



Student-Centered State Funding: *A How-to Guide for State Policymakers*

This guide lays out a step-by-step process for how your state can meaningfully increase the proportion of funding that is student-centered. It discusses some of the trickier design challenges and identifies ways to overcome them.

Too often, debates about state education funding focus solely on how much money should be provided to school districts. Far too little attention is paid to an equally or more important question: How can your state maximize the impact of existing funding?

Indeed, the way states fund districts is so complex that only a handful of people in any state understand it. District leaders are hamstrung by a multitude of restrictions that lock in antiquated instructional models and prevent them from addressing the unique needs of their students. Districts get different funding amounts irrespective of the number of students they serve or their special needs and disadvantages. High-performing districts have no incentive to grow enrollment, and parents are penalized if they move their children to another district.

Student-centered funding addresses these problems. It means nearly all funding is provided to districts based on how many students they serve. Funds are also provided to address specific needs and challenges those students might have. Funding for each student follows him or her to any district to ensure his or her needs can be met, regardless of district boundaries.

Through five steps, your state can meaningfully increase the proportion of education funding that is student-centered.

- STEP 1** Establish a base funding amount that every district receives for each student served. To increase the percentage of funding in your state that is student-centered, a key strategy is to collapse the many existing separate funding programs into the base.
- STEP 2** Require local funding for a district on a per student basis, such that the total local contribution will go up and down based on student enrollment.
- STEP 3** Structure all funding for students with special needs or disadvantages as a weight, or multiplier of the base, for each such student that a district serves. As these students change districts, the additional funding should fully follow them.
- STEP 4** Adjust funding for districts each year based on the number and characteristics of students they are serving.
- STEP 5** Remove restrictions on how districts spend money, relying instead on accountability and financial transparency to ensure that the needs of all students are met.

By taking these steps, your state can create a student-centered funding system that is vastly simpler, fairer and more effective and gives more flexibility to districts and more choices for parents. ExcelinEd stands at the ready to provide technical expertise and assistance to state policymakers seeking to advance student-centered funding in the coming months and years.

Reframing the Education Funding Debate

Too often, debates about state education funding focus solely on how much money should be provided to school districts—or what is termed *adequate* funding. Far too little attention is paid to an equally or more important question: How can states maximize the impact of existing funding? While state policymakers often know how much in total is spent on education, they rarely know how much of the intended funding is actually being spent on individual students, many of whom have specific needs and challenges.



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Consider how states typically fund education. Many states set a base funding amount per student. However, they pay only a portion of that, relying on local revenue for the rest. Then states have a panoply of other funding programs for certain types of students, services, programs and schools. Districts also receive funds from various local and federal sources. All these different funding streams flood into a district, where they often enter a big black box.

Once funds enter this black box, it is hard to track where money goes or why. Even funds that are targeted to address specific student issues, such as poverty and special education, are often allocated according to district-created formulas for school-level staffing or program purposes. An individual student's funding needs can easily get lost in the mix—meaning designated funding may not even reach the students who need it most, particularly if they move from one district with more of these dollars to another with fewer resources.

Addressing this issue means reframing the debate about state education funding, moving from questions about *adequacy* to addressing the *efficacy* of state funding models. A powerful means for ensuring the efficacy of state education dollars is student-centered funding.



Explaining Student-Centered Funding

Student-centered funding is also referred to as weighted student funding, student-based allocation or student-based budgeting. The core principles of student-centered funding are relatively simple. Under a student-centered funding model:

- Nearly all funding is provided to districts based on how many students they serve;
- Funds are also provided to address specific needs and challenges those students might have; and
- Funding for each student follows him or her to any district to ensure his or her needs can be met, regardless of district boundaries.

It means that each district in your state receives a base funding amount for each student, with additional funds, also called weights, for students who have special needs or disadvantages. Funding fully follows students as they move from district to district.

There are several key advantages to student-centered funding.

- First, it is more **transparent**. It is clear and easy to understand how much funding each district gets and why.
- Second, it **empowers districts**. District leaders have flexibility to use funds to meet the unique needs of their students.
- Third, it **empowers parents**. Parents can choose the district that is best for their children, with the money fully following their students.¹
- Finally, it is **fairer**. All students in your state get the same base resources, with additional funding for students with special needs or disadvantages.

How to Increase Student-Centered Funding

1 Establish the Base Funding Amount

Determine the base funding per student, which is the amount that every district receives for each student served.

2 Make Local Funding Student-Centered

Require local district funding on a per student basis so the total local contribution will go up and down based on enrollment.

4 Adjust Funding Based on Enrollment

Base funding each year on the current number and characteristics of enrolled students.

3 Determine Additional Funds for Students

Structure funding for each student with special needs or disadvantages as a weight, or multiplier of the base.

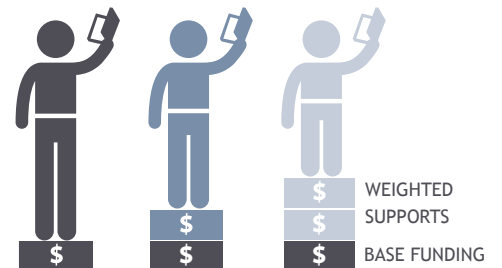
5 Make Sure All Students Benefit

Rely on accountability and financial transparency to ensure the needs of all students are met.

Key Advantages

- ▶ District funding is transparent and understandable.
- ▶ District leaders have funding flexibility.
- ▶ Parents can choose what's best for their children.
- ▶ All students get the same base resources, with additional funding for students with special needs or disadvantages.

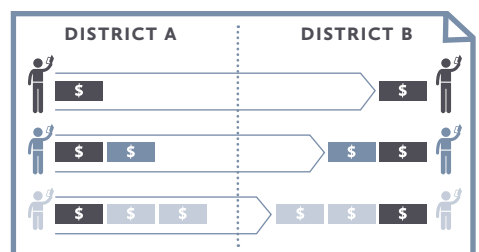
Making Funding Fairer



Under a student-centered funding model, most funding to districts is based on the number of students served. Students requiring extra help are given greater funding based on weights.

Funds Move With Students

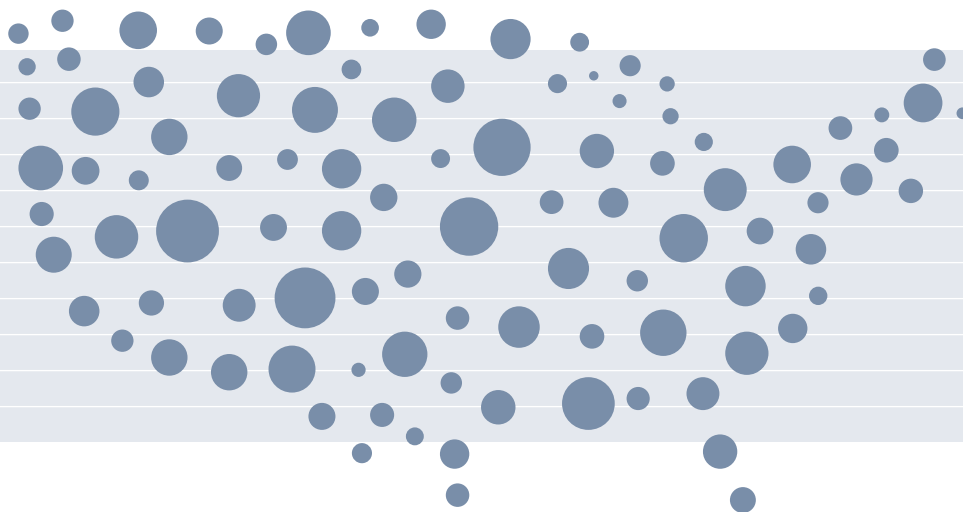
Funding fully follows students as they move from district to district.



¹ Student-centered funding removes an important financial barrier to parents who want to move into another district but fear that their children will lose some of the services they are receiving. It also makes it easier for states that want to enable parents to stay where they live but enroll their children in another district.



Understanding Why States Are Not Currently Using Student-Centered Funding



No state yet has education funding that is 100 percent student-centered. Instead, a portion of funding is student-centered and the rest is not. There are some states in which none of the funding is student-centered, while in other states as much as 85 percent is student-centered.ⁱⁱ There are common reasons why funding in a state is not student-centered.

First, **states fund specific staffing positions, services, programs or schools rather than students.** For example, states pay districts based on the number of teachers they have. So, if a student moves to another district, the district may not receive any additional funding, unless that student happens to make the district eligible for another teacher. States also fund specific programs at certain types of school, such as a self-contained classroom for students with disabilities or a summer school at a high-poverty school. This funding, often called a categorical program, does not follow a student who moves to another district. Categorical programs also dictate a specific instructional model, precluding local flexibility and efficiency.

Second, **states have hold harmless provisions such that districts get the same funding even if they lose students.** Instead, funding is based on how many students the district used to have, e.g., several school years ago. This means that when students move from one district to another, the new district receives no additional funding, while the old districts continue to get funding for students they no longer serve.ⁱⁱⁱ

Third, **states allow local funding of districts that is not dependent on the number of students.** Instead of being determined by student enrollment numbers, local funding reflects a certain tax rate, on property for example. However, there is no adjustment if the districts see an increase or decrease in student enrollment. The more a state depends on local funding that does not adjust for student enrollment, the greater the percentage of funding is not student-centered.^{iv}

Finally, **states provide additional funding to districts that have a relatively small number of students.** If a student leaves one of these districts, only a portion of the funding follows him or her to a new district.^v

ⁱⁱ For examples from various states, see this research from [Edunomics Lab](#).

ⁱⁱⁱ For tips on how states can address the needs of shrinking districts, see *Step 1: Establish the Base Funding Amount* of this guide.

^{iv} For tips on how to make local funding student-centered, see the *Step 2: Make Local Funding Student-Centered* of this guide.

^v For tips on how states can address the needs of smaller districts, see *Step 1: Establish the Base Funding Amount* of this guide.





Student-centered funding is more transparent. It empowers districts and parents, and it is fairer. It is the future of state education funding for those who care deeply about how funding can affect student outcomes. Moving to a student-centered funding model can be done over time, or within shorter timeframes, depending on your state’s current funding mechanisms and priorities.

Here are five clear steps your state can take to meaningfully increase the proportion of funding that is student-centered.

STEP 1 2 3 4 5

Establish the Base Funding Amount

A critical first step in student-centered funding is determining the base funding per student, which is the amount that every district receives for each student served. Conceptually, the base funding should be the amount needed for a student, without any special needs or disadvantages, to achieve college and career readiness in your state. As discussed below, responsibility for providing this base amount can be shared between the state and local jurisdictions.

Almost half of states either do not have a base at all, or the base represents only a small portion of overall funding. For example, in one state, base funding is \$2,464 per student, but districts receive \$9,427 per student from various funding sources. This means that the base is only 26 percent, which is a red flag that the large majority of funding in the state is not student-centered. Contrast this with another state, where the base is \$6,272 per student, and total funding is \$9,245. The base is 67 percent, which means that at a bare minimum, 67 percent of the funding in the state is student-centered.^{vi}

Determining Your State’s Current Base

Calculate your state’s current base as percentage of overall funding and compare it to two real-life examples.^{vii}

	Example #1 Red Flag Zone	Your State	Example #2 Where You Want To Be
Current Base (A)	\$2,464	\$	\$6,272
Current Spending Per Student (B)	\$9,427	\$	\$9,245
Percentage: Divide A by B	26%	%	67%

^{vi} Funding outside of the base can still be student-centered if it reflects student counts and characteristics. See *Step 3: Determine Additional Funds for Certain Students* of this guide. Also, if a state is not adjusting base funding for districts because of hold harmless provisions, then even that funding is not student-centered. See the introductory section of this guidebook.

^{vii} To find the data for your state, a reliable source for base funding is [EdBuild](#). For overall spending per student in your state, the U.S. Census Bureau and the National Center for Education Statistics provide data, although the information is two to three years out of date. For 2014-15 school year spending, see page 20 of the United States Census Bureau’s report [Public Education Finances: 2015](#).



As such, to increase the percentage of funding in your state that is student-centered, a key strategy is to collapse the many existing separate funding programs into the base. California, for example, recently eliminated more than 50 funding programs; its base is 67 percent of overall spending.^{viii}

If there is funding outside of the base amount, your state can still make it student-centered—reflecting student enrollment and characteristics, such that the money fully follows a student who moves to another district. As explained elsewhere in this guidebook, the most compelling addition to base funding is for students who have special needs or disadvantages.^{ix}

A critical first step in student-centered funding is determining the base funding per student, which is the amount that every district receives for each student served.

Should my state adjust the base for different grade levels?

Some states provide more base funding for students in grades K-3 or high school, to reflect the higher cost of smaller or more specialized classes. However many states are implementing personalized learning through mastery (e.g., competency-based education), where students move upon mastery instead of age or grade level. As such, it is best practice to provide the same base for students regardless of grade level. Rather than pay more for high school students, your state can provide incentives for students who pass Advanced Placement or International Baccalaureate exams or receive industry certifications. This funding follows the student from district to district and has achieved significant results in Florida and other states.

^{viii} For more on California's Local Control Funding Formula, see the California Department of Education's [Local Control Funding Formula Overview](#).

^{ix} See Step 3: Determine Additional Funds for Certain Students of this guide.



Should my state adjust the base to reflect the different cost of living in parts of my state?

If base funding is meant to purchase specific services, then the cost of those services can vary in different parts of your state. For this reason, some states provide a different base for each district. However, it is enormously complex and imprecise to make these adjustments fairly. Just because overall wages are higher in one district, it does not mean it costs more to hire teachers. Some lower wage, rural areas may have greater difficulty recruiting and retaining effective teachers. Also, cost of living changes over time, which means your state would need to regularly update any adjustments. However, any district losing money will resist the change, and states making cost of living base adjustments have found themselves locked into place, with little transparency or public understanding. For these reasons, it is best practice for your state to have the same base statewide.

How can my state best address the needs of small districts in student-centered funding?

Districts with a smaller number of students say that they have higher than average costs per student. They say they still need to have a certain number district administrators, for example. However, to provide extra base funding for small districts is not student-centered, because if a student leaves to attend a larger district, only a portion of the money follows. Nearly a third of states do not provide extra funding for smaller districts, who must make financial tradeoffs to keep their small size.^x

If your state wants to consider subsidies for smaller district, it can restrict these adjustments to when there is no reasonable alternative, e.g., students are spread over such a large geographic area that it is impossible to combine districts. Even then, your state can place the burden on districts to show that they have fully explored other options—including shared services and distance learning—and to make their proof again at least every few years. This extra support can also be a separate line item in your state budget each year, providing transparency and a trigger for policymakers to consider how else your state can use this funding to help students statewide.

^x See EdBuild's FundED report [Sparsity and/or Small Size Report: Policies in Each State](#).

Make Local Funding Student-Centered

Once your state has determined the base funding amount per student, the next critical step is to determine how to divide financial responsibility between the state and local jurisdictions. To maximize the proportion of local funding that is student-centered, it is important to make the local contribution required and to adjust the required amount based on the changing number of students.

Some states determine a state share for each district, often reflecting differences in local wealth, but do not require local jurisdictions to pay for the remaining amount. If a student moves from one district to another, the state will pay its share for that student in new district. However, the local jurisdiction is under no obligation to increase its funding.

The student-centered approach is for your state to establish a required local contribution in each district *per student*. The total amount of required local funding for a district will go up and down based on student enrollment, meaning that the local tax rate will adjust to produce the necessary local funding.

This concept is illustrated in the chart below. With base funding of \$5,000 per student, the state provides \$3,000 per student in District A and \$2,000 per student in District B, reflecting that District A has less local wealth than District B. The local jurisdiction is required to provide \$2,000 per student in District A and \$3,000 in District B. In year 2, District A gains 100 students, while District B has 100 fewer students. The required total local contribution for District A increases from \$2 million to \$2.2 million. As such, the local property tax automatically increases. In contrast, in District B, the local tax rate drops. In both districts, the overall funding per student is \$5,000—despite differences in local wealth—and remains at \$5,000 per student despite changes in enrollment.

Making Local Funding Student-Centered

District A	Total Base	Required Local Portion	Number Students	Required Local Contribution	Local Property Value	Required Local Tax Rate
Year 1	\$5,000	\$2,000	1,000	\$2,000,000	\$400,000,000	0.50%
Year 2	\$5,000	\$2,000	1,100	\$2,200,000	\$400,000,000	0.55%

District B	Total Base	Required Local Portion	Number Students	Required Local Contribution	Local Property Value	Required Local Tax Rate
Year 1	\$5,000	\$3,000	1,000	\$3,000,000	\$600,000,000	0.50%
Year 2	\$5,000	\$3,000	900	\$2,700,000	\$600,000,000	0.45%

If students in my state can enroll in districts outside of where they live, who should pay?

Student-centered funding makes it easier for a state to allow students to enroll in districts outside of where they live. The state will pay the share it would pay for that students if they attended their home districts, and the local jurisdictions where they reside will pay their shares to the districts where the students are enrolled. In this way, districts that are serving the students receive full funding, and taxpayers in one jurisdiction are not required to pay for educating children who live in another jurisdiction.

What about local funds a district wants to provide in addition to the required local contribution?

To the extent that additional local funding is allowed, it can still be based on the number of students, automatically adjusting as student enrollment changes. Also, all local funding, whether required or supplemental, can follow students if they enroll in districts outside of where they live.

STEP

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Determine Additional Funds for Certain Students

Many states recognize that some students require additional services to achieve college and career readiness, and they want to help districts pay for those services. The three most common categories of students are: students with disabilities, economically disadvantaged students and English language learners.

In student-centered funding, the key feature for this additional funding is that it be based on the number and characteristics of students, such that the money fully follows if a student moves to another district. This contrasts with funding a specific program at a school or a type of school. So, if a state provides an additional amount for each student with a disability, that funding is student-centered. If, however, a state provides extra funding for a student with a disability only if he or she attends summer school at a specific school, that is not student-centered, as the funding will not follow the student if he or she moves to another district.

The best way to configure this additional money is as a multiplier, often called a “weight,” of the base funding amount per student. So, a weight of 2.0 for a student with a disability means double the base funding for that student (a weight of 1.0 equals the base amount only). The use of weights makes it easier if your state needs to make an adjustment because of inflation. It can increase the base, and leave the weights unchanged, as they will automatically provide the same inflationary increase.

This concept often raises the question of what services a district can realistically provide if only a single student with a specific characteristic enrolls in that district. The district may not be able to hire an additional teacher with that the amount of money. However, this presumes that the only way to help a



student is by hiring a full-time teacher. Districts can use a variety of approaches, including hiring part-time staff or using technology to link students with teachers in other districts. This is better than the alternative, that some students with special needs or disadvantages receive no extra services.^{xi}

Another issue is whether the state can require local jurisdictions to pay for some of the additional services these students need. The best practice is for your state to require the same local contribution as it does for base funding (*see Step 2: Make Local Funding Student-Centered*). In other words, if your state provides 60 percent of base funding for students in a district, it can also provide 60 percent of the additional funds for each student with a special need or disadvantage, with local sources paying for the remaining 40 percent.

How much extra funding should my state provide for certain students?

As noted above, the most important issue for student-centered funding is that the extra funding is based on student enrollment and characteristics. However, in determining how much extra funding to provide, there are two valuable considerations.

First, the primary reason for providing extra funding is because certain students need additional services. If the extra funding is insufficient, then the district will need to subsidize services out of its base funding, which hurts all students. As such, your state can base funding weights on an estimate of actual extra costs, with periodic updates. For students with disabilities, this means having several weights based on the intensity of services a student receives, as this intensity translates into specific additional costs. Florida, for example, created a matrix of services that identified five intensities, each with its own weight.^{xii} This is better than using the type of disability, as two students with the same disability may require significantly different intensities of services.

Second, your state can consider how much additional funding will make it desirable for a district to enroll these students. If districts do not receive sufficient funding for certain students, they will not offer the services that make their schools an attractive option for these students.

How can my state best identify economically disadvantaged students?

In the recent past, states could identify economically disadvantaged students as those already determined eligible for the federal free and reduce-price meal program. However, the federal government no longer requires districts to individually determine student eligibility for this program.^{xiii} Instead, your state can identify students whose families participate in other programs with similar income standards and then also allow families to complete separation income eligibility forms. This is what California does.^{xiv}

^{xi} For strategies to ensure that students benefit from the additional funding provided because of their special needs or disadvantages, see *Step 5: Make Sure All Students Benefit* of this guide.

^{xii} To save costs, Florida eliminated the weights for the three lowest intensities.

^{xiii} Through the Community Eligibility Provision, districts can identify students because their families are participating in a program with similar income standards, e.g., Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF). Understanding that not all low-income students are enrolled in these programs, districts can use a multiplier of 1.6 on top of these “directly certified” students. If the percentage of these students is high enough in a school, the district can assume that all students are eligible. Finally, districts do not need to update eligibility calculations more than every four years. See [guidance](#) from the U.S. Department of Education at p. 4.

^{xiv} See this question from the California Department of Education’s [FAQ on the Local Control Funding Formula](#).



To what extent, if at all, can my state address concentrated poverty in student-centered funding?

As shown in Step 3, states can reflect local wealth in dividing financial responsibility for base funding between the state and local jurisdictions. However, a high- or low-poverty district receives the same base funding per student. Similarly, as indicated above, a high- or low-poverty district receives the same extra funding for each low-income student they serve. Indeed, a district with more low-income students will receive more overall funding, as the funding weight applies to each low-income student.

That is different than providing more overall funding for a low-income student who lives in a higher vs. lower poverty district. That is not student-centered funding, as it is based on the characteristic of a district, not a student. It means that the money will not follow a low-income student who moves to another district with fewer disadvantaged students. It forces a parent to give up the additional services their children are receiving. Districts will be reluctant to recruit low-income students, as they will require additional services for which no one is paying. It perpetuates districts with concentrated poverty, which does not benefit students. Instead, by making funding fully student-centered, a state can incentivize a greater distribution of students with disadvantages.

For providing extra funds for special education students, how can my state discourage over-identification of students or providing more intensive services than needed?

Some states are concerned that providing extra funding for students with disabilities encourages districts to overidentify students or to provide them with more intensive services. They also say that districts have no incentive to use early interventions to prevent identification and are penalized if, because of an effective program, students need less intensive services. Their solution is to assume that there are the same percentage of students with disabilities in each district and fund accordingly.

However, this remedy is worse than the problem. Students with disabilities are not uniformly distributed across the districts in your state. And if a student who needs intensive services enrolls in a new district, that district will receive no additional funding. Student-centered funding ensures that the money associated with a student with a disability follows him or her to a new district.

Your state can use other non-funding strategies to combat overidentification and reward prevention and effective services. For example, your state can require districts to offer early intervention and prevention services, as is the case in Tennessee.^{xv}

^{xv} For more, see the Tennessee Department of Education's [Response to Instruction and Intervention Framework](#). Early intervention for at-risk students is strongly encouraged under the federal Individuals with Disabilities Education Act (IDEA). For more, see the National Center for Learning Disabilities, [A Parent's Guide to Response to Intervention \(RTI\)](#).

Adjust Funding Based on Current Enrollment

A critical principle of student-centered funding is that money follows a student if he or she moves to a different district. This means that a district receives funding based on the number of students currently enrolled for that school year. If more students enroll, the district gets the additional funding needed to educate these students. Conversely, if a district has fewer students, it receives less funding.

Your state can count student enrollment at least twice each school year. This recognizes additional students who enroll in a district during the school year and discourages districts from dropping students after the count date. As districts move increasingly to personalized, competency-based education, your states can also recognize that students can enroll in districts throughout the school year (see sidebar on the following page).

To what extent can my state provide additional support for districts with declining student enrollment?

Districts that lose students from one year to the next often say that they should not lose funding. They say they have high “fixed” costs, meaning that they have the same expenses, even with fewer students. Or, they say that they lock in their expenses the year before, such that they cannot cut back when fewer students show up in the fall. However, other organizations, both private and public, including colleges, do not expect to receive money for people they no longer serve. Districts have some fixed costs, but they are not the entirety of their personnel costs that districts claim. This problem can be addressed by providing minimal, one-time funding.

Nonetheless, some states have fallen into this trap, basing funding on student enrollment in previous years. Growing districts are forced to wait several years to get extra funding. This harms the students in these districts and discourages high-performing districts from serving more students.

Your state can work with districts to help them more accurately project their future enrollment and staff accordingly, building in some flexibility for enrollment fluctuations. Your state can also require districts to maintain a reserve fund, which they can dip into to address an unanticipated drop in funding.

In some states, which base funding on enrollment in prior years, growing districts are eligible for additional funds. However, these growth funds are subject to political battles every year and can get cut in tight fiscal times. It is better for your state to fund based on current enrollment and make annual decisions on how much and to what extent districts with declining enrollments should be subsidized, if at all. This would also help state policymakers consider whether there is a better use of state funds than paying districts for students they no longer serve.

How should my state divide funding between two districts that serve the same student?

It is a growing trend for students to take some courses in the district where they live, but take other courses offered, perhaps online, by another district. Students may also take courses offered by a community organization or at an institution of higher education. The money should follow students to each course provider. However, in figuring out how to divide funding between districts, your state can keep it simple. Some states force districts to count every minute of instruction, as dictated in lengthy documents. Instead, your state can fund each district based on the number of courses provided to a student.^{xvi}

Next Generation Student-Centered Funding

In the future, your state may want to consider funding districts at least in part based on student success, rather than simply the number of students who are enrolled. For each *competency* a student earns, your state can provide a certain amount of funding to the district. If a student takes longer to achieve a competency, the district still receives the same amount of total funding. Conversely, if a student achieves a competency early, the district gets full funding for that competency, and the student can start working on more competencies, for which the district can receive additional funding. This negates the need for enrollment count days, as students will begin and finish competencies throughout the school year.^{xvii}

ASSIGNMENTS COMPLETED	1	2	3	4	5	6	7	8	9	10
FUNDING PERCENTAGE	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%

ASSIGNMENTS COMPLETED	1	2	3	4	5	6	7	8	9	10
FUNDING PERCENTAGE	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%

New Hampshire funds its Virtual Learning Academy Charter School (VLACS), based on the percentage of course assignments completed. If there are 10 assignments in a course, and a student completes 5 of them, VLACS gets 50 percent of the funding. If students take longer than a semester to complete the assignments, VLACS does not get paid extra. However, VLACS can get extra funding if a student finishes one course and then completes assignments in another course. By paying for students to take additional courses, fewer students in New Hampshire need a fifth year of high school, and more students graduate with college credits.^{xviii}

^{xvi} Florida, for example, uses a statewide course directory to ensure that the same course in two districts covers the same content. Several states, including Colorado, pay for an online course based on the equivalent hours if that course was offered in a brick-and-mortar school.

^{xvii} Your state can provide additional funds for districts that achieve success with students who have disadvantages or special needs, so that there is an incentive for districts to enroll these students and provide them with the services they need.

Make Sure All Students Benefit

States generally fund school districts, not schools or students. Districts then decide how to allocate resources to schools which, in turn, determine how many services to provide to individual students. With rare exception, districts fund schools by paying for specific positions, programs and services. This can cause significant funding disparities. One school may have more experienced, more costly teachers, yet are “charged” the average teacher cost by the district, while another school may have an abundance of beginning teachers and are “overcharged” the average teacher cost. In another situation, one school may have just enough students to get another teacher under a staffing formula, while a similar school just misses the cut off to receive another teacher under a predetermined staffing formula. The disparities that can occur when districts apportion funds between schools can be as much as 3:1, that is, one school can get three times the funding per student as another comparable school in the same district.^{xix}

Districts are in the best position to decide which services are most beneficial for their students and should have maximum flexibility to do so.

There is also the issue of what districts do with the additional funding they receive because they have students with special needs or disadvantages. There is a strong temptation to use this funding for the general student population.

As your state considers how to address these problems, it can do so in a way that preserves the fundamental benefits of student-centered funding. Districts are in the best position to decide which services are most beneficial for their students and should have maximum flexibility to do so. Funding restrictions harm this important flexibility. Indeed, it can often result in a return to categorical programs, that lock in funding at specific schools, regardless of how many students they serve.

As such your state can focus on accountability for outcomes, with a specific emphasis on outcomes for students with special needs or disadvantages. When districts are held accountable for results for all students, there is less of a risk that districts will deprive students of the services they need.

^{xviii} For more information on how states can delink school funding from seat time, see ExcelinEd's [Competency-Based Education & School Finance](#).

^{xix} See M. Ucelli, E. Foley, T. Emdon and C. Bond, [First Steps to a Level Playing Field: An Introduction to Student-Based Budgeting](#) (Annenberg Institute for School Reform at Brown University 2002)

A second valuable strategy is financial transparency. Under the new federal Every Student Succeeds Act (ESSA), all districts are required to report actual expenditures for each school.^{xx} This will show if one school is getting much more funding per student than another school. To go one step further, your state can require districts to report spending on students with special needs or disadvantages, as Florida does.^{xxi}

Your state can also encourage districts to use student-centered funding, i.e., provide each school with base funding plus additional funding for students with special needs or disadvantages. If more than 20 percent of funding in your state is restricted, it becomes an excuse for districts to fund schools through staffing formulas and specific programs.^{xxii} Your state can promote district use of student-centered funding by eliminating these separate funding programs and collapsing them, as California did, into one student-centered funding formula.^{xxiii}

Your state can also provide districts with incentives to implement student-centered funding. These can range from requiring districts to use student-centered funding to offering freedoms from rules and regulations, providing grants and educating district leaders that student-centered funding is both possible and beneficial.^{xxiv}

What's Next?

By taking these five steps, your state can meaningfully increase the proportion of education funding that is student-centered. This change will create a vastly simpler, fairer and more effective system that gives more flexibility to districts and more choices for parents. *ExcelinEd* stands at the ready to provide technical expertise and assistance to state policymakers seeking to advance student-centered funding in the coming months and years.

^{xx} See Every Student Succeeds Act, §1111(h)(1)(C)(x) and §1111(h)(2)(C).

^{xxi} Florida requires districts to report how they are spending funds on instructional staff for all students and for students with special need or disadvantages. This flags schools that are not spending additional funds on these students. See [2017 Florida Statutes](#).

^{xxii} Phone interview with Lisa Snell, Director of Education and Child Welfare, Reason Foundation (Dec. 21, 2016).

^{xxiii} [California Department of Education](#)

^{xxiv} For more ideas on how states can encourage districts to use student-centered funding, see *ExcelinEd's Student-Centered Funding for Districts playbook*.

