

# How states divvy up education funds matters

*April 25, 2018*

Dr. Marguerite Roza  
Edunomics Lab  
Georgetown University  
[MR1170@georgetown.edu](mailto:MR1170@georgetown.edu)

# What should a state funding formula do?

- **Ensure equity for students** – Revenues should ensure equity for students regardless of where served. Equity means higher needs students receive higher dollar amounts.
- **Be flexible to withstand the test of time** – State formulas tend to last 20-30 years, often amidst changes in schooling delivery models, new innovations, etc. Where formulas focus on students (not delivery models) and are flexible, those formulas can remain in place even as schooling delivery models change over time.
- **Tap adequate, stable and sustainable revenues.** Ideally revenues tap state and local sources, and include a component of property taxes (for stability).
- **Be simple and transparent** – The formula should yield a predictable, understandable revenue stream that can be summarized on a single page.
- **Emphasize continuous improvement and productivity.** Leaders throughout the system should be seeking ways to get the greatest outcomes possible with the funds they have. Information systems should connect spending at outcomes by school to enable benchmarking of progress.



# Key Decisions



1. State mechanism to deploy funds to school
  - How to adjust for higher students needs
2. Whether and how local revenue will be used
3. How much flexibility to permit in how funds are used, and how to leverage funds to do most for students (cont. improvement)
4. How to transition



# State mechanisms to deploy funds



# What formula options exist?

1. **Student-based allocation**, sometimes called foundation formulas – Allocations are determined based on student or student-type and funding follows the student to his or her district.
2. **Staffing or resource-based formulas** – Districts receive allocations for a pre-determined set of inputs (staffing, operations) for each student.  
 Existing NC Formula
3. **Categorical or program allocations** – Pre-defined amounts are earmarked for particular programs, such as AP Testing, etc.  

4. **Other** – hold harmless, reimbursements, etc.
5. **Hybrid** – combining two or more of the above.

1.



# Average state allocations per-pupil in NC\*

Student Type	Average Per-Pupil
Basic state funds (2017-18 SY, minus student-type specific totals from state below)	\$ 4,370
Exceptional children (state)	\$ 4,645
LEP	\$ 746
At-risk/disadvantaged/low-wealth	\$ 726
CTE	\$ 553
Gifted	\$ 461
Local funding (2017-18 SY)	\$ 2,204
<b>Average state + local allocation</b> (2017-18 for state and 2016-17 for local)	<b>\$ 8,067</b>

**\*These are averages. In NC, some districts/ schools get more, some get less.**

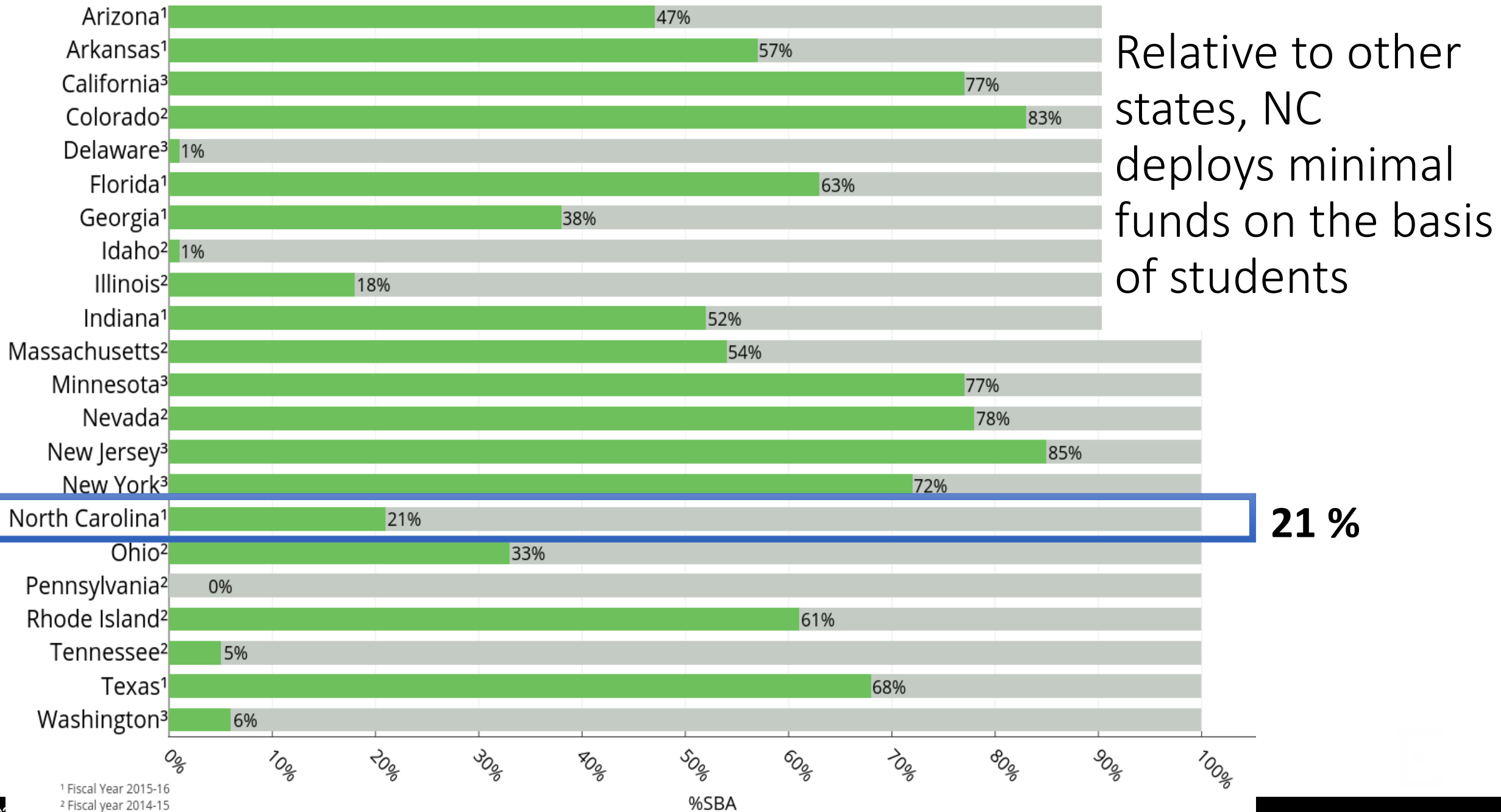


# NC uses a hybrid of a staffing allocation system and categorical allocations.

- Most states now allocate *dollars per student* or student-type (instead of staff counts). (DE, ID, WA, DE, and TN continue to use a staffing formula to disburse state funds.)
- In addition to the staffing formula, NC adds 30+ categorical allocations.
- Staffing formulas and categorical allocations tend to:
  - create **inequitable** spending across students, schools
  - **limit district flexibility** in use of resources,
  - **inhibit innovations** that make tradeoffs between staff and other purchased resources.



# Percentage of State Funds Disbursed on the Basis of Students







A Student-based formula allocates a fixed \$ amount per pupil type.

## California

Student types	Allocation
Grades K-3	\$7,557
Grades 4-6	\$6,947
Grades 7-8	\$7,154
Grades 9-12	\$8,505
Limited English	+20%
Poverty*	+20%
Foster youth	+20%

Source: Data from California Department of Education, "Local Control Funding Formula Overview," last reviewed January 15, 2014, accessed February 11, 2014.

\*High-poverty districts receive an

## Evidence in CA:

- No radical spending changes
- Did not negotiate all the \$ away
- Districts didn't necessarily deploy funds equitably across schools
- Improved relationship between spending and outcomes

## Texas

Program	Weight
CTE	1.35
bilingual/ESL	0.1
SCE	0.2
SCE PRS	2.41
GT	0.12
PEG	0.1

Instructional Arrangement	Weight
homebound	5.0
hospital class	3.0
speech therapy	5.0
resource room	3.0
self-contained mild/moderate	3.0
self-contained severe	3.0
off home campus	2.7
vocational adjustment class	2.3
state schools	2.8
nonpublic contracts	1.7
residential care and treatment	4.0
mainstream	1.1

# Whether and how to use local funds



## “Tap” and “Tame” local funds

Tap: Local monies provide an important source of ed funding:  
Taxpayers are more willing to grow local \$ than state \$ over the long haul.  
Local \$ competes with fewer priorities than does state \$.  
Local \$ is more stable

Tame: Local money can be unreliable and a source of inequity.  
Uneven property values.  
Uneven appetite for local taxes



## “Tap” and “Tame” local funds, cont.

State policies on local funds:

Tap    Tame

A. Unregulated local funding

B. Caps on local funds

C. Some local effort counts toward state allocation

D. State matches local effort to create equal yield per pupil

E. Robin Hood policies redistribute local money

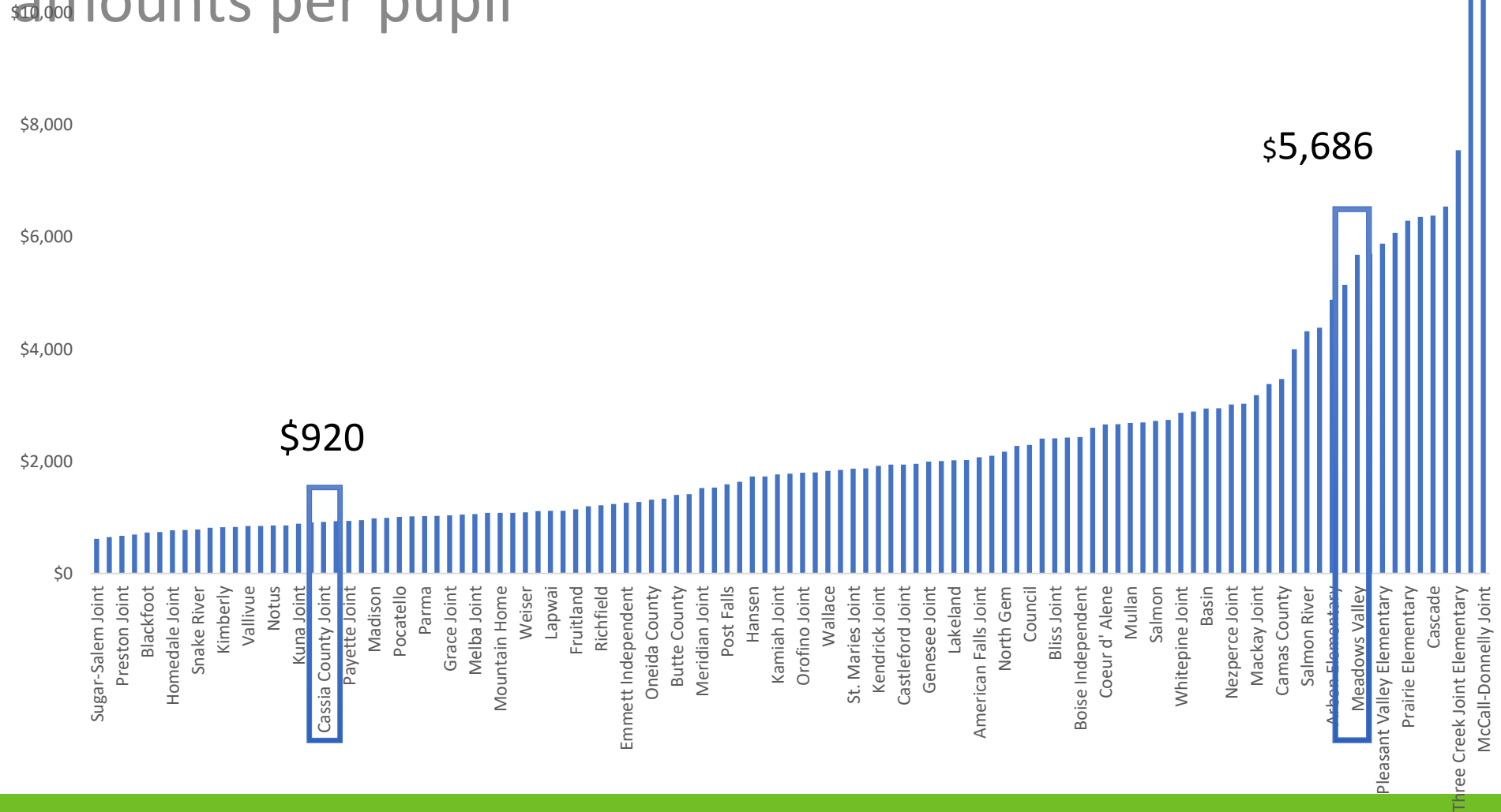


## Options that both Tap and Tame Local funds

- Funds raised from some minimum effort (say, 3.5 mills) could be counted toward each district's student-based allocation (with state funds making up the difference).
- For those districts that tax at higher rates, equalization monies could be used as a match to create a fixed per pupil amount per effort (say, up to the 70 percentile).

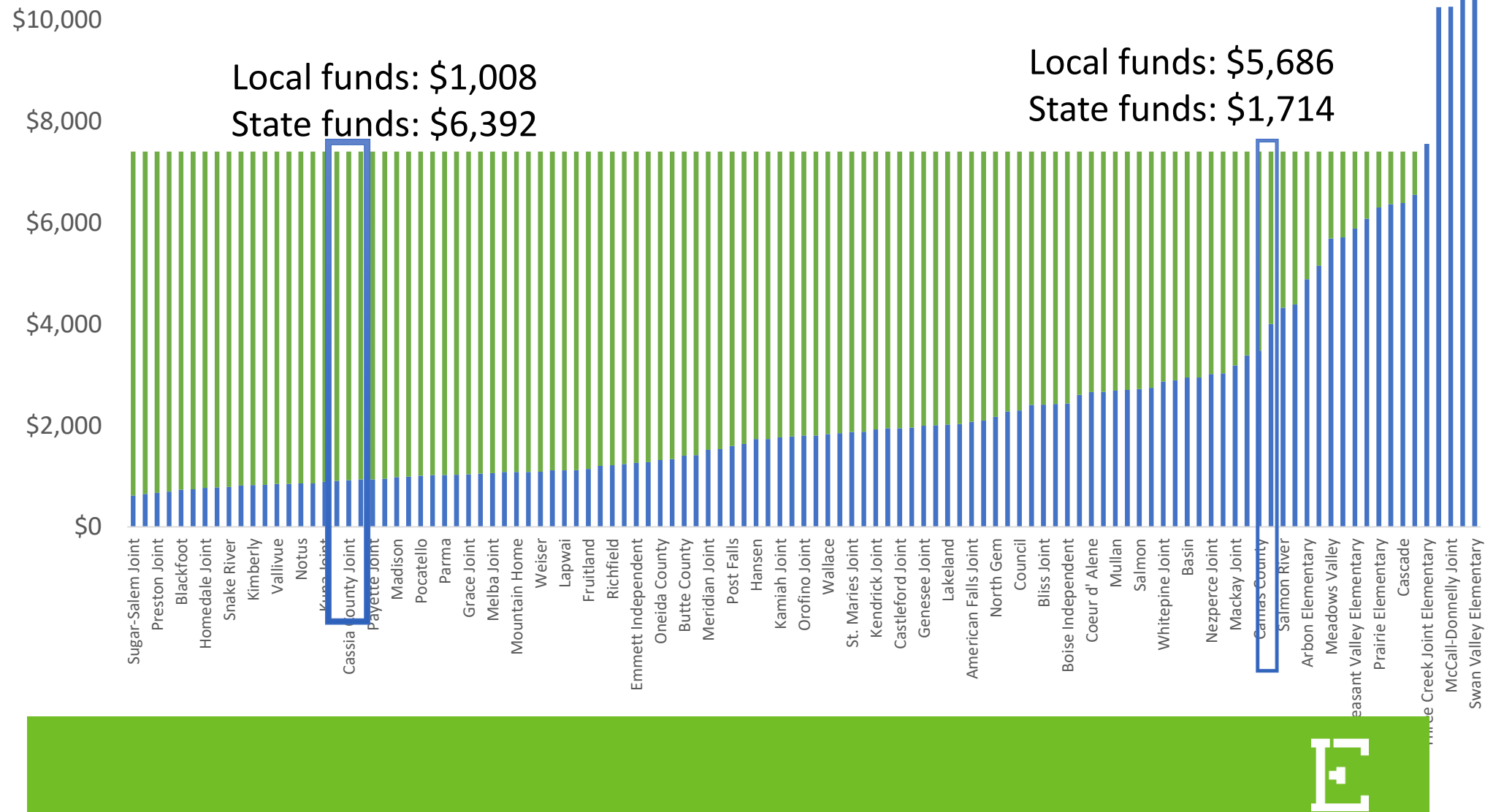


# Idaho Example. Start with local: Differences in property values mean that a 3.5 mill levy produces different amounts per pupil





# State funds work to level up to a higher base allocation, assuming some local effort contribution

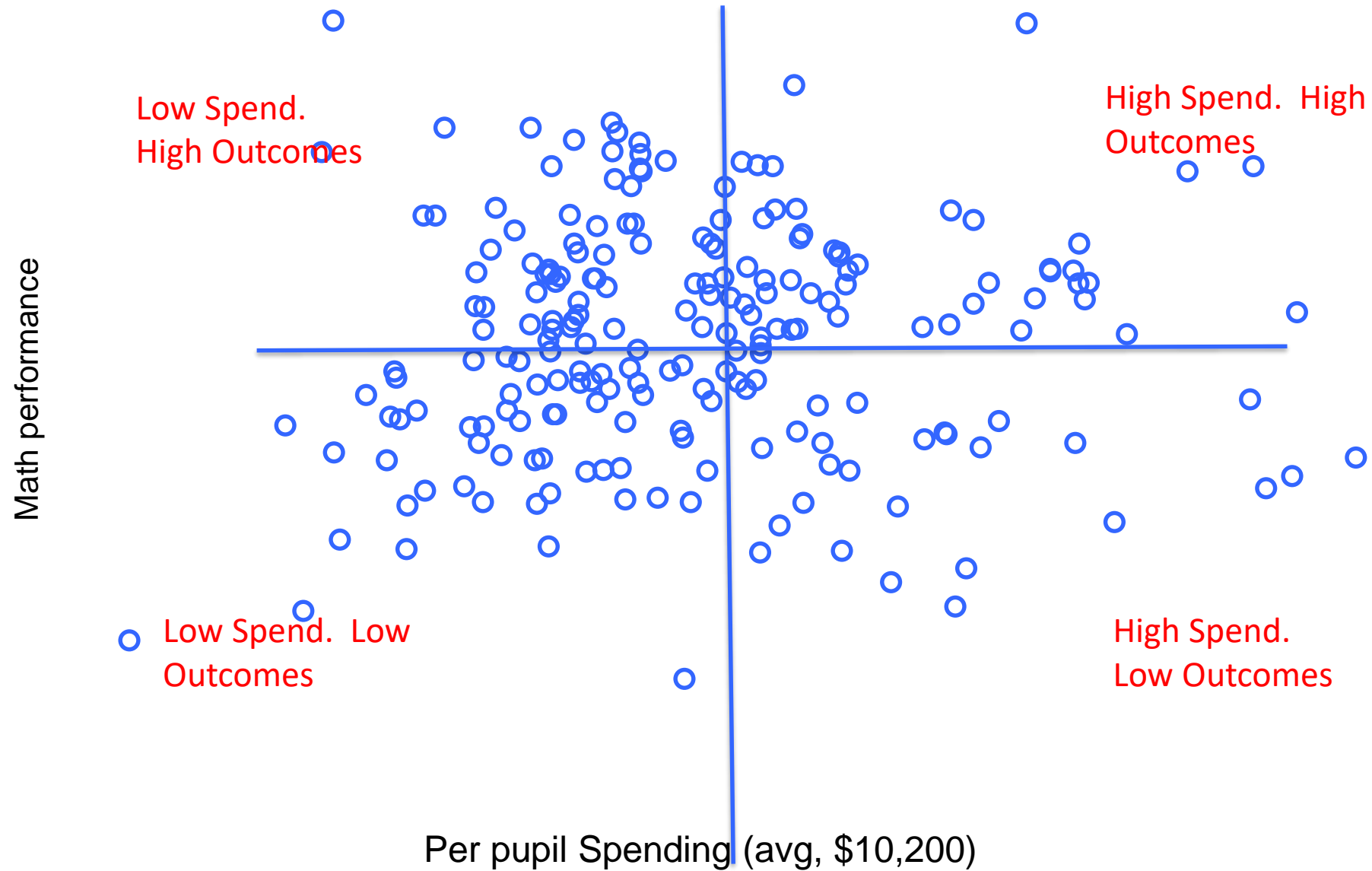


# Flexibility ... & How to Promote Continuous Improvement





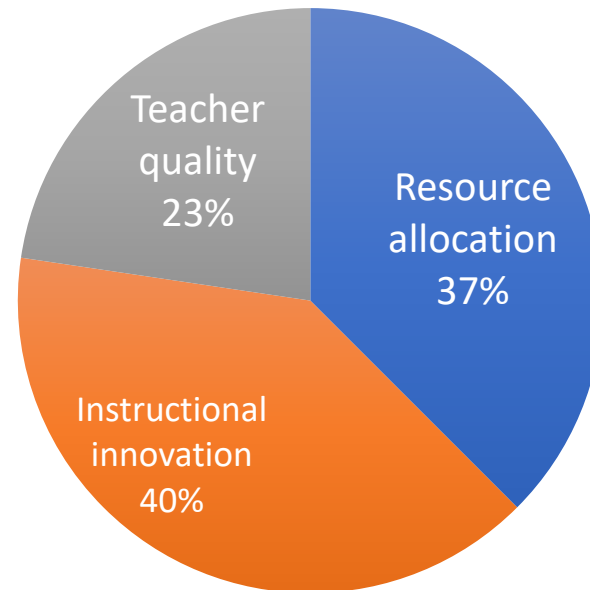
# All WA Elementary Schools with > 75% F/RL)





When principals are asked what stands in the way of leveraging their dollars to get greater outcomes for students

On average, they list 16 barriers per principal! \*

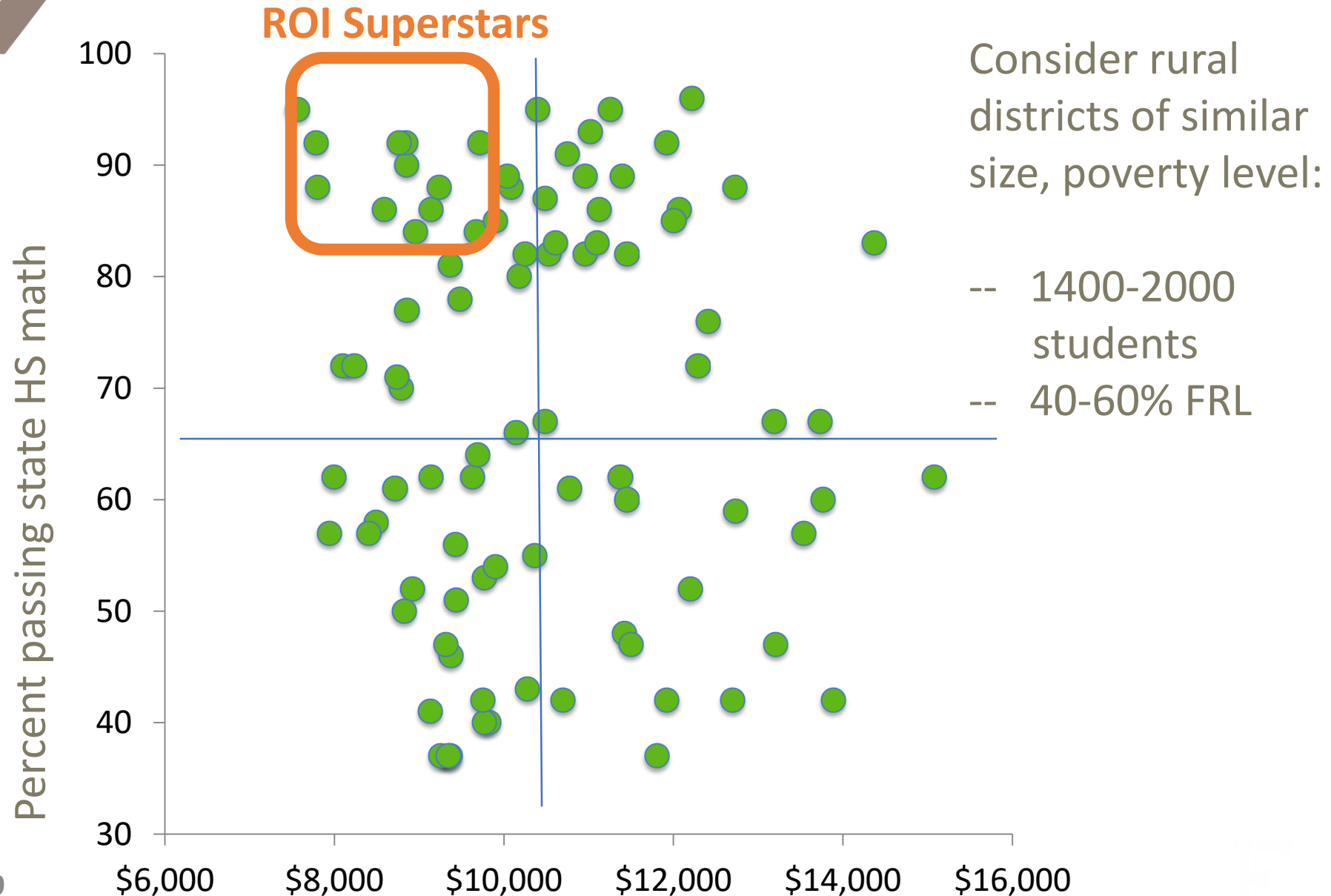


\*Miller (2014). Policy barriers to school improvement: What's real and what's imagined? CRPE.  
<http://www.crpe.org/publications/policy-barriers-school-improvement-whats-real-and-whats-imagined>





Rural districts vary on spending, outcomes and ROI.





## What's the secret sauce for ROI superstars?

1. Can we explain it with demographics, size or other measurable district characteristics? Yes ☒ No
2. Is it about aggregate spending patterns? Yes ☒ No

Percent Spent On:	All Other Rural Districts	Rural ROI Superstars
Instruction	60%	
Student/Staff Support	8%	
Administration	11%	
Ops, Food, Other	20%	



What did ROI superstars say?

## 1. Importance of relationships

- Students as individuals
- Data to help individuals, not for system management or for compliance
- Staff buy-in and mutual respect
- Community as a partner

## 2. Flexibility, Self-reliance, Ingenuity

## 3. Conscious Tradeoffs

## 4. Respect for Costs

- Careful stewardship of public funds





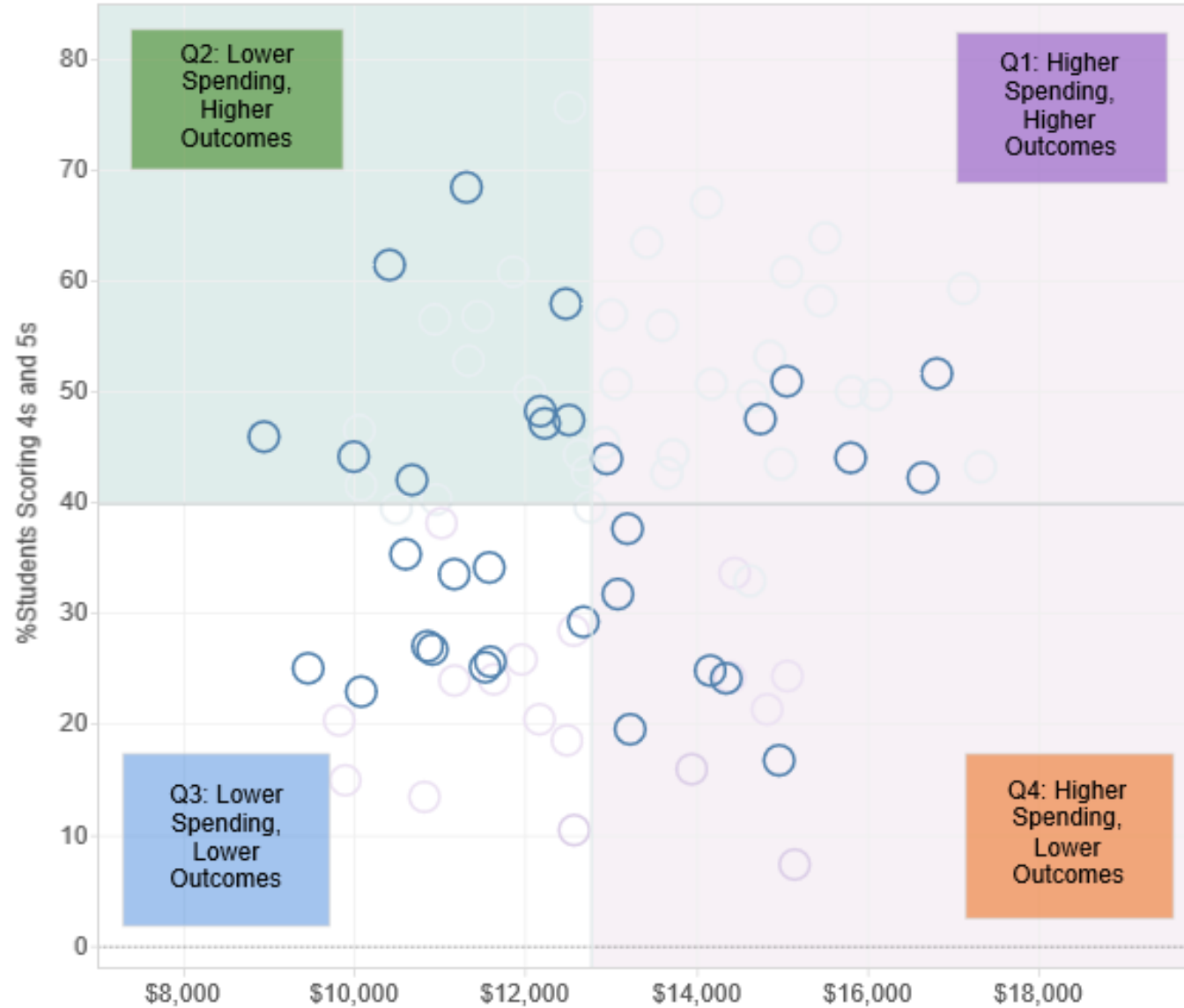


ESSA – includes a new requirement to report spending *by school!*

We suggest: build information systems that link spending and outcomes, by school. Celebrate productivity superstars!

Student Outcomes

Schools: \$ Spent by Student vs. Math Score (circle color is school's %FRL)



Per-Pupil Expenditures

#### Choose Outcome

- ☐ Overall Achievement
- ☒ Math Score
- ☐ Reading Score
- ☐ Growth Score

#### School District

cranston + -

#### School Level

Elementary ▾

#### School Size Group

(All) ▾

#### View by

- ☐ Quadrant
- ☐ Quadrant in View
- ☐ #Students
- ☒ %FRL
- ☐ %ELL
- ☐ %Special Ed

#### Click to highlight

- ☐ 0%-25%
- ☒ 25%-50%
- ☐ 50%-75%
- ☐ 75%-100%

#### Urban Rural

Not Urban ▾

#### Saylesville ES (170-3112)

Lincoln

Q1: Higher Spending, Higher Outcomes

\$ Spent by Student: \$16,649

#Students: 255

#ELL: 6

#FRL: 83

#SpEd: 53

Overall:

ELA: 60.90

Math: 42.20

Growth:



# How do states transition from one funding method to another?

1. **Hold harmless:** Provide LEAs with the same level of funding they received under the old formula for a number of years, gradually reducing funding amounts based on the formula over a set time horizon.
2. **Leave local money as a vehicle to adjust for transition:** Some states allow LEAs to raise above the set uniform tax rate, and LEAs are able to keep whatever revenue those additional mills bring in to the district, even if the district receives state funding.
3. **Flexibility in spending:** A key driver in many formula changes is granting flexibility to LEAs over spending decisions. Even if LEAs receive fewer dollars per pupil, if they are able to spend it more flexibly (such as increasing class sizes above state recommendation), they are able to adapt more easily to reduced funding scenarios.





# Certificate in Ed Finance

Georgetown Cohort #2  
July 31 – August 1



Thank you!

Marguerite Roza  
MR1170@georgetown.edu

