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# **Project Briefing: Strategic School Funding for Results (SSFR)**

**A Presentation prepared for the Bay Area Business Council**

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# School funding reform: 50 years of change

- **50s to the 70s stimulated by Civil Rights movement**
  - ESEA 1965
  - Title I – with comparability and add on for low income
- **Late 60s and 70s focused on equity & access**
  - Taxpayer equity
  - Access for low-income and students with disabilities
- **1980s**
  - Programmatic and curriculum reform
  - Some attention to block grants and accountability
- **1990s**
  - Standards-based reform
  - Followed by adequacy movement
- **2000-10 and beyond**
  - Push for finance systems that support continuous improvement
  - Putting all of the pieces together: *adequacy, equity, efficiency, transparency, innovation, accountability*
  - Recognition of limited resources in the foreseeable future

# An increasing body of literature supports the urgency of finance reform

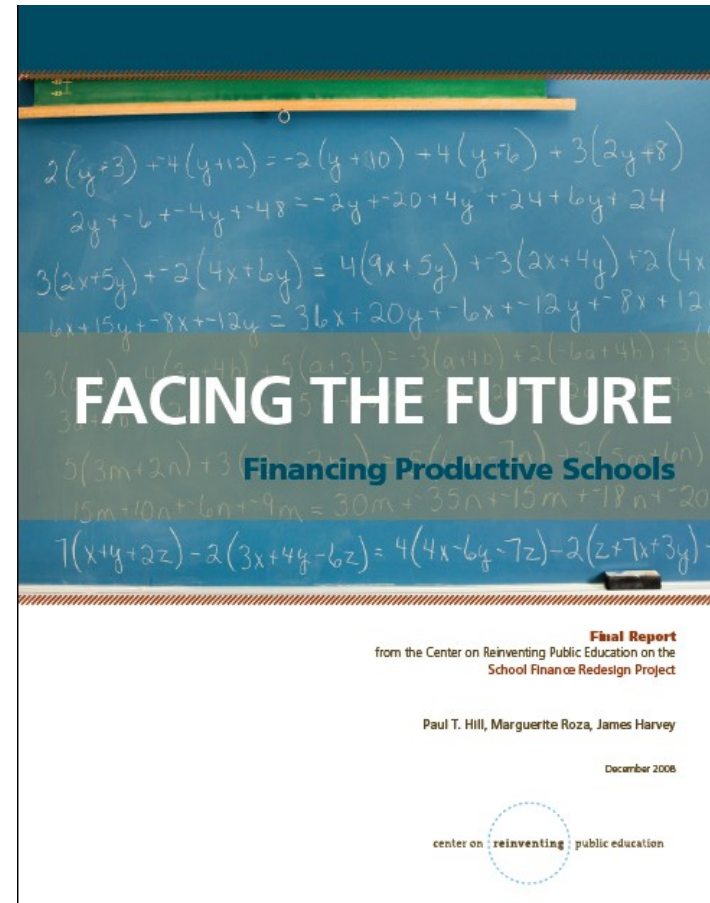
- **School Finance Adequacy**
  - School finance studies focused on state reform
- **WSF study of SFUSD and Oakland by AIR**
- **The School Finance Redesign Project, U of Washington**
- **Reason Foundation**
  - A summary of “best practices” with a limited analytical base
- **Baltimore Summit on Fair Student Funding**
  - A sharing of experiences

# The SSFR project has roots in AIR's research and adequacy work

- **The state school finance adequacy and equity work**
  - Professional judgment panels
  - Rationale – work with educators closest to where the children are served
- **Weighted Student Formula and Results-Based Budgeting**
  - Descriptive study of San Francisco and Oakland
    - More than just allocation formulas
    - Involved greater autonomy linked to greater accountability
  - Findings:
    - Wide acceptance of the policy among principals and administrators
    - Limited adjustments for student need
    - Not as much autonomy at the school site as implied by the policy
    - Categorical programs inhibit innovation & reinforce compliance mentality
- **We observed things we felt could be improved**

# The School Finance Redesign Project proposes a four-part action plan

1. Funds follow students to schools
2. Concentrate federal funds on low-income students
3. Redesign state finance systems for *continuous improvement*
4. Sift accountability from compliance-based to performance-based



# Weighted student formulas are a core element of student-base budgeting

- **Districts vary widely in their approaches to WSF**
  - Individual district contexts (e.g., fiscal situation, regulatory and union conditions, etc.) affect roll-out options considerably.
- **WSF promotes district conversations on school resource equity.**
- **WSF must be built around academic strategies and goals, not the nuts and bolts of fiscal considerations.**

# What emerged from the Fair Student Funding Summit in Baltimore?

- **A benefit of WSF – provides flexibility to principals**
  - Allows them to tailor resources to schools' needs
  - Current fiscal crisis is curtailing that flexibility
    - As budgets are cut, principals have less practical flexibility.
- **Renegotiation of union contracts and waivers from federal and state regulations significantly impact a school's ability to organize resources strategically.**
- **Strong principal training and support are essential for successful WSF implementation.**

# What emerged from the Fair Student Funding Summit in Baltimore?

- **WSF requires a significant change in the central office mindset:**
  - from rule enforcement to school empowerment
  - the development of new structures and functions to enable this new role.
- **Schools must be held fiscally accountable but need user-friendly and up-to-date data and tools for budgeting.**
- **Research is needed on the impact of WSF on student performance.**

To learn more about ERS's Fair Student Funding Summit go to:  
[http://erstrategies.org/resources/details/fair\\_student\\_funding\\_summit1/](http://erstrategies.org/resources/details/fair_student_funding_summit1/)



# What is different about this effort?

- SSFR is a test of the hypothesis that reforming **resource allocation** within districts can accelerate other key reform efforts such as:
  - Creation of a teacher labor market within school districts and changes in **teacher distribution**
  - Deregulation and **categorical program reform**
  - Increased **budget transparency** at the community level
  - Expanding data-based decision-making to include issues of resource use including **efficiency and ROI**

# Strategic School Funding for Results

## Two Partners



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## Three Districts

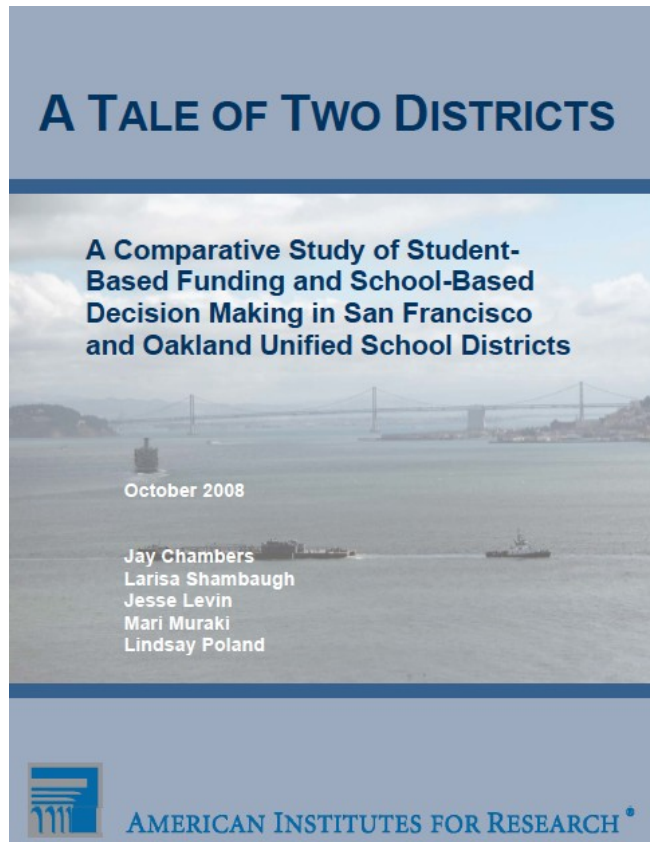


Pasadena Unified  
School District

# Why these three districts?

## 2 CA Examples: SF & Oakland

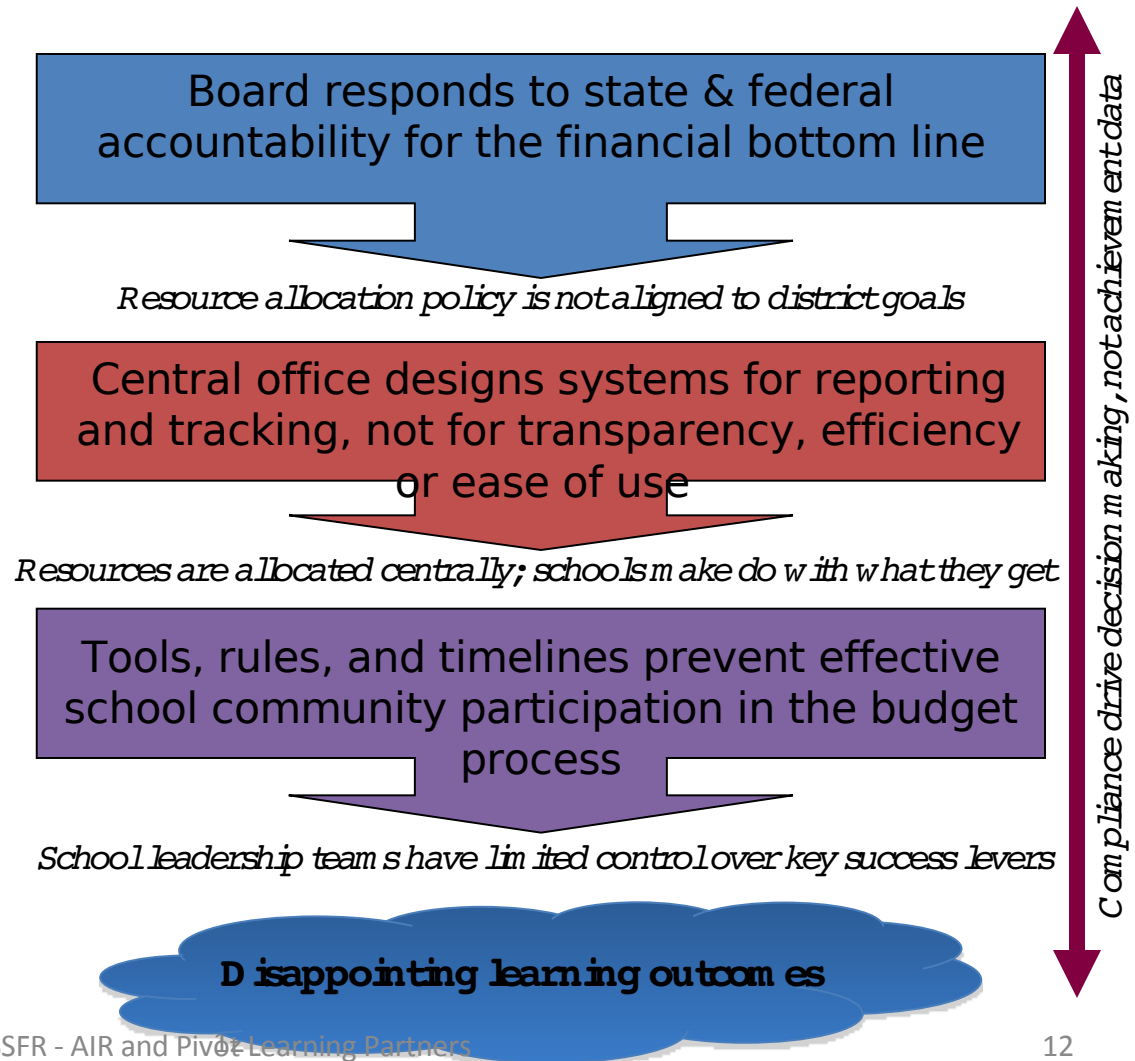
## Proof of Scalability



- Scale =  $\frac{3}{4}$  M students
- Diverse contexts = rich lessons
- Committed leadership
- Solves current issues with future solution
- Proof of scalability

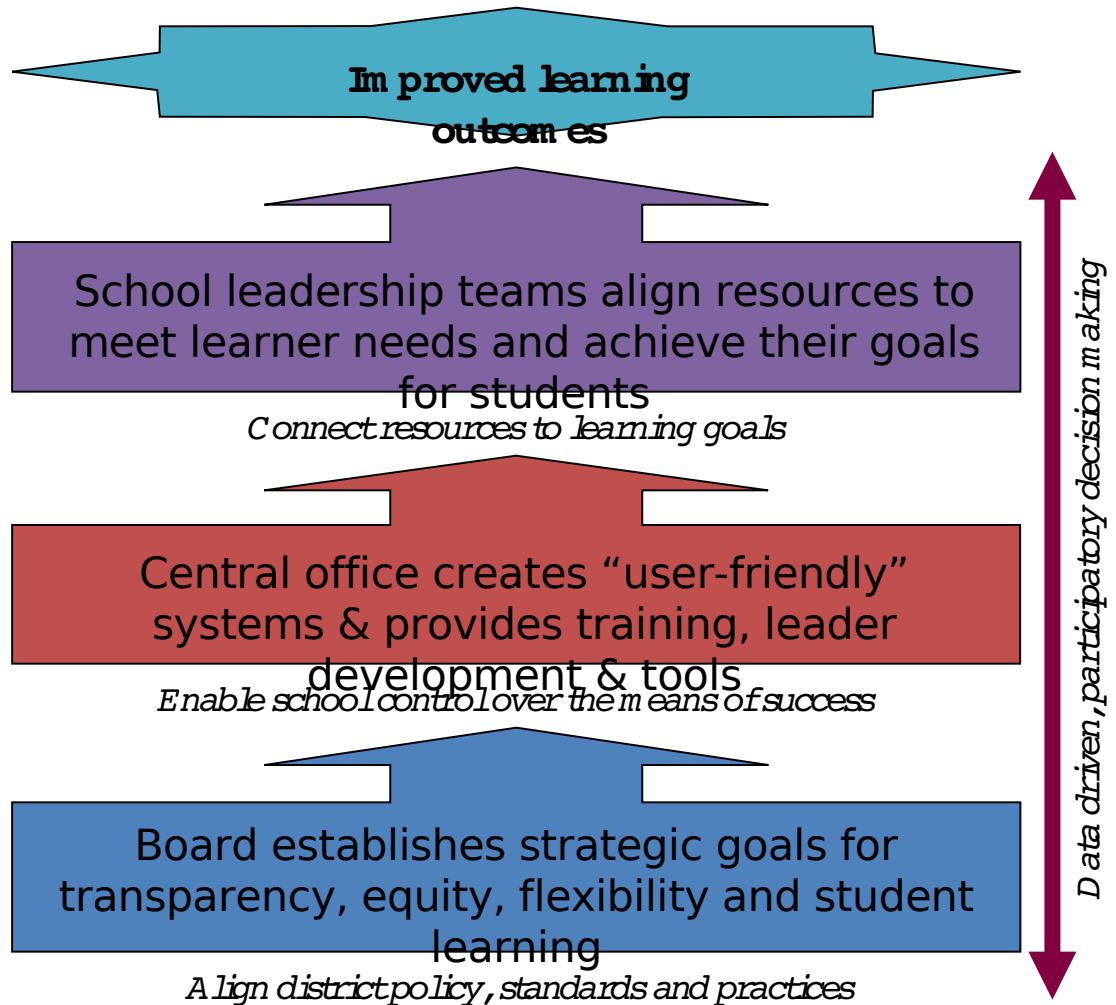
# Centralized resource allocation constrains innovation, equity and accountability

By allocating resources to schools centrally we have unintentionally disempowered principals and school site councils, and undermined local accountability for learning outcomes



# SSFR explicitly connects resources to goals and to learning outcomes

SSFR allocates resources and decision rights to schools and supports them to make tailored, data-driven spending decisions as a key lever for improving student outcomes.



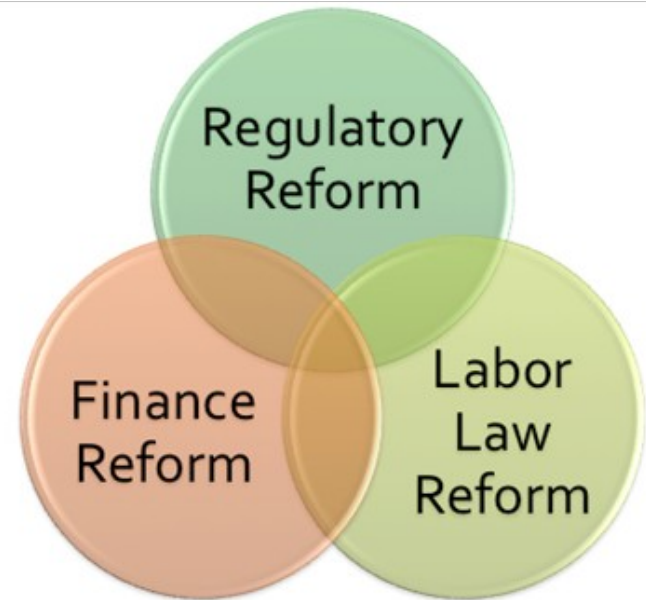
# SSFR Supports Learning in Six Ways

- 1. A need-based funding model**
  - Funds accelerated learning for students with high or special needs
- 1. Pupil-based allocation**
  - Money follows the students to their schools, schools manage resources
- 1. Alignment of all resources to goals**
  - Stakeholder engagement and partnerships create additional resources
- 1. Transparent financial information**
  - Provides accessible, understandable, useful information for managing resources
- 1. Evidence-based decision making**
  - Tracks best practices and spends on programs that get results
- 1. Innovative budgeting tools & training**
  - Makes the system easier to use and manage

*However, the policy environment makes all of these more difficult.*

# Building Blocks for Reform

- SSFR as a core reform strategy links three building blocks for reform
- Regulatory, Finance and Labor reform are the building blocks to meet policy goals



# Why Finance Reform?

- California schools are under-funded.
- If funding is to increase, it is essential that:
  - Education budgets at both the state and local level be far more transparent
  - Resources be clearly allocated in response to the priorities embedded in state standards and to data about what works
  - Accountability measures are strengthened (trailing and leading indicators)



# SSFR is a Tool for Finance Reform

- SSFR addresses financial reform through:
  - Creating a “needs-based” resource allocation formula in which resources follow students to their schools;
  - Increasing budget transparency; and
  - Providing schools with the opportunity and incentive to analyze ROI and allocate resources to reform strategies that work

# Finance Reform Challenges of SSFR

- Reallocating resources in a fixed-resource (or even a declining resource) environment requires strategies for dealing with “winners” and “losers.”
- Providing real decision-making authority to schools requires state-level categorical reform and contractual changes (such as the “thin contract” in Los Angeles Unified).

*We have promising early findings on both issues.*

# Why Regulatory Reform?

- Schools are over-regulated, held accountable for process rather than outcomes.
- While there has been progress, there are still separate “categorical programs,” each with its rules and regulations.
- This structure makes inefficient use of resources inevitable.

# SSFR is a Support for Regulatory Reform

- When SSFR districts provide schools with greater flexibility in how they spend resources, they create new opportunities and incentives to put in place new tools for accountability.
- These include both higher levels of budget transparency and greater incentives for schools to analyze links between expenditures and results or “return on investment.”

# Challenges of SSFR as a Regulatory Reform Strategy

- Districts' ability to provide flexibility to schools is constrained by state regulations.
- Schools' ability to link expenditures with results is limited by the structure of both local and state data systems and reporting requirements.

# Why Labor Reform?

- The current regulations governing teacher credentialing and collective bargaining constrain the creation of either statewide or local labor markets for teacher talent.
- This leads to regulatory strategies for supporting policy goals with regard to the distribution of teaching talent, and these are demonstrably both inefficient and ineffective.

# SSFR is a Labor Reform Strategy

- SSFR creates a more entrepreneurial environment at the school level
- SSFR encourages collaboration between district and union leadership
- SSFR sees human resource decisions as a critical core reform strategy – a means of achieving student growth targets
- SSFR creates a shared ownership for student success on the part of teachers and administrators

# Challenges of SSFR as a Labor Reform Strategy

- The ability of districts to provide schools with meaningful discretion about hiring teachers and creating working conditions and other incentives for teachers to teach in challenging schools is constrained by:
  - Local bargaining contracts
  - State regulations



# Early Findings of SSFR

- **From interview studies**

- School leaders believe they need greater control over their budgets and how the resources are allocated.
- School leaders believe that the schools and students would benefit from greater control.
- School leaders are concerned about their capacity to manage their budgets.
- School leaders do not feel that they are adequately supported by the central office.
- Not all school leaders fully understand current budgeting system nor the benefits of transparency.

# Early Findings of SSFR continued

- **From resource allocation**
  - Restricted dollars are distributed to the higher need schools.
  - Unrestricted dollars are not always distributed equitably to high versus low need schools.
  - High need schools tend to have higher expenditures driven by categorical funds, but they spend less on teacher salaries .

# Quantity and Quality of Teaching in High-Need LAUSD Schools

- **More FTE teachers/pupil in high poverty schools.**
  - Elementary schools:
    - High poverty elementary schools have ~ 1 teacher per 17 students
    - Low poverty elementary schools have 1 teacher per 20 students
  - High schools:
    - High poverty high schools have ~ 1 teacher per 20 students
    - Low poverty high schools have 1 teacher per 25 students
- **High poverty schools have the least experienced teachers and more students are exposed to out-of-field teaching.**
  - For example, 7% of students in core subjects are taught by out-of-field teachers versus 1% in the lowest poverty schools. This is true in English, Math, and Science with the largest difference in Science.

# Key Questions Facing Policymakers

- If the state moves to a “**weighted student formula**” strategy to allocate resources from the state to districts, to what extent will districts be able to use a similar strategy to allocate resources within districts?
  - What barriers exist, and what policy supports would be needed to ensure that resources follow the students who generate them and need them?
- If the state moves to continue or even expand **categorical program flexibility**, what policy tools need to be put in place to support good resource allocation decisions and ensure appropriate levels of accountability at the district and school level?

# Key Questions Continued

- What mechanisms are available for policymakers to affect **teacher distribution**?
  - Specifically, could resources be allocated and used in such a way as to create a labor market for teaching talent that would ensure that teaching talent is distributed in ways that support achievement of policy goals?
- As policymakers continue to wrestle with resource constraints, what state policies support more **efficient use of resources** at the local level?
  - Could state data systems be created that would support analysis of “return on investment” of resources?

# Ways the State Can Support Strategic School Funding for Results

- **Set broad system goals consistent with federal programs,**
- **Provide opportunities for locally determined goals**
- **Provide dollars to local communities that:**
  - Recognize basic needs
  - Account for factors that influence differences in costs & that are outside of local control such as geographic costs, pupil needs and scale and locational factors
- **Incentivize school autonomy so decisions are closest to where students are served**
- **Hold districts and schools accountable for the results**
- **Establish appropriate sanctions for those that do not achieve the desired results**
  - Publish results in terms of a wide range of outcomes
  - Take control as a last resort

# Thank You!

[www.schoolfundingforresults.org](http://www.schoolfundingforresults.org)

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## QUESTIONS?