



The Advantages of Student-Driven Funding

In an environment of increasingly diverse classrooms and evolving pedagogical techniques, it becomes increasingly difficult for teachers and administrators to know how to best support students, especially those with high needs. At the state level, education funding policies have been forced into similar renovation, impelled by everything from virtual learning to schools of choice to shifting student demographics.

There are clear advantages to funding education as California is doing—in a student-driven way, with a base level of money provided for each child and additional dollars allocated for those with greater needs. For one thing, the

calculation that determines a district's funding is clear and transparent, allowing parents and the community to hold the state and district accountable for resource equity at the student level.

The system is also flexible. By funding the student rather than inputs, the state allows districts to offer whatever programs, classroom arrangements, and supports they deem best for their students. This model of funding is also more responsive to innovations in pedagogy and changes in educational best practices, because schools are free to use their dollars to employ new, more effective methods. In contrast, funding that is tied to programs may tie down districts

California's experience shows that a shift in how states evaluate outcomes accompanies the districts' flexibility in funding.

by Rebecca Sibia

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to doing things as they have always been done rather than what is best for children.

Yet there are still states that fund public education based on a shopping list of resource inputs. In Delaware and Tennessee, for example, dollars generated for staff salaries and benefits must be used only for those purposes and in ways specified by law. In Wisconsin, the vast majority of the state's support for education is allocated through narrow programs, tying funding up and weighing districts down with restrictions.

California moved away from this burdensome system in 2013 when the legislature passed the Local Control Funding Formula (LCFF), a student-based funding model. Facing a 23 percent jump in the number of English language learners and a 19 percent increase in low-income students between 2000 and 2010, the state decided that it had to target more money to needy students. California chucked a formula heavily weighted with spending restrictions (over 60 limited-use program and grant allocations) to one in which almost all dollars are allocated based on the students in a given district and their needs. LCFF went into effect in the 2013–14 school year. The formula focuses on English learners, foster youth, and children from low-income households.

This kind of change requires a significant shift in how districts and schools think about their work. Will administrators effectively reimagine the delivery of services for vulnerable students? Will they act in good faith toward teachers and staff if they are suddenly freed from prior restrictions? And perhaps the most high-stakes question: Will they use the money wisely, in the best interest of students?

There is legitimate cause for such concerns. In 2008–09, California school districts were given added flexibility in how they could spend funds received through 40 specified programs. But an evaluation of the effort based on surveys of district chief financial officers found negligible impact.¹ Most districts took at least half of their newly flexible dollars and simply moved them into the district general fund to shore up the budget—not only in 94 percent of fiscally unhealthy districts but in 64 percent of districts in good fiscal health as well. And the district central office handled most of the decisions about what to do with the funding, with 90

percent of CFOs surveyed reporting that teachers, parents, and community members had little influence on decision making. Clearly, districts did not use their flexibility to innovate or to be responsive to community needs.

It is therefore no surprise that, as California passed its new funding formula and made broad investment in needy students, the state wanted to make sure that districts were using the money to support those students in effective ways. The state requires each district to create a Local Control and Accountability Plan (LCAP) to explain how it plans to use its education dollars, including how its goals align with state priorities and how those goals are advanced by particular funded initiatives that translate into measurable actions. Importantly, the LCAP specifically asks how the district intends to increase or improve services for disadvantaged students.

As a former CFO myself, I am aware of the challenges in creating this kind of plan. Money is fungible, and budgets can and do change—often from week to week. But the act of budgeting with disadvantaged students in mind is in itself powerful. It requires more intentional planning for good investment. And the LCAP process—which asks districts to consult with school-level administrators, teachers, parents, and students—creates the opportunity to better close the gaps between groups of stakeholders and to ensure that dollars translate into meaningful classroom-level experiences.

LCAP has not been without controversy, and in some cases, rightfully so. The first plan templates were long and complicated. The level of required input from the broader school community can create conflict, with various groups at loggerheads as they promote different goals. Additionally, with every district and every county board of education required to develop an LCAP, there can be many layers of bureaucratic planning.

These kinks notwithstanding, the LCAP process adds something of real value to California's education funding system. One of the reasons that the education advocacy group EdBuild supports student-based funding is that it can increase accountability at all levels of the system. When legislators increase or decrease the formula factor that drives funding for a particular student group, administrators can

readily understand that change. Teachers can translate the formula into expected funding for their classrooms using a simple Excel spreadsheet and can demand more from their administrators when local decisions fall short of what the formula calls for. Finance officials can forecast budgets easily based on enrollment and demographic trends. All of this enables stakeholders to understand and compare the funding that students receive and to demand equitable, efficient resourcing of schools.

State Board's Role

The California State Board of Education plays an important role in LCFF's implementation and ongoing evaluation. The board has developed an accountability system known as the California School Dashboard, which measures district progress against state-collected data. The system directly aligns with the theory behind the formula through its "equity reports," which measure academic and nonacademic outcomes for at-risk students (like suspension rates and chronic absenteeism). The state board can then continually evaluate whether funding levels for these at-risk students are adequate to meet annual goals that the state has set.

In other words, LCAP brings accountability to the next level by empowering the state board to consider and evaluate alignment between funding and planned priorities and programs. In exchange, the district commits to and can be held accountable for using its transparent, flexible funding well in support of the students who need it the most.

State boards should always listen to district leaders' feedback in evaluating whether they are striking the right balance between accountability and empowerment. A recent survey of California superintendents revealed widespread support for LCFF among leaders throughout the state.

The survey did flag work left to do. District leaders have ongoing concerns, most focused on having more flexibility to use funds available for at-risk students for general education purposes. Superintendents also said that the state's dashboard fails to provide timely information.² Such feedback can help state boards be consistently thoughtful and responsive and should inform any proposals for an overhaul

as significant and comprehensive as a new funding system.

LCAP reminds all of us who work in education of our duty to be thoughtful about how to best provide an equal start for all children. LCFF took a big step forward with its additional support for disadvantaged students, and LCAP asks counties, districts, and communities to show their commitment to live up to the formula's promise.

Importantly, LCFF and LCAP align very well with new federal requirements under the Every Student Succeeds Act (ESSA), which requires school districts to account for their spending on a per pupil basis. Because California's new student-based funding and budgeting formula aligns with ESSA requirements, the transition is far easier than for states with inputs-based funding structures. Thus ESSA provides an incentive to states to make the transition to a true weighted student formula like LCFF. Equally important, state boards should consider how state spending plans and reporting requirements align with their students' needs.

Planning processes are challenging, and dealing with a diverse, opinionated public may seem far beyond the usual purview of the CFO. But budgets are the clearest distillation of priorities. District officials, teachers and principals, parents, community members, and CFOs need to live those priorities. The LCAP sets the expectation that the efforts of all individuals in the education ecosystem align with the priorities that the state sets and that funding follows those goals. The state board then plays a considerable role in reviewing the implementation of myriad programs across the state through detailed spending plans and reports but focuses their role in holding districts accountable for spending and outcomes.

LCAP brings the most important goals to the forefront of the budget conversation, and that can only be a good thing. ■

¹Brian M. Stecher et al., "Deregulating School Aid in California: How Districts Responded to Flexibility in Tier 3 Categorical Funds in 2010–2011," report (Santa Monica, CA: Rand Corporation, 2012).

²Julie A. Marsh and Julia E. Koppich, "Superintendents Speak: Implementing the Local Control Funding Formula" (Stanford, CA: Local Control Funding Formula Research Collaborative, Stanford Graduate School of Education, 2018), http://www.edpolicyinca.org/sites/default/files/LCFF_Superintendents_Survey.pdf.

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