

A Roadmap for Student-Centered Funding: Context for Michigan

Christian Barnard, Education Policy Analyst



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Today's Agenda

1. Introduction & Overview of Reason School Finance Vision
2. Student-Centered Funding Roadmap
3. Michigan Context
4. Case Study
5. Q&A



About Us

The Center for Student-based Budgeting at Reason Foundation helps policymakers, school district officials, and other stakeholders design and implement education finance reforms that put students first.

For more information about Reason Foundation, visit Reason.org or e-mail christian.barnard@reason.org.

Also see Reason Foundation's [Student-Centered Funding Roadmap for Policymakers](#).

Why does school finance matter?

Revenue allocation is your K-12 education strategy.



Outdated Funding Models

Funding is based on programs and resources

Funding accounts for district needs

Dollars have strings attached

Compliance mindset is required

Local property wealth affects funding levels

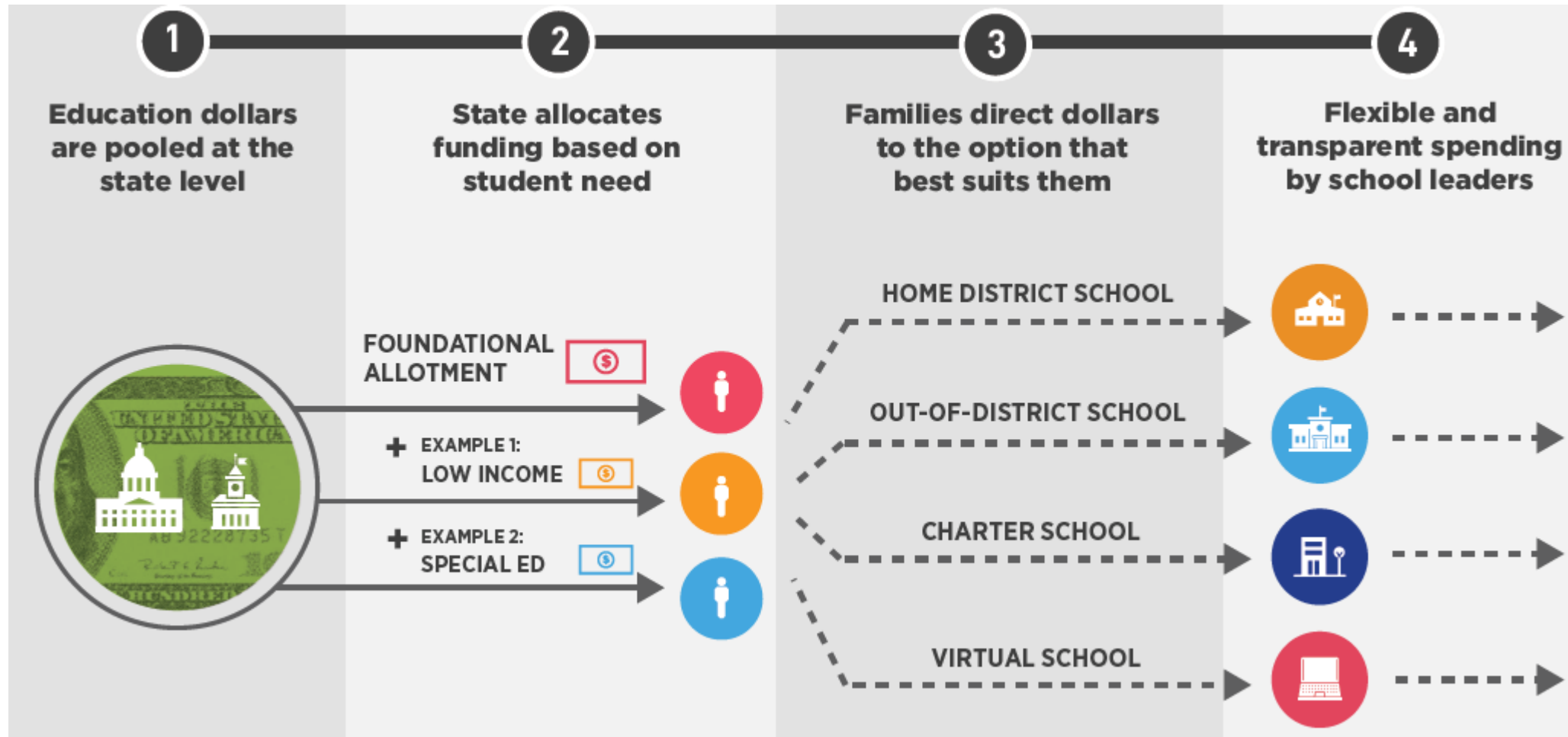
Education is determined by zip code

Important financial data are difficult to obtain



Our Reform Principles

Student-Centered Funding





Roadmap to Student Centered Funding

- 1. Streamline:** Since most states have confusing, disjointed, and complex school funding systems, streamline disparate education grants into a simplified formula that delivers dollars based on individual student needs (weighted student funding).
- 2. Equalize:** Determined funding levels by individual student needs, not local property wealth or staffing costs.
- 3. Empower:** Empower local leaders and families with decision-making authority.
- 4. Inform:** Rather than imposing top-down restrictions and compliance requirements on education dollars, adopt robust transparency standards around how dollars are allocated and spent.



Maximizing Every Education Dollar in Michigan

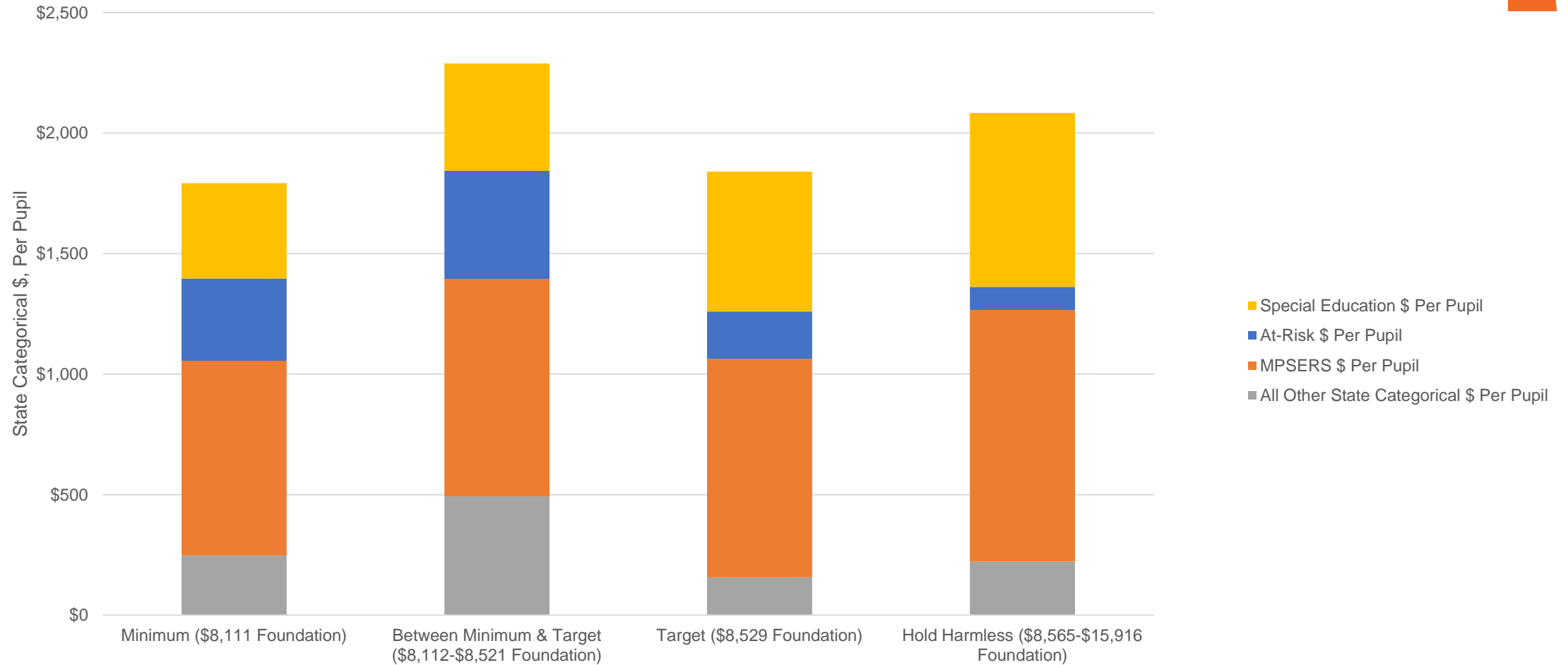


Streamline & Enhance Flexibility at District Level

- For FY 20-21, Michigan allocated over \$4 billion in state funds through categorical grants. This included large grants for at-risk students, special education, and school bond loan payments.
- These grants **highly limit district flexibility.**
- Large categorical grants (at-risk, special ed.) can be converted into unrestricted weights in a weighted student formula. Small categorical grants (Algebra Nation, Robotics, Vision/Hearing Screening, etc.) can be collapsed into foundation per-pupil allotment.



State Categorical Funding For Minimum, Target, and Hold Harmless Districts (Weighted for District Size)





Local Leaders Want More Flexibility

A nationally representative survey conducted by Education Week of 700 principals and district-level officials indicates that many want more flexibility, with **61%** indicating that there are too many restrictions in place on how they can allocate resources and **51%** viewing state legislators as the biggest obstacle to making spending decisions that best address students' needs.



Enhance Flexibility at School Level

- According to a recent study published by the American Institutes for Research and the U.S. Department of Education, **the average American school principal only has discretion over 8% of their total school funding.**
- Not only do state leaders impose restrictions on funding, but district leaders also assert their own budget priorities.
- Districts should send unrestricted dollars directly to principals. This would increase flexibility and improve equity.



Why Flexibility?

- Research from Georgetown University indicates that high-performing school districts leverage resources in various ways that can't be consistently replicated with top-down mandates.
- Other research on prescriptive grants at both the federal and state level indicate that funding mandates do little to improve student performance and could even undermine factors that boost student success.
- **Bottom line:** No spending strategy consistently helps or hinders student performance.

Sources: Marguerite Roza and Georgia Heyward, "Highly Productive Rural Districts: What is the Secret Sauce?" Sept. 2015, edunomicslab.org.

www.edunomicslab.org/wpcontent/uploads/2015/09/ROCI_SuperProductiveRuralDistricts_Final.pdf

"Prospects: The Congressionally Mandated Study of Educational Growth and Opportunity, The Interim Report," U.S. Department of Education, Office of Planning and Policy. [eric.ed.gov](https://files.eric.ed.gov/fulltext/ED361466.pdf). 1993. <https://files.eric.ed.gov/fulltext/ED361466.pdf>

William Duncombe and John Yinger, "Understanding the Incentives in California's Education Finance System: Institute for Research on Education Policy and Practice," Institute for Research on Education Policy and Practice, Stanford University, 2006. <https://cepa.stanford.edu/sites/default/files/4-Duncombe-Yinger%283-07%29.pdf>



Case Study: California's Local Control Funding Formula

LCFF: Background



2013: *Local Control Funding Formula* signed into law with bipartisan support.

Primary policy aims:

- 1) Increase local flexibility over dollars.
- 2) Improve funding equity.

Collapsed 30+ categorical grant programs into a weighted-student formula

Eliminated Programs

AP Fee Waiver

Alternative Credentialing

High School Exit Exam Tutoring

School Age Families

Categorical Programs for New Schools

Certificated Staff Mentoring

Charter School Block Grant

Civic Education

Community-Based English Tutoring

Community Day School

Deferred Maintenance

Economic Impact Aid

Educational Technology

Gift and Talented Education

Grade 7-12 Counselling

High School Class Size Reduction

Instructional Materials Block Grant

International Baccalaureate Diploma Program

National Board Certification Incentives

Oral Health Assessments

Physical Education Block Grant

Principal Training

Professional Development Block Grant

Professional Development for Math and English

School and Library Improvement Block Grant

School Safety

School Safety Competitive Grant

Staff Development

Student Councils

Summer School Programs

Teacher Credentialing Block Grant

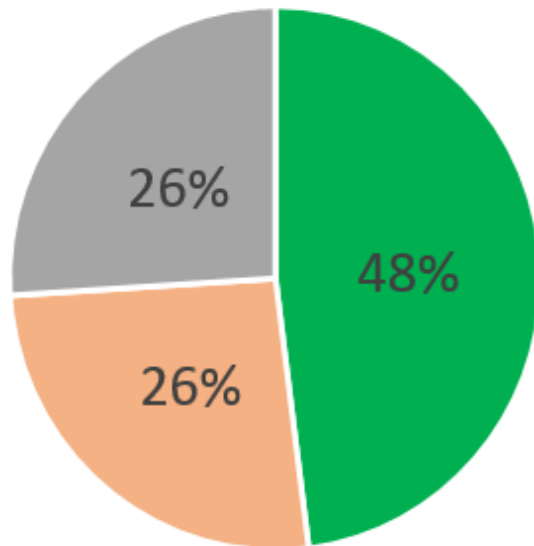
Teacher Dismissal

Retained Programs

Adults in Correctional Facilities
After School Education and Safety
Agricultural Vocational Education
American Indian Education Centers
Assessments
Child Nutrition
Foster Youth Services
Mandates Block Grant
Partnership Academies
Quality Education Improvement Act
Special Education
Specialized Secondary Programs
State Preschool

Local Control Funding Formula

■ Unrestricted ■ Special Education ■ Categorical Funding



48% of categorical funds became unrestricted.

Grade Level	Base Funding/ADA
K-3	\$8,235
4-6	\$7,571
7-8	\$7,796
9-12	\$9,269

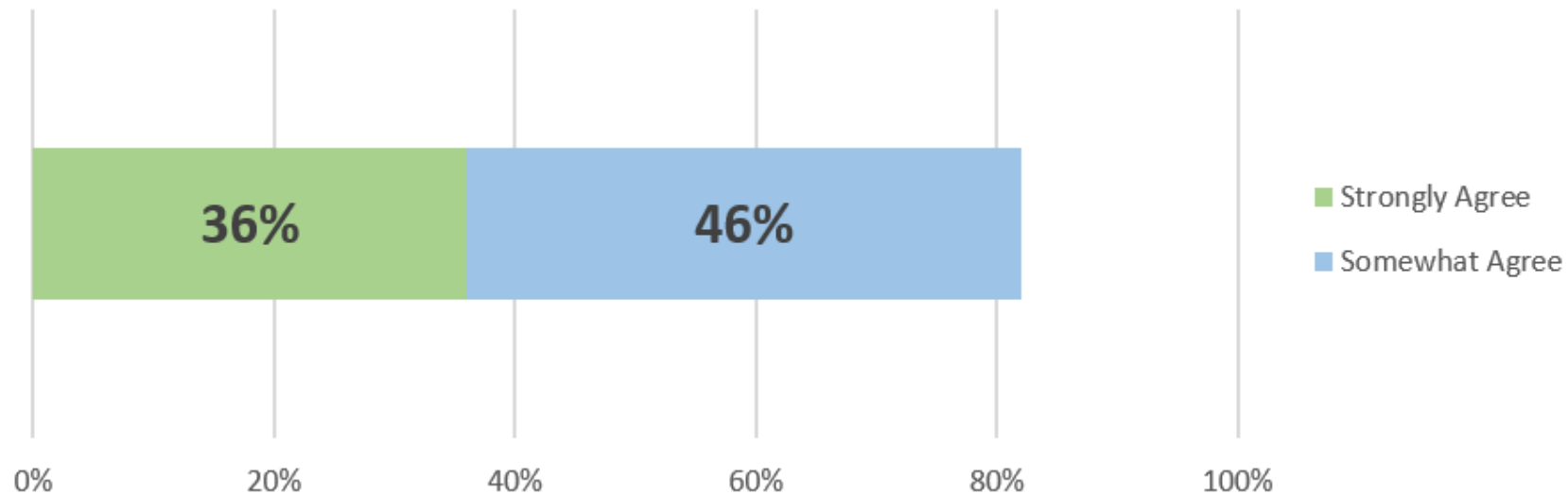
Category	Weight
English Learner	20%
Low Income	20%
Foster	20%

Concentration weight added for unduplicated pupils above 55%.



Widespread Support

82% of superintendents strongly or somewhat agree that the LCFF is leading to greater alignment among goals, strategies, and resource allocation decisions.



LCFFRC researchers found “little enthusiasm” among district officials for returning to categorical funding.

Cultural Shifts & Evidence of Customization

“We’re finally [asking] who are the students with the highest need and how do we address those needs?”

“One benefit is that the [leader] can say, this is a need in my community and this is where I want to put the money. That flexibility has been nice.”

What’s changing?

- Breaking down central office budgeting silos
- Some districts pushing decisions down to schools
- Edunomics Lab: Districts have used flexibility to customize without radical shifts in spending.

Other Research from Local Control Funding Formula Research Collaborative (LCFFRC)



Including researchers from:

University of Southern California
Loyola Marymount University
Stanford University

Studies Include:

[*Superintendents Speak: Implementing the Local Control Funding Formula*](#)

[*The Local Control Funding Formula \(LCFF\): What Have We Learned After Four Years of Implementation?*](#)

[*How Stakeholder Engagement Fuels Improvement Efforts in Three California School Districts*](#)

[*Paving the Way to Equity and Coherence? The Local Control Funding Formula in Year 3*](#)

Key Studies by Other Researchers:

[*Toward a Grand Vision: Early Implementation of California's Local Control Funding Formula*](#) (SRI International, J. Koppich & Associates)

[*The Steep Road to Resource Equity in California Education: The Local Control Funding Formula After Three Years*](#) (The Education Trust-West)

[*Taking Stock of California's Weighted Student Funding Overhaul: What Have Districts Done with their Spending Flexibility?*](#) (Edunomics Lab at Georgetown University)

[*Money and Freedom: The Impact of California's School Finance Reform*](#) (Learning Policy Institute)

[*A Preliminary Analysis of California's New Local Control Funding Formula*](#) (SRI International)



Q&A

Questions?



Christian Barnard
Education Policy Analyst
christian.barnard@reason.org