



How Do Districts Distribute Money to Schools?

#7 IN THE SERIES • OCTOBER 2021 (updated October 2023)

State funding formulas shape how much money school districts have to spend, but districts usually have considerable discretion with how they distribute funds to schools.¹ Because of this discretion, even if districts receive funds through a highly equitable state system, there is no guarantee that districts will distribute funding equitably to schools.

Significant economic and racial segregation persists within school districts across the country, so “district to school” budget allocations can make a big difference in finance equity.² For example, an analysis by the Hechinger Report found an elementary school where more than 90% of students who were economically disadvantaged received less per-pupil funding than a school in the same district where only about 20% of students were economically disadvantaged.³

Many factors shape differences in school funding within districts, like grade level, special programs, or school size. But one of the biggest determinants of inequitable school spending is differences in teacher salaries. Salaries and benefits account for about 80% of school spending,⁴ and educator salaries are typically based on set schedules that dictate salary level based on a few factors — most commonly years of experience and degrees attained.⁵

Through a combination of teacher preference, labor agreements, and district incentives, higher-paid, more experienced teachers tend to work in lower-need schools, while less experienced teachers are more likely to teach in high-need schools.⁶ For example, research from North Carolina showed that the state’s high-poverty schools have fewer licensed teachers and fewer teachers with advanced degrees.⁷ This means that schools with the most experienced, most credentialed, and highest-paid staff receive the most funds, even if those schools are not serving the highest-need students.⁸

District Budgeting Methods

Situations like the ones described above most often occur in districts using a **resource-based budgeting method**,⁹ the funding method used by most school districts across the country. This mode of budgeting is distinct from resource-based state funding formulas, but there are some parallels. In this system, districts distribute money to schools based on the cost of inputs (staff salaries and programs).

Some districts have implemented **student-based budgeting**, which is also distinct from student-based state funding formulas. In this system, districts allocate dollars to schools based on the number of enrolled

students, adjusted with funding “weights” based on the needs of students enrolled in each school.¹⁰ Student-based budgeting at the district level can give greater autonomy to school leaders to determine how to allocate resources. However, it can also be complex to implement, especially for school leaders.¹¹ Because of some of the implementation challenges, student-based budgeting is still relatively uncommon.

Finally, there is **site-based budgeting**, the most decentralized budget process, where individual school sites have maximal control over budgets. Resources are allocated by the district to the school site, and school leaders have the authority to distribute these resources to educational and support services.¹² This approach can be used in combination with other strategies, such as student-based budgeting.¹³

Questions for Advocates

- *Do lawmakers in your state understand the different roles that state and local governments play in allocating money to schools?*
- *How do districts in your state allocate funding to individual schools?*
- *Does your state have a process to conduct resource or needs assessments? Can this process be used at the district level?*

Endnotes

- 1 Jess Gartner, "The Bottom Line—How Are Public Schools Funded?" *Allovue*, accessed September 15, 2021, <https://blog.allovue.com/how-are-public-schools-funded>.
- 2 Kori J. Stroub and Meredith P. Richards, "From Resegregation to Reintegration: Trends in the Racial/Ethnic Segregation of Metropolitan Public Schools, 1993-2009," *American Educational Research Journal* 50, no. 3 (June 1, 2013): 497-531, <https://journals.sagepub.com/doi/abs/10.3102/0002831213478462>; Ann Owens, Sean F. Reardon, and Christopher Jencks, "CEOA Working Paper No. 16-04—Income Segregation Between Schools and School Districts," Stanford Center for Education Policy Analysis, May 2016, <https://cepa.stanford.edu/sites/default/files/wp16-04-v201605.pdf>; Marguerite Roza, Kacy Guin, Betheny Gross, and Scott DeBurgomaster, "Do Districts Fund Schools Fairly?" *Education Next Journal* 7, no. 4, (Fall 2007), <https://www.educationnext.org/do-districts-fund-schools-fairly/>.
- 3 Tara García Mathewson, "New Data: Even Within the Same District Some Wealthy Schools Get Millions More Than Poor Ones," *Hechinger Report*, October 31, 2020, <https://hechingerreport.org/new-data-even-within-the-same-district-some-wealthy-schools-get-millions-more-than-poor-ones/>.
- 4 "Annual Reports and Information Staff (Annual Reports)—Preprimary, Elementary, and Secondary Education: Public School Expenditures," National Center for Education Statistics, May 2021, <https://nces.ed.gov/programs/coe/indicator/cmb>.
- 5 Kency Nittler, "The Ins and Outs of Teacher Salaries," National Council on Teacher Quality, May 30, 2019, <https://www.nctq.org/blog/The-ins-and-outs-of-teacher-salaries>.
- 6 "Education Policy—Funding Disparities," *New America*, accessed September 15, 2021, <https://www.newamerica.org/education-policy/topics/school-funding-and-resources/school-funding/funding-disparities/>.
- 7 Jeannie Oakes, Peter W. Cookson, Janel George, Stephanie Levin, Desiree Carver-Thomas, Fred Frelow, Barnett Berry, "Adequate and Equitable Education in High-Poverty Schools: Barriers and Opportunities in North Carolina," Learning Policy Institute, June 18, 2021, <https://learningpolicyinstitute.org/product/leandro-high-poverty-schools-brief>.
- 8 "Student-Centered Funding for Districts," *ExcelinEd Policy Playbook*, June 2017, <https://excelined.org/wp-content/uploads/2020/10/ExcelinEd.StudentCenteredFundingForDistricts.PolicyPlaybook.June2017.pdf>.
- 9 "Smart School Budgeting: Resources for Districts," Rennie Center for Education Research & Policy, 2012, <https://www.renniecenter.org/sites/default/files/2017-01/SmartSchoolBudgeting.pdf>.
- 10 "Toolkit: What Is Student-Based Budgeting? How Can It Drive Student Learning?" *Education Resource Strategies*, September 10, 2018, https://www.erstrategies.org/toolkits/toolkit_what_is_student-based_budgeting_and_how_can_it_drive_student_learning.
- 11 "Opportunities and Challenges of Student-Based Budgeting," *Education Resource Strategies*, September 2018, https://www.erstrategies.org/news/opportunities_and_challenges_of_student-based_budgeting.
- 12 "Financial Accounting for Local and State School Systems: 2009 Edition—Chapter 3: Budgeting—Budgetary Approaches," National Center for Education Statistics, accessed September 15, 2021, https://nces.ed.gov/pubs2009/fin_acct/chapter3_2.asp.
- 13 "Financial Accounting," https://nces.ed.gov/pubs2009/fin_acct/chapter3_2.asp.

About the Authors



INDIRA DAMMU

Indira Dammu is an associate partner at Bellwether in the Policy and Evaluation practice area. She can be reached at indira.dammu@bellwether.org.



BONNIE O'KEEFE

Bonnie O'Keefe is a senior associate partner at Bellwether in the Policy and Evaluation practice area. She can be reached at bonnie.okeefe@bellwether.org.



JENNIFER O'NEAL SCHIESS

Jennifer O'Neal Schiess is a senior partner at Bellwether and leads the Policy and Evaluation practice area. She can be reached at jennifer.schiess@bellwether.org.

ACKNOWLEDGMENTS

Thank you to the Bill & Melinda Gates Foundation for its financial support of this project, to Super Copy Editors, and to Five Line Creative for graphic design on the original series.

Thank you to our colleague Linea Koehler for supporting reviews and updates to this publication. Thank you to Alyssa Schwenk, Andy Jacob, Zoe Campbell, Julie Nguyen, and Amber Walker for shepherding and disseminating this work.

Any errors in fact or analysis are the responsibility of the authors alone.

ABOUT THE SERIES

Splitting the Bill is a crash course in the essentials of school finance equity for advocates and others interested in reforming state education finance systems. Learn more and read the other briefs in this series [here](#).

About Bellwether

Bellwether is a national nonprofit that exists to transform education to ensure systemically marginalized young people achieve outcomes that lead to fulfilling lives and flourishing communities. Founded in 2010, we work hand in hand with education leaders and organizations to accelerate their impact, inform and influence policy and program design, and share what we learn along the way. For more, visit bellwether.org.

© 2023 Bellwether

- © This report carries a Creative Commons license, which permits noncommercial re-use of content when proper attribution is provided. This means you are free to copy, display and distribute this work, or include content from this report in derivative works, under the following conditions:
- ① **Attribution.** You must clearly attribute the work to Bellwether and provide a link back to the publication at www.bellwether.org.
- ③ **Noncommercial.** You may not use this work for commercial purposes without explicit prior permission from Bellwether.
- ④ **Share Alike.** If you alter, transform, or build upon this work, you may distribute the resulting work only under a license identical to this one.

For the full legal code of this Creative Commons license, please visit www.creativecommons.org. If you have any questions about citing or reusing Bellwether content, please contact us.