



MAXIMIZING FUNDING IMPACT

*How States Can Help Districts
Create Opportunity for All Students*

OVERVIEW

Many state funding programs are intended to reach directly to students, but in reality funds must go through school districts, which have considerable freedom in how they allocate resources. As such, states have a strong interest in ensuring that districts invest in strategies that are backed by evidence and create opportunity for all students. Through extensive research, ExcelinEd identified major barriers that deter districts from using their resources as effectively as possible. In this brief, we identify actions state policymakers can consider to help districts overcome these obstacles.

FINDINGS

Methodology

Extensive primary and secondary research was conducted by the [District Management Group](#) (DMGroup), which has partnered with hundreds of school districts, networks and state educational agencies in more than 40 states on issues related to finances and strategic resource allocation. Primary research included interviews with current and former school district superintendents from districts across 12 different states, ranging in enrollment from 4,000 to 200,000 students. Districts were selected to be geographically representative of the United States. Interviews were also conducted with thought leaders from a variety of organizations, universities and research institutes. In addition to primary research, DMGroup conducted secondary research that included a literature review of published research on issues related to school district spending.

Findings Overview

Below are the six obstacles identified during the research that deter districts from using resources effectively and addressing the needs of all students.

1. Failure to fully utilize budgeting as a tool for ensuring all students have access to the resources and supports they need to be successful.
2. An assumption that relatively small and superficial investments are sufficient to ensure access to opportunity for all students.
3. School board reluctance to allocate more funding to schools and students with higher levels of need.
4. Strategic plans and priorities are high-level, aspirational and political but not specific and detailed enough to drive spending.
5. Failure to effectively implement evidence-based programs or initiatives.
6. Actual and perceived state-imposed spending restrictions that prevent effective use of funding, particularly from federal sources.



STATE POLICIES

The following state policies could help districts ensure that all students have access to the resources and supports they need:

Simplify and consolidate funding into one student-centered formula.

The way states fund districts is so complex that only a handful of people in any state understand it. Every state has multitudes of funding programs, each of which has its own rules about distribution to districts and permissible spending. District leaders are hamstrung by a multitude of restrictions that lock in antiquated instructional models and prevent them from addressing the unique needs of students. This complexity and inflexibility mean that district leaders cannot consider the entirety of the financial resources available and then align their resources with the most effective strategies.

A key strategy for improvement is to collapse the many separate funding programs so that nearly all funding flows through a single, student-centered funding formula.¹ California, for example, eliminated more than 50 separate funding programs with this approach.

A critical first step in achieving 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 a state.

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 higher-need students are students with disabilities, economically disadvantaged students and English language learners. 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).

As indicated in the research for this brief, district leaders are often satisfied with small investments in higher-need students, or they feel that federal programs, like Title I, fully cover the need. However, even a single, evidence-based intervention, like small-group tutoring, costs more than what Title I provides, and these federal funds are restricted to specific schools. Moreover, large achievement gaps persist for higher-need students. As such, it is important for both substantive and signaling purposes that states establish substantial funding weights for students who are disadvantaged or have special needs.

Unfortunately, even when states provide supplemental funds for higher-need students, districts can redirect those funds for other purposes. Florida has addressed this concern by requiring districts to allocate to schools an average of 90 percent of the state funds generated by the schools based on their student characteristics.² A state can also require that the additional funds go directly to the school serving the student or incentivize districts to use student-centered funding in allocating resources to schools.³

¹ See ExcelinEd, [Student-Centered State Funding](#) (2017).

² See [Equity in School-Level Funding Act](#), Florida Statutes Ch. 1011.69.

³ See ExcelinEd, [Student-Centered Policy Funding for Districts](#) (2017).



Incentivize districts for outcomes of all students.

An important benefit of student-centered funding is that it can shift state policymakers from focusing on inputs to outcomes, i.e., how well students are doing in school and after graduation. Once a state has clearly defined what student success looks like, it can hold districts accountable for results.

To incentivize improvement, states can link a small but meaningful portion of funding to student outcomes. Texas recently championed this concept as part of HB 3, its comprehensive funding reform legislation passed in 2019.⁴ For a student who graduates college, career or military ready, a district receives \$3,000. If that student is economically disadvantaged, the district receives an additional \$2,000; for a student with disabilities, the district receives another \$2,000.⁵ These additional funds for higher-need students are essential to address concerns that performance funding will disproportionately benefit districts serving more advantaged students. Indeed, when properly designed, performance funding can drive innovation and better outcomes for all students.⁶

If districts are persistently failing to improve outcomes, including for high-need students, states can restrict choices to a specific list of evidence-based strategies and require the support of vetted, technical assistance providers. This approach allows nearly all districts to operate with increased flexibilities while letting the state focus on the few districts that are struggling.

Provide open enrollment and choice.

In many sectors, a major driver of more effective services is competition. An organization must engage in continuous improvement or lose customers and funding. For education, it means allowing students to enroll in any school in a state, regardless of where they live, just as [Oklahoma](#) recently did.⁷ Districts that are doing better can attract more students and the funding to grow. Districts that are losing students are forced to improve, benefiting all students.⁸

To support open enrollment, states need to ensure that the full per-pupil funding amount follows students to the school of their choice. Student-centered models work effectively when districts receive substantially more for serving and achieving success with higher-need students. Without this incentive, districts may not offer the services that make their schools an attractive option for these students. States can also provide funding for each course a student takes in another district, even if they take the rest of their courses in the district where they reside. This incentivizes districts to offer more rigorous or specialized courses for which otherwise there may not be enough students.⁹

Build district capacity and lead by example.

States can play a critical role in ensuring that district leaders have the supports and tools needed to identify and successfully implement strategies that ensure all students have access to the education they need. This can include requiring strategic finance training for school board members, superintendents and principals as part of state certification and recertification requirements. Based on our research, training for school board members is particularly important.

⁴ See Texas Education Agency, [College, Career, or Military Readiness Outcomes Bonus and Exam Reimbursements](#) (2019).

⁵ Districts receive funding for each student above a specific threshold percentage that is set at the 25th percentile statewide.

⁶ See ExcelinEd, [Performance Funding](#) (2018).

⁷ See ExcelinEd, [Open Districts](#) (2020).

⁸ Because of charter schools, students in traditional districts have benefited. See David N. Figlio et al., *Economics of Education*, "[Competitive Effects of Charter Schools](#)" (2021); Sarah A. Cordes, *Education Finance and Policy*, "[In Pursuit of the Common Good: The Spillover Effects of Charter Schools on Public School Students in New York City](#)" (2018); Matthew Ridley & Camille Terrier, MIT, [Fiscal and Education Spillovers from Charter School Expansion](#) (2018).

⁹ See ExcelinEd, [Part Time Enrollment](#) (2021); ExcelinEd, [Course Access Opportunity Incentive](#) (2018).



States can also establish transparent financial reporting systems that enable districts and schools to compare themselves on key expenditures, examine the cost-effectiveness of specific programs and determine whether schools serving higher-need students are receiving the extra resources they need.¹⁰ States can remove unnecessary restrictions on federal funding and require districts to fully incorporate federal funds in their regular budgeting processes. And states can require districts to approve multi-year strategic finance plans with a specific focus on closing achievement gaps. By combining strategic plans and budgeting, districts are forced to make decisions around resource allocation and to use budgeting as a tool to improve outcomes for all students.

Finally, states can make it easier for districts to identify and invest in evidence-based programs, access effective technical assistance partners and collaborate with other districts in shared problem-solving. Louisiana, for example, worked with teachers to identify their strongest instructional materials and then negotiated statewide contracts with the providers to reduce time-consuming local procurement processes.¹¹ Without being prescriptive, states can identify best practices, along with the elements for effective implementation, a critical need identified during our research. They can vet technical assistance providers that have a proven ability to support districts, either individually or with cohorts of districts. These providers can be in regional support centers, many of which already exist, as well as at universities and other organizations that have greater capacity to analyze data and support implementation.¹²

As part of this guided decision-making, states can create financial incentives for districts to use these strategic resources, without requiring them to do so—except for districts with persistently poor outcomes, as indicated in the incentivizing districts section above.

State educational agencies can also concentrate their own resources on a small number of evidence-based strategies that support outcomes for higher-need students, especially when district implementation is poor or insufficient. For example, a comprehensive early literacy policy that embraces the science of reading can produce long-term improvements in student learning.¹³

Lastly, the large infusion of federal stimulus funding provides a unique opportunity for states to seed programs and then to sustain the most effective ones with state funding.¹⁴ Tennessee, for example, is using stimulus funds to start an early learning initiative along with extensive tutoring, an intervention with a particularly strong evidence base.¹⁵

CONCLUSION

Even within our nation's context of local control over education and limited capacity of state educational agencies, there is much that states can do to support districts in using their resources effectively. Through research, ExcelinEd identified barriers that districts face and actions states can consider to help districts overcome these obstacles. Rather than impose more spending restrictions, state can instead simplify, use incentives and competitive pressure, and build district capacity.

Substantial funding weights for higher-need students is a critical strategy. Weighted funding pays for the additional services these students need to achieve college and career readiness. It ensures that performance funding benefits districts that serve higher-need students. And it promotes a full range of educational choices for all students, with incentives for focusing on higher-need students in an open enrollment system.

¹⁰ See ExcelinEd, [School Level Financial Transparency Act](#) (2017). This builds upon the school-level expenditure reporting requirements under the federal Every Student Succeed Act (ESSA). See Edunomics Lab, [School Spending Data Hub](#).

¹¹ See ExcelinEd, [Transforming Professional Learning](#) (2020).

¹² See, e.g., [Georgia](#).

¹³ See ExcelinEd, [Comprehensive Early Literacy](#) (2020).

¹⁴ See ExcelinEd, [American Rescue Plan: Guiding Principles & Essential Strategies for Education Funds](#) (2021).

¹⁵ See Tennessee Department of Education, [TDOE Announces \\$100 Million Initiative, "Reading 360," to Support Literacy in Tennessee](#) (2021).