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

**A Presentation prepared for Policy Analysis for California Education**

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Jay G. Chambers, Ph.D., AIR, SSFR Co-Principal Investigator

James R. Brown, Pivot Learning Partners, SSFR Co-Principal Investigator

Steven Jubb, Pivot Learning Partners , SSFR Project Director

# Development of School Funding Reform

The last 50 years have seen significant 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

# Literature Supporting this Work

- **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

# Origins of the SSFR project

- **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**

# Results of School Finance Redesign Project: A Four-Part Action Plan

1. Drive funds to schools based on student counts
2. Concentrate federal funds on low-income students
3. Redesign state finance systems for *continuous improvement*
4. Base accountability on performance

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

- **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.**



# SSFR is about finance, governance, and human resource management:

- **Mission Statement:** The purpose of the SSFR project is to implement and evaluate the impact of a comprehensive approach to local school finance, governance, and human resource management with the goal of improving the level and distribution of both teacher effectiveness and student learning opportunities.
- **Vision Statement:** The AIR/PLP team envisions the SSFR project as an opportunity to develop a model, supported by innovative technology and processes, for future implementation and testing in other districts around the nation and to develop state school funding systems that would encourage this kind of local approach.

# The Theory of Action Underlying SSFR

- ***A culture of innovation and efficiency can be achieved by:***
  - *Increasing school autonomy linked to accountability;*
  - *Creating incentives for improving the performance of principals, teachers, and other school faculty;*
  - *Ensuring access to educational choices by families & children; and*
  - *Offering school leaders ability to select central office services.*
- ***Increased transparency can be achieved by:***
  - *Simplifying & clarifying processes for allocating resources to schools; and*
  - *Increasing participation of stakeholders in design of the processes.*
- ***Equity improved by:***
  - *allocating dollars to schools based on student needs; and*
  - *Creating mechanisms for achieving equitable distribution of teachers*

# 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**

# Three Districts, Two Partners

- Los Angeles Unified
- Pasadena Unified
- Twin Rivers Unified
- American Institutes for Research
- Pivot Learning Partners

# Why these three districts?

- Enough scale to be a useful experiment
- Enough variety to surface a range of lessons and to constitute a basis for replication in other settings
- Commitment of leadership and staff to participate effectively in this collaboration
- Willingness to be involved in a mutual learning experience among and between other districts, AIR and Pivot Learning

# 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

Board responds to state & federal accountability for the financial bottom line

*Resource allocation policy is not aligned to district goals*

Central office designs systems for reporting and tracking, not for transparency, efficiency or ease of use

*Resources are allocated centrally; schools make do with what they get*

Tools, rules, and timelines prevent effective school community participation in the budget process

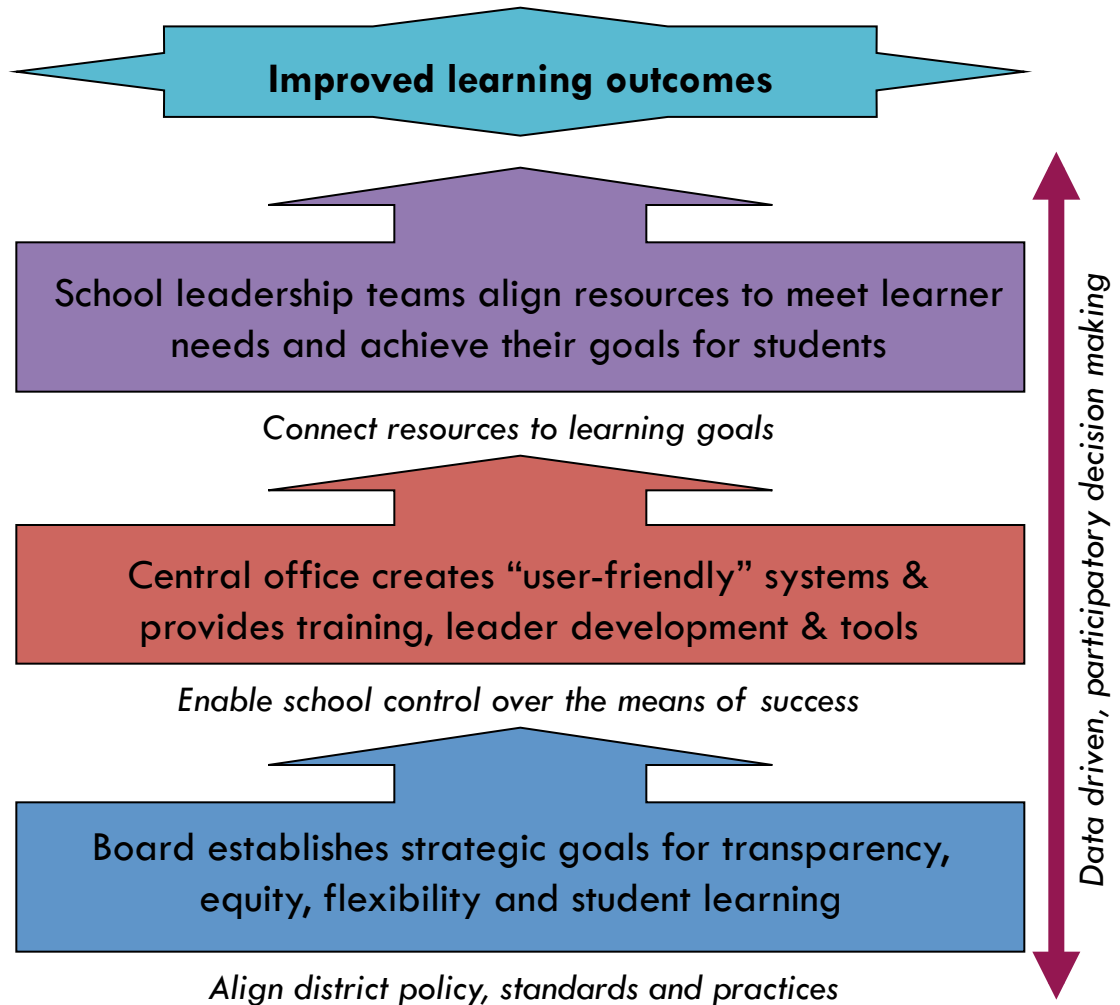
*School leadership teams have limited control over key success levers*

**Disappointing learning outcomes**

Compliance drive decision making, not achievement data

# 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.



# A Critical Question for Public Education

Given:

Increased clarity about goals (as embedded in the Common Core Standards)

*and*

Better data and assessments to measure progress . . .

How can resources be used most efficiently  
to achieve these goals?



# We Need Major Change

## **We have a system in which:**

- Resources don't reliably follow students
- Too many regulations guarantee inefficiencies
- Budgets are not transparent
- People are suspicious about how money is being spent
- School leaders have limited incentives to learn what works because they lack the authority to act on this information

## **We need a system in which:**

- Resources follow students
- Fewer regulations combined with accountability encourages efficiency and innovation
- Budget transparency builds trust
- School leaders have new incentives to discover and use the most effective and efficient strategies

# SSFR Supports Learning in Six Ways

- 1. A need-based funding model**
  - Funds accelerated learning for students with high or special needs
- 2. Pupil-based allocation**
  - Money follows the students to their schools, schools manage resources
- 3. Alignment of all resources to goals**
  - Stakeholder engagement and partnerships create additional resources
- 4. Transparent financial information**
  - Provides accessible, understandable, useful information for managing resources
- 5. Evidence-based decision making**
  - Tracks best practices and spends on programs that get results
- 6. 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)

Email addresses:

- Jim Brown – [jbrown@pivotlearningpartners.org](mailto:jbrown@pivotlearningpartners.org)
- Jay Chambers – [jchambers@air.org](mailto:jchambers@air.org)
- Steve Jubb – [sjubb@pivotlearningpartners.org](mailto:sjubb@pivotlearningpartners.org)

## QUESTIONS?