.S. Department of Education (ED) began accepting applications from local educational agencies (LEAs) interested in participating in the “Student-Centered Funding Pilot,” an initiative authorized by Section 1501 of the Elementary and Secondary Education Act (ESEA) as reauthorized by the Every Student Succeeds Act (ESSA). In brief, Section 1501 authorizes ED to enter into agreements with a limited number of LEAs (initially 50) that desire to consolidate Federal funds with State and local funds in order to implement a single funding system that provides weighted per-pupil funding to schools. Note that participating LEAs will not receive additional funding—this is not a grant program—and that no LEA is required to participate.

For LEAs desiring to use the flexibility provided by the initiative during the 2018-2019 school year, the deadline for applications is March 12, 2018. For other LEAs seeking to participate, but not wishing to begin implementation until the 2019-2020 school year, the deadline is July 15, 2018. The application package providing instructions and an application template for this initiative is available at [this link](#).

Simultaneously, ED has requested public comment on the application package (pursuant to the Paperwork Reduction Act requirement that agencies solicit public comment on information-collection activities.) The deadline for commenting is April 8. The Federal Register notice requesting comments is available at [this link](#).

The purpose of this memo is to describe the key elements of the Student-Centered Funding Pilot, including the statutory requirements and how those requirements have been interpreted by ED. We have highlighted, in italics, ED interpretations that clarify or augment the statute.

Overview of the Student-Centered Funding Pilot

Under the general requirements for the ESEA Title I, Part A program (Title I Grants to LEAs), LEAs must allocate program funds to schools with concentrations of children from low-income families based on a set of rules described in the statute. These rules for the within-district allocation of Title I funds will often differ from the procedures that LEAs use in allocating their State and local funds. For LEAs that have begun allocating all or a portion of their own funds using “weighted student funding formulas” (formulas that provide per-child allocations to schools, with greater weights for certain categories of children) or are considering doing so, the requirement to allocate Title I funds through a different set of procedures may mean that a district must administer two different procedures for allocating funds, even though both procedures are intended to drive more funds to schools with concentrations of poor and other

higher-need students. The requirement to use two different procedures may complicate and hinder district attempts to allocate funds in an optimal manner based on student needs.

The Congress, in enacting the ESSA, addressed this issue by adding section 1501, which permits ED to enter into three-year agreements (which may be renewed) allowing LEAs to consolidate Title I and other Federal funds with State and local funds as part of a weighted student funding formula, notwithstanding the general requirements governing the allocations of the Federal funds. A participating LEA must still meet the requirements of each Federal program included in the consolidation.

Requirements of a Weighted Student Funding System under the Pilot Authority

In order to participate in the pilot, an LEA must:

- Allocate a “significant” percentage of its State and local funds through the LEA’s weighted student funding formula. *The statute and the ED application package state that the percentage will be agreed upon during the application package; the application package does not specify what ED will regard as significant.* Pursuant to the statute, reviewers will look both at whether the percentage will be sufficient to carry out the purposes of the agreement and at whether the Federal, State, and local funds not allocated through the weighted formula would undermine or conflict with the requirements of the agreement.
- Use weights or allocation amounts to drive substantially more funding to English learners, students from low-income families and students with other characteristics of educational advantage (chosen by the LEA) than to other students.
- In the first year of the demonstration, provide each high-poverty school in the district with more per-pupil funding for students from low-income families and at least as much per-pupil funding for English learners than the school received in the previous year. A “high-poverty school” is defined as a school in the top two quartiles of schools in the LEA, based on percentage of students living in poverty.
- Include all school-level actual expenditures for instructional staff (including staff salary differentials for years of employment) and actual non-personnel expenditures when calculating the portion of funds to be included in the weighted student formula.
- *After allocating funds through the system, charge schools for the per-pupil expenditure of State and local funds and eligible Federal funds, including actual per-pupil expenditures for instructional staff and actual non-personnel expenditures.*

ED will score the applications, awarding points based on the extent to which an application meets these criteria. (Note that while the statute authorizes (but does not require) the ED to establish a peer-review process to assist in the consideration of these applications, the application package does not specify whether ED will use external peer reviewers.)



Other Requirements for Participation in the Demonstration

In addition to meeting the above requirements with respect to the operation of a weighted student funding formula, a participating LEA must:

- Continue to meet the Title I requirements for maintenance of effort, supplement not supplant, and comparability.
- Continue to provide equitable services to students (and their teachers and families) enrolled in private schools. *Accordingly, before implementing its student-centered funding system, an LEA must determine the amount of funds under each Federal program (whose funds will be consolidated) that must be reserved for equitable services.*
- Continue to meet the applicable civil rights laws (Title VI of the Civil Rights Act of 1964, Title IX of the Education Amendments of 1972, Section 504 of the Rehabilitation Act of 1973, Title II of the Americans with Disabilities Act, and the Individuals with Disabilities Education Act).
- *Continue to abide by the Title I requirements related to standards, assessments, accountability (including taking actions to support and improve schools identified for comprehensive or targeted support and improvement), reporting, and addressing disparities that result in low-income and minority students being taught at higher rates (than other students) by inexperienced, ineffective, or out-of-field teachers.*
- *Include all schools in the LEA when allocating funds through its weighted formula.¹*

Note that, in order to meet certain of these conditions, a participating LEA will need to continue to identify “Title I schools” under the provisions of ESEA section 1113, which generally requires that identification be made on the basis of a school’s having one of the highest concentrations of child poverty within the LEA. This identification must be made even though, under the demonstration, once an LEA consolidates Title I funds into its weighted formula, those funds could flow to all schools in the district. In other words, an LEA would still need to identify Title I schools pursuant to section 1113, but would not have to allocate funds pursuant to that section.

Additional Flexibility

In addition to permitting participating LEAs the authority to consolidate Federal, State, and local funding, the statute gives the Secretary of Education the authority to waive additional ESEA requirements that might prevent LEAs from participating. *Accordingly, ED has determined that the Secretary will waive all LEA-level requirements (with the exceptions described elsewhere in this memo) applicable to the programs being consolidated, provided that the LEA meets the*

¹ Note, however, that the application package says that an LEA “is expected to” do this, while the statute says “must.”

purposes of each such program. A participating LEA will not be required to provide specific services with specific program funds, or account for expenditures for specific programs separately, provided that the LEA demonstrates that the consolidated funds allocated through the system, as a whole, address the purposes of each such Federal program.

Federal Funding that may be Included in a Weighted Student Formula

As noted above, an LEA participating in the pilot would consolidate and allocate some or all of its Federal, State, and local funding through a single weighted student funding formula. Under the statute, and as clarified in the application instructions, the Federal funds that could be consolidated are those flowing to the LEA through the following ESEA authorities:

- Title I, Part A
- Title I, Part C (Migrant Education)
- Title I, Part D, Subpart 2 (Local Prevention and Intervention Programs for Children and Youth who are Neglected, Delinquent, or At Risk)
- Title II (Preparing, Training, and Recruiting High-Quality Teachers, Principals, or Other School Leaders)
- Title III (Language Instruction for English Learners and Other Immigrant Students)
- Title IV, Part A (Student Support and Academic Enrichment Grants)
- Title V, Part B (Rural Education)

Note that these authorities include not only formula programs, but also some programs under which an LEA could receive funds competitively from ED or the State. *According to the application instructions, when an LEA consolidates funds from a competitive program, it must continue to “carry out the scope and objectives, at a minimum,” at the level described in the LEA’s competitive funding application. Further, “When possible, in applying for a competitive grant, an LEA would indicate in its application that some or all of the funds would be used to support its local flexibility demonstration agreement.”*

Application Requirements

Under the statute, an LEA desiring to participate in the demonstration must submit to ED an application that includes:

- A description of the LEA’s weighted student funding system, including the weights used to allocate funds; the LEA’s legal authority to use State and local funds in a manner consistent with section 1501; how the LEA’s system will meet the section 1501 requirements; and how the system will support the academic achievement of students, including students from low-income families; the lowest-achieving students; English learners, and children with disabilities.
- A list of funding sources, including Federal funds, that the LEA will include in its system.



- A description of the amount and percentage of total LEA funding, including Federal, State and local funds that the LEA will include in its system.
- The per-pupil expenditures (including actual personnel expenditures (including staff salary differentials for years of employment) and actual non-personnel expenditures) of State and local funds for each school served by the LEA for the preceding school year.
- The per-pupil amount of eligible Federal expenditures that each school in the LEA received in the previous school year, disaggregated by Federal program.
- A description of how the LEA will ensure that it will meet the purposes of each Federal program whose funds are allocated through the system, including, as applicable, students from low-income families, English learners, migrant students, and children who are neglected, delinquent, or at risk.
- An assurance that the LEA developed and will implement its agreement with the Secretary in consultation with teachers, principals, other school leaders (including charter school leaders, if the LEA includes charter schools), administrators of Federal programs affected by the agreement, parents, community leaders, and other stakeholders. *The application package adds: "For an LEA that is continuously engaging with stakeholder groups regarding the development or implementation of a student-centered funding system, such engagement constitutes consultation for purposes of providing this assurance. An LEA must ensure that all required stakeholder groups are included in consultation."*
- An assurance that the LEA will use fiscal control and sound accounting procedures that ensure the proper disbursement for, and accounting of, the Federal funds consolidated.
- An assurance that the LEA will abide by the Title I fiscal and equitable services requirements, as described above.
- An assurance that the LEA will abide by the Federal civil rights laws, as described above.

The ED application package includes a template for provision of this information, including tables for insertion of the numerical information.

Continuation of a Demonstration

An LEA that is selected to participate in the child-centered funding pilot must, in order to continue its participation, annually—

- Demonstrate to ED that no high-poverty school in the district is receiving less per-pupil spending for students from low-income families and for English learners, compared to the previous year.



- Report to the Secretary, and make public, the LEA's per-pupil expenditures (including actual personnel and non-personnel expenditures, as described above), disaggregated by each quartile of poverty rate and by each major racial and ethnic group.
- Make public the total number of students enrolled in each of the LEA's schools, disaggregated by the following subgroups: students from each major racial and ethnic group, students from low-income families, English learners and children with disabilities.