

An Opportunity to Advance Student-Centered Funding

Many children face a host of challenges, including some that are systemic and the result of a long history of discrimination and exclusion. As a nation, we have not made enough progress in addressing these challenges or providing all children with equitable life opportunities. The achievement gap has remained stubbornly wide, and multigenerational poverty persists in many U.S. communities.

Public education funding has the potential to facilitate solutions. However, over the past 50 years, several waves of school funding reform have resulted in byzantine state funding formulas. Today, many states still fund schools in ways that reinforce wealth inequities and limit schools' ability to try different ways of doing things. Several states, for example, use resource-based formulas that fund schools based on the cost of existing inputs such as teachers' salaries, which often results in wealthier districts with more experienced teachers getting more resources. Many other states allocate a large share of their resources to particular programs (i.e., a program-based formula), which can severely restrict local school leaders' discretion to try new things.¹ Unfortunately, there is significant inertia around the status quo.

The disruptions caused by the COVID-19 pandemic, and the \$123 billion included in the American Rescue Plan (ARP), present an opportunity to rethink public education funding.² The additional federal resources that are headed to states and school districts set clear federal priorities around relief and equity, and additional dollars could ease political headwinds and create a window for more meaningful reforms.

Making State Education Funding Formulas More Student-Centered

State policymakers should keep the following goals in mind as they revise funding formulas:

- Funding formulas should be **as simple as possible yet still student-centered and flexible** enough to accommodate a variety of schooling models (e.g., traditional, charter, virtual, hybrid).
- Funding formulas should acknowledge that students have different needs and **provide additional resources to students who need more help.**
- Funding formulas should **empower parents, local education leaders, and their communities** to better meet students' needs.

¹ "FundEd: National Policy Maps" and "FundEd: State Policy Analysis," EdBuild FundEd. <http://funded.edbuild.org/national#formula-type> and <http://funded.edbuild.org/state>.

² "Department of Education Announces American Rescue Plan Funds for All 50 States, Puerto Rico, and the District of Columbia to Help Schools Reopen," U.S. Department of Education, March 2021. <https://www.ed.gov/news/press-releases/department-education-announces-american-rescue-plan-funds-all-50-states-puerto-rico-and-district-columbia-help-schools-reopen>.

Student-centered funding can help achieve these goals, but efforts to change funding formulas are often stymied by politics. Changes to existing funding models are likely to increase funding for some districts and decrease funding for others, and school districts will fight tooth and nail to keep from being on the losing end. As a result, policymakers can generally muster support for only minor tweaks or overall funding increases rather than more substantial changes.

The infusion of ARP dollars to state education agencies' (SEAs) and local education agencies' (LEAs) budgets creates an opportunity to ease the transition to a more student-centered funding model. ARP funding is significant—equivalent to nearly 20 percent of total annual education spending from federal, state, and local sources. State education agencies are set to receive 10 percent of this funding, while local education agencies will receive the remaining 90 percent in proportion to their Title I funding.³ The ARP legislation also includes two provisions meant to protect districts, especially high-need districts, from substantial reductions in state aid. The legislation requires that states maintain their education funding effort as a percent of overall spending (i.e., maintenance-of-effort) and that any per-pupil spending reductions for high-need districts be less than the state average reduction (i.e., maintenance-of-equity).

Given the large influx of federal funding and the focus on funding equity, states could implement a more student-centered funding formula, using the ARP dollars allocated to SEAs to increase funding immediately for high-need students. Since ARP dollars could be used to increase funding for high-need students, states could phase in any reductions for wealthier districts over a multiyear period under the new formula, giving these districts more time to adapt without breaking state budgets.

Policymakers should seize the opportunity for funding reform by:

1. *Allocating more resources to the students who need the most help through weighted student funding*

Determining the right combination of resources to meet every child's needs is subjective and highly context dependent, especially considering the unique needs of children of color, low-income children, English language learners, immigrant children, homeless children, children in foster care, and children in the judicial system. However, based on the evidence around student need, policymakers ought to devote more resources to helping these students succeed.

Weighted student funding provides resources to districts based on the number of students enrolled and their specific characteristics. To implement weighted student funding:

- Policymakers in states that do not have weighted student-funding formulas should adopt them, allocating a base dollar amount to fund each student's education and weighting

³Jennifer O'Neal Schiess, *American Rescue Plan Act of 2021: Analysis of Funding for Education, Children, and Families*, Bellwether Education Partners, March 2021.
https://bellwethereducation.org/sites/default/files/American%20Rescue%20Plan%20Act%20of%202021%20Analysis%20of%20Funding%20for%20Education%2C%20Children%2C%20and%20Families_0.pdf.

those amounts to provide additional funding to students who have additional needs (e.g., low-income students, English language learners, etc.).

- Policymakers in states that currently use weighted student funding should consider increasing student weights to allocate more resources to students who need more help, especially as they make up for school time lost to the COVID-19 pandemic.

Adopting or strengthening weighted student-funding formulas not only will make education funding more student-centered but also will help states satisfy the ARP's maintenance-of-equity provision described above.

2. *Empowering school leaders to decide the best way to spend funds, and improving transparency and accountability for how they do so*

Programmatic or resource-based funding limits how districts can use resources. But, given the context-dependent nature of student need, policymakers are not well-positioned to know how best to serve all children. Weighted student funding allows local leaders, working together with parents, to determine how to meet students' needs.

Of course, creating a more student-centered funding system does not guarantee better outcomes. Our history provides many examples in which jurisdictions dedicated more resources to education or adopted promising new funding approaches, but the potential of those changes was squandered, leaving children in circumstances similar to those before. To help alleviate this challenge, a more student-centered approach to education funding must be paired with greater transparency and accountability.

In adopting weighted student funding, policymakers should:

- Limit restrictions on how resources can be used at the local level and empower district/school leaders to make important choices around how money is spent.
- Hold district/school leaders accountable for the resulting changes in student outcomes by strengthening reporting around how money is being spent, how schools are performing, and what outcomes are being achieved.
- Ensure transparency so that parents, community members, and other education stakeholders have the information they need to understand and assess whether the district/school is spending resources efficiently and delivering better student outcomes.

3. *Equitably funding students who choose different school types or schooling models*

Wealthy families have a wide array of choices for where to live and where to send their children to school, and within the district system, their tax dollars generally follow their children. However, public policy has often severely limited the schooling and housing options available to low-income children. Even when states offer different types of schools (e.g., district, charter, virtual), these alternative schooling models are not funded at the same level as traditional districts, putting students who choose to attend these schools at a resource disadvantage.

These funding disparities between school types can perpetuate the history of exclusion and inequity faced by low-income students.

School funding reform must improve equity by ensuring that more resources follow students, particularly low-income students and students of color, when they choose to change schools. In particular, policymakers should:

- Build weighted student-funding systems not only for traditional districts but for all students, regardless of what type of school they attend. This should be done in a way that would reduce or eliminate funding inequities for students who attend schools of choice or who attend different schooling models (e.g., virtual schools) as well as accommodate funding for individual courses.
- Eliminate other restrictions that limit the schooling options available to low-income students, such as by lifting caps on the number of or students enrolled in alternative schools.

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