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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 Pasadena Unified School District

SSFR Research Report #02 (PUSD)

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Acknowledgments

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 1st, 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

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. 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.

SSFR interviews began in November of 2009 with focus group interviews of the Superintendent's Cabinet. Individual principal interviews were conducted between January 15 and January 22 of 2010. Two elementary, two middle, and one high school principal were interviewed.

Pasadena allocates resources using a traditional staffing model. Schools are granted virtually no discretion over general fund allocations which are used to cover staff salaries. Most of categorical funds come from Title I and schools have only limited discretion over how these funds are used.

Pasadena addresses equity primarily through the distribution of categorical funds like Title I, but it also has a history of perceived issues around the provision of equal educational opportunity for racial and ethnic minorities. Schools do not have control over their staffing, but district personnel reported that equity is achieved by getting an "even distribution" of the best teachers to schools across the district.

The district administration expressed concern that not all principals are ready for the kind of responsibility implied by the increased autonomy that is a part of the SSFR policy components. Some principals also shared this sentiment, indicating that they were not sure that they wanted more budget responsibility, control, and authority. While elementary principals seemed satisfied with the role they have in the budget process, secondary principals reported that they would like more flexibility and authority over their total budgets with the understanding that the accountability stakes would be higher. According to one person interviewed, to make a substantial improvement in the quality of instruction, the principals "need to play an active role in the recruitment and hiring of teachers."

Regarding innovation and efficiency, interviewees indicated that there is no flexibility to carry over funds from one year to the next, and that this lack of flexibility creates an incentive for principals to "use it or lose it."

Principals indicated that they would like to know more about the implications of SSFR for their day-to-day activities. We also found there to be a general lack of understanding and will to comprehend the budgeting processes within the district. And finally, the respondents indicated that they saw value in the district exploring other avenues for allocating resources to schools.

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.[1] The purpose of these interviews and focus groups was to gain an understanding of how the current budgeting system operates, and to obtain 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, the principals in our report are by no means a random sample of individuals, and may not be representative of all principals in the district.

Pasadena Unified is located in Los Angeles County in southern California. The district serves roughly 20,000 students, of whom 17 percent are white, 56 percent are Hispanic, and 22 percent are African American. One out of five students is an English learner (EL), and well over half are eligible for the free and reduced-price lunch program. In the spring of 2009, the district hired a new chief financial officer after going three years without anyone serving that function, and it has been in the process of reorganizing fiscal and other central services. The district is also in the midst of initiating work to redesign its performance management system. Superintendent Edwin Diaz is seeking help in rethinking the way the district allocates funds to schools, assessing the way restricted and unrestricted funding sources can be integrated, linking school accountability and autonomy, and improving the transparency of the budgeting process and reporting.

▶ District Interviews

SSFR interviews began in November of 2009 with focus group interviews of the Superintendent's Cabinet. Cabinet members were divided into two groups: educational services staff and business and operations staff. Individual follow-up interviews were held with selected members of each group, including the chief human resources officer, categorical programs director, and budget director. The major concerns expressed about the SSFR project in these interviews focused on policy implications, labor or contract issues, staff time required, the implementation timeline, and compliance mandates.

▶ Principal Interviews

Interviews were conducted between January 15 and January 22 of 2010 with two elementary, two middle, and one high school principal.

Overview of the School Budgeting Process

School-level allocations of resources in Pasadena are based on a traditional staffing model; the ratio of students to teachers ranges from 28:1 to 31:1. Pasadena operates on a student-weighted formula in which more weight is given to students who are ELs, eligible for special education, and/or eligible for the free and reduced price lunch program. As would be expected, staff salaries account for the largest proportion of budget allocations. Schools appear to have limited discretion in their categorical funds, which for the most part come from Title I funds. Schools are granted virtually no discretion over general fund allocations, which are used to cover staff salaries. Personnel positions in Pasadena are funded under a traditional staffing model tied to enrollment.

The School Site Council (SSC) makes decisions on how best to use the Title I funds based on the needs of the school. The SSC develops a School Site Plan that identifies needs and lays out objectives; funding decisions are required to be aligned with the objectives in the plan. The SSC comprises numerous stakeholders, such as teachers and union members, and this small group is one that generally understands budget processes in greater detail by virtue of their designated responsibilities. Final budget decisions are made during SSC meetings. The principal has the responsibility to inform the community on the agreed upon funding decisions.

How the Current Budgeting System Measures Up against SSFR Goals

▶ Equity

There was philosophical agreement by all interviewed that equity is a major issue and that PUSD wants resources to go to the students based on need. The district tries to be equitable by aiming Title I resources to the students who need them the most, but there are equity issues that cannot be addressed just by "throwing money at schools," according to a central office representative. Specifically, there are concerns about access to educational opportunities by African-Americans and other minorities in the district.

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[1] 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.

Schools do not have control over their staffing, but district personnel reported that this is done with the objective of getting an "even distribution" of the best teachers to schools in the district. Interviewed principals reported that schools with underperforming teachers had tended to motivate parents to move kids to move to schools with better teachers, and that this had created disparities. To resolve this, the central office has opted to have complete power in allocating staff to schools.

Interviewed principals expressed concerns about whether the SSFR process would positively impact student outcomes and the achievement gap, as well as the effects or "unintended consequences" of this change initiative. According to one principal, "There might be a negative effect on some schools… high performing schools. And this would not be well received by some segments of the community." The principal went on to explain, "the better your school performs, the less money you get." Principals expressed concern as to how SSFR can benefit all schools.[2]

▶ *Transparency and Autonomy*

One high-level district administrator felt that SSFR would have a positive impact on the *"Approach to Excellence,"* the current district reform initiative. It was felt that SSFR would increase awareness of, and accountability for, equity. On the other hand, another district administrator saw SSFR as a process that will demand taking a different look at how funds are used. Both expressed concern

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[2] This could occur if SSFR linked school allocations to student performance by providing additional dollars to low performing schools. If schools were successful in improving performance, then, under such a system, schools might lose the funds. However, there is nothing embedded in SSFR that promotes such an approach to allocating dollars. This was only a concern expressed by one principal trying to understand what might be coming with a change in policy.

that not all principals are ready for the kind of responsibility implied by the increased autonomy that is part of the SSFR policy. This is similar to sentiments shared by several of the principals, who said that they were not sure that they wanted more budget control or authority they would like.

There was a sense that increased transparency could facilitate the ability of principals to understand and use funds effectively by making school finance more accessible to the average principal. District staff indicated that school funding is very complex. "One must want to understand it and do a lot of reading and ask a lot of questions," and the typical employee does not have the time, energy, nor interest to do so. For principals, working with the budget is not commonly a high-priority activity. They are mostly concerned with curriculum and instruction and serving as observers in the classroom.

At the site level, there seems to be general agreement that principals do not really understand the budget process and do not know how unrestricted funds are allocated. Only one principal said that she had some idea of how unrestricted funds are allocated. (This principal had experience as a resource teacher and said that she makes her own budget book and does not use the one provided by the district, nor use other budget materials provided by the district. She indicated that technology and technical assistance were inadequate.)

Although the principals acknowledged the district's efforts to train them on budgeting processes, they commented that the annual budget meeting is really about compliance and does not foster transparency. The focus is on categorical funds, with little or no mention of non-restricted funds. The exception is the "sweep," account which was established this year by the central office returning remaining funds

from various accounts, e.g. "grants, or gifts, etc." to sites. Principals seemed not to understand the source of these funds.

Other transparency issues raised by the principals include the following:

- They had been given inadequate training, minimal technical assistance, and limited follow-up support on the budget process.
- They received conflicting information from various district offices about their budgets.
- There was a lack of clarity, timeliness, and accuracy regarding budget information from the district office.
- There was a general lack of information regarding unrestricted funds and costs of district services.

▶ *Accountability*

Principals reported feeling no responsibility for the unrestricted expenditures because they have little or no knowledge about them. They understand their accountability regarding categorical expenditures and accept responsibility for them. They also understand that categorical personnel positions are funded based on actual salaries (i.e., actual salaries of personnel are charged against the allocations of categorical funds at each site). Principals connected the district focus on providing quality instruction to their responsibility for fully implementing the evaluation process of all personnel, not just those funded with categorical funds. To make a substantial improvement in the quality of instruction, the principals "need to play an active role in the recruitment and hiring of teachers," according to one person we interviewed. All were very clear about the district's expectations regarding test scores and continuous improvement of high- and low-performing schools.

Elementary principals seemed satisfied with the role that they have

in the budget process, and there was only a slight interest in more involvement in the process or more autonomy in exchange for more accountability. Secondary principals expressed different feelings; they would like more flexibility and authority over their total budgets, with the understanding that the accountability stakes would be higher.

Regarding accountability, one principal commented that she would welcome fewer restrictions: "The restrictions [that are a part of categorical funds] sometime create inequities and, in fact, promote mediocrity."

▶ Innovation & Efficiency

Central office administrators expressed concerns about the amount of staff time that transparent budgeting or SSFR would take and whether there would be some outside support.[3] Managing the budget cutting process and preparing for the parcel tax election (which failed in the spring of 2010 in Pasadena) placed serious strains on the already "stretched" staff. (Adding to the stress were the perceptions of some of the principals, who see the central office as staffed with "high-priced administrators" from outside of the district.) The limited knowledge and understanding of transparent budgeting, of weighted student formulas, and of the costs of district services hinder the principals' ability to imagine what might be possible. Principals seemed concerned with whether there would be any money to stimulate innovation. Only one person said that she felt that she could "do more and would do differently" if given the authority.

There is no flexibility to carry over funds from one year to the next, and this lack of flexibility creates an incentive for principals to "use it or lose it." When faced with leftover funds, school principals feel the pressure to make quick decisions on how to use them rather than take the time to use funds in a more deliberate fashion. They are concerned that if they don't spend out their allocations for any given year, they will face the possibility of budget cuts in the following year. This causes schools to go "on spending sprees" to use up any potential leftover funds.

There is a new technology system in the district, but district and school staff are still learning to maximize its use. Respondents commented that eventually this new technology system could improve efficiency throughout the district.

▶ Additional Themes

Theme 1 – Respondents would like to know more about SSFR.

Respondents are interested in knowing more about SSFR and feel that this is a good time to explore options to use funds more effectively to accomplish the district's mission. The financial crisis has created a real need to carefully analyze how funds are being spent in order to use what they have more effectively. The following statement from one of the principals who participated in the Need-Based Funding Model exercises conducted in spring 2010 as part of the SSFR project seems to represent what PUSD hopes to accomplish over the next 3 to 5 years by implementing a pupil need-based funding model:

> *"The school budget should be used to facilitate academic excellence and teacher efficacy and principals should be held accountable for making this happen at their sites."*

Theme 2 – Respondents lack an understanding of, and the will to comprehend, the budgeting process.

The interviews suggest that the principals lack the motivation to learn the budgeting process for a number of reasons. First, they are concerned with taking time to be in the classroom and being the instructional leaders that their schools expect them to be. And second, they have limited discretion over the how funds are used or allocated to sites. Some principals prefer to let others decide how to use the funds they receive. Furthermore, according to district personnel, the majority of principals do not really have a clear understanding of how the budgeting process works. This is despite the fact that the district makes an effort to provide the documentation for the budgeting process by uploading documents online to get the information to the principals.

Few of the board members have a strong grasp of the budget process, and a great majority of staff don't have an understanding or an interest in that the process. Our interviews suggested a strong interest among district and site administrators in improving transparency of the budgeting process.

Theme 3 – Respondents value the district exploring other avenues for allocating resources to schools.

While acknowledging the value of exploring other options for resource allocation and the need for more transparency, most of the administrators we interviewed indicated that they feel that the district is moving in the right direction in terms of assessing different options. New procedures for resource distribution implemented through the categorical programs were highlighted as evidence of the district's efforts to establish equity in allocating resources.

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[3] Current grants from the Hewlett Foundation for the three year period starting in the fall of 2010 are offering encouragement that support might be available to help with implementation of the SSFR as a core reform strategy.