We Need Next-Generation Funding

By Paul T. Hill

Futurists have long regaled us with predictions about technology dramatically improving education by giving millions more students access to the very best teachers and deploying computer-based systems that allow them to learn at their own pace at whatever time and place works best for them. This vision is now becoming a reality, partly because tight budgets are forcing K-12 schools to employ fewer teachers and boost the productivity of those who remain.

Saving money is only part of technology's educational potential, however. More important is individualization and rapid adaptation to what a student is learning, leading to the possibility of greater and more consistent growth. Managing equipment, Web links, and vendor contracts is also far easier to accomplish than reorganizing people.

All this potential notwithstanding, however, plenty of policy and structural barriers stand in the way of widespread adoption of technology in K-12 education. Perhaps the toughest of these is our traditional approach to school funding.

Simply put: Our current education finance system doesn't actually fund schools and certainly doesn't fund students. Rather, it pays for districtwide programs and staff positions. Much of it is locked into personnel contracts and salary schedules—and most of the rest is locked into bureaucratic routines. It's next to impossible to shift resources from established programs and flesh-and-blood workers into new uses like equipment, software, and remote instructional staffing. Yet to foster and maximize technology-based learning opportunities, we must find ways for public dollars to do just that—and to accompany kids to online providers chosen by their parents, teachers, or themselves.

Today's school funding arrangement developed haphazardly, a product of politics and advocacy, not design. Some of the money comes from the state, some from Washington, and some is generated locally. This translates into a labyrinth of rules and regulations connected to a maze of separate funding paths, each with its own "allowable uses" and reporting requirements. Education innovators get trapped in this maze—which is even harder to escape when budget totals are flat.

This is a particular problem for digital learning because today's funding arrangements assume that a student will attend a specific school, where salaries and other costs are paid by the district. Little money actually flows through the school. Most of the budget is accounted for by staff positions that are centrally allocated according to school size.

Because funds cannot easily flow into new uses, promising innovations cannot be fully developed
or persuasively demonstrated in K-12 education. The situation gives innovators good reason to take their best technological applications into realms other than education.

What would it take for education funding to be transformed into a system that promotes digital learning and technological innovation? Public dollars would have to go to the best possible instruction for students, utilizing any means that work. Our system for funding public education would need to:

- Fund education, not institutions;
- Move money as students move;
- Pay for unconventional forms of instruction as readily as for conventional schools;
- Withhold funding from ineffective programs; and
- Encourage innovation by ensuring people who have new ideas about instruction could, if families wanted to use them, get public funding.

Changing the funding framework this way may strike some as heresy. But if states and localities (and Uncle Sam) would combine all the money they now spend on K-12 education and divide it up by enrollment, with the same or a weighted fraction of the total assigned to each child, and then distribute these dollars to schools in the same way, they would sweep away the major obstacles to innovation and improvement in today's funding system. They would also compel a dramatic reduction in overhead. Money would not be held centrally to preserve particular schools or programs, but would go wherever children were educated. This would allow new uses of funds, an essential precondition to innovation and widespread use of digital learning.

A technology-friendly funding system would apply to all students no matter where they receive their education and no matter how many instructional providers serve them. To make this happen, some government entity—probably the state—would need to assemble all of the funds available from all sources, keep an account for every student, and faithfully allocate its contents to whatever school or education program a student attends. Each student's account would, in a sense, constitute a "backpack" of funding that the student would carry with her to any eligible school or program in which she enrolled, wherever it might be located.

If a family decided to rely on one school or instructional provider for all of a child's education, all of the money would go to that school or provider. Some youngsters, however, would enroll in courses provided by different organizations, in which case the funds would be divided. Students and families would be free to shop for the best combination of courses and experiences their backpack funds could cover. Providers would compete, both on the quality and effectiveness of their services and on cost. States could create a list of ineffective providers that would be ineligible to receive public funds.

Every school or independent instructional provider would have to post its prices. No school or online provider could charge more than the full amount in a student's backpack.

This portable, flexible, student-based funding system would instantly affect the budgets of existing schools and would create powerful incentives for them to improve their offerings so as not to lose pupils to other institutions or course providers. At the same time, innovators (educators and
social-service professionals with new ideas) would be encouraged by knowing that they could get full funding for every student enrolled in their schools or programs.

Funding systems can't cause innovation: They can only interfere with or foster it. Whether innovation occurs, at what pace, and to what ultimate benefit, depends on other factors. But a finance system such as the backpack system described here would make promising breakthroughs much more likely—and much more likely to scale rapidly. School finance would be placed into the service of improved learning rather than left as a major impediment to it.

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