

## A Primer on Differentiated Funding

March 2016

By Vincent Rossmeier

### Foreword

*A new proposed differentiated funding formula for all city schools has been at the forefront of the New Orleans education landscape lately. But what is differentiated funding and why is it important? This FAQ lays out the facts about the new formula.*

## What is differentiated funding?

Educating students is not a one-size fits all endeavor. Different students have different needs and because of those needs, some students cost more to educate than others. **Differentiated funding is a way to fund education in which schools receive per student funding proportionate to the time, resources, and type of instruction required to educate the student.** It is a best practice policy used by districts nationwide. Schools generally receive more for students with special needs or for whom English is not their first language. This differs from non-differentiated approaches wherein schools receive a set amount of funds from their district or the state for every student enrolled. In Louisiana, most funding for schools is provided through the Minimum Foundation Program (MFP). This is a formula adopted by state policymakers to allocate funding equitably across all schools and districts.

## Why is differentiated funding important in New Orleans right now?

New Orleans has a decentralized governance system for its public schools, with multiple entities overseeing schools. Ninety-three percent of students attend charter schools, each of which also has its own board. In the 2015-16 school year, there were a total of 82 public schools in the city, 52 of which were overseen by the Recovery School District (RSD), an entity set up by state lawmakers to turnaround failing schools, and 24 of which were overseen by the Orleans Parish School Board (OPSB).<sup>1</sup> Currently, the RSD funds schools based on student need, while OPSB allocates funds based on state weights, as in accordance with state law.

New Orleans' schools have varying student populations. Some schools have more than 20 percent of their students qualify as in need of special education services, while others have less than five percent. Overall, RSD schools have higher rates of special education students than both OPSB network and charter schools.<sup>2</sup> Unlike in centralized districts, in New Orleans, there is no central office in New Orleans that can absorb the higher costs to educate some students and fairly allocate the remaining funding across all schools. As a result, charter schools with high special needs populations have had to cover the costs of educating those students within their own budgets. However, a bill passed by the legislature in 2015, Act 467, requires the Louisiana Board of Elementary and Secondary Education (BESE) to adopt a funding formula by July 1, 2016 to ensure equitable funding for all schools. **A common differentiated funding formula to cover OPSB and RSD schools is important to ensure all schools are funded equitably based on the cost of serving their students and such a formula has been put forward for adoption.**

## Who created the formula?

Act 467 required that the single formula be created through a "collaborative process" led by the Louisiana Department of Education (LDOE). The law required that the process include representatives from the RSD, the Louisiana Association of Public Charter Schools, the OPSB, any organization representing OPSB's charter schools, and advocates for students with disabilities. A 12-member working group was convened and met throughout recent months to create the formula. **The working group approved the formula by a vote of 10-1-1.**<sup>3</sup>

## Why does only New Orleans have to adopt a new formula?

**New Orleans has to adopt a new formula to comply with the requirements of Act 467, which specifically targeted the complexities of funding New Orleans' schools.**<sup>4</sup> The New Orleans school governance system is unlike any other in the state. The

1. There are five BESE charter schools in New Orleans and one independent school overseen by the Louisiana Legislature.

2. See The Cowen Institute, *The State of Publication in New Orleans: 10 Years After Hurricane Katrina*, page 14, for specific rates of special education students at each type of New Orleans' school.

3. Working group members included: First Line Schools's Jay Altman, Sophie B. Wright Charter School's Sharon Clark, The Southern Poverty Law Center's Jennifer Coco, RSD Superintendent Patrick Dobard, Greater New Orleans Collaborative of Charter Schools's Ken Ducote, New Orleans College Prep's Ben Kleban, OPSB Superintendent Henderson Lewis, Warren Easton Charter School's Alexina Medley, Louisiana Center for Children's Rights's Josh Perry, Lusher Charter School's Kathy Riedlinger, Louisiana Association of Public Charter School's Brady Shannon, and Einstein Charter School's Shawn Toranto.

4. Act 467 only applies to municipalities with populations above three hundred thousand people that also have Type 1, 1B, 3, 3B, 4, and 5 charter schools. New Orleans is the only such municipality in the state.

decentralized governing structure has led to schools being funded differently depending on whether they were authorized by the RSD (via BESE) or the OPSB. Act 467 was intended to create a single funding formula for RSD and OPSB schools in New Orleans.

## How does the formula fund schools?

The working group created a formula that provides weights to calculate how much each school should receive for each student. The weights are aligned to the costs of educating students based on their needs. For a typical student, schools receive around \$7,500. The proposed model, detailed below, has five different weighted tiers for special education students, with schools receiving more funding for educating students with greater needs. Schools will also receive additional funds for gifted or talented students, English language learners, and over-age students.

Student Funding Category	Student Weights
Elementary School (8th grade and below) Typical Student	1.000
High School (9th grade and above) Typical Student	1.050
Special Education Tier 1	0.200
Special Education Tier 2	1.175
Special Education Tier 3	1.875
Special Education Tier 4	2.175
Special Education Tier 5	3.000
Gifted or Talented	0.050
English Language Learner	0.300
Over-Age	0.225

*Note: For special education, gifted or talented, English language learners, and over-age students, the weights reflect the amount in addition to the base rate for a typical student the school will receive.*

## How were the student weights and tiers determined?

The working group chose to adopt the tiers used by the RSD funding model.

## How are the categories for students determined and monitored?

Students are tested to determine whether they qualify for special education and gifted or talented status. These students receive an Individualized Education Program (IEP). For special education students, the IEP determines what weighted tier the student is categorized in under the new funding formula. English language learners are identified through testing as well. To be counted as over-age, students must be two or more years older for their grade level. Schools report students in these categories on their enrollment rosters, which are monitored by their authorizers and the LDOE.

## Does this change how much funding Orleans Parish schools will receive overall?

No. The total amount of education funding all schools in Orleans Parish will receive will remain the same and is based on the total enrollment of all students at all OPSB and RSD schools.

## How will the formula impact how schools fund programming?

Under the formula, all RSD and OPSB schools will use the same funding formula. The formula is designed to better align funding with the true cost of educating students. Schools will receive more or less funding based on their student populations. OPSB schools

Student Funding Category	OPSB Current	RSD Current	Proposed Formula
Elementary School Typical Student	\$7,953	\$7,419	\$7,495
High School Typical Student	\$7,953	\$7,419	\$7,870
Special Education – All Tiers	\$3,236	n/a	n/a
Special Education Tier 1	\$0	\$1,484	\$1,499
Special Education Tier 2	\$0	\$8,717	\$8,807
Special Education Tier 3	\$0	\$13,911	\$14,053
Special Education Tier 4	\$0	\$16,136	\$16,302
Special Education Tier 5	\$0	\$22,257	\$22,485
At-risk	\$475	\$0	\$0
Career/technical education	\$129	\$0	\$0
Gifted or Talented	\$1,295	\$0	\$375
English Language Learner	\$0	\$1,484	\$2,249
Over-Age	\$0	\$927	\$1,686

with high numbers of special education or English language learner students will likely receive more than in the past, while some OPSB schools with large gifted or talented populations stand to lose funding under the proposed formula. The OPSB currently does not provide tiered funding to schools for special education students. Each school receives a flat supplement for every special education student, regardless of his or her degree of need. The OPSB also funds gifted and talented students at higher rates than the proposed formula. **Importantly, however, the proposed formula also includes a cap to limit how much the budget of any individual school can be reduced in one year.**

## If some students cost more to serve, can the state just provide more funding?

No. The total amount Orleans Parish schools receive is determined by the MFP to ensure equitable funding to all schools and districts statewide.

## Is there anything to protect the programs at schools that will receive less funds?

Yes. **The working group also put forward a two percent revenue reduction cap for any schools adversely affected by the proposed funding formula.** That cap guarantees that no school will have its total funding reduced by more than two percent from one school year to the next. This is designed to limit the losses any individual school will incur from the new formula.

## Will this lead to major programmatic changes or staff reductions at some schools?

The goal of this cap is to ease the hardship on schools set to receive less under the new formula, giving them time to adjust to the new funding levels. How schools respond to the new level of funding, including staffing decisions, will be determined by the individual school leaders and their governing boards.

## Do other cities fund schools this way?

Yes. Based on Cowen Institute research, **20 states provide assistance for special education students through weights that recognize the excess cost of programs and services beyond general education.** Additionally, many of the cities with high percentages of charter schools, such as Washington D.C. and Cleveland, use differentiated funding.<sup>5</sup>

---

5. American Institutes for Research, *Study of a New Method of Funding for Public Schools in Nevada*, 2012.

For more information and  
new research and policy analysis,

**visit [www.coweninstitute.org](http://www.coweninstitute.org).**



Cowen Institute at Tulane University  
1555 Poydras St., Suite 700  
New Orleans, LA 70112-3701