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## Strategic School Funding for Results (SSFR)

# *Perspectives of Key Central Office Staff and School Principals Regarding Resource Allocation Policies and Procedures*

A Report Prepared for Los Angeles Unified School District  
SSFR Research Report #02 (LAUSD)

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## About Strategic School Funding for Results (SSFR)

### Purpose

During the 2009-10 school year, the American Institutes for Research (AIR) and Pivot Learning Partners (PLP) formed a partnership with three large California school districts—Los Angeles, Twin Rivers, and Pasadena Unified School Districts—to begin a project to implement and evaluate the impact of a comprehensive approach to local school finance, governance, and human resource management. With the ultimate goal of improving the level and distribution of teacher effectiveness and student learning opportunities, we have designed the *Strategic School Funding for Results (SSFR)* project to (a) develop and implement more **equitable** and **transparent** strategies for allocating resources within each district; (b) link those strategies to policies and processes designed to encourage **innovation**, **efficiency**, and **teacher effectiveness**; and (c) strengthen **accountability** for improving student outcomes.

### What policies underlie SSFR?

The theory of action underlying the project encompasses the following three elements:

- 1) **A culture of innovation and efficiency** can be achieved by
  - a) *increasing school autonomy linked with accountability for results;*
  - b) *creating appropriate incentives for improving the performance of principals, teachers, and other school faculty;*
  - c) *ensuring access to a wide range of educational choices by families and children; and*
  - d) *providing school leaders with the opportunity to select and purchase various support services from the central office.*
- 2) **Increased transparency** can be achieved by
  - a) *simplifying and clarifying the processes by which resources are allocated to schools and*
  - b) *increasing the participation of a wide range of stakeholders in the design of these processes.*
- 3) **Equity** can be improved by *allocating dollars to schools based on student needs.*

The results of this evaluation will provide information to help federal, state, and local policymakers in their consideration of policies that will improve learning opportunities across all children.

### What are the benefits of participation in the SSFR project?

Within the framework of the SSFR project, the AIR/PLP team provides the districts with data analysis, technical assistance, coaching, and training to implement the funding strategies and evaluate their success. While there are common themes being promoted across each of the three districts, each district has adopted its own focus and is adapting the SSFR components to fit the culture and context of the district. Each of the three participating districts has committed time on the part of its leadership and staff to participate effectively in this project and has acknowledged that the project represents a collaborative effort between the AIR/PLP and district leadership teams. The formative nature of the proposed project allows for a mutual learning experience between the participating districts and the AIR/PLP team and allows the creation of a strong partnership in successfully implementing SSFR.

### How is SSFR being funded?

During the 2009-10 school year, the William and Flora Hewlett and Ford Foundations provided grants to the AIR/PLP team to support Phase I of the SSFR work. August 1<sup>st</sup>, 2010 marks the beginning of Phase II of the SSFR project. During the spring of 2010, the Institutes for Education Sciences (IES) in the U.S. Department of Education awarded a grant to the AIR/PLP team to support the further development of the SSFR model over the next three years. In addition, the AIR/PLP team submitted proposals to the Hewlett and Ford Foundations to extend their support of the implementation and evaluation components of this project covering this same three year time-period. Finally, the AIR/PLP team in collaboration with our three district partners has also submitted a proposal for a grant under the Investing in Innovation (I3) program by the U.S. Department of Education to extend the development, implementation, and evaluation of SSFR over the next five years.

The result of this work will provide a guidebook to other districts interested in implementing their own version of the SSFR model and a series of reports describing the changes in the patterns of resource allocation and student outcomes that coincided with the implementation of SSFR in the three districts.

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## Highlights

This report summarizes the perspectives and attitudes of a selected set of district and school site administrators whom we interviewed in Los Angeles Unified School District (LAUSD) during the fall and winter of the 2009-2010 school year. We carried out interviews with selected district administrators and a series of focus groups with school principals to gain an understanding of how the current budgeting system operates, and to obtain some information on the attitudes and perspectives of various administrative staff on the strengths and challenges of the current budgeting system and how this system measures up against some of the policy goals of SSFR, such as equity, transparency, accountability, innovation, and efficiency. With assistance from several graduate students from the UCLA Anderson Graduate School of Management, we completed a series of principal interviews in seven of the eight sub-districts within LAUSD (with one district electing not to participate). They conducted six focus groups and 13 individual interviews. In total, 32 principals participated in the interviews. In addition, we interviewed the following central office staff members: Aaron Eairleywine, Director of Fiscal Oversight of Charter Schools; Jose Cole Gutierrez, Director of Charter Schools; and Vivian Ekchian, Director of Human Resources. Preliminary results from these interviews have revealed a few common themes among principals throughout all districts.

The current budgeting systems in LAUSD are based on a traditional staffing model where the number of positions are determined based on fixed staffing ratios along with additional allocations based on Title I categorical funds and other accounts, which are the discretionary “pots of money.” Budget decisions are made by a series of stakeholders representing faculty, parents, and councils associated with certain special-need populations of students.

Some themes that emerged from the principal interviews and focus groups include the following:

- 1) School leaders believe they need greater control over their budgets and how the resources are allocated. They also believe that their budgets should remain stable so that they can continue to provide programs effectively. School leaders believe that the schools and students would benefit from greater control.
- 2) School leaders do not feel that they currently have the capacity (human resources or technology) to handle potential increased budget control.
- 3) Many school leaders do not feel that they are adequately supported by the central office. They do not feel that they receive the support they need to manage their budget.
- 4) Not all school leaders fully understand current budgeting system nor the benefits of moving to a more transparent budgeting processes.
- 5) Principals feel that they spend a lot of time planning the budget and meeting budgetary requirements rather than implementing programs outlined in the budget.

## Introduction

As a starting point for the Strategic School Funding for Results (SSFR) project, the AIR/PLP team developed a series of protocols to conduct interviews and focus groups with district administrators and school principals.<sup>1</sup> The purpose of these interviews and focus groups was to gain an understanding of how the current budgeting system operates, and to obtain some information on the attitudes and perspectives of various administrative staff on the strengths and challenges of the current budgeting system and how this system measures up against some of the policy goals of SSFR, such as equity, transparency, accountability, innovation, and efficiency. We asked district leaders to help us by selecting principals they felt had a good understanding of the current system and who could provide us with some thoughtful perspectives on how to evaluate its advantages and disadvantages. Therefore, our report is by no means a random sample of individuals and may not be representative of all principals in the district.

The current report presents the results of these interviews and focus groups conducted in the Los Angeles Unified School District (LAUSD). LAUSD is the largest district in the state and one of the largest in the nation, and serves a diverse population of nearly 700,000 students in more than 800 schools. Almost three-fourths of the students are of Hispanic origin, 11 percent are African-American, more than one-third (35 percent) are English learners, and more than two-thirds (68 percent) are eligible for the free or reduced price lunch program. In the fall of 2009, the Superintendent of LAUSD, Ramon Cortines, put the development of a pupil-based

<sup>1</sup> See the **Technical Appendix** to this report to see more details on the process of selection of the sample and copies of the interview and focus group protocols we used to conduct these interviews.

funding formula on a fast track by directing that it be piloted in a volunteer group of 33 schools with scale-up to follow within three years.

All of the interviews and focus groups in LAUSD took place during the winter and early spring of the 2009-2010 school year. In December 2009, Steve Jubb and several students from the UCLA Anderson School of Management conducted interviews and focus groups with principals of 18 elementary, middle, and high schools in the Los Angeles Unified School District (LAUSD). UCLA graduate students conducted interviews in seven of the eight districts (with one district electing not to participate). They conducted six focus groups and 13 individual interviews. In total, 32 principals participated in the interviews.

In addition, they interviewed the following district staff: Aaron Eairleywine, the Director of Fiscal Oversight of Charter Schools; Jose Cole Gutierrez, Director of Charter Schools; and Vivian Ekchian, Director of Human Resources.

## An Overview of the Current School Budgeting Process

In LAUSD, principals are but one voice in the budget allocation process at the school site, in which funding is mostly based on the traditional staffing model, where the number of positions are determined based on fixed staffing ratios along with additional allocations based on Title I categorical funds and other accounts (which are the discretionary “pots of money”). Schools, as mandated by federal law, develop a Single Plan for Student Achievement (SPSA) with the input of various stakeholders, including teachers, members of the UTLA (United Teachers of Los Angeles), parents, and other community members. All

schools with categorical programs, whether receiving federal or state funding or both, must provide for parent and teacher involvement in the planning, implementation, and monitoring of the school budget. The school must align its budget with the goals laid out in the plan so that financial resources can be geared toward the schools’ needs. LA schools rely heavily on data such as student scores from California Standards Tests (CST), the California High School Exit Exam (CAHSEE), and teacher assessments to identify where funds should be allocated to best serve their students.

Once the SSPA is updated, each principal then meets with the ELAC (English Learner Advisory Council) and CEAC (Compensatory Education Advisory Council) to present budget information and receive recommendations based on identified needs. The principal will then take these recommendations to the School Site Council (SSC) composed of many stakeholders, including the ones mentioned above (i.e., teachers, parents, and representatives of the councils for certain special-need populations of students). The SSC is ultimately responsible for making final decisions on what resources and services the school can invest in; therefore, decisions are based on perceived students’ needs with input from teachers and the representatives of the councils who are on the SSC. Principals who took part in the interviews felt that input from every group contributed to the equity of the process. Budget adjustments can take place, but they must be submitted in writing and require approval from the SSCs to make a change. The duration of this process varies from school to school.

Charter schools are required to submit ADA (Average Daily Attendance) report based on their projected enrollment, and their funding will be based on those numbers. According to the administra-

tor responsible for fiscal oversight of charter schools, about 20 percent of the money flows through the district and the other 80 percent is directly handed to the charters by the county.

Regular public schools have minimal discretion over their budget—usually only a small portion of Title I categorical funds. There are numerous accounts with specific purposes, including the bilingual funding stream, and schools need to keep a running balance every time money is spent from these accounts, because they come with restrictions and instructions from the district regarding how they can be spent.

Currently, LAUSD allocates teaching positions to schools using staffing formulas that are based on each school's projected enrollment for the coming school year. Thus, the schools receive most of their resources in the form of positions via staffing ratios. On a designated day after the start of the school year (referred to as "Norm Day"), the district reviews each school's actual enrollment and adjusts the number of teaching positions based on the school's actual enrollment as of that day. This level of staffing continues for the remainder of the school year regardless of changes in enrollment at the school site. Under this traditional staffing model, each school is charged for staff based on average salaries and the balancing of budgets across schools for actual salaries is carried out centrally.

Los Angeles Unified recently decided to move toward a per pupil budget formula under which schools will receive most of their resources through a per pupil budget allocation. Based on the interviews, principals have mixed feelings about this mode of budgeting. Approximately 33 schools piloted this process in 2009-2010 prior to implementation district-wide. Also, 74 schools will be piloting the process during the 2010-11 school year. Implications of these

pilots are discussed later in this brief.

## How the Current Budgeting System Measures Up against SSFR Goals

### ► Equity

Principals had some concern about equity in resource distribution. Equity in this context refers primarily to ensuring that high need students have access to the additional resources they need to promote equal educational opportunity.<sup>2</sup> According to the interviews, equity is mainly achieved through access to Title I funding, along with special education funds, funds for English learners (EL students) such as Title III, and other operational funds. The district has a lot of discretion over Title I funds and provides very clear instructions regarding how the money should be spent, so this leaves principals little room to maneuver and equitably allocate resources based on the needs of students within the school. Also, schools are prevented from moving money from one account to another even if meant to meet an identified need. One principal expressed his displeasure with the district this way:

*"There are too many restrictions on where money is supposed to be spent. If money is needed for other resources, making a transfer from one account to the other causes a lot of difficulties and headaches, and the district does not have a real understanding of the needs of the schools."*

The issue of budgetary restrictions is discussed further below within the context of flexibility.

<sup>2</sup> Another concept of equity is that of horizontal equity, in which students with similar needs are treated in similar ways across schools.

Another issue that hinders the equitable distribution of resources is the delay in the arrival of resources to the schools. The majority of participating principals indicated that budget delays prevent principals from having enough time to inspect the budget and look at the real needs of the school, usually forcing them to make hasty decisions. One principal described the slow delivery of funds as "horrible" and said s/he would like the district to be more prompt in sending schools their budget information so it does not impede a thorough analysis of students' and schools' needs.

In terms of equitably recruiting and allocating teachers, school principals reported that they have little or no latitude on recruitment decisions. Teachers are allocated to school sites on the basis of a "must place" formula where schools receive their teachers depending on who is "next" on the list. The principals felt that this formula does not take into account the needs and problems present at their school site. Having increased autonomy to hire or at least interview new teachers would allow principals to bring the right teachers to their sites.

### ► Transparency

Regarding transparency, it appears that principals are generally very aware of where money goes and comes from, and they also feel it is critical to be transparent with stakeholders and to give them the information to which they are entitled. To accomplish this, the SSC and Advisory Councils (ELAC & CEAC) involve teachers, parents, and community members. The budget process is always put to a vote so that everyone is aware of where the money will be invested. Interviews indicated that principals are proactive in inviting parents to budget meetings and encouraging their participation in the advisory councils. Some schools go further and offer budget information that is



displayed on a website, where it is readily available for anyone who is interested. It is important to note that although this budget information is technically available to all parents, only a minimal number of parents are involved; a large majority of parents are not aware of or involved in budget decisions.

Despite budget information and decisions being mostly understood by principals, the many budget systems create confusion and misunderstandings. Principals told us that they have not truly mastered how to navigate these systems appropriately. Principals reported that the budget system does not work like a checking account, where money spent is deducted immediately and updated information is provided in a timely manner. When a school purchases materials or services, it takes months for that to be reflected in the system. Therefore, it is difficult to gauge how much money the school really has available at any point in time. Because of these delays in the system, many times schools are forced to keep their own hard copies of the records.

In addition, principals also remarked that it has generally been a struggle to work through the budget systems. There appear to be many inconsistencies across systems, difficulties in navigation, and a lack of connection between the budget and human resources systems. The process also changes annually so it is difficult to understand for many people, especially given the varying levels of expertise of those on the advisory councils. BTS (Business Tools for Schools), the newly adopted budget system, seems to be an improvement over past systems but still lacks some features. Some principals describe BTS as needing to “be more user-friendly,” saying “it is too complex and too time consuming.” It takes long hours to train individuals on the system, and at times it does not work as efficiently as principals would like.

For example, one principal mentioned that errors in the system created negative values on many schools’ budgets, meaning their budgets reflected overspending or lack of funds, when in reality money was still available. However, they recognize that BTS is helping to integrate and resolve inconsistencies between the numerous systems. BTS has promise, but is currently not meeting all expectations. There is a smaller program used to monitor accounts—the Financial Reporting Database (FRDB)—that has received mostly positive feedback.

Though the systems are currently not meeting expectations, the district has made an effort to provide support through fiscal specialists, who assist principals to better understand, and work within, the distinct *fiscal accounts* across systems. By and large, principals felt that they are not really trained by the district to handle the budgetary responsibilities that come with being a principal. The level of satisfaction appears to depend on whether principals have had previous experience with budgets or similar work; experienced principals said they needed minimal training and had a clearer understanding of how budget procedures work. A principal who was previously a Title I coordinator mentioned that he “learned and feels comfortable doing budgets, but the system is not really put in place for principals to learn.” In the end, it appears that the level of understanding will partly depend on the training and experiences of the principal, but principals stated they would appreciate having someone on site to assist them who truly understands how to navigate and work effectively through all the pots of money.

### ► *Accountability*

Principals are required to comply with requirements tied to specific budgets; this is the primary mode of accountability for principals at the district and state level. Principals described updating or changing accounts as a long, grueling process; principals usually opt to comply with all requirements to avoid the change process, which in the end does not allow for much additional flexibility.

At the school site, principals are the individuals who are accountable and ultimately responsible for the budget decisions made by the SSC, CEAC, and ELAC, and must ensure that the money goes where these councils’ decisions direct those funds. The principals are ultimately accountable for student test scores after budget decisions are made. In one instance, the elimination of a diploma advisor immediately brought graduation rates down; the principal was held accountable for this outcome, but teachers were not, even though the teachers had a direct influence on both budget decisions and the students’ learning. Principals reported that they would like other stakeholders to share accountability since they have great power in the budget decision-making process. Principals would particularly like teachers to share the responsibility, as they play an important role in students’ success. Generally, most principals reported that they feel as though they do not have much power in influencing budget decisions but are the ones held accountable for those decisions when they turn out to be poor.

### ► *Innovation & Efficiency*

The current budget process does not allow for innovation in the usage and allocation of funds, as schools are required to comply with district and state restrictions on where money can be spent.

Despite this limitation, there appear to be some schools that are being innovative in using their funds to meet their students' needs. Generally, these are schools with great relationships among their stakeholders and council members and in which there are good communications with stakeholders regarding their needs. For example, to meet one identified need, one school was able to allocate more funds to after-school programs and CAHSEE practice sessions despite the many budget restrictions, and these changes appeared to be associated with increasing student scores.

In 2009-10, schools received large amounts of money from the American Recovery and Reinvestment Act (so-called "stimulus funds"), which allowed schools to be innovative in how they put those dollars to work. The schools that received money are concerned about whether they will receive those funds next year. A few schools used this money for professional development to support more collaborative teaching. Ultimately, principals perceived that this training had had a positive effect on student learning.

Schools that took part in the per pupil budget pilot seemed to agree that the process allows for greater flexibility and innovation with schools' funds compared to the current system. Principals of pilot schools said that this new process allows them to focus effectively on the needs that are specific to their schools and allocate funds toward these needs. It is important to note that larger schools may have greater opportunities for innovation as they will receive larger amounts of money than smaller schools. Principals of smaller schools were concerned that they have to be extremely careful in identifying the true needs of their school and in directing their more limited funds.

### ► *Additional Themes that Emerged*

*Theme 1: Principals feel they need to have more flexibility in budget decisions if they are to be held accountable for where money is allocated.*

A consistent theme that emerged from these interviews was the displeasure with the lack of flexibility that principals have in their school site decisions, combined with increased accountability. LAUSD has deep restrictions—even more than the State—regarding the use of funds, and it is close to impossible to try to transfer money from one account to another regardless of a school's need for any particular services or materials. Increased flexibility and discretion over their school budgets would allow principals to allocate funds to where the "real" needs of the school are, since respondents suggested that the district does not appear to have a clear understanding of where these exist. In contrast, there were a few principals who would rather have diminished discretion over budgets, choosing less responsibility and accountability. However, the great majority said they would welcome increased flexibility, as they believed it would allow for better allocation of funds. It is difficult to increase student achievement, they pointed out, with the restrictions imposed upon budgets on the principals.

With budget discretion, the district is also increasing the accountability principals face for getting results. Budget decisions based on identified needs and careful use of data currently fall in the hands of many stakeholders, who possess great decision-making power but who ultimately are not held responsible for the funds' use or for student outcomes. Principals believe this system is faulty, suggesting that because they tend to have little control over the funding decisions that they should not be expected to respond to poor funding

decisions. Thus, they suggested that the advisory councils (SSC, ELAC, CEAC) should have less power in budget decisions, or that certain stakeholders such as teachers be held more accountable given that they directly affect student outcomes. Poor student outcomes define whether or not money will go to purchase certain services or materials to address poor performance, and therefore principals believed that teachers should be held accountable as well, as they are a direct influence on such outcomes.

*Theme 2: There is disagreement regarding whether per pupil budgeting will allow for greater flexibility and distribution of resources.*

LAUSD is currently in a transition phase, where all schools in the district will soon be funded via a per pupil funding formula, under which most resources will be distributed on a per pupil basis (as opposed to the current funding formula). Currently, 33 schools are taking part in a pilot of this distribution system, and Superintendent Cortines projects that all schools will be funded with this formula in the coming years.<sup>3</sup> Among those principals we interviewed from the pilot schools, there were several from smaller and larger schools who commented on the implications of this evolution in the funding system. A principal of a smaller school said:

*"Per pupil funding will force small schools that look like mine to make tough decisions on where to invest these monies, and it will mean that the school will have to pay for services already provided by the district. We will have one secretary instead of two. We will need to [pay] for these services that are already being funded by the district."*

<sup>3</sup> As many as 74 schools will be participating during the 2010-11 school year in this pilot program for implementing transparent budgeting.

Another principal stated: "I think per pupil funding is a waste of my time, I didn't get into this profession to do accounting. It is a nightmare." The implication was that more time spent on working with budgets will mean less time principals can be in the classroom observing instruction or otherwise supervising, according to other respondents.

Another principal stated:

*"It is good that the schools are receiving more control over their money but it is an adjustment period since a lot of things like coaches were paid by the district. When you take that away, the school actually had less working money considering the numbers of salaries that the school has to pay for. But if the district goes to per pupil budget I would like more assistance and services from the district."*

Despite a general welcoming of increased control, there is a sense of concern over the level of district support. One principal stated:

*"With this funding I am worried how I will run the school with so much less help than before. If we are going into a new system. I would really like experts to help me in whatever I need, but in a timely fashion."*

They would like assistance from district staff who know budgets well, but they would also like the district to not "tie their hands" on budget decisions. Increased flexibility within pots of money and being able to use categorical dollars more freely would be welcomed by the respondents.

So, principals' feelings on this change are mixed. On one hand, some principals would not like the added responsibility of having to deal flexibly with more of the money they have available, which would increase their workload and take it away work from the central office. On the other hand, some principals would welcome having

more discretion despite the fact that they will have to fund resources and services more carefully.

In many ways, support for LAUSD's decision to go to per pupil funding seems to be divided based on school size, with larger schools supporting the move and smaller ones being concerned about the decreased amount of services and programs that they will be able to fund when they receive fewer dollars based on lower enrollments. This also suggests that per pupil funding models should probably include adjustments for school size as well as for pupil need since both factors impact the cost of operating schools efficiently.

Principals also noted the need for increased support from the district as they learn to allocate resources effectively.

*Theme 3: Principals would like money in the current academic year to roll over instead of being forced to spend it.*

Under the current system in LAUSD, schools that do not spend all of their money at the end of the year must return leftover funds to the district. Because of this, they are forced to spend so they do not lose out on those funds. Schools see this as a big challenge, as money is spent hastily at the end of the year without giving much thought to how those spending decisions will serve the needs of the school. Principals said that it would be a great support for schools if they were able to save monies for future projects or programs.

*Theme 4: Principals would like more discretion over hiring and firing staff.*

LAUSD provides principals no autonomy to recruit and hire staff for their schools. The district currently uses a *must-place* formula to allocate teachers who have been displaced to schools needing staff.

The LAUSD central office recruits hireable individuals based on their backgrounds and credentials, and believe they have the responsibility to do so. Some of the teachers that are sent to schools based on this formula may not be the best fit for the school, may not want to work there, or may lack the appropriate skills to meet the needs of the school. All of these factors may have repercussions for student achievement. Principals insist that they need to have autonomy regarding who to hire or, at the very least, who to interview. In spite of this lack of autonomy, in the face of budget cuts, LAUSD has made great efforts to avoid cutting positions in schools and has instead opted to dismiss employees from central and local district offices.

Principals would also like the authority to discharge staff members who are not performing well (i.e., not producing results for students), but are currently unable to do so as a consequence of current bargaining agreements with UTLA. Current agreements do not allow principals to dismiss underperforming teachers, especially those who have seniority. Seniority was described as an enormous challenge. Younger teachers are always the first to be laid off, even if they are performing better than older, more experienced, teachers.

## Summary

From December 3, 2009 to December 18, 2009, focus groups and interviews were conducted with a total of 32 principals participated in the interviews. Results from these surveys revealed several common themes, including:

- 1) School leaders believe that they need greater control over how the resources are allocated. They also believe that their budgets should remain

stable so that they can continue to provide programs effectively.

- 2) School leaders do not feel that they currently have the capacity (human resources or technology) to handle potential increased budget control.
- 3) Many school leaders do not feel that they receive the support they need to manage their budget.
- 4) Not all school leaders fully understand current budgeting or transparent budgeting processes.
- 5) Principals feel that they spend a lot of time planning the budget and meeting budgetary requirements rather than implementing programs outlined in the budget.