



## How Do Districts Distribute Money to Schools?

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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.<sup>1</sup> 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.<sup>2</sup> 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.<sup>3</sup>

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,<sup>4</sup> 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.<sup>5</sup>

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.<sup>6</sup> For example, research from North Carolina showed that the state’s high-poverty schools have fewer licensed teachers and fewer teachers with advanced degrees.<sup>7</sup> 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.<sup>8</sup>

### District Budgeting Methods

Situations like the ones described above most often occur in districts using a **resource-based budgeting method**,<sup>9</sup> 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.<sup>10</sup> 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.<sup>11</sup> 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.<sup>12</sup> This approach can be used in combination with other strategies, such as student-based budgeting.<sup>13</sup>

## 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

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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](#).

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