Transforming School Funding for Equity, Transparency, and Flexibility:
A Nuts-and-Bolts Guide to Implementing Student-Based Budgeting
Foreword

District leaders face a complex challenge: allocating scarce resources to schools in a way that ultimately leads to improved outcomes for all students. Often, they do this in the context of flat or declining revenue and increasingly diverse schools and student needs. The new ESSA regulations have created increased momentum around financial transparency, encouraging districts and communities to take a critical look at their school funding systems. District leaders across the country are actively seeking ways to adapt their funding system so that resources are distributed equitably, transparently, and flexibly across schools to best match the needs of their students. Implementing a student-based budgeting (SBB) funding model offers a potentially powerful way to achieve these goals.

In our work supporting districts across the country to design and implement SBB models, we have seen SBB change the odds for students and schools by increasing funding equity and empowering principals to design schools that best meet the needs of their unique students. But we’ve also seen SBB implementations fail to deliver on their promise. We are privileged to be able to share what we’ve learned from these districts with you, along with some of their stories, via a suite of tools and guides.

Transforming School Funding for Equity, Transparency, and Flexibility: An Introduction to Student-Based Budgeting articulates the conditions for success for SBB and helps district leaders assess whether it is the right strategic move for their district. Once districts have determined that SBB is the right path for them, the design and implementation process begins. Through our work, we have identified a series of crucial design decisions, implementation tools, process steps, and strategies that are hallmarks of the most successful SBB efforts. Transforming School Funding for Equity, Transparency, and Flexibility: A Nuts-and-Bolts Guide to Implementing Student-Based Budgeting codifies those practices in a step-by-step guide that presents the different decisions and steps districts will take during the design and implementation of an SBB system. This guide aims to empower district and school teams with the context, knowledge, and strategies needed to create a system that distributes resources more equitably and effectively across the district.

Acknowledgements

This work evolved from the efforts of numerous ERS team members over many years. We would like to particularly recognize lead authors Betty Chang, Courtney Hitchcock, Jess O’Connor, and Jessica Landau-Taylor, 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 David Bloom and Derek Richey, who provided thoughtful feedback to improve our guide. We are grateful to the Walton Family Foundation for providing funding for this report. Editing help from Melissa Galvez and Alyssa Fry. Design by Nieshoff Design. ERS is solely responsible for any ideas presented in this paper, as well as any errors.
How to Use This Guide

Welcome to our nuts-and-bolts guide to implementing Student-Based Budgeting (SBB).

What is this guide?
This guide documents our approach to SBB design and implementation, which we have refined over a decade of implementing SBB with districts across the country. This document will lead you through the step-by-step process for moving from a traditional funding system to student-based budgeting.

Who is this guide for?
This guide is intended to be used primarily by the project manager in charge of SBB implementation. Because SBB implementation involves significant time and cross-functional collaboration, it requires a dedicated project manager with the ability to marshal support and inspire action. If your team has not yet designated a project manager, we recommend you do so as soon as possible. Though the project manager is often someone from the district office finance team, such as the budget director, it doesn’t have to be. Some districts prefer a project manager who plays a more cross-functional role (such as someone from the chief of staff’s office or strategy office) to ensure that SBB isn’t perceived as just a finance initiative.

How should I use this guide?
This guide will support you throughout the full design and implementation process. As such, we don’t expect you to read this guide all in one sitting. We envision that you will refer to individual sections as needed. We think the best way to engage in this material will be as follows:

1. Get a sense of the work and build your workplan:
   • Review the SBB Roadmap on pages 6-7 as a starting point for your district’s workplan and timeline for implementing SBB.
   • Review the Table of Contents on the next two pages for a brief description of each step outlined in the SBB Roadmap.
   • Use the SBB Readiness Assessment as needed to help tailor your timeline to your district’s context.

2. Get started on design and implementation:
   • As you begin to plan more deeply and implement each step in the process, read the corresponding section of the guide for a detailed list of steps, along with considerations and district case study examples.

3. Adjust our approach to make it your own:
   • Use this guide as a scaffold to build on, not as a set path that must be followed. Your district context is important and should be a key factor in shaping your approach.
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What Is Student-Based Budgeting?

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

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 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.

- **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.

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

Nonetheless, it captures the core distinctions between the two approaches. In a traditional budget, each school receives a set allocation, which may not account for the unique needs of each school’s population, and may not adequately fund schools that serve a high-need population. In 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 (additional funding to students with additional needs). The characteristics and dollar amounts that systems choose for their student need weights are a reflection of their concept of equity. 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.
Learn More: The SBB Toolkit

This guide is just the beginning of your journey toward a higher-performing funding system. To help you get there, we have gathered all our SBB-related content into one toolkit for you. Here’s a sample of what’s included:

- **Transforming School Funding for Equity, Transparency, and Flexibility: An Introduction to Student-Based Budgeting**: Determine if SBB is right for your district with this companion guide.
- **The SBB Financial Modeling Tool**: Understand the mechanics of an SBB formula, and begin to build your own.
- **Sample SBB School Workbook**: Get help thinking through the information schools need to create their budgets under an SBB system.
- **School Check and School Designer**: Determine the best use of a school’s newfound flexibility.

Access the full toolkit here: [www.erstrategies.org/tap/what_is_student-based_budgeting_toolkit](http://www.erstrategies.org/tap/what_is_student-based_budgeting_toolkit).

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Traditional School Budgeting

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

### Traditional Budget for Example School A

<table>
<thead>
<tr>
<th>Staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>40 Teachers</td>
</tr>
<tr>
<td>3 Assistant Principals</td>
</tr>
<tr>
<td>2 Counselors</td>
</tr>
<tr>
<td>1 Librarian</td>
</tr>
<tr>
<td>3 Custodians</td>
</tr>
<tr>
<td>1 Security Officer</td>
</tr>
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<td>1 Secretary</td>
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<table>
<thead>
<tr>
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<td>$15,000 for instructional supplies</td>
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**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

<table>
<thead>
<tr>
<th>Student type</th>
<th>Enrollment</th>
<th>Weight (SPP)</th>
<th>Total</th>
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<tbody>
<tr>
<td>All students</td>
<td>750</td>
<td>$4,250</td>
<td>$3,187,500</td>
</tr>
<tr>
<td>Below Proficient</td>
<td>400</td>
<td>$425</td>
<td>$170,000</td>
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**TOTAL:** $3,644,100

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<th>Total</th>
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<tr>
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<td>42.0</td>
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<td>$40,000</td>
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<tr>
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**TOTAL:** $3,644,100

Additional funding for my below-proficient students allowed me to purchase two additional teacher FTE 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....

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**Traditional School Budgeting**

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

**Staff**

- 40 Teachers
- 3 Assistant Principals
- 2 Counselors
- 1 Librarian
- 3 Custodians
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- $15,000 for instructional supplies
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Student-Based Budgeting Roadmap

This roadmap represents a sample timeline for how the steps of SBB can come together. This tool will be helpful as you build a workplan for your district. Please note:

- This is just a sample, and it is not the only way to sequence these steps. We have seen districts take between six months to over a year to complete this process, depending on their starting place and the resources they can devote to it. To better understand the right timeline for your district, see the SBB Readiness Assessment.

- For simplicity, the steps below are laid out linearly. In reality, many of these steps are iterative and overlapping.

### Student-Based Budgeting Roadmap

<table>
<thead>
<tr>
<th>Summer</th>
<th>Fall</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Set the Vision</strong></td>
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<td><strong>C. Redefine School and District Office Roles</strong></td>
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</tr>
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<td><strong>A. Determine Design Process</strong></td>
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</tr>
<tr>
<td><strong>C. Define Student Weights</strong></td>
<td><strong>D. Make SBB Policy Decisions</strong></td>
</tr>
</tbody>
</table>
At the highest level, this work consists of four phases:

**Prepare the System**
Lay the groundwork for SBB and ensure the whole district (not just the finance team) is moving toward the same goals and speaking the same language.

**Design the Formula**
Determine the exact rules that will be used to allocate funding to schools and the flexibilities school leaders will have over that funding.

**Prepare for and Complete the Rollout**
Mobilize your district to ensure everyone has the knowledge, skills, and support they need to do their jobs effectively and efficiently in an SBB district. You will also release and finalize school budgets.

**Evolve the System**
Continue to update and improve the system over time.

---

**Winter**
- A. Refine Messaging and Continue Engagement
- E. Model, Test, and Finalize School Budgets

**Spring**
- B. Build Budgeting Tools
- C. Develop Guidance Materials
- D. Make SBB Policy Decisions
- E. Release Budgets and Finalize School Plans

**Beyond**
- A. Identify Priorities for Improvement
- B. Evolve SBB Formula and Processes
- Allocations Released to Schools
- School Budgets Finalized
By the end of this section, your district will have defined what a successful SBB implementation will look like and adjusted district roles and structures to make this shift possible. The steps of this phase are:

• Set the Vision
• Define and Engage Stakeholders
• Redefine School and District Office Roles
• Adjust and Align Core Annual Planning Processes
• Prepare Data Infrastructure

A. Set the Vision

As with any major implementation project, it is critical to have a clear vision for success. For SBB, this means having a clear vision for what you want the system to accomplish, how it fits in with your overall district strategy, and how you plan to move your district to an SBB system.

**Align the envisioned school funding system to district theory of action**

SBB is most successful when it is implemented as part of a broader system strategy around school empowerment and strategic school design. At the outset, it is important to make sure that district office cabinet members (CFO, CAO, chief of human resources), the superintendent, and the board are aligned on the vision and theory of action driving SBB. For more information about the role of SBB in a district’s broader theory of action, see the *Transforming School Funding for Equity, Transparency, and Flexibility: An Introduction to Student-Based Budgeting*.

**Determine the initial rollout plan**

Next, decide how you want to roll out SBB—will you roll it out all at once, or with a subset of schools or resources to start? The next page details common approaches to rolling out these changes.
Plan for change management

The transition to SBB involves a change in the district’s vision for the future and also in the roles that school leaders and the district office play. While this guide does not provide deep guidance on how to go about change management, we recognize that it is critical to the success of any SBB system. The first step in planning for change management is to determine which areas will require the greatest culture shift, because these may be places where the district will face challenges. Below are some guiding questions to help understand your change management needs. See the SBB Readiness Assessment for a more detailed assessment in this area.

- **Aligned vision**: Do all critical stakeholders (e.g., cabinet members, key district office staff) agree with the overall vision for SBB and how it fits into the district strategy? Or is there resistance or disbelief in this vision?

<table>
<thead>
<tr>
<th>Rollout Approach</th>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Implement SBB (formula and flexibilities) districtwide</td>
<td>• Simplest and most direct</td>
<td>• Rapid rate of change • No pilot period to learn from and adapt</td>
</tr>
<tr>
<td>2. Implement SBB (formula and flexibilities) with a subset of resources</td>
<td>• The district can prioritize resources with the most flexibility and/or potential for impact • Helps to manage scope of change for the district/principals</td>
<td>• Can limit opportunities for impact and principal flexibility</td>
</tr>
<tr>
<td>3. Implement SBB (formula and flexibilities) with a subset of schools</td>
<td>• The district can offer more intensive support to principals • The district can adjust key SBB design components and processes based on learnings prior to full district rollout</td>
<td>• Can be challenging to select the right group of schools to participate and/or could require new investment; with SBB, some schools will gain dollars and some schools will lose dollars; it will be challenging to recruit and keep schools in a pilot if they will receive fewer dollars through SBB; the district may then choose to invest new funding to keep pilot schools from losing dollars • Can create potential inefficiencies, as it requires district to run two school budgeting processes simultaneously the first year. SBB for the pilot schools and the traditional staffing process for others</td>
</tr>
<tr>
<td>4. Implement SBB flexibilities but not SBB formula with a subset of schools</td>
<td>• Same benefits as #3 above • Unlike #3, schools are not gaining and losing dollars due to SBB; makes selecting pilot schools a little easier • Allows district to focus on adapting to new principal flexibilities before creating a new funding formula</td>
<td>• Can create potential inefficiencies, as it requires districts to go through traditional staffing process, and then “dollarize” those budgets for a subset of schools • Does not improve equity</td>
</tr>
<tr>
<td>5. Implement SBB formula districtwide but pilot the introduction of SBB flexibilities</td>
<td>• District can focus on developing and approving SBB formula and begin to make equity/transparency improvements across schools, while having additional time to clarify flexibilities</td>
<td>• Can be challenging for schools to adapt to a new budget without additional flexibilities</td>
</tr>
</tbody>
</table>
B. Define and Engage Stakeholders

Once you have set your vision for SBB, you should work to get stakeholders invested in your vision and get feedback to further refine it. Recruiting people with a variety of perspectives will help you make stronger decisions and make sure the whole district and community are working together to make SBB a success.
**Identify stakeholders**

It is important to identify and engage key stakeholders throughout the design and implementation process. A strong SBB engagement plan includes all the major stakeholders, including:

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Context</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Principal</strong></td>
<td>Principals are the most critical stakeholder as the ultimate users of SBB. Their perspective of SBB will shape the perspectives of teachers, parents, and community members. SBB design processes will engage principals in multiple ways, including surveys to collect feedback, representation on the SBB formula design team, and periodic updates in principal-wide meetings.</td>
</tr>
<tr>
<td><strong>Teachers</strong></td>
<td>Teachers will directly experience the resource decisions principals make in their daily work as changes to their schedule, their class sizes, or their teaching responsibilities. Building teacher buy-in to the idea of SBB and making sure they are engaged in building-level decisions will influence how successful these changes ultimately are. Successful engagement strategies work to build teachers’ trust in SBB and empower them to work alongside principals and school leadership teams to leverage the additional flexibilities available to schools.</td>
</tr>
<tr>
<td><strong>School Supervisors</strong></td>
<td>School supervisors play a critical role as the bridge between principals and district office. They need to have a deep knowledge of the SBB system so that they can build buy-in with their principals, support principals during rollout, and provide feedback to district office teams.</td>
</tr>
<tr>
<td><strong>District Office Staff</strong></td>
<td>SBB touches most departments and will require district office staff to change the way they work in order to adapt to their new role. For more details, see the section “Redefine School and District Office Roles.”</td>
</tr>
<tr>
<td><strong>Superintendent</strong></td>
<td>The superintendent ultimately owns the messaging to schools, the district office, and the broader community. The superintendent must be able to clearly articulate why the district is moving toward SBB and proactively mitigate community concerns or resistance.</td>
</tr>
<tr>
<td><strong>Board Members</strong></td>
<td>Most districts will need school board approval to transition to an SBB funding system. Early engagement and communication on the theory of action for SBB to board members is key to maintain support when it comes time for a final vote.</td>
</tr>
<tr>
<td><strong>Union Leadership</strong></td>
<td>Union leadership can often have mixed feelings about SBB, making it important to understand and engage the union throughout the process. On the one hand, SBB systems can be aligned with union interests, as they give teachers and other school personnel greater authority in organizing resources at schools. On the other hand, union leaders may be concerned about decentralizing decision making to principals, making the enforcement of the collective bargaining agreement more complicated.</td>
</tr>
<tr>
<td><strong>Students, Parents, and Community Members</strong></td>
<td>While typically least engaged in the technical design and implementation of SBB, students, parents, and community members (including faith-based or service organizations that help support schools) are key voices to hear from when defining the vision for SBB. They should also be brought along in the decision-making process to increase transparency, promote consistent messaging, and dispel myths and potential fears that come along with a change in funding. Ultimately, by engaging school communities, you can empower them to advocate for changes to the way resources are organized to best meet their unique needs.</td>
</tr>
</tbody>
</table>
Build a communications and engagement plan

Once you have identified your key stakeholders, it is important to articulate a plan for garnering buy-in and support from each of these stakeholders. Components of a strong communication and engagement plan include:

- A clear owner of the district communication strategy who has the time, expertise, and available resources to sufficiently understand the SBB initiative and drive and carry out differentiated strategies across stakeholders throughout the design and implementation process.
- A “glossary” of common language. An SBB system introduces new concepts and language, making it important to build a common vocabulary in order to create a shared understanding across stakeholders and to avoid misconceptions. See Appendix A for a list of common SBB terms.
- Clear messaging that is consistent and coordinated across all stakeholders.
- Communication milestones for when to engage each stakeholder group and through what venue (biweekly meetings, internal leadership meetings, teacher and principal professional learning days, board meetings, community forums, town halls, etc.).
- A strategy for understanding the perspectives, priorities, and concerns of each stakeholder and a plan to address and/or leverage this (for example, if you know that principals are going to be concerned about training and support, figure out the message you want to deliver to them to address that concern; similarly, if you know certain principals or community members will be advocates for this change, plan for leveraging those stakeholders to build trust and support elsewhere).

Begin flexibility conversations

A key aim of SBB is to empower school teams to make changes to how resources are used. Therefore, a significant part of the work is identifying resources over which principals will have increased autonomy. Often, departments can be reticent to give flexibility to resources under their control—often due to fear that principals will not make strategic decisions, or that it will diminish the department’s control or role within the district. For this reason, it is important to start flexibility conversations early in the process and with multiple stakeholders, so that you have time to work through these issues proactively.

In the next phase, “Design the Formula,” we explore flexibility and its role in the design of the SBB formula in more detail. In this phase of implementation, districts should focus on articulating their vision for school flexibility and autonomy, so departments and school leaders can start having conversations on the shifts needed to meet that vision, and ultimately begin to identify priorities or raise potential concerns or implementation challenges. Specific steps a district can take include:

1. Communicate expectations around flexibility early. For example, in Denver Public Schools, the district’s core theory of action centered around the school as the unit of change. The district team was explicit that decisions will be made at the school level by default, and there would need to be a compelling reason for a resource decision to be made at the district office. This sets a clear goal or vision for success.
2. **Assess principal demand for flexibility.** Whether through a survey or focus groups, you should be deliberate in getting principals’ input on the flexibilities they want.

3. **Engage district office departments in flexibility process.** District office staff should begin to reflect on the ways their current structure aligns or doesn’t align with the broader vision for school flexibility and autonomy, and with principal demand.

4. **Develop a process to identify and finalize the resources that will be made flexible for principals.** Ultimately, someone needs to make the final decision on which resources are flexible. You will need to determine how to get to this final decision in a way that balances district office inclination to keep resources under central control and principals' demand for flexibility.

These changes to school-level flexibilities will change what it means to be a school leader or district office administrator in your district. The next section will help you manage these shifts in a transparent, supportive way.

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**CASE STUDY**

**Atlanta: Engaging Stakeholders on SBB Vision**

To support their “student success funding” (SSF) rollout, Atlanta Public Schools implemented a deliberate engagement strategy that started early in the process, six months before SSF was actually in place. District leaders discussed SSF at every opportunity—from board meetings to school governance council meetings to public forums. The message they shared was clear and consistent—it focused on how SSF fit into the overall district strategy of equity and why SSF would help tackle some of the equity challenges their current funding system could not. By the time SSF was rolled out, key stakeholders could articulate its core purpose in the district, so there were no surprises or misconceptions about why APS pursued this path.

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**Cleveland: Creating a Communications Plan**

During year two of SBB in Cleveland, district leaders sought to create a smooth rollout of school budgets by minimizing the spread of misconceptions or confusion around SBB. To support this, district leaders developed a comprehensive communications plan that included a packet of key messages that all district leaders could reference. This packet answered core questions such as 1) How many dollars are going to schools and through what allocation rule? and 2) How did the formula change from last year, and why did it change? In addition, leaders outlined the biggest pain point areas, i.e., those areas that were most susceptible to misconceptions or areas of disagreement and developed clear talking points to address those concerns. This work resulted in aligned messages going out to schools and communities and limited the time district leaders needed to spend clarifying or defending school budgets after allocations were completed.
C. Redefine the School and District Office Roles

As discussed in Transforming School Funding for Equity, Transparency, and Flexibility: An Introduction to Student-Based Budgeting, SBB is more than a funding system—it is a way to empower schools to make big changes on behalf of their students. This requires concrete shifts in the jobs of both school and district office staff, as well as broader shifts in how staff conceptualize their roles and the roles of their colleagues. These shifts in actions and mindsets are key for making real change in school practices, and they do not happen organically. For SBB to be successful, you must explicitly manage this change in roles for staff across the district.

In a traditional system, principals often serve as building and HR managers, enacting a vision largely set by the district and working within the resources provided to them. In an SBB system, principals will now make decisions about how a majority of resources are used and organized, based on their overall budget and the needs and priorities of their school. This means principals will spend more time on the school budgeting process and will need to build the skills to make hard resource trade-offs and find creative solutions. This requires a new investment in principal training and onboarding (discussed further in phase 3, “Prepare for and Complete the Rollout”). With this increased autonomy, principals may also experience greater accountability for student outcomes.

At the same time, the district office must adapt from a traditional “command and control center,” where staff are mandating decisions to principals about what resources they will receive and how they will be used, to a “collaborative service center.” In an SBB system, the district office will play more of a customer service role, seeking to support principals in realizing their vision with the budgets they have, even in times when the principal vision is different from their own. This will require cross-department coordination, a collaborative problem-solving mindset, and a level of trust in the decisions that principals are making. District office staff will directly control fewer school resource decisions. Instead, they will spend more time helping principals problem solve issues that are most pressing to them. They will influence school practices through the support they provide, as well as by documenting and sharing best practices across the district. At the same time, district staff will remain responsible for ensuring compliance with any local, state, or federal regulations across schools, determining the non-negotiables for all schools in the district, and holding schools accountable for results.

The process to redefine roles and shift mindsets will certainly take time, and there is no one right path. Potential actions to support this shift include:

- Recognize this shift and identify potential pain points in your district. For example, if you recognize that there currently isn’t much cross-departmental collaboration, you can begin to foster that change early in the process.

- Describe and document the principal and district office role you desire and share that vision widely. If you’re asking people to do their jobs differently, they need to understand what you’re actually asking them to do.

- Engage teams around this shift and their new roles to build clarity on and comfort with these new expectations.
• Design your formula with the desired roles in mind—that is, if you envision the principal’s role to be that of the core decision maker at schools, then they need flexibility over sufficient resources to be able to make meaningful decisions.

• Consider changes to district office roles and structures. To best serve schools in this new role, district offices may need to organize themselves differently. Some districts choose to create new roles, such as “budget partner” or “HR partner,” to provide direct support to principals. These roles are focused on facilitating the budgeting and staffing process for school leaders, which requires a broad knowledge of compliance rules across different departments. Districts may also create cross-functional network support teams with individuals from different departments who all support the same group of schools. This fosters cross-departmental collaboration and creates a unified source of support for principals.

**CASE STUDY**

*School and District Office Roles*

**Denver: Defining Roles**

Given Denver Public Schools’ clear vision that the school was the unit of change for student improvement, district leaders were able to define the principal’s role to meet this vision. This meant that principals should have strong ownership of all that happens within their buildings to best meet the needs of students. To complement this, the district clearly defined the district office’s role to include supporting school leaders, setting performance expectations, and promoting equity across all students. By defining these roles explicitly, the district brought the necessary clarity to the system so school and department leaders could act on their roles effectively, without confusion over who owned what decisions.

**Baltimore: School Support Teams**

After the first year of fair student funding (FSF) in Baltimore City Public Schools, district leaders introduced a school-support team structure to provide principals the additional support needed to be successful. School-support teams are organized by zone and are made up of four to five district office staff across a variety of disciplines that include academics, finance, operations, and special education. A “team lead” is responsible for supervising, coordinating, and managing the work of the team. Team members are solely dedicated to the on-call support of their zone’s principals—they have no responsibility to direct or evaluate the principals, though they naturally act as a conduit of information to and from district offices about what’s working.
Shifts in District Office Roles

While almost all departments will need to make some shifts to adapt to SBB, the academics, finance, and HR departments are typically most heavily impacted. There are two distinct types of change that district office staff will be asked to make. First, there are changes related to the school planning process that will impact the departments that currently manage that process (generally finance and HR). Second, there are changes that come from resources being shifted from central control to principal control. This type of change impacts many departments but typically impacts academics the most.

- **Academics**: As part of a transition to SBB, academics departments will change the way they are supporting schools. They will move from having much greater authority over schools’ instructional vision and key academic support structures (such as master schedule structure, amount and roles of instructional support staff, or the type and amount of professional development) to supporting school-based decision making in these areas with guidance, best practice profiles, and consultation. This will require a big mindset shift and a big change in how the academics team works, as it will need to adapt to giving up control over these resource decisions and instead organize to provide a new type of support and guidance to principals. Given that many academic resources will shift from district office to principal control, the academics team will play an important role in defining resource flexibilities for principals.

- **Finance**: The finance team owns the technical implementation of the SBB formula and is therefore responsible for building and running the formula so it allocates dollars to schools accurately. Finance teams are also responsible for creating adequate and aligned timelines for budget milestones, as well as providing principals with budgeting tools and support throughout the process.

- **Human Resources**: Because most of the resources on school budgets are personnel, any flexibilities granted to schools will likely change the composition or organization of school-level staff. This has implications for several HR department processes, and can warrant shifts such as:
  - Changing staffing timelines, including transfer period and dismissal rules, to better support the budgeting process
  - Determining rules for purchasing staff, minimum FTE amounts, and creating or abolishing positions
  - Determining staffing supports for small schools (that are likely to need part-time and/or dual-certified teachers)
  - Adjusting hiring and candidate pools to meet the needs of schools, including new positions created

- **Other departments**: The types of changes that other departments will need to make depend on their current role in the district and how changes to resources and flexibility at the school level impacts their work. For example, in an SBB district where some or all resources for students with disabilities (SWD) or English-Language Learners (ELL) are controlled at schools, the associated departments will need to make shifts similar to that of the academics departments. Other departments may need to adapt their working relationship not with schools, but with other district office departments (e.g., procurement department working with finance department).
D. Adjust and Align the Core Annual Planning Processes

As your district moves to SBB, you may need to shift and align timelines to enable principals to organize their budgets effectively. In typical districts, the school budget timeline is driven primarily by the district’s capacity to generate budget and staffing information for schools and is divorced from any strategic school planning process. As a result, schools traditionally receive their staffing resources and discretionary budgets in late spring, and from there, begin to plan and adjust their plan for the next year. This not only limits a principal’s ability to make transformational school design changes but also impacts their ability to hire high-quality staff or make multiyear plans or investments.

To effectively support an SBB system that improves school-level flexibility and decision making, milestones should be sequenced differently. Specifically:

- **Budgeting:** School budgets must be finalized early enough for principals to have sufficient time to finalize their budget decisions but must also provide enough time for districts to complete enrollment projections, finalize school portfolio decisions, project district revenue, and build the SBB formula.

- **Staffing:** Staffing timelines must happen late enough to allow for principals to go through the budgeting process, but early enough to enable a high-quality recruiting and hiring process.

- **School planning:** Ideally, school planning happens before principals receive school budgets to allow them to develop an instructional vision that they can then build their budget around.

- **Enrollment projections:** Enrollment projection timelines must be done early enough to inform school budgets. In addition, they often take longer to complete than in a non-SBB system, as districts may develop new processes to solicit feedback from principals on their projections to help improve accuracy and ownership.

- **School portfolio decisions:** School portfolio decisions must happen early enough to inform enrollment projections and to finalize school budgets. This includes decisions regarding changes to school grade configurations, special school programming, or opening and closing of schools.

The table on the next page is an example of an aligned budget and school planning process. As you can see, budgeting milestones start early enough that budgets can be released to principals in January—much earlier than the typical spring release. This means that schools have time in the fall to begin their strategic planning, but also a generous window between the release of budgets and their submission (about six weeks) to continue planning with the support of district and school teams.
**Atlanta: Creating a Planning Process**

In Atlanta Public Schools, principals start their strategic school planning process in September of the prior year by working with their school teams to define their strategy and align it with the overall district priorities. In January, principals receive their budgets and have six weeks to create their school plan. During those six weeks, principals attend budget workshops that include technical supports and strategy-focused sessions to help them organize resources within their budgets. Principals collaborate closely with associate superintendents during this process so that they can create a plan that is aligned to both school-level and district-level strategy. Ultimately, this process enables principals to make their budget work for their strategy, and not the other way around.
E. Prepare the Data Infrastructure

Timely and accurate data on students, staff, and other resources is necessary to inform SBB policy decisions during the design phase and to calculate the actual allocations each school is to receive once the design is finalized. Additionally, effective data systems are critical to capturing and tracking principals’ budget decisions and to compiling them into district-level reporting structures.

You will need to assess the existing infrastructure and prioritize the most important changes to make in preparation for SBB. This includes the following data priorities:

- Student, school, and employee identifiers are consistent across departments or schools, or a crosswalk exists for easy translation.

- Accurate, school-level enrollment projections can be easily generated for various student characteristics in a timely manner (usually before January), and enrollment can be tracked throughout the year.

- Budget codes easily identify staff positions, specific services, and relevant resource buckets.

- Budget and position control files accurately identify employee funding sources and compensation types.

- Employee records easily and accurately identify an employee’s position, full-time status, and location(s).

Additionally, you will want to assess your enrollment planning and projections process for any needed improvements. Because of the increased equity and transparency that comes with SBB, any weakness in these areas will become more apparent and more harmful to schools. For instance, if your enrollment projections are not accurate, you will be allocating dollars to schools based on inaccurate information, which could require significant adjustments to school budgets in the fall, once actual enrollment numbers are available. Additionally, it will be important to think through how your enrollment planning system aligns with the goals of SBB. For example, one of the premises of SBB is that dollars follow students, and therefore, schools that attract more students will receive more dollars. However, this can be in tension with the way that districts currently assign students to schools.

For a more detailed assessment of your data infrastructure, see our SBB Readiness Assessment.
Indianapolis: Developing New Data Systems

During the initial rollout of weighted student funding (WSF) in Indianapolis Public Schools, principals, finance, and HR teams used an Excel-based tool to track school budgets and principal decisions. This posed several challenges. First, this tool did not speak to the district’s other finance and staffing data systems, making it difficult and cumbersome to keep all systems up to date and to know which had the most accurate information. In addition, the tool was also not intuitive to use for many team members. With this in mind, district leaders in the following year decided to partner with an outside company to create a web-based budgeting and staffing system. This system was connected to the district’s other systems and was much more user friendly. This made it easier for both district- and school-level teams to access the data they needed to do their jobs more effectively.

This completes the phase *Preparing the System!* At this point, you have begun making the key technical and adaptive changes that support effective SBB implementation. In the next phase, we’ll start designing the nuts and bolts of your new funding model.
By the end of this phase, your district will have a working SBB model that allocates funding to schools in a way that reflects your collective values and priorities. The steps of this phase are:

- Determine Design Process
- Project the SBB Pool and Define Resource Flexibility
- Define Student Weights
- Make SBB Policy Decisions
- Model, Test, and Finalize School Budgets

A. Determine the Design Process

Before you dive into the technical work of SBB design, it is worth taking a moment to set up the right design process. Making sure you get the right input at the right time will save you significant time and effort over the course of the project.

**Create a cross-functional “design team”**

When it comes time to design the system, many districts engage a task force or design team that represents stakeholders from key district offices and schools. This group typically consists of principals, principal supervisors, and finance, academics, HR, and other district office staff who can offer perspectives on the decision-making process. This team typically meets four to six times throughout the design process to provide recommendations on key design decisions. This group is also often asked to engage stakeholders throughout the process and to serve as ambassadors for SBB moving forward.

**Identify the guiding principles for design**

Throughout the design process, the team will grapple with many technical issues, as well as many competing priorities. For example, the design team will need to decide how quickly schools will transition from the current funding levels to the ones implied by the formula, which requires prioritizing equity against stability. Or the design team may have to decide whether to use a complicated metric that exactly captures a student need, or a simpler measure that is less precise—a trade-off between equity and simplicity.
As such, it may be helpful for the group to create a set of guiding principles or priorities they can refer to when navigating difficult decisions. For an example of guiding principles from Baltimore City Public Schools, see the case study on page 23.

**Establish the decision-making process**

Given the breadth of stakeholders involved in SBB, it is important to be clear on the decision-making process. First, decide who has the final decision-making authority—typically, this is the superintendent, with the support of the senior district leadership team (including the CAO, CFO, and chief human resources officer). Next, determine a process for engaging the district leadership team and other key players in major decisions throughout the design process.

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**What Data Do I Use for SBB Design?**

To design your SBB system, you need a detailed budget file that allows you to identify all spending taking place at schools. You also need data on each school’s enrollment and the needs of their students. You will determine the exact student need characteristics needed for your district in step C. *Define Student Weights*, but will likely include data on enrollment by school for the following student types:

- Students with disabilities
- Students with disabilities served in a self-contained setting
- English language learners
- Students in poverty

When you begin designing your formula, enrollment and revenue projections for the coming year will likely not be available. For this reason, you will need to use school budget and enrollment data from the current year to make design recommendations for next year—that is, if you want to implement SBB in the 2020–21 school year, you will need to begin your design work using the budget and enrollment data from the 2019–20 school year. Then, once projected budget and enrollment data is available for the 2020–21 school year, you will need to update your SBB model and decisions using this new information (see details in step E. *Model, Test, and Finalize School Budgets* on page 48).
Baltimore: Guiding Principles for SBB Design

To help guide the design process, Baltimore City Public Schools articulated five guiding principles for their fair student funding (FSF) formula:

1. **Equity**: Funding is distributed equitably based on the needs of students and school communities.

2. **Alignment**: Funding is aligned with district values and strategic priorities, and the funding process is aligned with district and school planning processes.

3. **Transparency**: It is clear how much each school—both district and charter—receives in funding and central services and why, and how those funds may be used.

4. **Empowerment and Accountability**: Schools have the combination of flexibility and support they need to design their schools to maximize teacher and student learning, and are accountable for improving student outcomes.

5. **Sustainability**: The district is on a path to a sustainable financial future where all schools are not just viable, but are thriving communities that enable success for all their students.

These guiding principles framed much of the discussion for the design team and helped them evaluate the benefits and trade-offs of different policy decisions. Additionally, the district used these principles to communicate funding system recommendations to the board, providing it with additional context for the district’s FSF decisions. This process helped the district create a formula that was aligned with its overall vision, and it also helped it explicitly communicate about how and why the formula was designed with this vision in mind.

Now that you've set up a design process, you are ready to make your first design decision: the amount of funding that will flow through the SBB formula.

**B. Project the SBB Pool and Define Resource Flexibility**

To begin the design process, first define your district’s SBB pool. The pool represents the total amount of money that will be distributed to schools according to the SBB formula. To calculate the amount of the SBB pool, we will look at the current year’s budget and determine which resources will be given to schools as SBB funds instead of positions or supplies. The cost of all these resources together will be the size of the SBB pool, and this dollar amount will then be distributed through the formula.
As you decide which positions or items will be converted to dollars in the SBB formula, you will also need to decide the exact constraints and flexibilities principals will have regarding those resources. It is important to grant flexibility over funds distributed through the formula wherever possible. SBB funding represents the dollars available to principals to build the core pieces of their school design, such as class sizes and master schedules. If principals do not have flexibility over a critical mass of this funding, they will be unable to make the kind of transformational shifts that lead to substantial improvements in student outcomes.

**Determine which funds are eligible to include in the SBB pool**

The first step to projecting the SBB pool is to determine which funds are eligible. For funds to be eligible, they must be spent at schools that will be funded under SBB. This means that funds spent at the district office (such as the cost of a superintendent, a payroll system, and the district’s legal team) are ineligible for inclusion in the pool. However, funds that are budgeted centrally but spent at schools are SBB eligible. For example, school custodians who are budgeted to the district’s custodial services department or substitute teachers who are budgeted to a centralized substitute pool can be funded through SBB. Locate the lines in your financial file that correspond to funds that are truly spent at the district office and tag them as “SBB ineligible.”

In addition to district-level funds, you will also want to exclude any funds for schools that will not be funded through SBB. Many districts do not fund alternative programs and substantially separate special education schools through SBB, because their instructional models require a different set of funding rules. In other cases, districts may choose to pilot SBB at a subset of schools and then expand to all schools over time. Locate the lines in your financial file allocated to non-SBB funded schools and tag them as “SBB ineligible.”

Finally, some districts choose to remove categorical funding streams, such as Title and IDEA funds, from

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**KEEP IN MIND TO LOCK OR UNLOCK?**

Often, the decisions to include a resource in the SBB pool and to grant flexibility over that resource are grouped together as a single decision to “lock” or “unlock” a resource. This language implies that schools have no flexibility over resources outside of the pool, while resources in the pool are completely unconstrained, which is an oversimplification. Most mature SBB implementers provide varying levels of flexibility over resources both in and out of the SBB pool.

**INTEGRATING CATEGORICAL FUNDS IN THE BUDGETING PROCESS**

Even if you do not include categorical funding in the SBB pool, you can still work toward the goals of SBB by distributing these funding streams relative to student need, giving schools flexibility over how to spend the funds, and being clear and transparent about these choices. If you can allow principals to budget these funds at the same time and using the same process as their SBB funds, you will substantially improve their ability to make coherent budgeting choices.
their SBB pools because of the bookkeeping needed to meet federal requirements. The more you can integrate categorical funds with your SBB pool, the easier it will be for schools to use all funding streams to make a single, coherent budget. Discuss this issue with the departments in charge of state and federal reporting, who can help estimate the amount of work it would create to bring these funds into the pool. If you decide that these funds cannot be distributed through the SBB pool, tag them as “SBB ineligible” in your financial file.

**Define all school-based resources**

Now that you have narrowed down your budget to the portion that is spent at SBB-funded schools, it will be helpful to group these line items into defined resource categories, so that you can have conversations about which resources to include in or exclude from the SBB pool. These resource categories should represent specific positions, services, or items at schools, such as core general education teachers, principals, textbooks, library books, etc. For a basic list of resources to start with, see Appendix B.

**Decide which resources to exclude from the SBB pool**

Now that you have a set of categorized resources at schools, you can decide which resources to exclude from the SBB pool. By excluding resources from the pool, you are intentionally reducing the level of equity, transparency, and potentially flexibility of the funding system. Therefore, a key guiding principle is that you should only exclude a resource if you have a compelling reason to do so. The following page lays out six considerations that lead districts to exclude resource from the SBB pool.

See Appendix B for a list of resources that are included in or excluded from the SBB pool in a selection of our partner districts.
**Considerations for excluding resources from SBB pool**

1. **Does this resource fall outside of your district's VISION OF THE PRINCIPAL'S ROLE?**
   Having principals budget for resources that do not align with the vision for their role serves only to distract from their important work. For example, if your vision of the principal’s role centers on instructional leadership, then budgeting for custodial positions and supplies could be a poor use of time. However, if your vision is that principals serve as building leaders, you may want to empower them to find creative, cost-effective solutions to keeping their building clean, so they can invest these savings into instructional programs.

2. **Is this resource CRITICAL TO DISTRICT STRATEGY, such that the district needs to determine where and how it is provided?**
   There may be certain resources that the district wants to ensure are standardized across all schools as part of the overall district strategy. For example, some districts choose to ensure the use of preferred curricular materials or academic interventions at all schools in order to guarantee similar learning experiences. Or some districts might judge that every school needs a security officer and a nurse, with no exceptions. The district could choose to keep these resources out of the pool to avoid the risk of misunderstandings and confusion about these components of district strategy.

3. **Is there such a HIGH LEVEL OF EXTERNAL COMPLIANCE around this resource that including it in the SBB pool would require unreasonable levels of monitoring and evaluation to ensure compliance?**
   While including resources in the SBB pool typically increases principals’ flexibility, certain resources may be so burdensome that they don’t actually add flexibility for a principal. For example, special education resources tend to have very specific state and federal requirements around resource use, and they typically require a high level of compliance. This is particularly true for students with more intensive needs. In the cases where the additional work it would take to manage the external compliance overshadows any additional flexibility principals would gain, districts should consider removing those resources from the pool.

4. **Does this resource have ECONOMIES OF SCALE that grant large benefits to centralization?**
   Districts have mass-purchasing power that schools do not have on their own. For example, districts typically use mass-purchasing power to get better prices with textbook vendors; this could be a reason to centrally allocate the resource, or to include it in the SBB pool but offer a menu of preferred vendors accompanied by better prices from which schools could choose.

5. **Is this resource needed INFREQUENTLY OR UNPREDICTABLY, making it difficult for schools to adequately budget for it?**
   Resources required only on an as-needed basis will be difficult for principals to plan for. For example, large, occasional investments such as major facilities repairs or crisis response teams are typically best left under district management.

6. **Does the resource REQUIRE SPECIALIZED SKILLS that a principal is unlikely to have access to?**
   Certain resources may require specific knowledge or skills that principals traditionally don’t have. For example, some districts would prefer not to burden principals with managing specialized maintenance and custodial operations. Or a district may choose to allocate speech/language pathologist positions directly if principals do not have a deep understanding of how to use these roles to best support students.

**Define flexibility for each of the resources in the SBB pool**
Once you have decided to distribute a resource through the SBB formula, you should articulate the specific level of flexibility that principals will have over that resource. As a reminder, it is important to
How Much is Enough?

A large majority of the SBB-eligible resources should be included in the SBB pool—otherwise, you may not be getting enough value in increased equity, flexibility, and transparency to make the switch to SBB worthwhile. In our experience, districts end up including somewhere between 45 to 60 percent of school-based resources (or 35 to 50 percent of total district operating dollars) in the SBB pool, but the right amount for you may be outside this range depending on contextual factors.

At this stage, the practical implications of increased equity, transparency, and (especially) flexibility begin to hit home, and some district office personnel may balk at what these shifts will mean for their departments and their roles. It is important to respond to these concerns thoughtfully, while staying committed to the underlying goals of this process. Some districts choose to transition to SBB slowly, with increasing levels of flexibility given to schools over time, and this can be quite successful. However, SBB is a lot of work, and it is only worth the effort if you can get substantial increases in equity, transparency, and flexibility.

grant flexibility over a critical mass of resources. Otherwise, principals will not be able to create school designs that are substantially different from the status quo.

Flexibility is not a binary decision. There is a spectrum of flexibility that districts must explore for any of the resources they are considering for the SBB pool.

**Full Flexibility**: Schools have full decision-making power over the resources as long as they meet state/compliance requirements. The district may offer guidance and suggestions for schools on how to use resources, but schools are not required to adopt them.

**Partial Flexibility**: Schools are given flexibility over resources, but there are clearly defined limits or constraints. Partial flexibility can take on different forms, but some examples include providing a menu of options for schools to choose from, requiring schools to hit certain resourcing benchmarks, or providing a set service model that a school can opt out of under certain circumstances.

**No Flexibility**: Schools receive funds, but are required to use the funds to purchase a specific service model, e.g., meet a 1:40 ratio, spend at least $200 per pupil or hire one principal.

Let’s consider what this might mean for a common example: textbooks or other instructional materials.

**Full Flexibility**: The academics department might research different curriculum suppliers to understand which textbooks are aligned to the state’s college- and career-ready standards and which
are proven effective. This information would be shared with principals but not used to mandate principals’ choice of instructional materials.

**Partial Flexibility:** A district might determine which curricula best align with the district’s instructional vision and goals for student success and require principals to purchase one of those preselected options. Principals who want to purchase different materials might have the option to apply for an exception, and there may be a process in place to review applications against preset criteria.

**No Flexibility:** A district selects the instructional materials to be used in each grade and subject; principals are required to budget for these materials each year.

In defining the flexibility for each resource, you must be specific about what it means for the principal and for department-level staff. For example, a district may want to grant full flexibility over general education teachers, but it will still need to clearly define any constraints that might exist due to teacher contracts, state regulations, or related district policies. This means being clear on class size maximums and the cost for any overages, and defining the policy for creating part-time FTEs or creating new roles. This level of specificity will be critical for the principal and district office staff to be able to effectively work together on school budgets.

As you consider budgetary flexibility over resources, you will also need to consider certain non-budgetary flexibilities as well. For instance, in the example above where you give “full budgetary flexibility” over general education teachers, you might also need to clarify non-budgetary flexibilities such as: whether principals have flexibility over who they hire for those positions, what flexibility principals have in the roles that general education teachers can play, how many classes they can teach, or whether or not a principal can change the amount of planning time each teacher has. While these flexibilities aren’t directly about funding, they will have implications for how principals organize their resources, and therefore how principals decide to use their budgets.

The exact flexibilities that a principal has do not have to be identified before you go on to step, C. **Define Student Weights.** However, they do need to be clarified and communicated before budgets are released, so that principals and district office staff have clear expectations about what they can and cannot do. In the phase “Prepare for and Complete the Rollout,” we will discuss the district’s role in creating and communicating that guidance to principals.

**C. Define Student Weights**

Now that you have the SBB pool, the next step is to develop the rules that will allocate that pool of money to schools in a transparent and equitable way; to do this, you must define your student weights.

SBB increases equity by providing additional funding to students with a particular characteristic using student weights. The characteristics and dollar amounts you choose for your weights will
operationalize your district’s understanding of equity, because they will direct additional funding to certain types of students and schools.

**Brainstorm the universe of likely weights**

First, you will determine all the student characteristics you may want to weight. The following questions can help you start your list:

- Examine your district’s definition of equity or learn from key stakeholders what equity means to them. What does this tell you about which students and schools should receive additional funding under a more equitable system?
- Examine your district’s vision for student success. What characteristics indicate that students will require additional investments from the district to be able to achieve that vision?
- Examine your district’s student performance goals and theory of action to achieve these goals. Do they suggest that additional funding is needed for particular categories of students?
- Examine the resources that you chose to include in the SBB pool. Were any of these resources targeted to students with particular attributes (e.g., students with disabilities, English language learners, high school students)?
- Imagine you have successfully increased the level of equity within your district. Which schools do you picture gaining funding and which do you picture losing funding? What is it about these schools that made you imagine that?

Some of these characteristics may be measured in different ways. For example, poverty may be measured by direct certification rates, FRL rates, or census/ACS data. It is important to brainstorm the actual metrics you will be using in addition to the general concept you would like to weight. However, because this can be fairly technical, you may need a follow-up conversation to identify the metrics to explore.

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**CASE STUDY**

**Denver: Creating Flexibility**

Denver Public Schools, through its SBB system and tiered accountability structure, has been at the forefront of pushing for innovative school designs. In addition to giving schools the ability to decide how much to spend on resources, the SBB system pushes conventional boundaries to allow schools to decide on whom and for what to spend their budgets: for example, allowing schools to contract out to nursing clinics instead of hiring a full-time nurse or piloting the option for schools to hire social workers by the hour. SBB has put the entire district in a place where leaders can have truly meaningful conversations about the strategic use and management of resources.
Narrow down your list of weights

Now that you have generated the full list of possible weights, you can evaluate each weight and decide which make the most sense for your funding model. Below is a list of criteria for effective weights—if a weight fails any of these criteria, you should remove it from your list. At this point,

What About School Weights?

By definition, weights should be student-based, meaning that the same student would be funded at the same level regardless of what school they attend. However, schools can have needs beyond the needs of individual students, and in these instances, weighting for individual student needs may be insufficient. In these cases, districts may choose to provide additional funding based on school characteristics. Here are some common examples and key considerations:

<table>
<thead>
<tr>
<th>Rationale</th>
<th>Key Considerations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poverty or Student Need Concentration</td>
<td>Research suggests that, absent intervention, the same low-income students are likely to perform worse in a school with very high poverty rates than they would in a school with a lower poverty rate. A poverty concentration weight acknowledges the additional challenges that come with high concentrations of poverty by providing additional funding for those students. Avoid sharp cutoffs, which create large funding differentials among similar schools and can cause large funding swings when schools cross a threshold from year to year.</td>
</tr>
<tr>
<td>Community Needs</td>
<td>In some contexts, districts may provide additional funding at schools in particular neighborhoods—often to areas without many other sources of outside investment or with histories of neglect from city institutions. Districts may do this as a way to target more nuanced student needs. For example, a district may provide additional funding to schools in neighborhoods with higher crime rates because those students may experience more trauma, and therefore may require more specialized supports. Instead of providing additional dollars based on the neighborhood of the school, you can choose to provide additional dollars to students based on the neighborhoods they live in, regardless of where they go to school. This allows districts to provide additional funding for students in underserved communities through a student-based approach. This may make the most sense in choice districts where students attend schools in different neighborhoods than where they live.</td>
</tr>
<tr>
<td>Special Programs</td>
<td>Some district programs may not be affordable under SBB without additional funding, such as Career Tech, International Baccalaureate, or specialized magnet programming. This type of funding is inherently inequitable, as it guarantees richer programming at particular schools for reasons unrelated to student need. However, it may be worth the decrease in equity to expand the types of options available to all students. This strategy requires strict attention to equity of program access; otherwise, it can create the inequities that SBB ultimately aims to prevent. Additionally, even though these funds will not be distributed through the SBB formula, they can still advance some of the goals of SBB if the funding is flexible and distributed transparently.</td>
</tr>
<tr>
<td>Small Schools</td>
<td>Due to high fixed costs and funding constraints, small schools may need additional funding to provide even basic services to their students. See section D. Make SBB policy decisions on page 36.</td>
</tr>
</tbody>
</table>
you can consider each weight on its own; you will consider how they work together as a group in the next step.

<table>
<thead>
<tr>
<th>An effective student need weight under SBB is...</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Relevant</strong></td>
</tr>
<tr>
<td><strong>Measurable</strong></td>
</tr>
<tr>
<td><strong>Independent</strong></td>
</tr>
<tr>
<td><strong>Significant</strong></td>
</tr>
<tr>
<td><strong>Diversified</strong></td>
</tr>
</tbody>
</table>

**Evaluate the remaining weights as a group; select those that make a coherent set**

Once you have a narrowed list of weights that work well individually, find the subset that work well as a group. You can use these questions to evaluate your weights collectively:

- **Are any of the weights strongly correlated?** If so, their impact on school funding will likely be redundant. Redundant weights increase the complexity of your formula without increasing equity. Pick one weight to represent this need—you can always fund it twice as much.

- **Are any of the weights strongly negatively correlated?** If so, these weights will work at cross purposes. Instead of having two weights that cancel each other out, it is more transparent to simply increase the base weight. Categorical variables can have the same issues: for example, a district that has grade weights for 3rd, 6th, and 9th grade will not be doing much to improve equity, because the weight will go to all elementary, middle, and high schools.

- **Are any of the weights redundant with resources outside of the pool?** Typically, districts will create weights to match their SBB pool resources—for example, if a district includes ELL resources in the SBB pool, then there should be an ELL weight. If a district is considering adding a weight for a resource that is outside of the SBB pool, the district should either move the resource into the pool, remove the weight, or explain clearly why schools need to receive resources for this from both inside and outside of SBB.
• **How many weights do you want to include in your formula?** This is an area of tension between the goals of simplicity and equity. The public may struggle to understand formulas with too many weights, but sometimes more weights are necessary to fully fund the district’s vision of equity. Districts must balance precision with simplicity when deciding how many weights to include.

• **Is there enough funding to support these weights?** Designating funding for particular student characteristics means that there will be less funding for the base weight that all students receive. You want to make sure to keep a sufficient amount of funds for your base weight and that each individual weight is large enough to make a meaningful impact on equity. In some districts, this will mean you can only afford a small number of weights. It is hard to know the exact answer to this question at this point; later in the process, you will be able to test this by checking the final dollars you have for your base weight and by reviewing the viability of funding levels at schools with the least funding from need weights.

SBB is about finding the best way to distribute a fixed pool of resources. It’s important to remember that you cannot add a weight for some students without removing funding from others. We describe this phenomenon by saying “The pie is the pie.” Imagine the SBB pool as a pie that we are trying to cut into fair slices. A larger slice for some students will mean a smaller slice for others—and the same is true for weights.

*Estimate size of weights*

Once you’ve decided what characteristics to weight, you must then decide how large each weight will be. You can set the size of a weight in two ways: relative to the base weight, or in absolute terms. Relative weights are defined as a fraction of the base weight—for example, if a district has an ELL weight of 0.2, each ELL student receives additional funding of 20 percent of the base weight. Absolute weights are defined as set dollar amounts—for instance, each ELL student might receive an extra $800. The benefit of relative weights is that they make it easy to adjust your formula from year to year, as changes to revenue and enrollment alter the total amount of funding available for the base and need weights. On the other hand, absolute weights may better reflect the true cost of a service model and may be easier to communicate.
FIGURE 3  “The pie is the pie”

FIGURE 4: Student weights used in national array of SBB districts

<table>
<thead>
<tr>
<th></th>
<th>Poverty</th>
<th>ELL</th>
<th>SWD</th>
<th>Grade Weight</th>
<th>Low Performance</th>
<th>High Performance and/or Gifted</th>
<th>Other Weights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atlanta (18–19)</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Cleveland (17–18)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Mobility, Attendance</td>
</tr>
<tr>
<td>Baltimore (17–18)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Baltimore (18–19)</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Indianapolis (17–18)</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Indianapolis (18–19)</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Shelby Co. (18–19)</td>
<td></td>
<td>X</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>Mobility</td>
</tr>
<tr>
<td>Boston (17–18)</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
<td>X</td>
<td></td>
<td>Limited or Interrupted Formal Education</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Homelessness</td>
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<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>Vocational Students</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Inclusive Support</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>High-Risk Composite Measures</td>
</tr>
<tr>
<td>Denver (17–18)</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

Note: This table does not include partial base weights (described on the next page).
Unfortunately, the size of the need weights, the base weight, and the SBB policy decisions all influence each other in ways that can be hard to anticipate. This makes it hard to figure out the exact right weight values at the start. You can use the following data points to help you triangulate on the appropriate amount for each weight:

- How much does the district currently spend on this characteristic—e.g., how much are you currently spending on ELL students?

- What do state guidelines, best practice research, or relevant district departments say about how to serve this need? For example, if the state says the target ELL student to teacher ratio is 40:1, and the cost of an ELL teacher position is $80,000, then your weight would be around $2,000 pp.

- How do other districts weight this characteristic?

- What are current district priorities as they relate to student need?

- How predictive is each characteristic to student outcomes?

Based on these data points, make an initial proposal for the value of each weight. Then, to manage the complex interactions among all the formula inputs, we recommend setting aside time to iterate with the model and try out different configurations of inputs at the end of the design process. (See step E. Model, Test, and Finalize School Budgets.) This means you won’t be able to determine the final weights until the end of this process, but you will use these initial numbers to start running scenarios once the policy decisions have been set.

**Determine which students should not receive the full base weight (if any)**

Certain students—typically students in self-contained classrooms or students with significant services funded outside of the SBB formula—don’t receive the full base weight. The base weight is meant to cover the basic costs of educating a student with no exceptional needs. It covers services given to all students, such as a principal or homeroom teachers. However, if there are students who do not receive these services, or these services are paid for from a different source, they should not receive the full base weight.

The most common example of students who receive a partial base weight are students served in self-contained classrooms. When the staff for self-contained classrooms are funded outside of the base weight, those staff are not just providing supplemental services, they are replacing the general education teachers that a typical student would see. Therefore, it would not be equitable for schools to receive funding for self-contained teachers, in addition to base weight funding that is supposed to
support the cost of those students’ homeroom general education teachers. This is true whether the 
self-contained teachers are funded from within or outside of the SBB pool.

In these instances, while you don’t want to provide these students with the full base weight, there are 
also some costs they do share with all other students, such as the school’s principal. For this reason, these 
students receive a partial base weight, which is meant to cover the other basic costs for those students.

To determine the need for a partial base weight, take the following steps:

• Identify which students (if any) should not receive the full base weight.

• Estimate an amount for your partial base weight. This is often calculated by estimating the cost 
of the resources that these students receive from the SBB pool on a per-pupil basis. Common 
SBB-funded resources that are provided to students in self-contained classrooms include 
principals and other administrative positions, non-core teachers, and guidance counselors or 
other social-emotional support providers.

Now that you have defined your SBB pool and your student weights, you are almost ready to build 
your SBB model. First, though, you will decide on additional policies that impact school allocations.

**CASE STUDY**

*Baltimore: Developing Student Weights*

After a number of years of fair student funding (FSF) in the district, leaders in Baltimore City 
Public Schools (BCPS) faced two challenges with their poverty weights. First, they needed to 
adapt to using direct certification rates for tracking poverty, as opposed to free and reduced-
price lunch rates. Second, because the overall poverty rate of the district was so high, funding 
poverty at a per-pupil rate was not shifting enough funding to the district’s highest-need schools. 
To address these challenges, BCPS created a concentration weight so schools above a certain 
threshold of poverty receive additional dollars per poverty student to account for the increased 
need associated with higher levels of poverty. Additionally, they extended the poverty weight 
to students with limited English language acquisition as a way to account for the potential 
challenges of capturing undocumented students in their direct certification rates. Through these 
evolutions, the district created student weights that were more aligned to the needs of students.
D. Make SBB Policy Decisions

By this point, you’ve determined the size of your pool, and you’ve identified the student characteristics you want to weight in your formula. These two steps create the backbone of your SBB design. However, before beginning to try different scenarios for your funding model, you must make a few important policy decisions. As with the weight values, these decisions will interact with each other in complicated ways, so expect to revisit and adjust these decisions as you are testing the model in the next phase.

Decide on small-school supplement

A small-school supplement is a form of additional funding targeted to schools with small enrollments or small grade sizes. When funding is given on a purely per-pupil basis, as is intended with SBB, small schools can have trouble providing an appropriate level of programming for their students because they need to cover the same fixed costs as large schools, and these fixed costs take up a larger proportion of their total funding. For this reason, many districts provide additional funding to ensure small schools remain viable. Keep in mind, any dollars provided based on school size as opposed to student need will reduce equity across schools, because it will create different funding levels for schools with similar student characteristics. As district teams decide whether and how to provide additional funding to small schools, they must navigate this trade-off between equity and viability.

Step 1: Decide if you should include a small-school supplement

You will not be able to fully answer this question until you look at the outputs of your model to see if your small schools are funded to a viable level. However, if any of these conditions are met, there is a good chance your district will need a small-school supplement:

- Your district has small schools (fewer than 350 students)
- Your district has schools with small grade sizes (fewer than 45 in elementary schools, fewer than 125 in secondary schools)
- You have chosen to allocate fixed costs (such as principals, librarians, and/or custodians) through the SBB pool
- Your district is relatively low funded

Step 2: Decide method for providing a small-school supplement

There are two ways we see districts provide small-school supplements:
**Foundation Amount:** A foundation amount is a lump sum offered to small schools on top of their student need weights to help deal with fixed costs and resource constraints due to size.

**Baseline Supplement:** A baseline supplement is a funding supplement schools receive so they can provide the minimum level of services required to run the school. The baseline supplement covers the school’s gap between the dollars it receives from student weights and the district-defined minimum viable level of funding.

### Pros and cons of foundation versus baseline:

<table>
<thead>
<tr>
<th>Area</th>
<th>Foundation Amount</th>
<th>Baseline Supplement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transparency and Communication</td>
<td>Easier to communicate: all schools receive the same additional funding based on size</td>
<td>Harder to communicate: each school receives a different amount of supplemental funding to bring them up to “minimum viable level of funding”</td>
</tr>
<tr>
<td>Implementation</td>
<td>Easier to implement: you can exclude the foundation funding from the SBB calculations at the beginning. The foundation amount does not vary based on other model inputs</td>
<td>Harder to implement: the baseline supplement interacts with the student weights, so requires iteration with the model (see step E for more information on this process)</td>
</tr>
<tr>
<td>Viability</td>
<td>Does not ensure that each school will be able to operate at the levels required by state and local policies, because it doesn’t take any minimum levels of funding into consideration</td>
<td>Ensures that each school will be able to operate at the levels required by state and local policies</td>
</tr>
<tr>
<td>Cost</td>
<td>Can be more expensive, as it provides additional funding to all small schools, regardless of the funding they receive through weights</td>
<td>Can be less expensive, as it provides the exact amount of funding to make each school viable, and nothing more</td>
</tr>
</tbody>
</table>

### Step 3: Define your policy details

To provide a foundation amount, you will decide:

1. Which schools will get the foundation amount
2. How additional funding will be allocated: either on a per-pupil basis or as a flat dollar amount
3. How much each school will receive

The simplest way to design a foundation amount is to decide on a single amount to be given to any school below an enrollment cut point (for example, you may give $200,000 to each school below 300 students to cover the fixed costs of a principal, counselor, and custodian). However, this may seem unfair...
to the schools that are right above the threshold—a school of 302 students does not have substantially different needs than a school of 298 students. To address this issue, some districts give out foundation amounts on a sliding scale. For example, schools may receive $1,000 for every student below 400—that is, a school of 398 would receive $2,000, and a school of 300 would receive $100,000.

To provide a **baseline supplement**, you will take the following steps:

1. Define the minimum level of services that all schools must provide, which we call baseline services
2. Calculate the cost of the minimum level of services at each school
3. During the next phase of running the model, calculate the actual baseline supplement cost needed at each school based on the other model inputs (e.g., student weights, other policy decisions)

The minimum level of services that all schools must provide should reflect contractual requirements, district rules and regulations regarding SBB pool funds, and district and community judgements about what all schools must be able to provide regardless of the need of their students. For example, if librarians in the SBB pool but there is a requirement for each school to have at least a part-time librarian, then a part-time librarian should be included in the definition of baseline services. If the district and community decide that no school should have K-2 class sizes above 27, then the baseline supplement should ensure that these class size targets can be met.
Decide on gain/loss policies

A gain/loss policy adjusts school funding levels to increase their stability over time. This is accomplished by limiting the amount of funding that schools can gain or lose in one year, either in total or on a per-pupil basis. Gain/loss policies are also referred to as “soft landing” or “hold harmless” policies. Keep in mind, any dollars provided based on gains and losses from prior-year funding as opposed to student need will reduce equity across schools, because it will create different funding levels for schools with similar student characteristics. As district teams decide whether and how they want to change a school’s funding level through gain/loss policies, they must navigate this trade-off between equity and stability.

There are two distinct types of gain/loss policies. You must decide whether and how to implement each one.

- **Transition policy:** A gain/loss policy implemented specifically to smooth the transition to SBB; this should be a temporary policy.

- **Fluctuation cap:** A gain/loss policy that creates stability in funding due to changes in school enrollment or overall district revenue. This may be a permanent policy.

**Step 1: Decide on a transition policy**

As the district transitions to SBB, schools will gain and lose money as the district moves toward a more equitable funding model. To soften the impact on schools that were previously “overfunded” and will now lose dollars under an SBB model, many districts limit the amount any school can lose or gain between the pretransition year and the first year of SBB. The transition policy is meant to shield schools from changes in funding due to the shift to SBB, but not from funding changes due to enrollment change or change in overall district revenue. For this reason, the cap is placed on the school’s per-pupil funding, not on its total funding.
If you decide to implement a transition policy, you will make the following decisions:

1. **What should be the cap on per-pupil losses?** A smaller cap (e.g., capping losses at 5 percent vs. 10 percent) represents a larger investment in stability as opposed to equity. That is, it will require more dollars to be held back for the transition policy, and therefore fewer dollars will go out through student weights. In the districts we’ve worked with, caps have ranged from 2.5 to 10 percent.

2. **What should be the cap on per-pupil gains?** As above, smaller caps will increase stability, while larger caps will increase equity. In addition to increasing funding stability, a gain cap can help fund a loss cap because it involves withholding money from schools.

3. **How long should this transition policy last?** You can use the size of your loss and gain cap, along with the largest swings in per-pupil funding at schools, to estimate how long your transition policy will be necessary. For instance, if your schools with the biggest losses will lose 12 percent of their per-pupil funding in the move to SBB, and your loss cap is 5 percent, then you will need to keep the transition policy in place for three years. After that point, the transition policy should be removed from the SBB formula.

4. **How will you pay for it?** You can fund a loss cap through instituting a gain cap, setting aside money from the SBB pool to fund the loss cap, or some combination of both (if your gain cap does not cover the full cost of the loss cap).

**Step 2: Decide on a fluctuation cap**

A fluctuation cap is a policy to limit the year-to-year fluctuation in school funding levels due to changes in enrollment (both total enrollment and the mix of students with different needs) and overall district revenue. When you choose to fund schools based on the number and needs of the students they educate (as SBB does), sharp swings in enrollment cause equally sharp swings in school funding levels. This responsiveness to changes in school need is one of the biggest strengths of SBB, but it can be a challenge for schools that continually face significant enrollment declines. These schools can get caught in a cycle of enrollment loss, budget cuts, and then further enrollment loss caused by budget cuts. The only way to truly break this cycle is to understand why enrollment is continually declining and address the root cause of this issue. However, limiting the funding lost each year can give the school and district more time to intervene and protect the school and students from outsized losses while the underlying issue is addressed. Keep in mind that investment in schools that are losing enrollment will require taking funding from schools that are stable or growing, which will decrease equity across the district. Refer to your team’s guiding principles and theory of action to help you make this trade-off.
If you choose to implement a fluctuation cap, you will need to decide:

• **What method will you use to cap losses, and at what amount?** Some districts calculate this cap as a percent of the school’s total budget; others may use an absolute loss amount, often the cost of some number of teacher FTEs. The percent cap will benefit small schools, while the absolute cap will benefit large schools. You will also need to decide the exact amount for the cap. As with the transition policy, a smaller cap will be a bigger investment in a gain/loss policy at the expense of equity.

• **What method will you use to cap gains, and at what amount?** Some districts choose to also cap gains as a way to cover the costs of the loss caps. However, if you choose to implement a gain cap, you should look closely at the schools that hit the cap to ensure that they have sufficient funding to cover their increased student enrollment.

• **How will you pay for it?** You can fund a loss cap through instituting a gain cap, setting aside money from the SBB pool to fund the loss cap, or some combination of both (if your gain cap does not cover the full cost of the loss cap).

It can be hard to set transition policies and fluctuation caps without looking first at school funding data. Remember, you do not need to decide on final policies right now—you will have the opportunity to revisit and revise them once you see how the entire formula comes together.

**FIGURE 5:** Gain/Loss policies across districts

<table>
<thead>
<tr>
<th>District</th>
<th>School Year Budgeted for</th>
<th>Year of SBB Implementation</th>
<th>Per-Pupil Loss Cap</th>
<th>Per-Pupil Gain Cap</th>
<th>Total Funding Loss Cap</th>
<th>Total Funding Gain Cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atlanta</td>
<td>18–19</td>
<td>1</td>
<td>None</td>
<td>None</td>
<td>2.5%</td>
<td>3%</td>
</tr>
<tr>
<td>Nashville</td>
<td>17–18</td>
<td>4</td>
<td>6%</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Cleveland</td>
<td>17–18</td>
<td>4</td>
<td>10%*</td>
<td>None</td>
<td>20%</td>
<td>None</td>
</tr>
<tr>
<td>Indianapolis</td>
<td>17–18</td>
<td>1</td>
<td>6%</td>
<td>3.7%</td>
<td>Cost of 2 Teacher FTEs</td>
<td>None</td>
</tr>
<tr>
<td>Shelby County**</td>
<td>18–19</td>
<td>1</td>
<td>2.5%</td>
<td>6%</td>
<td>Cost of 2 Teacher FTEs</td>
<td>None</td>
</tr>
</tbody>
</table>

*Only high-performing schools (as defined by the district accountability system) receive the per-pupil loss cap
**SCS’s transition policy ensured that no schools would be funded below their staffing ratios used prior to SBB. This is possible because the prior funding system included significant targeted funding to particular schools above the staffing ratios.
**Decide to budget with average or actual salaries**

When it comes time for schools to spend the funds they’ve been allocated through SBB, will they need to pay the true cost of every teacher in their school (i.e., the actual salary), or will they pay the average teacher salary in the district? For example, Ms. Smith (a more experienced teacher) may make $95,000 in salary and benefits, whereas Mr. Sanders (a novice teacher) may make $65,000. When it comes time to budget, if a district decides to use actual salary, the principal must set aside $95,000 for Ms. Smith and $65,000 for Mr. Sanders. Alternatively, if the district decides to use average salary, the principal will budget a single amount for all teachers based on the average cost of a teaching position in the district.

This decision is ultimately a balance between simplicity and equity. Budgeting on average salary is simpler—principals can focus on the number of positions needed without worrying about who exactly will fill those positions and therefore how their individual salaries will impact the budget. However, budgeting on average salaries creates funding inequity, as a school with a more expensive teaching force pays the same amount per teacher as a school with a less expensive teaching force.

The questions below can help you decide whether to use average salaries, actual salaries, or a hybrid of the two (see the table outlined on the next page for hybrid options).

1. **How big a source of inequity is teacher salary in your district?** Compare the average teacher costs for the schools at the 20th and 80th percentile of average teacher costs. How big of an impact is that on the purchasing power of these two example schools? If the difference is not large, then it may not be worth the complexity of budgeting on actual salary. However, if the difference in purchasing power would lead to substantially different student experiences, you should consider budgeting on actual salary.

2. **How correlated is average teacher salary with student characteristics?** If teacher pay is correlated with a student characteristic, consider weighting that student characteristic and using average salary, as a simpler way of addressing this inequity. For example, if the schools with the lowest teacher pay are also those with the most economically disadvantaged students, consider adding a weight for economically disadvantaged students (or increasing the size of that weight if it already exists). If that correlation is not strong enough for this solution to address the issue, consider budgeting on actual salary.

3. **How strongly is teacher salary linked to roles, responsibilities, or expertise?** If the link between pay and differentiated responsibilities or expertise is strong, your district may be a good candidate for budgeting on actual salaries. On the other hand, if salaries are mainly a function of experience and you choose to budget on actual salaries, schools with more experienced (and therefore more expensive) teachers would be paying more without getting any additional expertise.

4. **Do principals have sufficient flexibility over the particular teachers in their school, or is it driven by central policies and/or collective bargaining agreements?** If principals have limited flexibility in who ends up in their schools, it may be more challenging to budget on actual salary, as principals will not actually have the flexibility to make changes based on the cost of the teacher. This may end up being more frustrating for principals.
5. **How strong is the appetite of school- and district-level leadership to make the necessary technical and adaptive changes?** Budgeting based on actual salaries will require school leaders to think differently about how they staff schools. Budgeting with actual salaries creates a disincentive for principals to hire and retain more expensive teachers (particularly in places where the cost of a teacher is not related to teacher roles or expertise). Creating a structure that encourages principals to staff teachers based on cost could have negative impacts on school culture and teacher performance if principals are not prepared to respond strategically to these new incentives. Additionally, moving to actual salaries requires many technical changes to district and school budgeting systems. Prior to making this shift, ensure your district can commit to these changes in the appropriate time span.

So far, we have outlined this decision as binary—you either budget on actual salary or average salary. There are, however, some hybrid options that balance some of the benefits of both options:

<table>
<thead>
<tr>
<th>Definition</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Budget on Average Cost with Increased Transparency</strong>&lt;br&gt;Maintain budget using average cost. Show schools what their budget impact would be under actual salaries</td>
<td>• Provides transparency on the extent of losses and gains under the actual cost budget method&lt;br&gt;• Introduces schools and other stakeholders to the concept and impact of budgeting on actual vs. average cost&lt;br&gt;• Gives district the ability to gauge stakeholder interest in using actual salaries prior to rollout</td>
</tr>
<tr>
<td><strong>Budget on Actual Cost for Select Position Types</strong>&lt;br&gt;Select noninstructional positions to budget using actual cost (e.g., AP, guidance counselors, etc.)</td>
<td>• Pilots using actual salary on positions with greater flexibility and fewer collective bargaining restrictions&lt;br&gt;• Pilots using actual salary on support staff and gradually roll out to teachers</td>
</tr>
<tr>
<td><strong>Budget on Average Cost by Teacher Types</strong>&lt;br&gt;Budget using the average cost of teachers by teacher type</td>
<td>• Introduces schools and other stakeholders to the concept of varying costs for different positions and staff&lt;br&gt;• Moves toward greater equity by accounting for some differences in teacher compensation</td>
</tr>
<tr>
<td><strong>Budget on Average Cost by Bands/Career Status</strong>&lt;br&gt;Budget using the average cost of teachers by compensation band/career status</td>
<td>• Moves toward greater equity by accounting for some differences in teacher compensation&lt;br&gt;• Provides buffer to schools against large gains/losses should their staff be disproportionately junior/senior</td>
</tr>
<tr>
<td><strong>A Subset of Schools Budget on Actual Cost</strong>&lt;br&gt;A select number of schools budget on actual cost. The schools are often those with a special status that provide more flexibility from collective bargaining agreements</td>
<td>• Pilots using actual salary in schools with greater flexibility and fewer collective bargaining restrictions&lt;br&gt;• Introduces schools and other stakeholders to the concept and impact of budgeting on actual vs. average cost&lt;br&gt;• Gives district the ability to gauge stakeholder interest in using actual salaries, prior to rolling out district-wide</td>
</tr>
<tr>
<td><strong>Budget On Lagged School-Level Rolling Average</strong>&lt;br&gt;Each school is assigned an average salary based on its historical average. These averages are updated annually, but the current-year budget is not impacted by the specific teachers hired</td>
<td>• Increases equity among schools while allowing principals to budget with a single cost per position&lt;br&gt;• Allows principals to make hires focusing on the quality of the hire without worrying about the actual cost until later</td>
</tr>
</tbody>
</table>
However you choose to budget salaries, there are two distinct impacts on the SBB model:

1. **Calculating gain/loss policies**—Make sure the prior-year funding used for your gain/loss policies uses the same method for salaries you plan to use going forward. That is, if you want to budget using actual salaries, then calculate prior-year funding using actual teacher salaries.

2. **Interpreting the results of the model**—This decision will significantly change what schools can do with the allocations they receive. To help test and guide your decision, look at a few schools to understand what/who they could afford under a policy using average teacher compensation and one using actual teacher compensation. Through this review, you will better be able to assess the feasibility of the policy.

**Decide on enrollment adjustment policy**

Even with high-quality projections, districts generally need to adjust their budgets once schools have finalized their student enrollment (which typically occurs between 15 days and one month after the school year begins). This is called “fall adjustments” or “enrollment adjustments.” We have included this decision in the up-front design process because you should decide early on if you want to hold a reserve from the SBB pool to fund this policy. However, you do not need to decide on the full enrollment adjustment policy until the summer before the school year you are budgeting for.

All districts make staffing adjustments in the fall, regardless of the funding system they use. In traditional systems, the district office can make decisions about which positions to add or remove centrally, based on whatever criteria seems right to them. Under SBB, you need to reconsider this process. If the goals of SBB are to distribute resources equitably, give principals flexibility over their budget, and be transparent about why schools get what they get, what does this mean for the fall adjustment process? In most districts, this means that adjustments are calculated based on the SBB model and that principals have the flexibility to make any staffing changes based on these adjustments.

To define your enrollment adjustments process, make the following key decisions. It may be helpful to revisit your guiding principles for SBB design to help inform these decisions, as they will require similar trade-offs among equity, simplicity, stability, and viability.

- **How are adjustments calculated?** Will you rerun the full model in the fall with updated revenue and enrollment numbers? Or will you simply take the total per-pupil funding at schools in the spring and multiply it by the new enrollment to figure out changes in school allocations?

- **Will there be a gain/loss cap on enrollment adjustments?** Many districts limit the amount that schools can lose or gain in this period using a gain/loss cap. These are often caps on total budget (instead of per-pupil caps), so that they can shield schools from funding changes due to big differences in actual enrollment as compared to projections. Because schools have limited budget flexibility after the school year begins, gain and loss caps are often framed in terms of changes in teacher FTE. For example, a loss cap might state that no school will lose more than the cost of
two teacher FTEs, while a gain cap might state that schools will not receive additional funding unless the increase is enough to fund a full teaching position.

- **Will you hold a reserve?** Some districts choose to hold a reserve that they can use to limit losses beyond the funding provided by a gain cap. Estimate the amount of funding to hold in your reserve by looking at trends in the number of positions that needed to be moved in the fall last year.

- **How can schools prepare for adjustments?** Will schools be allowed to hold a reserve to help them cope with fall adjustments? Will they be able to hold vacancies they think they will lose in the adjustment period, or request temporary positions if they think they will gain? Can they request loans from the district to help smooth the financial transition between years?

*Decide on advanced policies*

This section outlines a few additional SBB policies to consider that will increase flexibility and transparency in your district. Many districts choose to wait until after the first year of implementation to act on these, typically because they are of lower priority and more complex than the policies outlined above. If these policies are of interest, consider a multiyear implementation plan to ensure you are fully prepared to implement these policies successfully.

*Cenerate carry-over policies*

Carry-over policies give principals the ability to carry over unused funds from the previous year to the next fiscal year. In rarer cases, these policies may also give principals the ability to overspend their budgets in the current year and cover it with the next year’s funding. This increased flexibility enables principals to think long term about their resources and to budget for multiyear investments more effectively. It can also support principals who don’t spend their full budget for reasons outside their control, such as staff vacancies.

Districts can take the following actions to create a carry-over policy:

1. Decide if the carry-over policy will cover a surplus (i.e., you can carry over unused funds from this year to next year), a deficit (i.e., you can use next year’s funds to cover a deficit this year), or both.

2. Decide if there will be a limit on the amount of dollars that can be carried over.

3. Decide if there will be a date by which carry-over must be decided (e.g., by January 1, principals must inform districts if they will be carrying over dollars. After January 1, any surplus will be recovered as savings for the district).

4. Decide if the policy will apply to staff vacancies—e.g., can schools reallocate salary dollars after it becomes clear that a position will not be filled, or will salaries “lock” on a certain date and the district recovers any vacancy funds as savings.
5. Adjust district-level budgeting and bookkeeping to support new policies. In particular, districts will need to understand any restrictions on carry-over funds (e.g., Title funds typically have to be spent in total over one fiscal year) and be able to clarify restrictions that impact school-level budgets. Districts may also need to adjust accounting policies to accurately track and account for carry-over funds from year to year.

**Develop chargebacks**

Chargebacks are budgetary items that represent the dollar amount schools are charged for services provided by the district office. They appear as an item in the budget, but schools do not have budgetary control over them. For example, if a district with 10,000 students spends $1M on food services—i.e., it spends $100 per student—a chargeback would show schools that they are charged $100 per student for district-provided food services. The goal of presenting chargebacks is to achieve greater transparency, to enable schools to better understand the services they receive, and to provide feedback to district offices on the services they provide. To implement chargebacks, districts can take the following steps:

1. Bucket resources into categories that are easily understandable and accessible to school leaders—e.g., student transportation, district finance department, etc.

2. Calculate a chargeback rate for each resource category by taking the total cost of that resource and dividing it across the population it serves. This denominator is often done on a per-school or per-student basis but could differ based on the resource category. For example, the cost of transportation may be divided on a per-student basis, since transportation typically serves all students, while rates for facilities staff could be based on building square footage.

3. Publish chargebacks or make them available to district and school leaders. Ideally, chargebacks would be available in the same place as the rest of a school’s budget so a school leader could see the full resource picture in one place.

As you develop chargebacks, consider the balance among accuracy, simplicity, and transparency—i.e., how can you balance the number of resource categories and the complexity of the rate calculations so that they provide enough detail to be informative and drive improvement but are not overwhelming or confusing to teams?

**Develop discretionary services**

Discretionary services (also called buybacks) are resources and services currently managed centrally that principals can either continue to receive through district office management or can choose to opt out of. If principals opt out of those services, they would instead receive funding from the district office that they can use to purchase the service through external contractors or use for other purposes altogether. For example, if a district spends $50 per student on facilities and maintenance,
and this was a discretionary service, a school could either choose to pay $50 per student for the district to continue to provide this service, or it could receive $50 per student from the district and be responsible for its own facilities maintenance.

The goals of implementing discretionary services are 1) to increase fiscal autonomy and flexibility for school leaders, 2) to pressure district offices to provide quality services, and 3) to better match supply and demand between district offices and schools (i.e., to make sure schools are not charged for services they may not want or use). To implement discretionary services, you need to identify the resource categories to make discretionary, decide the amount you will charge schools for these services, and adapt your district policies and processes to enable them to be discretionary services and to support principals in this new flexibility. To help guide the decision about whether to make a certain resource a discretionary service, consider the following:

1. **Will making this service discretionary be cost neutral?** That is, if schools opt out of this service centrally, can we reduce central costs accordingly to provide those funds to schools? If not, are we willing to spend more now to provide this additional flexibility and to learn about potential changes to district office services for longer-term consideration?

2. **For this service, is it possible to identify the specific cost to charge each school?**

3. **What changes need to be made or steps taken to set this central service up to become a discretionary service?** For example, how will you monitor these services? For mandatory services, is the district office department able to track how schools that have opted out are doing? For nonmandatory services, is the district office department able to see what schools are learning, to gain information on how to provide a higher-quality service?

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**CASE STUDY**

**Denver Public Schools: Empowering Leaders with Discretionary Services**

Denver Public Schools (DPS) offers buybacks for a range of district services to schools in their innovation zones. These services range from instructional coaches to art and PE materials, and from online library resources to instructional superintendents. Structuring these services as buybacks empowers school leaders to get the right supports for their school, while simultaneously driving improvement in the types of supports that the district provides. For services that are not offered as buybacks, DPS developed detailed chargebacks to increase transparency about the services that the district office provides to schools. Looking ahead, DPS can use those chargebacks to help determine which services may be best to offer as buybacks in the future.
After determining your SBB policies, you are ready to begin creating and testing funding scenarios. The next section will guide you through this process.

E. Model, Test, and Finalize School Budgets

Now that you have all three components—the SBB pool, SBB weights, and SBB policies—it’s time to do some financial modeling! ERS has developed the SBB Financial Modeling Tool to adapt and use for your district—see our toolkit page. This is typically an extremely iterative process, so don’t be surprised if you run dozens of options.

Build your scenarios

The first step is to build your scenario, that is, build out a draft version of your formula that includes values for all key design decisions:

1. Start with your total SBB pool.
2. Remove from the SBB pool funding for reserves with set amounts (such as enrollment adjustments or foundation support for small schools).
3. Define student need weights. Remove the total dollars needed for student need weights from the SBB pool.
4. Define base weight. This can be done by calculating the per-pupil dollar amount remaining after the rest of the SBB pool has been spent on the items in steps #2 and #3.
5. Determine spending needed on baseline supplement (if any) and remove cost from base weight.
   a. This amount will change when you change your base and need weights, so expect to iterate on this step to get to a final answer.
6. Calculate reserves needed to fund gain/loss caps and remove cost from base weight.
   a. As with your baseline supplement calculation, this amount will change when you change your base and need weights, so you will need to iterate on this step to get a final answer.

For more information on building and using an SBB model, see our SBB Financial Modeling Tool on our toolkit page.
Assess your scenarios

After you have created a scenario, you need to assess its pros and cons. To do this, you must understand what this formula will mean for schools, both in terms of their absolute funding level with a transition policy and the extent of the change they will need to manage once the transition policy goes away. Following these steps will help you discover any problems with your formula or unintended consequences from your decisions. As you review a given scenario, it will be helpful to compare your results to both previous-year school funding and to alternative SBB scenarios the district is considering.

- **Check for accuracy:** An SBB model is complex. The first step is to make sure the results make sense and are mathematically correct. Does the amount of money going through different policies make sense? Do school-by-school allocations seem accurate?

- **Check for affordability:** Is there enough funding in the SBB pool to pay for the proposed formula/policies? If not, what type of trade-offs are required to make this affordable? Is it possible to add more money to the pool?
• **Examine the distribution of spending across different weights and policies:** What percentage of your total spending is promoting equity through need weights? What percentage is promoting stability through a gain/loss cap? What percentage is promoting viability through baseline or foundation funding? Does this distribution reflect your goals for SBB? See Appendix C. *Distribution of funding within the SBB formula* for comparable data from other districts.

• **Review results for meaningful categories of schools:** How is the new formula impacting your highest-poverty schools? Your elementary schools? Your magnet programs? Are these changes realistic, feasible, and appropriate? In large districts, it can be hard to make meaning of school-level results. Looking for trends across meaningful groups of schools can help you make sense of the way dollars are shifting.

• **Review individual school results:** A new SBB system often doesn’t feel real to people until they see the impact on individual schools. Being able to show the anticipated funding changes at schools will help people gut-check these results against the vision they had through the design process. At this point, we recommend going school by school to make sure the budget changes you are proposing through this formula actually feel feasible. However, it is important to keep in mind that if you have a transition policy, schools will not need to absorb the entire change in one year. Consider the results without the transition policy to understand whether the final result is the correct destination. Then, look at the results with the transition policy to understand if you are taking the right path.

• **Examine viability and staffing analysis:** Pick a few key example schools and pull up their budget and staffing rosters. How might the staffing at one of these schools change as a result of the formula? For schools experiencing cuts, will they be able provide the minimum level of services required for all schools in the district? For schools receiving additional funds, what additional services will they be able to buy? Examine a selection of schools, including different grade levels and those with different types of student needs. It is especially important to have examples of schools facing particularly large losses and schools receiving foundation or baseline funding.

• **Compare results to an alternative scenario the district might be considering:** How does spending across our SBB policies change—i.e., base weight, gain/loss, small-school supplement, need weights? How does school-by-school spending change? Who gains or loses from the alternative scenario, and at what magnitude?
As a result of your assessment, you may decide to make changes to your weights, your small-school supplement, your transition policy, or even what resources are included in the pool. After making these changes, rerun your model and reassess the results. The changes you make to address issues in one scenario may create new problems in your next iteration—that is normal. To get closer to your final model, you must make trade-offs and decide which issues you are comfortable with and which must be resolved, even when they create further challenges.

This is a very iterative process in most districts, one that may require many rounds of testing and discussion before landing on a formula that achieves the goals your district set out to accomplish.

**KEEP IN MIND: THE SHIFT TO SBB**

A shift to SBB will mean that some schools gain funding and others lose funding as compared to the previous system. This can be challenging, as it is always difficult to reduce a school’s funding for any reason. At this stage, when people see the proposed funding gains and losses at schools, there can be a desire to change the formula to maintain the status quo. If this happens, it’s important to revisit the reasons you decided to develop the formula. Do those reasons still hold? Remember, if reductions are happening at some schools, it means that other schools are underfunded in the current system, and by making this shift, you are ensuring that the students at those schools receive their fair share.

**CASE STUDY**

**Cleveland: Assessing Scenarios**

Through the design process, Cleveland Metropolitan School District (CMSD) came up with a few recommended formula scenarios that, on paper, met the district’s priorities. Prior to finalizing the formula, CMSD tested these scenarios by looking at the real-life implications across each school, and pressure testing whether schools could actually make the changes suggested by their new budgets. Through this process, district leaders realized they had created scenarios that forced schools to create staffing plans that the district deemed not viable. This led to the design team revisiting its recommended decisions to create a more feasible option prior to budgets getting rolled out to schools.

At this point, you have likely created a couple of different model scenarios—that is, you have a couple of iterations of the model with slightly different inputs for the weights, the policies, and the SBB pool. The final data points you need in order to get to a final model are projected enrollment and revenue numbers for the following school year. Once this data arrives, you can proceed to the next step.
Finalize your scenario

Armed with the projected revenue and enrollment numbers for the coming year, you can now figure out what final school budgets will look like next year. To do this, you must bring the new year of data into the SBB model. The exact process will depend on how you’ve set up your model, but it will likely involve the following steps:

1. Calculate the size of the SBB pool based on the size of the revenue streams you decided to include, and exclude the cost of resources you decided to keep out of the SBB pool.

2. Update data on enrollment by school, including any changes for school closures and openings. Look for big shifts between the two years of data. For example, has your poverty rate dropped? Is your population of English language learners growing? Has the available per-pupil funding gone up or down? By recognizing big shifts in the data, you will be better able to interpret the results of your new model scenario.

3. Rerun the model with weights and policies as decided previously. For the transition policy, use the most accurate data on the final current year funding level at each school.

4. Continue to iterate on this model as described in earlier in this section. Because of revenue and enrollment changes, your base weight will probably be different than it was when using the prior year of data. This may cause you to change the previous weights and policies.

5. As you are iterating and assessing differing scenarios, you will need to engage other stakeholders in the process. Districts typically engage the design team and the district leadership team in potential options for the formula. This process requires back-and-forth conversations in order to land on a final scenario that the leadership team feels comfortable with.

6. Once you have settled on a model that achieves your vision, your allocations are ready to be shared with schools.
By the end of this phase, you will have released SBB allocations to schools, and staff at the district office and at schools will have worked together to complete school-level budgeting. You will build off the work from the “Prepare the System” and “Design the Formula” phases to refine your communication and engagement plan and develop the tools, guidance, and supports needed for principals and district office staff. The steps for this phase are:

• Refine Messaging and Continue Engagement
• Build Budgeting Tools
• Develop Guidance Materials
• Support Teams and Build Capacity
• Release Budgets and Finalize School Plans

A. Refine Messaging and Continue Engagement

Now that SBB design decisions have been made and you have a better sense of how the formula will impact individual schools’ budgets, you can tailor your communications plan to the specific changes that will come from the shift to SBB. The types of additional engagements or communications that you may need at this point include:

• Sharing final design decisions (including total dollars in the pool, selected student characteristics to weight, and related policy decisions) with broader district stakeholders, principals, community members and the board through town hall meetings, FAQs, or other venues

• Articulating how school budgets will change and what other factors, such as revenue and enrollment changes, impact budgets

• Meeting with principals, principal supervisors, and board members for those communities most impacted by the funding change (i.e., the schools experiencing large losses and/or large gains due to the formula)

• Communicating key budgeting timeline changes and new supports to principals for the upcoming budget process

• Clarifying principal and district office roles and expectations for the upcoming budget process
B. Build Budgeting Tools

For principals to build their budgets, they need a budgeting tool to track their decisions. To create a budgeting tool for principals, you will need to:

- Decide exactly what you want the tool to accomplish. Simpler tools may be used only for principal budgeting and may not directly interact with other district systems. On the other hand, districts may choose to develop a tool that speaks directly to current HR and finance data management systems. Keep in mind, what makes a strong budgeting tool may not make a great HR tool or expenditure tracking tool. Don’t feel obliged to create a single tool to meet all needs if separate tools will be more practical.

- Decide on the platform for the budgeting tool—typically, districts either build an Excel-based workbook or purchase a web-based budgeting tool.

- Build the tool, either by adapting existing tools or starting from scratch. This process can take weeks or months, depending on how complex you decide to make the tool.

To help districts get started, we have developed the Sample SBB School Workbook that districts can review to learn the key components. Access it on our toolkit page.
Common Budgeting Tool Components

Below is a set of common components that most budgeting tools have to support principals, principal supervisors, and district offices with their respective roles and responsibilities. While these are not must-haves, they represent best practices seen in other districts, and can help districts that are building or evolving tools to identify the biggest priorities.

<table>
<thead>
<tr>
<th>Budgeting Tool Components</th>
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</thead>
<tbody>
<tr>
<td><strong>For Principals and Principal Supervisors</strong></td>
</tr>
<tr>
<td>• Clearly describes how resources are allocated through the formula (based on weights and demographics) and what other resources the school receives outside of the SBB formula</td>
</tr>
<tr>
<td>• Clearly identifies (and prepopulates) resources provided outside of SBB</td>
</tr>
<tr>
<td>• Builds in checks around in the SBB pool resources to ensure any guardrails or compliance regulations are met</td>
</tr>
<tr>
<td>• Includes staffing rosters for current year to compare to next year’s staffing plans</td>
</tr>
<tr>
<td>• Facilitates conversations with principals and supervisors around their strategic plan</td>
</tr>
<tr>
<td><strong>For District Office Staff</strong></td>
</tr>
<tr>
<td>• Clearly identifies and tracks FTE, position/job titles, salaries, and other information needed for school-level and system-level record keeping</td>
</tr>
<tr>
<td>• Identifies the funds for resources (general, Title, special funds, grants, etc.)</td>
</tr>
<tr>
<td>• Has ability to roll up individual school budgets into districtwide financial and HR files to inform district processes, including hiring and staffing</td>
</tr>
<tr>
<td>• Allows district office to review budgets for compliance with guardrails and other defined restrictions</td>
</tr>
</tbody>
</table>

C. Develop Guidance Materials

To be successful in their new role, principals need clear guidance on how resource use and flexibility has changed in the new system and what support and guidance to expect from the district. Most districts publish an SBB manual or guidance document that clarifies what schools are responsible for, what supports exist in budgeting and managing their resources, and what restrictions or regulations schools must follow. This manual is typically created during the design process as decisions are finalized and is released to principals prior to them receiving their budgets.

SBB manuals typically include the following information:

1. **Budget and planning timelines:** Key milestones for school leaders throughout the budgeting process

2. **Summary of SBB allocations:** A clear and transparent summary of the types of allocations a school receives, including:
   - What makes up a school’s allocation (student weights, supplements, and base funding amounts)?
   - How are these funds allocated (per pupil, per school, concentration)?
• Which dollars are from the general fund, and which are from categorical or grant-based funding streams?

3. Summary of non-SBB allocations: A summary of resources received outside of the SBB formula that answers similar questions to that of the SBB allocations, particularly for those over which principals have flexibility.

4. Resource-specific guidance: For each major resource category (e.g., special education, ELL, gifted and talented teachers, nurses, social workers) in which principals have some level of resource flexibility, districts should provide guidance to principals on the use of those resources, including information related to:
   • State and district mandates
     ◦ What are the restrictions on how principals use these dollars?
     ◦ Are there certain positions or materials that must be paid for with these resources?
     ◦ Are there staffing requirements for these resources?
   • District recommendations
     ◦ What are the sorts of things you may want to purchase with these dollars?
     ◦ What are recommended ratios or baseline number of FTE?
     ◦ What do principals get if/when purchasing district resources (e.g., if you hire a social worker for two days, you get ...)
     ◦ What are the recommended models of service or resource structures to support this student group?
   • District-specific supports and resources
     ◦ Who can principals contact with questions about these resources?
     ◦ What types of additional supports are available to principals?

SBB manuals are just one type of guidance document and tool. Districts may also choose to offer other tools, such as FAQs, introductory videos, or a website with up-to-date information.

For an example of a district providing a menu of options for schools, see this example from the Denver Public Schools. Denver’s entire budget guidance manual is available on their website here.

D. Support Teams and Build Capacity

Building capacity and supporting teams on strategic resource use and financial management is the linchpin of any successful SBB implementation. You can have the perfect system designed and in place, but if principals don’t know how to use the additional flexibility and district-level staff don’t know how to support principals, then much of the value of SBB will be lost. The key components of a successful support plan include:

• Who: Supports should be targeted to principals, principal supervisors, and district-level staff.
• **What:** There are two distinct support needs related to SBB: technical and strategic school design support. Technical support includes training on how the funding system actually works and how this impacts expectations, timelines, and responsibilities during the budgeting process. Strategic support focuses on how to design and organize resources in schools to best meet the needs of kids. For more on how school design must be linked with SBB, read “Following the Dollars to the Classroom Door.” For more on school design in general, see our school design website.

• **When:** Support should start in the fall to give principals time to engage in their strategic priorities and go through when final budgets are submitted.

• **How:** Leading up to the release of budgets, support can happen in a number of forums, including monthly principal or district office department meetings. Then, right before budgets are released and during the period when principals have their budgets, districts typically provide additional training and working session opportunities. This can be in the form of full principal meetings or in smaller teams working to help principals finalize their budgets.

Below, we’ve identified the most critical technical support and strategic school planning support needs for the major stakeholders:

<table>
<thead>
<tr>
<th>Type of Support</th>
<th>Timeline</th>
<th>Specific Topic Areas</th>
</tr>
</thead>
</table>
| Technical       | • 1–2 months before budgets are released  
                  • During principals’ budgeting process | For everyone:  
                  • How the formula works  
                  • What flexibilities exist and for which resources  
                  • What guidance and support tools exist  
                  • Timelines, deadlines, and expectations  
                  For principals:  
                  • How to use the budgeting workbook and tools  
                  For district office staff:  
                  • How will central processes change with SBB, and how will that impact my role? |
| Strategic       | • 3–4 months before budgets are released  
                  • During principals’ budgeting process | For everyone:  
                  • What is strategic school design—i.e., how can principals organize resources to best meet the needs of their students?  
                  • What are district priorities and best practices for school design?  
                  • What are common resources trade-offs that principals can make?  
                  For principals:  
                  • How to identify student needs, staff needs and capacity, and strategic priorities  
                  • How to develop budget, staffing, and schedule to support school design strategies  
                  For district office staff:  
                  • How to support principals in organizing resources within their budgets around their strategic priorities |
E. Release Budgets and Finalize School Plans

Before you release the final budgets to schools, decide the best plan for their release. Even with a strong communications plan, in the first year principals may have lingering anxiety and confusion about what their budget will look like and what it will mean for their school. To mitigate those worries, you should consider ways to scaffold the initial release. Some examples include:

- Release budgets to school supervisors first, to allow them to ask questions about budgets and prepare for any difficult conversations.

- Meet one on one with school leaders who will experience the biggest swings in their budget so you can talk directly with the principals about possible changes and implications.

- Release budgets to schools a day or two in advance of a formal workshop or training. This allows principals time to process their budgets but still receive timely supports and information from the district.

Once budgets are released, your focus will shift from technical design work to school support and preparing for budget submissions. Most districts will spend about six weeks working with principals to finalize their budgets in a way that meets each school’s priorities. Then, once principals submit their final budgets, district-level staff will spend the remainder of the spring consolidating and operationalizing the final school plans—this includes reconciling the school-level budgets with the overall district budget and getting it approved by the city, identifying hiring and staffing needs, and beginning the hiring and staffing process.

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CASE STUDY

Shelby County: Developing Resources for Support

Leaders at Shelby County Public Schools (SCS), which serves Memphis, TN, recognized that for SBB to be successful, key stakeholders needed easy access to information and support. At the same time, they wanted to create a way to have ongoing communication about SBB in the district that would not end with the rollout. To accomplish this, district leaders built a website to serve as a one-stop shop for all things SBB. The website included a variety of resources, including a budgeting handbook, school planning tools, videos describing how to use the tools, and blog posts from current principals and district-level staff. Additionally, resources were targeted to a variety of audiences, with different documents created specifically for parents, teachers, and principals of different school types. As SCS continues with SBB, they will continue to add resources to the site, and school and district leaders will share stories, questions, and best practices across the district and community.
Congratulations! You’ve made it through your first year of SBB implementation. While much of the hard work is behind you, implementing SBB is an ever-evolving process. Districts that have used SBB for several years are still making changes and adjustments so that it continues to drive equity, transparency, and flexibility aligned to the district’s theory of action. If you stop actively managing your SBB system, over time, it may drift from your original purpose and begin to replicate the challenges of your old funding system. The steps of this phase are:

- Identify Priorities for Improvement
- Evolve SBB Formula and Processes

A. Identify Priorities for Improvement

The first step to evolving your SBB system is to do an assessment to identify priorities for improvement. An assessment should aim to answer three big questions:

1. How well is SBB achieving its intended goals of equity, transparency, and flexibility?
2. How well is SBB serving as an enabling condition to support strategic school design?
3. How well are other district office processes aligned with/supportive of SBB and vice versa?

To answer these questions, you can:

- Analyze the different components of the formula, as well as the individual school allocations.
- Conduct principal and district office surveys to assess the use of flexibility as well as supports provided.
- Analyze changes in school-level resource use.
- Conduct a focus group with the design team to identify strengths/challenges of past design process.
B. Evolve SBB Formula and Processes

Once you understand the strengths and challenges of the current SBB system, you can begin to prioritize changes to make in future years. Depending on how big the change is, this may involve reconvening your design team, or it may be work that a smaller, more targeted group takes on. Districts often explore the following areas for evolution:

<table>
<thead>
<tr>
<th>Area</th>
<th>Key Question for Evolutions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Formula Design</strong></td>
<td>• Can we push more resources into the SBB pool to improve equity, flexibility, and transparency?</td>
</tr>
<tr>
<td></td>
<td>• Can we provide more flexibility over the resources currently in the SBB pool?</td>
</tr>
<tr>
<td></td>
<td>• Should we change or add student weights to better align our SBB system with student need and/or district priorities?</td>
</tr>
<tr>
<td></td>
<td>• Can we decrease the dollars that go out through non-need-based funds (e.g., gain/loss policies, other set-asides) to improve equity?</td>
</tr>
<tr>
<td></td>
<td>• Can we improve our system by exploring advanced policies such as budgeting with actual salaries, carry-over, buybacks, or chargebacks?</td>
</tr>
<tr>
<td><strong>Supporting SBB Processes</strong></td>
<td>• How can we evolve our tools and guidance materials to better meet the needs of principals? Of our district office staff?</td>
</tr>
<tr>
<td></td>
<td>• What additional technical supports do principals and district office staff need to execute their budgets?</td>
</tr>
<tr>
<td></td>
<td>• What additional strategic planning supports do principals and district office need to enable more strategic schools designs?</td>
</tr>
<tr>
<td></td>
<td>• How do budget and planning timelines need to shift to provide adequate time for strategic school planning?</td>
</tr>
<tr>
<td></td>
<td>• What other structures or processes does the district need to support a more strategic planning process for schools?</td>
</tr>
<tr>
<td></td>
<td>• How is the district assessing school performance and/or holding schools accountable for their strategic plans?</td>
</tr>
<tr>
<td></td>
<td>• How do roles within the district office need to evolve to better support schools in creating and enacting their plans?</td>
</tr>
<tr>
<td></td>
<td>• What does the district need to do to continue to build buy-in and shift mindsets as they relate to SBB?</td>
</tr>
</tbody>
</table>
Conclusion

Congratulations on your accomplishment! Moving to an SBB funding system is a lot of work, but it creates the opportunity for each school in your district to transform how they use resources to meet the needs of every child. We have many other resources that can help you along your SBB journey, which we have gathered into one toolkit for you. Here’s a sample of what’s included:

• **Transforming School Funding for Equity, Transparency, and Flexibility: An Introduction to Student-Based Budgeting**: Determine if SBB is right for your district with this companion guide.

• **The SBB Financial Modeling Tool**: Understand the mechanics of an SBB formula, and begin to build your own.

• **Sample SBB School Workbook**: Get help thinking through the information schools need to create their budgets under an SBB system.

• **School Check and School Designer**: Determine the best use of a school’s newfound flexibility.

Access the full toolkit here: [www.erstrategies.org/tap/what_is_student-based_budgeting_toolkit](http://www.erstrategies.org/tap/what_is_student-based_budgeting_toolkit).

If you have further questions on the content of this guide, please don’t hesitate to reach out: [contact@erstrategies.org](mailto:contact@erstrategies.org). Happy budgeting!
Appendix

Appendix A: Common SBB terms and definitions to share with stakeholders

**Base weight**
The amount of funding that a school receives for each student who attends, regardless of need.

**Baseline services**
The minimum set of services a school needs to be able to operate and meet district standards for school quality; schools that don’t receive enough funding through student weights to meet their baseline services receive a baseline supplement to make up the difference.

**Discretionary services/buybacks**
Central services that schools can choose to buy from the district or opt out of.

**Chargebacks**
Budgetary items that represent the dollar amount schools are charged for services provided by the district office. These budget line items are called “chargebacks” because schools are charged for these services and do not choose whether to spend this money. (This is in contrast to a “buyback,” where schools can choose whether or not to buy the service from the district office.)

**Carry-over**
The amount of funding a school can save from one year to the next.

**Need weight**
Additional funding that a school receives for each student with a particular need. For example, a district could choose to add a $500 weight for students in poverty, which means a school receives an additional $500 for every student in poverty attending that school.

**Dollars per pupil (abbreviated $pp)**
The amount of money spent for each child educated. We talk about weights in terms of dollars per pupil—for example, a weight of $500 for every student living in poverty is a $500pp weight. We also look at school budgets in terms of dollars per pupil to help us understand differences in funding levels across schools.

**Foundation amount**
A lump sum given to small schools to help them pay for their fixed operating costs (such as a principal or a librarian).

**Partial base weight**
A smaller base weight given to students who are receiving the services usually funded by the base weight through other sources such as SBB need weights or resources funded outside of SBB. For example, a student with special needs who is served mainly in a separate classroom would receive a smaller base weight that does not cover the cost of a homeroom teacher, but still covers the cost of their encore classes and administrative support.
Projected enrollment
The number of students estimated to attend a school in the upcoming year. School budgets are built in the spring before school starts in the fall, but at that time, no one knows for sure how many students will enroll in each school. To make a budget, the district must try to guess—or project—how many students there will be in each school in the fall. These projected enrollment numbers are used to build budgets, which are then adjusted once school starts when we know how many students are at each school.

Enrollment adjustments
The process of adjusting school budgets (typically in the fall) to reflect the differences between the number of students that were projected to enroll in each school and the number that actually attended.

Fluctuation cap
A policy that minimizes the year-to-year change in school funding levels. This more permanent policy protects schools against losses due to factors outside of SBB like changes in school enrollment or changes in total district revenue. This is different than a transition policy, which temporarily minimizes year-to-year funding change as the district moves to SBB.

SBB formula
The SBB formula is the set of policy decisions that guide how dollars get distributed to schools. The formula includes decisions such as student weights, small school supplements, and transition policies.

SBB model
The SBB model is the tool that calculates how much funding each school will get. For a sample model, see our SBB Toolkit page.

SBB pool
The SBB pool is the total amount of money that will be distributed to schools through the SBB formula.

Strategic school design
Deliberately organizing resources—including people, time, and money—to implement a coherent set of strategies to reach each school’s vision of student success.

Transition policy
A transition policy is a policy that limits the amount of dollars any school can lose or gain due to the transition to SBB in a single year. This policy aims to promote stability at schools, by transitioning schools slowly to the new funding amounts they should receive under SBB.
## Appendix B: Resources included in the SBB pool

The following list represents the largest resource categories across the districts we’ve worked with, and whether these resources are included or excluded from the SBB pool:

<table>
<thead>
<tr>
<th>Resources</th>
<th>Atlanta (18–19, year 1)</th>
<th>Cleveland (17–18, year 4)</th>
<th>Baltimore (17–18, year 9)</th>
<th>Indianapolis (17–18, year 1)</th>
<th>Memphis (18–19, year 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GenEd Teacher, Core Subjects</td>
<td>In</td>
<td>In</td>
<td>In</td>
<td>In</td>
<td>In</td>
</tr>
<tr>
<td>GenEd Special Subjects (Art, Music, PE)</td>
<td>In</td>
<td>In</td>
<td>In</td>
<td>In</td>
<td>In</td>
</tr>
<tr>
<td>GenEd Instructional Aides</td>
<td>In</td>
<td>In</td>
<td>In</td>
<td>In</td>
<td>In</td>
</tr>
<tr>
<td>World Language Teachers</td>
<td>In</td>
<td>In</td>
<td>In</td>
<td>Out</td>
<td>Out</td>
</tr>
<tr>
<td>Band/Strings Teachers</td>
<td>In</td>
<td>In</td>
<td>In</td>
<td>In</td>
<td>Out</td>
</tr>
<tr>
<td>Librarians/Media Specialists</td>
<td>In</td>
<td>In</td>
<td>In</td>
<td>In</td>
<td>In</td>
</tr>
<tr>
<td>ESL Staff and Supplies</td>
<td>Out</td>
<td>In</td>
<td>Out</td>
<td>Out</td>
<td>Out</td>
</tr>
<tr>
<td>SWD Related Services Staff and Supplies</td>
<td>Out</td>
<td>Out</td>
<td>Out</td>
<td>Out</td>
<td>Out</td>
</tr>
<tr>
<td>SWD Resource Inclusion Staff and Supplies</td>
<td>Out</td>
<td>In</td>
<td>Out</td>
<td>In</td>
<td>Out</td>
</tr>
<tr>
<td>SWD SC Staff and Supplies</td>
<td>Out</td>
<td>Partially In</td>
<td>Out</td>
<td>Out</td>
<td>Out</td>
</tr>
<tr>
<td>Social Workers</td>
<td>In</td>
<td>In</td>
<td>Out</td>
<td>In</td>
<td>Out</td>
</tr>
<tr>
<td>Guidance Counselors (Professional Counselors)</td>
<td>In</td>
<td>In</td>
<td>In</td>
<td>Partially In</td>
<td>Out</td>
</tr>
<tr>
<td>Physical and Health Staff (e.g., Nurse)</td>
<td>Out</td>
<td>Out</td>
<td>Out</td>
<td>Out</td>
<td>Out</td>
</tr>
<tr>
<td>Principal</td>
<td>In</td>
<td>In</td>
<td>Out</td>
<td>Out</td>
<td>Out</td>
</tr>
<tr>
<td>Assistant Principal/Dean</td>
<td>In</td>
<td>In</td>
<td>In</td>
<td>In</td>
<td>In</td>
</tr>
<tr>
<td>Clerical Staff</td>
<td>In</td>
<td>In</td>
<td>In</td>
<td>In</td>
<td>In</td>
</tr>
<tr>
<td>Instructional Materials and Supplies</td>
<td>In</td>
<td>Partially In</td>
<td>In</td>
<td>In</td>
<td>In</td>
</tr>
<tr>
<td>Library Books</td>
<td>In</td>
<td>In</td>
<td>In</td>
<td>In</td>
<td>In</td>
</tr>
<tr>
<td>Textbooks</td>
<td>In</td>
<td>Partially In</td>
<td>In</td>
<td>In</td>
<td>Out</td>
</tr>
<tr>
<td>Instructional Long-Term Subs</td>
<td>Out</td>
<td>Out</td>
<td>Out</td>
<td>Out</td>
<td>Out</td>
</tr>
<tr>
<td>Instructional Short-Term Subs</td>
<td>In</td>
<td>In</td>
<td>In</td>
<td>In</td>
<td>In</td>
</tr>
<tr>
<td>Operation Staff (Maintenance, Facilities)</td>
<td>Out</td>
<td>Out</td>
<td>Out</td>
<td>Out</td>
<td>Out</td>
</tr>
<tr>
<td>Security Staff</td>
<td>Out</td>
<td>Out</td>
<td>Out</td>
<td>Out</td>
<td>Out</td>
</tr>
<tr>
<td>Utilities</td>
<td>Out</td>
<td>Out</td>
<td>Out</td>
<td>Out</td>
<td>Out</td>
</tr>
<tr>
<td>Custodial Staff/Supplies and Equipment</td>
<td>Out</td>
<td>Out</td>
<td>In</td>
<td>Out</td>
<td>Out</td>
</tr>
<tr>
<td>Alternative School Programs</td>
<td>Out</td>
<td>Out</td>
<td>Out</td>
<td>Out</td>
<td>Out</td>
</tr>
<tr>
<td>Special Education Schools</td>
<td>Out</td>
<td>Out</td>
<td>Out</td>
<td>Out</td>
<td>Out</td>
</tr>
<tr>
<td>Magnet Programs/Positions</td>
<td>Out</td>
<td>Out</td>
<td>Out</td>
<td>Out</td>
<td>Out</td>
</tr>
<tr>
<td>Athletics Program</td>
<td>Out</td>
<td>Out</td>
<td>Out</td>
<td>Out</td>
<td>Out</td>
</tr>
<tr>
<td>CTE Programs/Positions</td>
<td>Out</td>
<td>Out</td>
<td>Out</td>
<td>Out</td>
<td>Out</td>
</tr>
<tr>
<td>Pre-K Program/Positions</td>
<td>Out</td>
<td>Out</td>
<td>Out</td>
<td>Out</td>
<td>Out</td>
</tr>
<tr>
<td>Federal Program (including Title I and II)</td>
<td>Out</td>
<td>Out</td>
<td>Out</td>
<td>Out</td>
<td>Out</td>
</tr>
</tbody>
</table>

Source: ERS Analysis of District Financial Files and SBB Models
Appendix C: Distribution of funding within the SBB formula

One way to help interpret the results of your SBB policy decisions is to understand how many dollars are distributed through various components of the model, so you can test if that matches the district’s desired investment. For example, if you see that the model invests a significant portion of funds to small school supplements, you can then have a conversation about whether that matches the district context and priorities, or if a shift in investment is needed. As part of this process, it can be useful to benchmark your results against other districts to understand where you are investing more or less funding.

The following table shows the distribution of funding within the SBB formula for five different districts:

<table>
<thead>
<tr>
<th>District</th>
<th>% spent on base weight</th>
<th>% spent on need weights</th>
<th>% spent on small-school supplement</th>
<th>% spent on SBB transition policy</th>
<th>% spent on exceptions, other reserves, etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atlanta (18–19, year 1)</td>
<td>65.5%</td>
<td>30.8%</td>
<td>2.7%</td>
<td>0.4%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Baltimore (17–18, year 9)</td>
<td>89.5%</td>
<td>9.7%</td>
<td>0.8%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Nashville (18–19, year 4)</td>
<td>69.2%</td>
<td>24.3%</td>
<td>3.8%</td>
<td>0.4%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Cleveland (17–18, year 4)</td>
<td>58.2%</td>
<td>30.9%</td>
<td>1.9%</td>
<td>0.7%</td>
<td>8.3%</td>
</tr>
<tr>
<td>Indianapolis (17–18, year 1)</td>
<td>84.3%</td>
<td>12.9%</td>
<td>1.1%</td>
<td>0.9%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Memphis (18–19, year 1)</td>
<td>78.7%</td>
<td>17.9%</td>
<td>2.8%</td>
<td>0.5%</td>
<td>0.1%</td>
</tr>
</tbody>
</table>

Source: ERS Analysis of SBB Models

Note: These percentages are influenced by many different factors. For example, a district that chooses not to add special education resources to the pool might spend a higher percentage of its pool on the base weight, because the extra funding for students with special needs is not counted as a need weight. This data is not meant to evaluate any district’s SBB formula but instead to help you understand whether your spending in particular areas is high or low and how that matches your own district’s intentions.
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for strong schools
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.