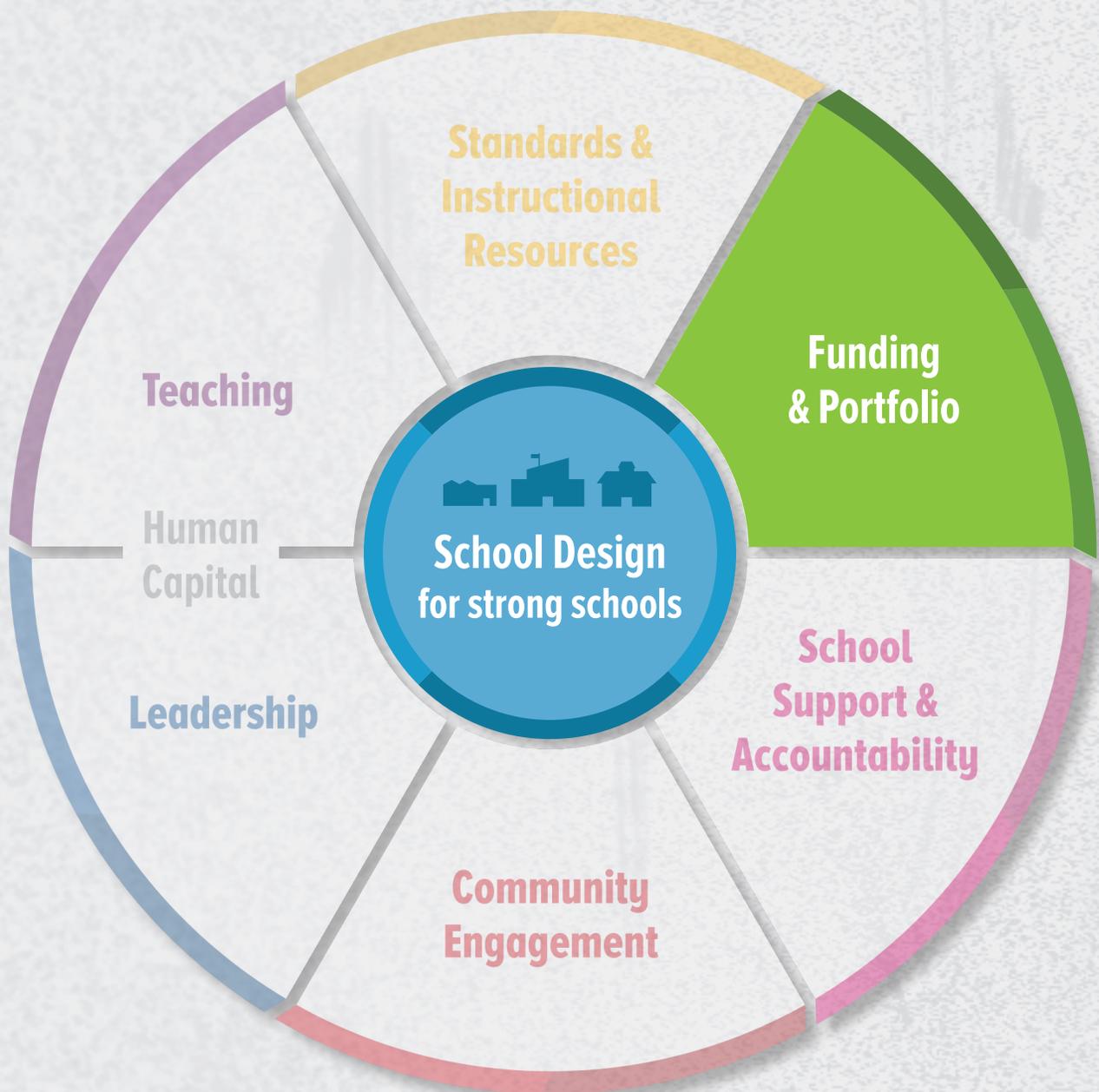


Transforming School Funding for Equity, Transparency, and Flexibility: An Introduction to Student-Based Budgeting



Acknowledgements

This work evolved from the efforts of numerous ERS team members over many years. We would like to particularly recognize lead author Betty Chang as well as our School Funding & Portfolio Practice Area, led by Jonathan Travers. In addition, we are indebted to leaders from several ERS partner districts, including Atlanta Public Schools, Baltimore City Public Schools, Boston Public Schools, Cleveland Metropolitan School District, Denver Public Schools, Indianapolis Public Schools, Nashville Public Schools, Prince George's County Public Schools, Shelby County Public Schools, and Syracuse City School District, who helped us develop and test these ideas through their own efforts to implement new funding systems. Additional thanks to Dan Gordon, Katie Morrison, and Carrie Stewart, who provided thoughtful feedback to improve our guide; to Melissa Galvez and Alyssa Fry for editing help; and to Pat Nieshoff of Nieshoff Design. We are grateful to the Walton Family Foundation for providing funding for this report. ERS is solely responsible for any ideas presented in this paper, as well as any errors.

SEPTEMBER 2018

Transforming School Funding for Equity, Transparency, and Flexibility:

An Introduction to Student-Based Budgeting

Introduction

Student-Based Budgeting (SBB) has become a popular initiative for district leaders who seek to allocate scarce resources to schools, especially in the face of stubborn achievement gaps, changing and complex demographics, and shrinking federal and state support. SBB—also called weighted student funding, fair student funding, student-based allocations, or student-centered funding—is a school funding system where schools receive dollars based on the number of enrolled students and their individual needs (such as English language learners, or students from high-poverty backgrounds), and often includes giving school leaders more control over their budgets. SBB has grown remarkably over the past few years. A decade ago, only a handful of the nation’s largest urban school systems used the model; now as many as 16 major urban school systems do so.¹

Major Urban School Systems Using SBB as of 2018

(Based on a list created by Edunomics Lab at Georgetown University, as well as ERS’ experience with school systems)

- Atlanta (GA)
- Baltimore (MD)
- Boston (MA)
- Chicago (IL)
- Cleveland (OH)
- Denver (CO)
- Indianapolis (IN)
- Nashville (TN)
- Milwaukee (WI)
- Minneapolis (MN)
- New York City (NY)
- Newark (NJ)
- Poudre (CO)
- Prince George’s County (MD)
- San Francisco (CA)
- Shelby County (TN)

Over the past decade, ERS has supported 10 of the districts that currently implement SBB. We have learned that SBB has the potential to change the game for students by increasing funding equity across schools and empowering principals to design schools to best meet their students' unique needs. But we've also seen that SBB on its own is insufficient to transform schools and school systems. Implementing a new funding formula and offering school leaders more resource flexibility is important, but it's not enough to ensure that the resources will be used strategically to promote student achievement. As a Boston Public School principal explained, "Flexibility doesn't ensure success. It helps create the conditions for success."²

For SBB to create the conditions for success, we have learned that school systems need two things:

1. A clear vision for how SBB supports its overall system strategy.

While SBB is technically a funding system initiative that changes how districts fund their schools, a successful SBB system is about much more than that. Giving school leaders flexibility over their resources isn't what drives change; it's what leaders *do* with those resources that drives change. This is why SBB is most successful when it is part of a broader strategy for school empowerment—what we call "[strategic school design](#)." Under strategic school design, school leaders identify their key student and teacher needs, implement an empowering, rigorous curriculum, and then reorganize resources (people, time, technology, and money) to enact a coherent set of research-backed strategies. Clarity around the goals for SBB should guide each district's design decisions and inform how leaders measure success.

2. A clear understanding of what it takes to successfully implement SBB.

Transforming your school funding system is no small feat, and the technical and adaptive changes required to shift to SBB should not be underestimated. Under SBB, the principal role expands to include managing resources and setting a school vision, which may be new for many principals. For principals to be successful in those new responsibilities, districts need to invest in significant support and training. Similarly, under SBB, the role of the central office shifts from the traditional "command and control center" to a "collaborative service center" which may require a significant shift in the roles, responsibilities, and mindset of those working in central office.

When implemented well, we have seen SBB play an important role in a district's overall strategy to improve student outcomes. For example, SBB has been an important foundational element in the theory of action for Denver Public Schools, which is centered around equity for high-needs populations and principal flexibility. This paper explores what districts need to consider to ensure that SBB is fully integrated into their overall system strategy. It is intended to help district leaders assess whether SBB is the right strategic move for their district.

What is SBB?

As mentioned above, student-based budgeting (SBB) goes by many names, including student-based allocations (SBA), fair student funding (FSF), weighted student funding (WSF), or student-centered funding (SCF). Regardless of the name, at its core SBB is a funding system whereby dollars follow students based on student need. More specifically, it describes any district funding model that:

- Allocates dollars instead of staff or materials
- Is based on the number of students
- Uses objective and measurable student characteristics as weights—for example, poverty status, English language learners (ELL), students with disabilities (SWD), grade enrolled, low academic performance, or high academic performance/gifted status, among others

SBB differs from the traditional funding system used in most American school districts, where resources are distributed to schools in the form of staff and dollars designated for specific purposes. As a result, principals in traditional systems have limited flexibility over their resources. Many districts also provide little transparency as to why schools get what they get, which makes it difficult to assess how equitably the funding system allocates resources. In contrast, SBB is designed to promote the three pillars of a high-performing funding system:

- **Equity:** “Dollars follow the student.” The strongest funding models ensure that resources are distributed equitably based on student need.
- **Transparency:** “The formula tells you what you get.” The optimal funding system has clear and easily understood rules for where, how, and why dollars flow. Under SBB, these rules are expressed as a formula, which the district central office creates and adapts over time with the input of stakeholders.
- **Flexibility:** “Principals own their budgets.” By distributing funds rather than staff, SBB enables school leaders to define the resources they need to drive student achievement.

On the next page, we show an example of a traditional school budget vs a budget under SBB. For the sake of clarity, the graphic vastly simplifies the SBB concept. A real school might receive more or less money than they did under a traditional model, depending on a number of factors; it would likely receive additional funding sources beyond just the SBB allocation; and a principal certainly would not be left to make complex budget trade-offs and school design decisions without support.

Traditional School Budgeting

The central office decides how much funding schools get *and* how it is spent.

Traditional Budget for Example School A	
Staff	
40 Teachers	
3 Assistant Principals	
2 Counselors	
1 Librarian	
3 Custodians	
1 Security Officer	
1 Secretary	
Etc...	
Supplies	
\$15,000 for instructional supplies	
\$5,000 for athletic supplies	
\$10,000 for CTE shop supplies	
Etc...	

vs.

Student-Based Budgeting

The SBB formula determines how much funding each school gets based on its enrollment and student need...

... and school leaders decide how to spend those dollars to best meet student needs.

SBB Allocation for Example School A			
Student type	Enrollment	Weight (\$PP)	Total
All students	750	\$4,250	\$3,187,500
Below Proficient	400	\$425	\$170,000
Poverty	550	\$212	\$116,600
ELL	200	\$850	\$170,000
TOTAL:			\$3,644,100

SBB Budget for Example School A			
Budget	FTEs	Avg Salary	Total
Classroom Teacher	42.0	\$60,000	\$2,520,000
Assistant Principal	2.0	\$80,000	\$160,000
Stipends for Teacher Leaders	5	\$8,000	\$40,000
Secretary	2	\$40,000	\$80,000
Etc...			
TOTAL:			\$3,644,100

Additional funding for my below-proficient students allowed me to purchase two additional teachers and lower class sizes to 18 in 9th grade ELA and Math.

I moved to a distributive leadership model in my school. This means that when I build my budget, I spend less on administrators (like assistant principals), and more on stipends for my teacher leaders. I'm also considering....



Principal of Example School A

Nonetheless, it captures the core distinctions between the two approaches. In a traditional budget, each school receives a set allocation of staff and resources, which may not take into account the unique needs of each school's population, and may not adequately fund schools that serve a high-need population. School leaders often have little flexibility to adapt their predetermined allocations to fit their school.

Under an SBB system, the district determines an SBB formula that typically includes a *base weight* (a dollar-per-pupil amount that all students receive), as well as *student need weights* (which provide additional funding to students with additional needs). The characteristics and dollar amounts that

systems choose for their student need weights reflect each district's concept of equity, because these weights direct additional funding to certain types of students and schools. Schools then receive an SBB dollar allocation based on the school's enrollment and the district's SBB formula, and then the principal determines which resources the school needs, using the allocation they receive.

It is possible for a traditional funding model to be equitable, flexible, and transparent; it's also possible for an SBB model to be designed inequitably, inflexibly, and opaquely. Before embarking on the design of an SBB system, district leaders must be clear on their overall improvement strategy, including implications for resource use and allocation, and how SBB will help to achieve their goals.

TAKE ACTION / SBB TOOLKIT

Is your district ready to implement SBB? On ERS' [SBB Toolkit](#) page you can find:

- **A Readiness Assessment:** A set of questions to help your district determine if SBB is the right model for you at this time
- **Transforming School Funding for Equity, Transparency, and Flexibility: A Nuts-and-Bolts Guide to Implementing Student-Based Budgeting:** A detailed manual describing how to prepare for SBB, design the formula, and rollout the model
- **The SBB Financial Modeling Tool:** An Excel-based tool to help your district model SBB scenarios to determine financial viability and to assess the impact on schools
- **The SBB Sample School Workbook:** An Excel-based tool that illustrates the information school leaders need to receive in order to develop their SBB budgets
- Plus a wealth of stories from districts who have implemented SBB

Read on here to learn more about the conditions for success for SBB—and then visit the Toolkit for more information.

www.erstrategies.org/tap/what_is_student-based_budgeting_toolkit

Setting a Clear Vision for SBB

Understanding the SBB theory of action

At its core, SBB is just like any other education initiative: you should only choose to implement it if you believe that it will improve outcomes for students. But, how does that happen in the case of SBB?

The Theory of Action for implementing SBB typically falls along the following lines:

If resources are equitably and transparently allocated to schools based on student need, and...

If school leaders have more flexibility over their resources, and...

If school leaders have the support and capacity to strategically organize those resources to best meet the needs of their students...

Then they will better use their resources (time, people, and money)...

Which will improve instruction, and...

That will ultimately lead to improving student achievement.

On its own, SBB is designed to maximize the three foundations of a high-performing school funding system—equity, transparency, and flexibility. But that only achieves the first two components of the Theory of Action:

Part 1: Funding System Reform

If resources are equitably and transparently allocated to schools based on student need, and...

If school leaders have more flexibility over their resources...

To accomplish the rest of the Theory of Action, SBB needs to be paired with a broader system strategy for school empowerment and strategic school design—because changing how resources are used in schools to better support student learning is what will ultimately create success for students:

Part 2: Enabling Condition for Strategic School Design

If school leaders have the support and capacity to strategically organize those resources to best meet the needs of their students...

Then they will better use their resources (time, people, and money)...

Which will improve instruction, and...

That will ultimately lead to improving student achievement.

HOW LEADING SBB DISTRICTS DESCRIBE THEIR SBB THEORIES OF ACTION

Excerpts taken from public materials published by school systems:

New York City Department of Education

"Fair Student Funding is part of the district's vision of Equity and Excellence for All. The district identifies three areas of work to advance their goal that every child has one chance at an excellent education: Academic Excellence, Student & Community Support, and Innovation. FSF enables innovation by allowing schools to experiment with new programming and initiatives. FSF aims to provide schools and educators the flexibility and resources they need to meet students and families where they are."³

Denver Public Schools

"Denver Public Schools implemented SBB as a model to allow for site-level autonomy in 2007–08 because of the wide array of student and school needs across the district. DPS believes that school leaders make the best decisions about how their school should be structured, and the SBB process reflects that belief."⁴

Metro Nashville Public Schools

"Metro Nashville Public Schools uses a budgeting method called Student-Based Budgeting. Using this method, more than half of the district's operating budget is divided amongst and sent directly to our schools. At this point, it is up to the principals of each school to decide how best to allocate their resources. Money is budgeted according to the educational needs of each individual student. This means that students with more demanding sets of needs, such as those with special needs, or who are learning English as a second language, will be allocated more money. No two students are the same, and NPS goes to great lengths to be able to afford each student the time and attention they need."⁵

In addition to the core SBB Theory of Action, districts are also sometimes interested in moving to SBB as a component of an overall district strategy, for example, incorporating SBB as part of a **Managed Performance Empowerment Strategy** where districts offer more flexibility to schools that have "earned" the right to that flexibility because of the district's accountability framework. For example, in Shelby County Schools (or SCS—the school district serving Memphis, Tennessee and environs), the district's Managed Performance Empowerment model gives some schools more or less control over school operations and instruction based on student needs and school performance as measured by the state and district's accountability system. SCS recognizes that "individual school leaders are best equipped to understand the learning needs of their students, [therefore] schools will be given as much flexibility as practicable to implement effective teaching and operational methods within the standards established by the Board and Superintendent."⁶

Other times, districts are interested in moving to SBB as part of an overall **School Portfolio Strategy**. For example, the Cleveland Metropolitan School District describes their strategy as follows: “Cleveland wants to transition from a traditional, single-source school district to a new system of district and charter schools that are held to the highest standards of performance and work in partnership to create dramatic student achievement gains for every child. Our main premise is that excellent schools, led by exemplary principals and staffed by talented teachers, should have full autonomy over human and financial resources in exchange for high quality and accountability for performance. This approach will open the system to new ideas, talents, management philosophies and community assets so that students can make the kind of breakthroughs in performance required to compete in, and contribute to, the 21st century global economy.”⁷

SBB Theory of Action Part 1: SBB as a Funding System Reform

What does it mean for a funding system to be equitable, transparent, and flexible? Based on our experience working with school systems across the country, we would define these three terms as follows:

Equity

SBB is rooted in the belief that you need to resource schools commensurate to their need. In other words, different students have different educational needs, and funding levels should reflect those needs as best as possible. Furthermore, when adjusted for student need, funding levels should be consistent across schools. In SBB systems, students with additional needs are allocated additional dollars and system leaders must be comfortable with either reallocating existing funds away from less needy schools toward needier schools or with focusing future additional revenues toward closing these gaps.

Transparency

Another core tenet of SBB is that school budgets should be as transparent as possible so that all stakeholders can understand who gets what and why, and so that funding decisions are visible for all to see and evaluate. Under SBB, funding formulas are clearly stated and exceptions to the rules are specifically outlined, so that school leaders and the public should be able to independently derive the funding provided to any school. This level of transparency is often different than what currently occurs. Many traditional funding systems allow for exceptions to be given to certain schools around budgeting and staffing, i.e., the extra Assistant Principal here, the extra secretary there, the extra computers there. While these decisions are made in good faith, they aren't necessarily systematic or based on a known set of criteria. Under SBB, system leaders should be committed to changing past practices around exceptions and to creating greater transparency in how resources are allocated.

Flexibility

And finally, the purpose of providing flexibility under SBB is rooted in the belief that schools need to be designed differently to meet the unique needs of their students and that school leaders, not central office staff, are best positioned to make the optimal design choices for their schools. As a Cleveland Metropolitan School District principal best explained, “SBB provides school leaders the ability to align resources to the strategic vision of the school in order to meet the unique learning needs of their scholars. No two schools are identical so no two schools’ solutions are identical.”⁸

This is an important distinction to understand. There is often the perception that SBB encourages giving school leaders more flexibility simply for the sake of flexibility, but that couldn’t be further from the truth. A fundamental premise of SBB is the idea that school leaders, with the appropriate training and supports, are best positioned to make strategic resource use decisions for their schools, and the purpose of providing resource flexibility is to enable school leaders to do just that.

In our experience, districts typically prioritize equity and transparency as key features of SBB, but they differ when it comes to flexibility. We are learning that if principal empowerment is not a priority for your district—or for at least a significant subset of schools in your district—then SBB may not be the right strategic move. If a district moves to SBB without offering flexibility, it can actually become a barrier to resource equity. Because funding levels in some schools may decline, sometimes by thousand-dollar increments, if those schools cannot prioritize their spending there can be unintended negative consequences for resource use. Additionally, in cases where overall resource levels are low, a move to SBB without flexibility becomes almost meaningless because additional dollars need to be added to each school’s budget so that all schools are resourced to cover basic staffing mandates. If you find that your district is interested in pursuing funding equity and transparency, but you’re not interested in providing more funding flexibility to schools, then it may be best for you to explore other options like weighted staffing* to help you achieve your goals.

What About Student Achievement?

When considering whether or not to implement SBB, district leaders and other stakeholders may leap to ask—and should ask—a few crucial questions:

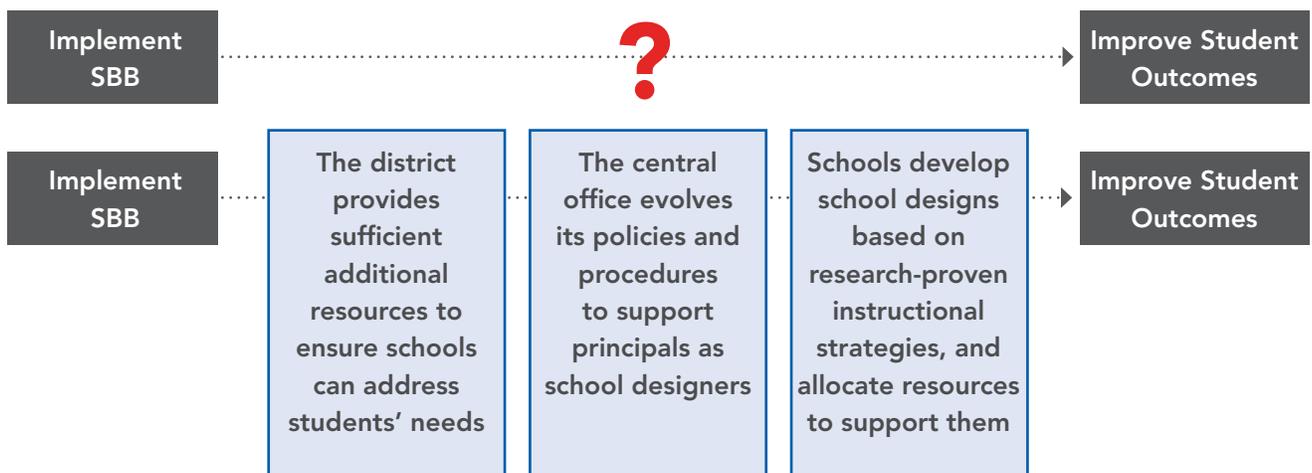
- What is the return on investment for SBB?
- What research proves that SBB has a positive impact on student outcomes?
- How do we know if SBB will ultimately improve student achievement in my district?

* Weighted staffing is a funding system that uses staffing ratios (e.g., student-to-teacher ratios) with weighted student enrollment numbers.

Although it's tempting to want to draw a direct arrow between "implement SBB" and "improve student achievement," the truth is that a lot of things need to happen to achieve that goal. SBB may create the necessary conditions for change but is probably not sufficient on its own to drive change.

There is no definitive research (yet) that shows that implementing an SBB formula by itself has a positive impact on student outcomes. With only about 16 districts implementing SBB currently and with many of them still in their first few years of implementation, there is a limited sample size for researchers to study.

However, volumes of research shows that providing extra supports to students with greater needs and organizing people, time and money in certain ways leads to better student outcomes—for example, extending time in core subjects for students to engage in more rigorous instruction aligned to college-and-career-ready standards, providing intervention and tutoring blocks for students, offering enrichment to increase student engagement and connection to school, and providing teacher collaborative planning time to facilitate job-embedded learning, just to name a few.⁹ Implementing these research-proven instructional strategies in an environment of limited funding requires schools to be very strategic in how they use their resources. And SBB—with its emphasis on equitably and transparently distributing funds to schools based on need and its emphasis on providing school leaders with the flexibility and support they need to strategically manage their budgets and staffing—can be an enabling condition that allows more of those research-proven instructional strategies to occur in schools, which in turn, should lead to improved student outcomes.



If districts want to ensure that implementing SBB actually leads to improved student performance, they must closely measure whether SBB in fact enables the theory of action—whether schools that have students with higher learning needs actually receive additional resources, whether schools use their resources strategically in support of research-proven instructional strategies, and whether the central office supports schools in this work—and then continue to refine implementation over time.

SBB Theory of Action Part 2: SBB as an enabling condition for Strategic School Design

Through over a decade of research and practice in the area of strategic resource use, ERS has found that high-performing schools begin with a clear vision of student success and instructional quality, and then deliberately organize resources to implement a coherent set of research-backed strategies to reach this vision. SBB gives school leaders the flexibility they need to be able to reorganize their resources around this vision. While there is no one “right way” to organize resources, high-performing schools serving high need students organize around six common design essentials. We are learning that to sustain high performance, a school must eventually address all of the essentials. However, the specific way any leader chooses to organize staff, time, programs, and students is very different across schools, and it changes over time to fit unique and evolving student needs, teacher capacity, and lessons learned.

These six design essentials are:

1. **Instruction:** Uphold rigorous, college- and career-ready standards and use effective curricula, instructional strategies, and assessments to achieve them
2. **Teacher Collaboration:** Organize teachers into expert-led teams focused on the design and delivery of instruction, and provide ongoing growth-oriented feedback
3. **Talent Management:** Attract and retain the best teachers and design and assign roles and responsibilities to match skills to school and student need
4. **Time & Attention:** Match student grouping, learning time, technology, and programs to individual student needs
5. **Whole Child:** Ensure that students are deeply known and that more intensive social and emotional supports are integrated when necessary
6. **Growth-Oriented Adult Culture:** Grow a collaborative culture where teachers and leaders share ownership of a common instructional vision and student learning

See school design graphic on the next page.

While SBB is an important enabling condition of Strategic School Design, it is not the only one. SBB provides clear and transparent flexibility to vary school designs based on student, teacher, and school needs, but other conditions need to be met for Strategic School Design to be effective in improving student outcomes. These include access to rigorous curricula aligned to college and career-ready standards and strong school leader pipelines among others.

TAKE ACTION / SCHOOL DESIGN

Strategic School Design challenges school leaders and central office staff to break out of traditional top-down bureaucratic mandates and embrace the possibilities for what a great school can be. ERS has worked with dozens of schools in large and small school systems to help them through the process. You can find a wealth of resources in the Get Started: School Design section of the ERS website. Top resources include:

- **Designing Schools that Work**
- **Toolkit from the 2017 School Design Summit**
- **School Designer**

https://www.erstrategies.org/get_started/school_design



TWO EXAMPLES OF HOW SBB ENABLED STRATEGIC SCHOOL DESIGN

Arlington Woods Elementary, Indianapolis Public Schools

Around 2015, Arlington Woods' leadership team identified two major challenges to address. First, students exhibited trauma-infused behaviors due to lack of social- and self-awareness and coping strategies; second, teachers felt inadequate to meet the diverse student needs in their building. Principal Tihesha Guthrie decided to apply to be an "autonomy school"—a pilot program to test giving some principals more flexibility over their resources and support in strategic school design, as part of the early stages of IPS' roll out of Student-Based Allocation (SBA).

The Arlington Woods team decided to make two key changes to address their student and teacher challenges. They invested in social emotional learning and in shared-content planning time for teachers to collaborate and learn from one another. The social emotional investment was in the form of a teacher dedicated to teaching coping strategies and a Behavior Specialist who served as a first responder for students. The shared-content planning time was achieved by redesigning the master schedule to allow for 100 minutes of Professional Learning Community time each week. Additionally, they invested in a math instructional coach to help lead that time. The team traded a core teacher and reallocated their Title I budget to afford these new investments. The budget and staffing flexibility afforded by SBA enabled the Arlington Woods team to make these shifts. As a result, daily attendance increased by 7 percent, referrals and suspensions decreased by 47 percent and 64 percent respectively from September to December 2016, and high growth on STAR360 Math assessment (G3-6) increased to 19 percent.

For the full story, read "To Drive Change, Realign Your Resources" in the [SBB Toolkit](#).

Hannah Gibbons-STEM, Cleveland Metropolitan School District

In 2014 Dr. Tamea Caver, the principal of the K-8 Hannah Gibbons-STEM School, wanted to improve her kindergarten to 2nd grade students' reading scores—to ensure they would meet the state's "Third Grade Guarantee" of reading proficiency—but she felt her teachers didn't have enough collaborative planning time to fully emphasize STEM and project-based learning. In some school districts, Caver would have been limited in how she could respond—maybe using discretionary funds for professional development workshops or buying a new literacy program. But under SBB, Caver had the flexibility to make a few strategic changes that had ripples across the entire school. For one, she added 10 minutes to every school day so that teachers could get a full day of collaborative planning every quarter to focus on STEM, project-based learning, and literacy. She converted four half-time elective teachers into two full-time positions, so that those teachers could fully integrate with the teaching staff and support the instructional model. Moreover, she organized the school day to include a reading intervention block supported by a new literacy program, tied to students' skill levels.

For the full story, read "Following the Dollars to the Classroom Door: Why and How Effective Student-Based Budgeting Must Be Linked with Strategic School Design" in the [SBB Toolkit](#).

What it Takes to Successfully Implement SBB

In addition to having a clear vision for how SBB aligns with your district's overall strategy, it's important to consider what it takes to successfully implement SBB. SBB is not just about changing funding formulas; it requires the district to coordinate policy and operational changes across many departments. This is no easy feat, so districts looking to implement SBB typically spend about 6–12 months designing the new funding system and preparing the district for the change.

In [Transforming School Funding for Equity, Transparency, and Flexibility: A Nuts and Bolts Guide to Implementing Student-Based Budgeting](#), we break down the process, the key milestones, and the key decision points. In this section, our goal is to provide a higher-level overview of what it takes to successfully implement SBB to help you determine whether your district has the capacity, or whether it can build the capacity to take on this shift.

Changing culture and processes in the central office

While many districts focus immediately on designing their new funding formula, we've consistently observed that the culture shift under SBB actually requires significantly more attention and planning. At the center of an effective SBB system is a fundamental shift in the relationship between schools and the district. Traditionally, the district office exerts significant top-down control over not only how many resources are allocated to schools but how those resources must be used. In traditional funding systems, principals typically have less flexibility or control over their resources.

SBB shifts the focus to a model that begins with each principal (and his or her team) setting a vision for the school that he or she believes will give students the best opportunities to succeed. This vision then shapes the principal's decision about how to use the resources allocated to the school, based on student need. The district office's primary function becomes a service function: How can we help each principal realize his or her vision for school? Specifically, effective district office teams ask: What support does each school need? How can we provide it? What else can we do to streamline decision processes within the district office? Put another way, the district office must shift from a "command and control center" to a more "collaborative service center."

This fundamental shift in roles and mindset requires both a significant cultural shift, as well as changes to many potentially long-standing district policies and practices to enable this shift. Districts that succeed at this cultural change are more likely to have success with SBB; those who don't may leave a lot of value on the table.

System conditions that support SBB

Every district faces its own unique set of challenges. In the table on the next page, we've laid out a number of system conditions that can make it easier or harder to implement SBB. These considerations are intended to start the conversation within district leadership and community, as a way to foreshadow issues that may come up during SBB design and implementation so that you can get ahead of them.

Decision Factor	SBB can be easier to implement when ...	SBB can be more challenging to implement when ...	Why is this important?
Per-pupil funding levels (after adjusting for geography)	Per-pupil funding levels are at or above average for peer districts	Per-pupil funding levels are significantly below average compared to peer districts	If funding is so low that schools receive little more than the minimum resources needed to run a school, it will be more difficult to shift resources across schools to improve equity and will leave principals with limited flexibility to do anything different with their budget.
School sizes within the district	District average school size is large (Elementary schools >300, Secondary schools >500)	District average school size is small (Elementary schools <300, Secondary schools <500)	If the district has many small schools, it will likely need to invest in a small school supplement to raise these schools to the minimum level of resources. If the small schools are not also the neediest, this will shift dollars away from schools with needier populations. This limits the district's investment in equity, as well as the budget flexibility of small school principals.
Funding trajectory	District funding is stable or increasing	District funding is decreasing in coming years	Decreasing funding creates a communications challenge if paired with SBB, as the community might perceive SBB as the cause of the funding cuts. However, this could also be viewed as an opportunity. For some districts, the fact that funding levels are decreasing may actually make communicating equity changes easier.
Enrollment	District enrollment is stable or increasing	District enrollment is unpredictable and or likely to decrease in coming years	Declining enrollment also creates a significant communications challenge when paired with SBB, as it is difficult to avoid SBB being blamed for funding decreases. Even when overall district enrollment is steady, large swings in school and neighborhood enrollment can cause communications challenges.
Potential resource flexibility	Resource flexibility is potentially significant, even if principals do not yet have access to it	Resource flexibility is severely constrained by collective bargaining agreements, state-level oversight, or other factors not addressed by SBB	If there is limited resource flexibility, principals will not be able to do anything meaningfully different with their resources, even though they may control resource decisions. Some critical flexibilities include the discretion to: Hire the individuals they want into open positions, control the staffing mix including position type and number of staff, determine the number and length of student instructional periods, or organize the content of school-based PD.
School leadership capacity	Principals are motivated by and capable of making wise, fact-based decisions about resource use and school design	Principals are cautious about change (e.g., committed to "doing things the way we've always done them")	If the school leaders that control school resources are not prepared for and supported in their use of the flexibility provided by SBB, then the benefits of SBB will be muted (and may even be detrimental).
Central office capacity	Leadership and managers have appetite and capacity for rethinking their role in supporting schools and shifting mind-sets among school leaders	Leadership and managers are cautious about change, or focused solely on "putting out fires," and lack capacity or willingness to change compliance mind-set	For most districts, SBB requires an enormous shift in how central office works with schools, shifting from telling schools what to do, to helping them figure out how to do what they want to do.
Political will for equity	The system has the political will to shift resources from higher-funded schools to lower-funded schools	When faced with dissension from schools losing funding, the system is not likely to actually shift resources, due to political pressure or constraints	The schools who stand to lose dollars are often those with the most active voices; systems that sometimes think they will stand their ground end up not shifting any dollars due to the political pressure and/or political implications of their decisions.

Next Steps

Districts that have successfully implemented SBB had a clear vision for how SBB supports its overall system strategy and a clear understanding of what it takes to successfully implement SBB. We hope this guide has been helpful in illustrating the importance of these elements as you explore whether SBB is the right move for your district.

TAKE ACTION / SBB TOOLKIT

Is your district ready to implement SBB? On ERS' SBB Toolkit page you can find:

- **A Readiness Assessment:** A set of questions to help your district determine if SBB is the right model for you at this time
- **Transforming School Funding for Equity, Transparency, and Flexibility: A Nuts-and-Bolts Guide to Implementing Student-Based Budgeting:** A detailed manual describing how to prepare for SBB, design the formula, and rollout the model. Topics covered include:
 - **Prepare the system:** Setting the vision, engaging stakeholders, defining roles, adjusting annual planning processes, and preparing data infrastructure
 - **Design the formula:** Projecting the SBB pool and defining resource flexibility, defining student weights, making SBB policy decisions, modeling, testing, and finalizing school budgets
 - **Prepare for and complete the roll out:** Refining messaging, building budgeting tools, developing guidance materials, supporting teams, releasing budges and finalizing school plans
 - **Evolve the System:** Identifying priorities for improvement and evolving the formula
- **The SBB Financial Modeling Tool:** An Excel-based tool to help your district model SBB scenarios to determine financial viability and to assess the impact on schools
- **The SBB Sample School Workbook:** An Excel-based tool that illustrates the information school leaders need to receive in order to develop their SBB budgets
- Plus a wealth of stories from districts who have implemented SBB

The SBB Toolkit can be found here:

https://www.erstrategies.org/tap/what_is_student-based_budgeting_toolkit

Endnotes

1. Edunomics Lab at Georgetown University. *Student-Based Allocation – District Level*. <https://edunomicslab.org/our-research/student-based-allocations/student-based-allocation-district-level/> provides a list of districts who have implemented a student-based allocations model. We removed Hartford Public Schools and Houston Independent School District, as we know they are moving away from SBA/ WSF; The Recovery School District, as it's merged with Orleans Parish; and added three school systems that we worked with in 2017–2018 to design their SBB model: Atlanta Public Schools, Indianapolis Public Schools, and Shelby County Schools (Memphis and environs)
2. Travers, Jonathan, and Hitchcock, Courtney. Following the Dollars to the Classroom Door: Why and How Effective Student-Based Budgeting Must be Linked with Strategic School Design: Education Resource Strategies, May 2015 <https://www.erstrategies.org/cms/files/2506-cleveland-sbb-paper-following-the-dollars-to-the-classroom-door.pdf>
3. New York City Department of Education. *Fair Student Funding 2017–2018 Guide*, p. 1–2. http://schools.nyc.gov/offices/d_chanc_oper/budget/dbor/allocationmemo/fy17_18/FY18_PDF/FSF_Guide.pdf
4. Denver Public Schools. *The Citizen's Guide to Understanding the DPS Budget 2017–2018*, p. 20–21. <https://www.dpsk12.org/wp-content/uploads/DPS-Citizens-Budget-Guide.pdf>
5. Metropolitan Nashville Public Schools. *Answering the Big Questions: How Are We Funded? How Do We Spend Money?* <https://www.mnps.org/budgets/>
6. Shelby County Schools. *SCS Theory of Action for Change: Aligned Instructional and Managed Performance Empowerment Systems* <http://www.scsk12.org/policy/rf/source/0000%20Internal%20Board%20Operations/0029%20SCS%20Theory%20of%20Action%20for%20Change.pdf>
7. Cleveland Metropolitan School District. *Cleveland's Plan for Transforming Schools*, p. 5. <http://www.clevelandmetroschools.org/cms/lib05/OH01915844/Centricity/Domain/98/ClevelandPlanandLegislation.pdf>
8. Travers, Jonathan, and Hitchcock, Courtney. Following the Dollars to the Classroom Door: Why and How Effective Student-Based Budgeting Must be Linked with Strategic School Design: Education Resource Strategies, May 2015 <https://www.erstrategies.org/cms/files/2506-cleveland-sbb-paper-following-the-dollars-to-the-classroom-door.pdf>
9. Extended time in core subjects: Cortes, Kalena E., Joshua S. Goodman, and Takako Nomi. "Intensive math instruction and educational attainment long-run impacts of double-dose algebra." *Journal of Human Resources* 50, no. 1 (2015): 108–158. <https://ideas.repec.org/a/uwp/jhriss/v50y2015i1p108-158.html> Nomi, Takako, and Elaine Allensworth. "'Double-dose' algebra as an alternative strategy to remediation: Effects on students' academic outcomes." *Journal of Research on Educational Effectiveness* 2, no. 2 (2009): 111–148. <https://www.tandfonline.com/doiabs/10.1080/19345740802676739> Intervention and tutoring: Slavin, Robert E., Cynthia Lake, Susan Davis, and Nancy A. Madden. "Effective Programs for Struggling Readers: A Best-Evidence Synthesis." Center for Data-Driven Reform in Education (2009). <https://files.eric.ed.gov/fulltext/ED527634.pdf> Enrichment: Zaff, Jonathan F., Kristin A. Moore, Angela Romano Papillo, and Stephanie Williams. "Implications of extracurricular activity participation during adolescence on positive outcomes." *Journal of Adolescent Research* 18, no. 6 (2003): 599–630. <https://abhay.io/wp-content/uploads/2016/07/zaff2003.pdf> Collaborative planning time: Kraft, Matthew A., and John P. Papay. "Can professional environments in schools promote teacher development? Explaining heterogeneity in returns to teaching experience." *Educational evaluation and policy analysis* 36, no. 4 (2014): 476–500. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4392767/> Vescio, Vicki, Dorene Ross, and Alyson Adams. "A review of research on the impact of professional learning communities on teaching practice and student learning." *Teaching and teacher education* 24, no. 1 (2008): 80–91. <https://pdfs.semanticscholar.org/7005/0f51d928cbdba2056a77a8f2c9b225c6821.pdf>



Every school. Every child. Ready for tomorrow.

Education Resource Strategies (ERS) is a national non-profit that partners with district, school, and state leaders to transform how they use resources (people, time and money) so that every school prepares every child for tomorrow, no matter their race or income.

In all our work, we focus on the larger picture—how resources work together to create strategic systems that support strong schools. Our non-profit status enables a different kind of partnership with districts and states: one where we participate in the transformation struggle, create insights together, and share lessons with others. More at ERStrategies.org.