Approaches to District Financial Analysis
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Part I – Frameworks for State and Local School Finance
Importance of cost-based funding

- Equal educational opportunity by funding schools based on the cost of doing business in local communities.

- Understanding cost requires:
  - identification of the educational goals you are trying to achieve;
  - the needs of the students you intend to serve; and
  - the prices of the inputs you need to use
Cost-based funding: easier said than done

- Limitations of educational production functions (input/output analysis)
  - Difficult to identify all of the outcomes
  - Difficult to measure them outcomes
  - Difficult to understand the technology
  - Studies focused on a limited set of outcomes.

- Education is more than a collection of test scores.
  - We need recognize a broader sets of goals.

- What works can’t be adequately capture by multivariate models.
  - It requires engagement with practitioners, parents, and other members of the local community including business owners and students.
  - Moreover, it was complicated enough that it was not going to be possible to develop a one-size fits all model.

- We need easy to understand models for determining
  - How many dollars you need – adequacy -- and
  - Simple ways of equitably distributing dollars – Federal → States → LEAs → Schools
PJP Guiding Questions for Cost Modeling:

THINK G.E.E.R.

• **Goals:**
  – How will your program design help you achieve your goals?

• **Efficiency:**
  – How does your design minimize cost?

• **Evidence:**
  – In what ways is your design supported by research evidence or your own experience?

• **Realities:**
  – How does your program design fit the realities in your state, and does it have a reasonable chance for implementation?
FORMULA BASED ON COST FACTORS

Determine what are the factors that affect costs – start with understanding the factors that affect variations in all spending across districts.

- Variations in spending are based on:
  - Cost -- minimum expenditure to achieve the goal
  - Choice -- how much to spend and on what

- Cost factors include:
  - Price – unit price of an input
  - Need – additional inputs necessary to achieve a goal
  - Scale – size/density of the operation
Desirable Properties of Funding Mechanisms I

• Adequate and Equitable
  – *Adequate*. Funding is sufficient for all districts to provide appropriate programs for the unique population of students served.
  – *Student equity*. Funding is distributed to ensure comparable program quality regardless of where the student attends school.
  – *Wealth equity*. The availability of overall funding is not correlated with local wealth.
  – *District-to-district fairness*. All districts receive comparable resources for students who are comparable with respect to their needs.

• Transparent, Understandable and Accessible
  – The funding system and its underlying policy objectives should be transparent and understandable by all concerned parties.
  – The concepts underlying the formula and the procedures to implement it are straightforward and “avoid unnecessary complexity.”
  – Allocations stemming from the formula should be replicable using publicly available data, calculation tools, and associated documentation.

• Cost-Based – Funding received by districts for the provision of specific programs tailored to their unique population needs should be linked to the costs they face in providing these programs.

• Minimizes Incentives – The funding formula should minimize incentives to increase funding through over-identification or misclassification of students with respect to special needs, manipulation of enrollment size, or both.
Desirable Properties of Funding Mechanisms II

• **Reasonable Administration Costs**
  – Costs to maintain and update the funding system are minimized at both the local and state levels.
  – The data requirements, recordkeeping, and reporting are all kept at reasonable levels.

• **Predictable, Stable and Timely**
  – The funding system allows policymakers to predict future demands for funding accurately.
  – State and local education agencies can count on stable funding across years.
  – Local education agencies (LEAs) are provided expected funding sufficiently in advance to allow them to develop a plan to allocate resources properly.

• **Flexible** – To address their specific circumstances and unique local conditions, LEAs are given maximum latitude in how resources are used, in conjunction with a strong outcome accountability system that includes review of resource allocation planning.

• **Outcome and Spending Accountability**
  – State monitoring of local agencies is based on various measures of student outcomes.
  – A statewide system for demonstrating satisfactory progress for all students in all schools is developed.
  – Schools showing positive results for students are given maximum program and fiscal latitude to continue producing favorable results.

• **Political Acceptability** – Implementation avoids any major short-term loss of funding and no major disruption of existing services.
MISSION STATEMENT:

The purpose of the SSFR project is to implement and evaluate the impact of a comprehensive approach to local school finance and governance reform with the goal of creating the conditions for improved human resource management and a more equitable distribution of both resources and student learning opportunities.

SSFR is funded by the Institute of Education Sciences (IES), Hewlett Foundation, and Ford Foundation.
Five elements of SSFR as a core reform strategy:

- Equity
- Autonomy
- Accountability
- Transparency
- Choice.
Theory of Action behind SSFR

- **SSFR achieves equity by implementing student need-based funding model.**
  - The Targeted Revenue Model or TRM supports allocating dollars, rather than staff, to schools based on student need.

- **SSFR links school autonomy to accountability.** This component builds on the need-based funding model by
  - providing increased autonomy for schools over how dollars are used and
  - holding them accountable for the results (i.e., student outcomes).
  - Autonomy is granted based on performance evaluation and demonstration of success (hence the term “strategic” )
    - SSFR creates demand from school leaders for more discretion over the means to success.
    - To support school autonomy, SSFR includes a site budgeting tool: needs assessment, goal setting, program design, and allocation of dollars to inputs using various revenue sources

- **SSFR promotes increased transparency by**
  - simplifying and clarifying the processes by which resources are allocated to schools,
  - increasing the participation of a wide range of stakeholders in the design of these processes,
  - improving the access by stakeholders to information on resource allocation, and
  - simplifying the structures that support resource allocation decisions.

- **SSFR encourages expanded educational choices** offered to families and children
  - to create an element of competition among schools for clientele—provides them a way to express preferences
  - By linking school autonomy, accountability, transparency, and choice, SSFR encourages a culture of school innovation to attract students and families, and
  - By providing structured site-based budgeting tools in the context of a fixed revenue constraint, SSFR fosters school leaders to operate efficiently to produce the best possible results.
What differentiates the SSFR from the State level model?

- It works within the limits of the available revenue from federal, state and local sources

- It focuses on the development of tools that support resource allocation and improved decision making at the central office and school site.
  - The TRM – for allocating central office resources to schools and provides them with discretion over how the sites use their dollars
  - The SITE Based budgeting tool creates a structure that permits each school site to do something like what the State level PJPs do with the exception that they are operating with a limited budget.
    - It asks the central office to specify the parameters of the goals for the sites.
    - It asks the sites to add goals relevant to the community they serve.
    - It asks them to develop a program designs
    - And finally it asks them to specify the resources to deliver on that design, and to figure out how to staff it.
Part II - Selected Examples from State and District Studies
Implicit Weight Analysis
Changes in the Relationship Between Spending and Student Poverty

• **Question:** Did relationship between per-pupil spending and student poverty become stronger after implementation of Weighted Student Funding?

• **Methodology:** Estimated spending/poverty relationship for pre- and post-implementation years:

  \[ \text{Per-Pupil Spending} = f(\text{Student Poverty, School Size}) \]

Analysis performed separately for:

– Elementary versus middle/high schools
– Spending made with unrestricted (general purpose) versus restricted (categorical) dollars

• **Interpretation:** Implicit poverty weight profiles show how much more was spent per-pupil across school poverty levels relative to similarly sized school with no students in poverty.
Graphic Example of Relationship Between Spending and Poverty

Index of Relative Per-Pupil Spending (PPS)

PPS_{Stronger}

PPS_{Weaker}

Stronger Relationship

Weaker Relationship

POV_1

Poverty (POV)
Stronger Relationship Between Middle/High Per-Pupil Spending and Poverty After Implementing WSF in SFUSD
Stronger Spending/Poverty Relationship After Implementing WSF in SFUSD Driven by Unrestricted Dollars
Analysis of Spending Discretion at the Central District Office Versus Schools
Share of Per-Pupil Expenditure* at Central District Office and Schools in Oakland (2002-03 and 2004-05 to 2006-07)

- **Pre-WSF**
  - 2002-03: 83%
  - 2004-05: 85%

- **Post-WSF**
  - 2005-06: 87%
  - 2006-07: 87%

*Note: Expenditure does not include the following object categories: Capital Outlay, Other Financing Uses or Other Outgoing Expenditures.*
Share of (Un)restricted Per-Pupil Expenditure* at Central District Office and Schools in Oakland (2002-03 and 2004-05 to 2006-07)

Percent of Expenditure

Year

Pre-WSF

Post-WSF

2002-03

2004-05

2005-06

2006-07

52%

47%

51%

49%

31%

37%

35%

38%

83%

85%

87%

87%

17%

15%

13%

13%

Note: Expenditure does not include the following object categories: Capital Outlay, Other Financing Uses or Other Outgoing Expenditures.
Strategic School Funding for Success
Tool Suite
Goals for Building a Suite of Resource Allocation Tools

• Alignment of Goals
  – State
  – District
  – School

• Connect Goals, Strategies and Resources in Transparent System
  – Link to Accountability
  – Increase District and School Capacity
  – Improve Efficiency
  – Promote Equity

• Increase Engagement of Key Stakeholders by Providing More Control Over Means to Success
  – Central Office Leaders
  – School Leaders
  – Community Leaders
Overview of SSFR Tool Suite

1- Targeted Revenue Model (TRM)
District determines services and dollars to place under school discretion and equitably distributes these resources to schools based on pupil needs.

2- Planning, Budgeting and Resource Allocation (PBAR)
Schools set goals, develop strategies and specify staff/materials to achieve goals, and link budgeted dollars to revenue sources.

3 - District Budget and Outcomes Management (DBOM)
Reporting and monitoring based on current school spending and goal/budget data coupled with information on school outcomes.

Projected school-level budget caps forwarded to PBAR

District establishes districtwide goals and provides accountability oversight and capacity building to schools

Finalized school-level goals, strategies and budgets forwarded to DBOM

District modifies TRM based on review of DBOM reports
Targeted Revenue Model (TRM)

• **Purpose** – to facilitate increased **equity**, **efficiency** and **transparency** in the distribution of resources.

• **Description** – TRM is a mechanism for allocating dollars to schools that promotes the following:
  – **Equity** by distributing *dollars* to schools based on student needs.
  – **Efficiency** by giving schools more direct control over the means to success (dollars).
  – **Transparency** through simple-to-use model to calculate dollars available to each school.
Planning, Budgeting and Resource Allocation Tool (PBAR)

• Engages and includes both school leaders and community stakeholders in decision-making process.

• Explicitly connects district/school goals, strategies and resources:
  – Fosters more thoughtful and innovative school planning.
  – Provides transparent information for district to monitor progress and provide planning/capacity building support if needed.
  – Feeds into a knowledge base of school plans/budgets and outcomes.

• Provides school leadership with greater control over the means to success.
  – Represents a shift from traditional staffing model by providing dollars instead of positions to schools.
District Budget Management and Outcomes (DBOM)

• **Purpose** – To provide centralized inputs into TRM and PBAR, and report output to facilitate central office monitoring of site planning and budgeting for student achievement to assess short-term and long-term goals.

• **Description** – Provides district input data for decision-making and tools:
  – Goals and Accountability
  – Student Demographics
  – Student Performance
  – Payroll
  – Fiscal

• **Value added for the district**
  – *Improves alignment of targeted resources*. Helps align student needs, program designs and strategies, and resource allocation to evaluate where resources need to be targeted.
  – *Provides a knowledge base*. Provides an accessible knowledge base in the form of a program design library that can be shared with other principals/school leadership teams.
  – *Provides comparative benchmarks*. Creates outcome benchmarks against which progress of individual schools can be compared.
Information on the Internet

• Weighted Student Funding in Oakland and San Francisco:

• Strategic School Funding for Results website:
  – http://www.schoolfundingforresults.org
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