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FEATURE

# Promoting Equity Through Student-Based Budgeting

*A Primer*

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# Promoting Equity Through Student-Based Budgeting

## A Primer

*John J-H Kim and Joseph Costello*



**B**udgeting is the lifeblood of a district's strategy. How a district allocates and manages its dollars can either give life to its priorities and initiatives or stifle them. But, in the majority of school districts across the country, school budgets are based on previous years' allocations with relatively minor adjustments made from year to year. Teaching and staffing positions for each school building are largely rolled over from previous years' allocations. Despite new strategic plans or district-wide initiatives, relatively small adjustments are typically made to the way resources are allocated.

To make significant, measurable, and sustained progress on district strategy, leaders must align resources to their strategic priorities. If addressing equity and tackling the

opportunity gap are stated priorities, it is essential that the district's budget be allocated in support of these priorities. Student-Based Budgeting (SBB), often called Weighted Student Funding, Student-Centered Funding, or Fair Student Funding, can be a powerful mechanism for furthering equity efforts. With SBB, per-student funding varies based on a student's needs, and each student receives the same amount of funding as other students with comparable educational needs. SBB therefore creates a more transparent system since the dollars that flow into a school are based on a clear formula tied to the needs of that school's student population. And SBB empowers leaders in the school building by providing them greater latitude in determining how to deploy the funds to best serve their students.

For almost two decades, District Management Group has been supporting districts in designing and implementing student-based budgeting formulas; Boston Public Schools (MA), Minneapolis Public Schools (MI), and Baltimore City Public Schools (MD) are a few examples. We are currently working with more districts to leverage these models to promote more equitable supports for students. While not a cure-all in and of itself, if designed skillfully and carried out effectively with the right supports for building leaders, SBB can be a powerful method for effecting change. Here, we provide a primer that reviews the basics of this approach.

## What Is Student-Based Budgeting?

At its core, Student-Based Budgeting (SBB) is a simple concept. It is a method for determining school funding based on students and their needs rather than based on programs, staff, or other proxies for students’ needs. The basic tenets are:

1. Funds “follow” students, rather than following programs or staff;
2. Per-student funding varies according to a student’s educational needs; and
3. Funds are allocated to schools, thereby giving principals the authority to use the allocated budget more flexibly.

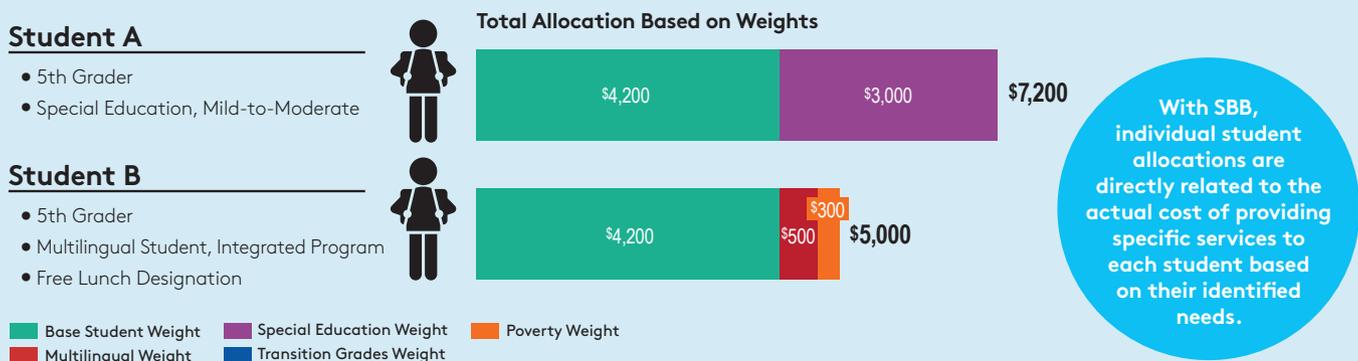
## Why Implement Student-Based Budgeting?

SBB is more than a technical budgeting exercise; it is a method connected to a larger systems approach to resource management. It relies on several fundamental beliefs about how a school district should operate:

- **Equity:** SBB creates a system that is more equitable since each student receives the same amount of funding as other students with comparable educational needs. As a result, the dollars that flow into a school correspond to the actual costs of delivering services to support the specific needs of the students in that building. In many districts, the traditional budgeting systems have failed to adequately adjust for significant shifts in enrollment and varying student needs, and thus have resulted in wide variations in per-pupil spending by school.
- **Transparency and Predictability:** SBB is more transparent and predictable because the budget for each school can be calculated easily based on the formula and the numbers and types of students.
- **School Empowerment:** SBB sets up an empowered school model. SBB pushes many budget decisions down to the school level; building leaders—those closest to students—are given more autonomy to manage resources effectively and build more customized supports for students. SBB does change the job of a school leader. In order for SBB to be

## What Does “Funds Follow Students” Mean?

Consider two students, Student A and Student B. Both fifth graders, Student A has a mild disability, while student B is a multilingual student who also qualifies for free lunch. In this example, Student A would be allocated the base student weight and the special education weight, while the allocation for Student B would be the sum of the multilingual and poverty weights in addition to the base weight. Again, the allocation for each of these students is directly related to the actual cost of providing specific services to each student based on their identified needs.



successful at realizing change, school leaders must be trained in budgeting and program development.

While SBB has a reputation for being a solution for large or urban districts, it can work for any district, particularly those with less homogeneous student populations between schools.

## How Is SBB Calculated?

The typical SBB funding model has five inputs or elements (*Exhibit 1*):

**School Foundation** is a set amount of funding that goes to every school, regardless of enrollment. The amount is usually kept small to ensure that the vast majority of funding goes to schools based on enrollment and the needs of the students in the building. It is typically a simple calculation covering baseline school costs.

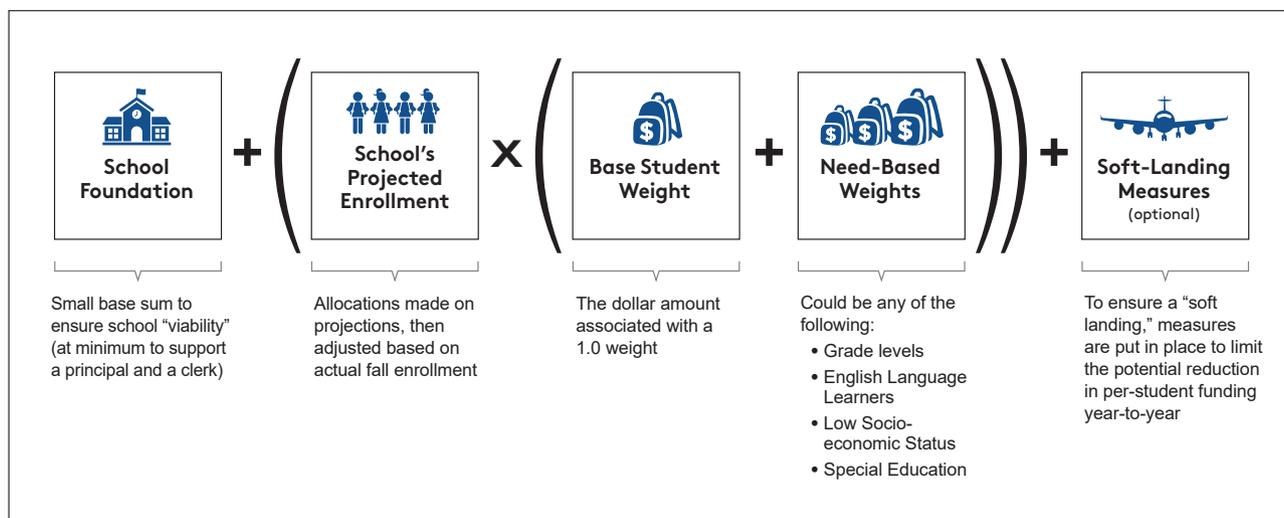
**School's Projected Enrollment** drives the specific allocations to each school. The total number of students enrolled is broken into subsets based on the identified need categories of the students. Projected student enrollment across each category is multiplied by the weighted values.

**Base Student Weight** is the funding allocation to which each and every student is entitled to cover education costs. Sometimes this value is adjusted across grade levels, as the needs of early elementary students may differ from those of secondary students.

**Need-Based Weights** account for the additional funding costs to provide programs and supports for students with specific needs. These weights serve as the main agent of equity within the funding model and align to the district's vision and strategy for providing support to students with greater needs. For example, a district might establish a weight for multi-lingual students to ensure the provision of adequate services and programming. The value of the weights would be based on the actual per-pupil cost of those programs and services. This approach allows for a more nuanced discussion of how equity should manifest in the budget—specifically, how students with greater needs could and should be supported with more resources.

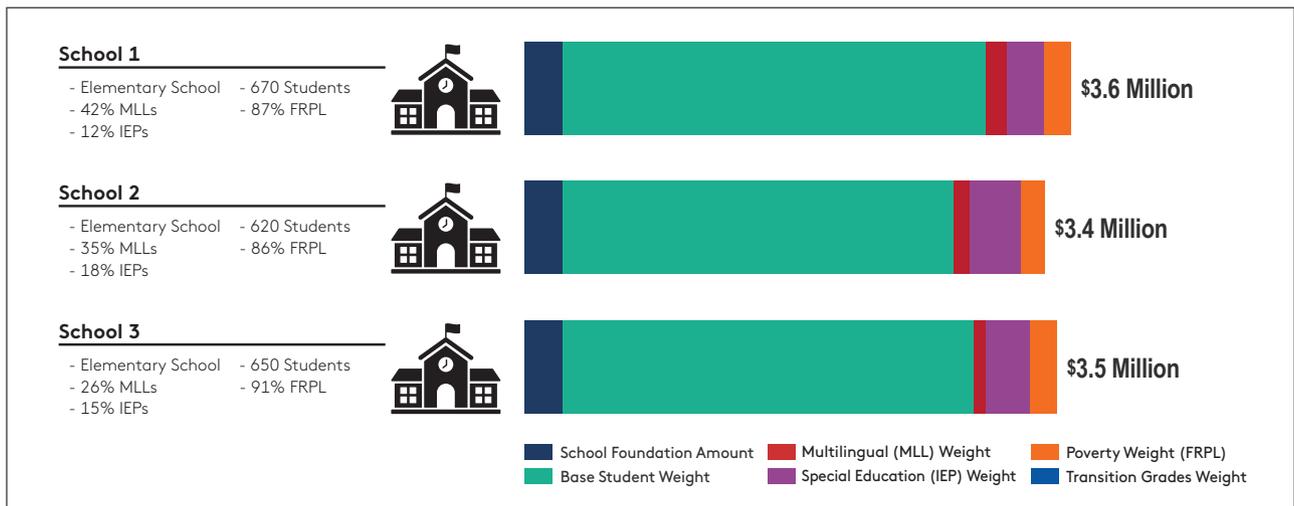
**Soft-Landing Measures**, while optional, are often necessary to smooth the transition from a district's previous budgeting process to SBB. SBB inherently produces shifts in allocations across a school district. There may be an outcry from schools that are slated to lose funding. A soft-landing mechanism lessens the impact of SBB in the first few years and eases the transition. It is critical that all stakeholders understand that a new SBB model is more equitable, and that the new funding allocations are in fact correcting for a previously inequitable and inefficient budget. Soft-landing measures combined with a strong change management approach can help build buy-in from crucial stakeholders (see "Leading Change: A Framework for Forging Change That Lasts," *District Management Journal* 28 [Winter 2021]: 16).

*Exhibit 1* THE STUDENT-BASED BUDGETING FORMULA



Source: DMGroup.

*Exhibit 2* EXAMPLE OF TOTAL SCHOOL ALLOCATIONS BASED ON WEIGHTS



Source: DMGroup.

In determining the total amount of funding to be distributed to schools, districts reserve a portion of their budgets for central office operations. In some districts, additional resources are set aside for support services that are better managed centrally. For instance, funding of itinerant staff, such as speech and language pathologists or occupational therapists, who support students across many schools will frequently be maintained at the central office level to ease the management and administration of services.

### What Will School Allocations Look Like?

Consider the example of the three elementary schools in Exhibit 2. Each school receives a slightly different allocation that is directly related to the needs of their enrolled students based on a transparent, strategy-aligned funding formula. SBB inherently produces shifts in allocations across a school district. A soft-landing mechanism can lessen the impact of the SBB calculations in the first few years and ease the transition.

### An Art and a Science for the Benefit of Students

Designing an SBB model is part art and part science. Much of the work of building an SBB model is tied to a district's assessment of their greatest needs, their priorities, and their long-term strategic objectives. Determining which student needs to weight and how much those needs should be weighted are decisions grounded in data but requiring artful judgements and consensus building. Deciding the degree to which building leaders should be charged with budgeting decisions can only come from a deep assessment and understanding of the district.

SBB is not a cure-all in and of itself. Its success is dependent on how skillfully the formula is designed as well as how it is put into action. And, as SBB inherently involves shifts in allocations across schools in a district, politics must be considered, and robust change management efforts must be launched.

In some districts, a rapid shift to SBB may be warranted to effect structural shifts that improve resource equity. In these cases, district stakeholders might implement changes as quickly as within a single school year, with refinements incorporated over time. Other districts might consider a more gradual approach to implementation, perhaps running mock budgeting and training exercises for principals during the first year to test and refine budgeting procedures, then fully implementing SBB in the second year. The correct timeline for implementation depends on the needs of the district. Regardless of the timeline, financial management supports for building leaders and a carefully crafted change management strategy are essential to success.

While designing and implementing SBB is challenging and complex, it can be a powerful solution for allocating resources in a more equitable and transparent manner. If addressing equity and tackling the opportunity gap are stated priorities, district leadership may want to reflect on the degree to which current resource allocation practices support these priorities, and may want to consider the benefits of an SBB model. ♦