Baltimore Public Schools

Program Name:	Fair Student Funding
Implemented:	2008-2009 School Year
Program Type:	District-Wide
Legal Authorization:	School Board Policy

Baltimore School Empowerment Benchmarks		
1.	School budgets based on students not staffing	yes
2.	Charge schools actual versus average salaries	no
3.	School choice and open enrollment policies	yes
4.	Principal autonomy over budgets	yes
5.	Principal autonomy over hiring	no
6.	Principal training and school-level management support	yes
7.	Published transparent school-level budgets	yes
8.	Published transparent school-level outcomes	yes
9.	Explicit accountability goals	yes
10.	Collective bargaining relief—flat contracts, etc.	no
Baltimore met 7 out of 10 school empowerment benchmarks.		

I. Program Overview

Baltimore City Public Schools has approximately 200 schools with 82,565 students. The student characteristics include 88.4 percent African-American, 7.7 percent White, 2.8 percent Hispanic and 15.3 percent special education; 68.3 percent of students qualify for the free or reduced lunch program.

Andres Alonso became the CEO of Baltimore City Public Schools in the summer of 2007. His governing motto is that "every school should be a school I want to send my kids to." In order to make every school higher quality he has moved quickly to decentralize school finances, empower school principals and offer parents more school choice and higher quality schools. Alonso was able to quickly move toward decentralization because of a unique clause in his contract with the school board which allowed him to be held accountable in exchange for autonomy. The contract states explicitly that individual board members agree not to direct Alonso or anyone on his staff "regarding the management of [the school system] or the solution of specific problems." They agree to refer all complaints to him.[1]

Less than one year after Alonso became the Baltimore city CEO, in April of 2008, the Board of School Commissioners approved the Baltimore City Public School System's decentralization plan called Fair Student Funding on a vote of nine to seven. The Fair Student Funding Plan shifted resources and discretion over those resources from City Schools' central office to its 202 schools and programs. Under the Fair Student Funding Plan schools receive more resources and more flexibility over those resources so that decisions about students can be made by school leaders rather than the central office. This shift in resources reconfigured the central office administration so that it became leaner and more supportive of schools.[2]

Baltimore's Fair Student Funding Plan is based on the following assumptions:

- Create a system of great schools led by great principals who have, with the authority, resources and responsibility to teach all students well.
- Engage those closest to the students in making key decisions that impact the students.
- Empower schools and then hold them accountable for results.
- Ensure fair and transparent funding that schools can count on annually.
- Size the district appropriately–schools and central office–to address the realities of revenues and expenditures.
- Allow dollars to follow each student.
- Put the resources in the schools.
- Ensure that students with the same characteristics get the same level of resources.
- Develop an equitable, simple and transparent approach to help schools get better results for students.

In 2008 Baltimore City Schools faced a $76.9 million budget shortfall. In response, the Fair Student Funding Plan identified $165 million in cuts from the central office to cover the funding shortfall and redistributed approximately $88 million in central office funds to the schools. Schools have dramatic new flexibility over these new resources. Schools can use this new flexibility to redesign their programs

according to their needs and identify the positions they require within their budget.

The Fair Student Funding Plan makes explicit the two types of funding available to school leaders. Budget funds are distinguished as "locked" and "unlocked" dollars. "Locked" dollars are positions or resources tied to compliance and specialized programs that are kept as a central office function. On the other hand, "unlocked" dollars are funds previously controlled by the central office that were devolved to schools for site-based management. The goal of Andres Alonso has been to move as many resources as possible into the unlocked designation.

The money follows the students into schools based on each student's individual characteristics. Under fair student funding, principals have discretion over at least $5,000 per student as a base funding level, up from about $90 in 2007-2008 school year. Schools also receive $2,200 for each student who is struggling academically and $2,200 for each student qualifying as gifted, plus $900 for every low-income student in high school as a drop-out prevention weight. On average, schools will receive more than $9,000 per student, with some of that money designated for specific purposes.

Baltimore schools chief Alonso believes that the weights should be based on academic—not financial—need. Unlike most districts that weight poverty based on the number of children that qualify for the free lunch program, Baltimore weights both basic and advanced academic achievement. Alonso argues that funding should be determined based on students' academic performance at the time they enroll in a school. Alonso argues that if funding is based on the number of students who continue to struggle over time, then schools have a financial incentive for children to continue to perform poorly.[3] Therefore, Baltimore gives additional weights to below-average and above-average students.

Principals are expected to gather community input as they use their discretionary spending power to design budgets that meet students' needs. They will control class size, textbook purchasing and whether to keep positions from assistant principals to hall monitors. If they want an art class or an after-school program, they must rearrange their budgets to make it happen.

Like most districts that are moving to a student-centered budgeting system, the schools are held harmless for some of their losses. The "hold harmless" cap phases in the impact on schools that may have been over- or under-funded in years past and allows for funding to be normalized over a period of years. For the first few years, the amount of money a school can gain will be limited to 10 percent of its budget and the amount it could lose will be limited to 15 percent. In the 2008-2009 school year 125 of the system's 190 schools gained money, with an average increase of $493,570. Twenty-one schools that had received disproportionately higher levels of funding in the past lost money, with an average decrease of $76,822.

The Fair Student Funding Plan creates more transparent budgets. The BCPS now publishes detailed school-level and central office budgets that are easy for parents and the public to understand. For example, the 2010 budget proposal details every central office expense and whether it was devolved to schools, cut altogether or remains as part of the central office budget. For example,

parents can see a central office operations cut that reduces taxi cab usage from 400 to 150 students and saves the central office $2 million, while still providing all 400 students curbside service to their homes with district bus services. In addition, parents can examine every school-level budget and determine whether enrollment is growing or shrinking at individual schools, because the amount of per-pupil dollars that students are generating is clear and linked to enrollment and not staffing.

The proposed 2009-2010 budget continues to redirect more resources to the schools. To close its budget gap and safeguard funding for schools to the fullest extent possible, BCPS recommends eliminating 179 central office positions in FY 2010. Of these, 88 are currently vacant. The employees in the remaining 91 posts would be eligible to fill instructional and administrative vacancies elsewhere in the system. The employees retain their current rates of pay, but they fill positions at the school level or administrative level that would have to be filled with new hires.

Alonso describes the basic assumptions that drive the 2010 BCPS budgeting process:[4]

- There is a finite amount of money.
- Resources in schools will continue to be safeguarded.
- Research and data will continue to guide decisions at the system and school level.
- Those closest to students will continue to make key decisions about programs, partners, supports and staffing.
- Funding to schools and students should be fair and transparent.
- It is about the students.
- The response to a changing budget picture follows the above principles.

The 2010 budget also includes a large-scale reorganization plan, which would close, merge, expand or move about three dozen schools.[5] Low-performing schools that no one wants to attend will be shut or merged with higher-performing and more popular schools. In a March 11, 2009 interview with the *Baltimore Sun*, Alonso said, "we do not want to have a school system where kids are settling for a third, fourth choice."[6]

In addition, the FY 2010 budget proposes partially "unlocking" or making more flexible the spending of special education funds to increase schools' budgetary control. Principals would gain flexibility over approximately $76 million in special education funds. In the past, the central office has determined how many special education teachers to assign to a given school. Now, it would distribute money for teachers based on the number of hours of services that students with disabilities require and principals would decide how to spend it.

In less than two years, the Baltimore school financing model has changed from being funded according to a staffing model to being based on a per-pupil model—fair student funding. The basic principle is that those closest to schools should make key decisions about programs, partners, supports and staffing, and that funding to all schools should be fair and transparent.

By the 2010 school year Alonso will have cut 489 jobs from the central office, re-directing 80 percent of the district's operating budget to schools.

II. Student-Based Budgeting Formula

Under fair student funding money follows the child. Decisions about how to spend that money rest with school communities—those who know best what students need to achieve and succeed. And under fair student funding, all schools receive a per-pupil amount based on student enrollment, which is then weighted according to students' academic needs.

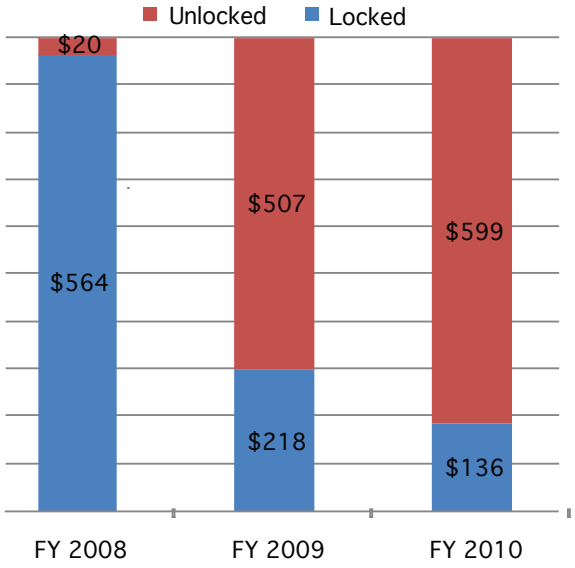
Academic need (basic) is calculated based on students' academic scores on entry to the school. For elementary schools, kindergarten readiness exams are used as the entry score. For FY10, the scores from the most recent cohort are used to represent the need of all students in the school. For schools with students in the middle and high school grades, prior year Maryland State Assessment scores are used to represent student academic need. For fiscal year 2010 the district recommends a basic weight of $2,200 per student. This approach shifts roughly $47M to students qualifying for academic need basic (ANB) weight (in FY 09 was $55M). Since performance outcomes went up, numbers of students who qualify for ANB went down.

Academic need (advanced) is represented by the percentage of students scoring advanced on state tests. For elementary schools, advanced need is calculated based on the percentage of students scoring at the advanced level on both math and ELA tests in grade 1. For schools with students in middle school grades, advanced need is calculated based on the percentage of students scoring at advanced in either math or ELA tests in grade 5. For schools with students in high school grades, advanced need is calculated based on the percentage of students scoring at advanced level in either math or ELA tests in grade 8. For fiscal year 2010 the district recommended a $2200 weight, shifting $24M from base per pupil for students who qualify for academic need advanced (ANA) weight (in FY 09 was $22M). Again, performance outcomes increased and so additional students qualified for ANA.

The basic and advanced weights demonstrate how Alonso is incentivizing academic achievement. In 2010 a smaller amount of unlocked dollars were allocated toward the basic (lower-performing) weight and a larger amount of unlocked dollars were shifted to the advanced weight. It is a positive outcome when the amount of money going to lower scoring students is shrinking and the amount of revenue going to higher performing students is growing—based on higher overall achievement. Alonso plans to try and stop a trend of students performing above grade level when they are young, only to lose that advantage as they age. More than 800 city first-graders in 2008 scored above grade level on standardized tests, compared with 83 seventh-graders. Alonso said that "extraordinary potential is turning into wasted potential. It is a tragedy that those numbers decline so drastically over time. Students don't go from gifted to needing remediation over time because of their contribution. ... It is the school system's failure."[7]

In addition, the basic and advanced weights for high schools receive a $900 drop-out prevention weight for every student that qualifies for the free or reduced lunch program.

In the proposed 2010 budget a



Source: Baltimore City Public Schools

significant amount of special education dollars will be directed to individual schools. Among the funds the central office retained control over in 2008 were special education dollars, largely because of the many and complex spending requirements that accompany them. For next year, City Schools proposes giving discretion over a large portion of these dollars to schools, allowing school communities more leeway in structuring their special education services.

In FY 2010, City Schools proposes partially "unlocking" special education dollars, giving schools flexibility over $76 million. This money accounts for the bulk of the increase in control schools would have over their budgets in FY 2010 (81 percent vs. 70 percent last year), giving them more flexibility to meet the unique needs of the students with disabilities that they serve.

Most of this money (some $64 million) would go toward allowing schools to develop models for educating students with disabilities in inclusive settings. The newly unlocked funds would also allow schools to develop their own plans for implementing the Individual Education Plan (IEP) process for students with disabilities and adjust their class size and funding practices to more equitably meet the needs of elementary, middle and high school students with disabilities.

III. Autonomy

Principals have more control over resources under Baltimore's Fair Student Funding Plan. In FY 2009, the first year of fair student funding, schools went from controlling 3 percent of their budgets to 70 percent. Baltimore City Schools recommends that schools have even more discretion over their General Fund dollars in FY 2010, despite the absence of any significant growth

Fair Student Funding Allocation Rules 2008-2009 How Schools' Budgets Were Calculated	
Base funding for all students except self-contained special education pupils	$3,940 per pupil
Base funding for self-contained special education pupils	$1,282 per self-contained special education pupil (not including devolved $)
Dollars devolved from central office	$1,000 per pupil
Drop-out prevention weight	$900 per high school student eligible for free or reduced-price lunch
Gifted weights	
Elementary Schools	$2,200 per gifted pupil, defined as students scoring advanced on BOTH reading & math grade 1 Stanford 10 tests, extrapolated to school population
Middle Schools	$2,200 per gifted pupil, defined as students scoring advanced on AT LEAST ONE reading or math MSA test; incoming 6th grade scores from prior year extrapolated to school population
High Schools	$2,200 per gifted pupil, defined as students scoring advanced on AT LEAST ONE reading or math MSA test; incoming 9th grade scores from prior year extrapolated to school population
K-8	Treat the K-5 grades as ES and the 6-8 grades as MS
Low-performance weights	
Elementary Schools	$2,200 per low-performing pupil, defined as % scoring "not ready" on the K-Readiness Test
Middle Schools	$2,200 per low-performing pupil, defined as % scoring basic on both tests
High Schools	$2,200 per low-performing pupil, defined as % scoring basic on both tests
K-8	Treat the K-5 grades as ES and the 6-8 grades as MS
Hold harmless caps	
Loss cap	Losses capped at 15% of the current year budget, as adjusted for enrollment, for year 1
Gain gap	Gains capped at 10% of the current year budget, adjusted for enrollment, for year 1
Locked dollars	Unique to each school (principals, vocational/ESOL/JROTC teachers, etc)
Special revenue	Special education and grant dollars allocated out per school given guidelines

Source: Baltimore City Public Schools

in revenue. This next year, City Schools recommends allowing schools to decide how to spend $599 million in General Funds, an increase of approximately $92 million over last year. Schools would go from controlling 70 percent of their budgets to 81 percent in FY 2010.

In Baltimore school principals' autonomy is still bound by negotiated labor agreements. Andres Alonso has stated that as teacher contracts come up for renewal he will work to negotiate to allow principals to have more control over the hiring process and to move toward charging schools actual salaries rather than average district salaries to further provide equal funding between schools with similar students. When schools are charged average salaries, the schools with more veteran teachers are subsidized by schools with less experienced teachers.

Charging schools the actual cost of their employees helps make spending at the school level more transparent to parents and the community.

IV. School-Level Management Support

In order to support principals in their budget decision-making process, teams of central office staff and private sector volunteers (independent school representatives, retired principals, charter operators, colleges and universities) will work with school leaders between March 30 and May 1 to develop school-level budgets. Principals also have access to a high-quality technology budget program that continues to increase functionality based on input from the first FSF in 2009. In addition, there is a helpline established at the central office to field any questions from principals and school communities from March 25–May 1, 2009 about the budgeting process.

Principals also share information about the budget with parent and community members and the school community and provide opportunities for parent and community input on the school's budget priorities. The principal remains responsible for determining what is included in the budget that is submitted to the CEO.

In addition, in 2010 the central office is restructuring the way it provides support to principals and schools. As schools assume more responsibility under fair student funding, the administrative role of City Schools' central office is becoming more targeted to focus on three key functions: guiding schools, supporting schools and holding schools accountable for student achievement. The central office would improve support to schools by creating "school networks" in FY 2010. Under this plan, 14 networks would each serve up to 15 schools and each would be composed of four people—two in the area of academics, one in special education and student supports and one in operations such as finance, facilities, etc. The networks would assume and improve the school "support" or liaison functions now performed by the central office. They would spend most of their time in schools offering one-stop shopping solutions, keeping them from having to navigate the central office's myriad departments. School needs that could not be addressed directly by the networks would get funneled through them to the appropriate central office department.

Because they are essentially a deployment of existing resources to better support schools, the networks are expected to be cost neutral. To measure and ensure the quality of this school support, school principals would evaluate the networks and provide these evaluations to City Schools' leadership.

V. School Site Councils

Baltimore parents gained formal input into school governance under a revised policy approved in February 2009 by the city school board.[8] The 2009 parent and community engagement policy requires that each school have an organized parent group, such as a PTA, that meets at least four times a year with at least 10 active members. In addition, it requires the creation of a School Family Council that will serve as a school's governing body.[9] The council must include at least three elected parents and two community representatives who will advise the principal on the school's budget priorities. The parent and community

representatives will also give direct feedback to Alonso on the principal's yearly budget proposal. Each school must hold at least one public meeting annually to update parents on student achievement, financial information and efforts to engage the community.

VI. School Choice Component

The BCPS is currently transitioning to a more choice-based school enrollment process. The district offers school choice fairs and an open enrollment application process for the middle and high school level in Baltimore. The district offers detailed school choice guides that describe each school and program in detail. Students can apply directly to schools of interest and over-subscribed schools hold lotteries to determine student enrollment. In Baltimore, the elementary school level is still based on a residential assignment process. However, parents can apply for school transfers.

Baltimore is also continuing to build its capacity of new choice-based schools. BCPS has a school choice office called the Office of New Initiatives whose mission is to transform Baltimore City public schools through the creation of innovative, high quality schools, promoting school choice opportunities for students and families. This office oversees the application process and start up of all new Baltimore City public schools–charter, contract and transformation schools. Baltimore has schools of choice with varying levels of autonomy. There are 30 charter schools in the city and 15 more transformation schools, 10 more innovation schools and a few New Schools Initiative schools:

- New Schools Initiative Schools are independent, small schools developed by independent operators. They maintain a level of autonomy in curriculum selection. Students gain admission through a public lottery.
- Transformation Schools serve grades 6 through 12 and each has a specific theme. For school year 2009-10, there will be 13 Transformation Schools.
- Charter Schools are publicly funded and open to all students with no admission, testing or screening. Students are admitted through a public lottery for enrollment and the schools maintain waiting lists.

VII. Accountability

As part of the school district restructuring efforts in 2010 a new accountability office would be in charge of developing a data-driven method to better evaluate schools. Currently schools are held accountable for student performance through school-level profiles that report detailed demographic and achievement data showing annual yearly progress on federal goals under No Child Left Behind as well as overall student achievement on the Maryland School Assessment, disaggregated by grade level and sub-group. The profiles also report school-level suspensions and school enrollment trends.

VIII. Performance Outcomes

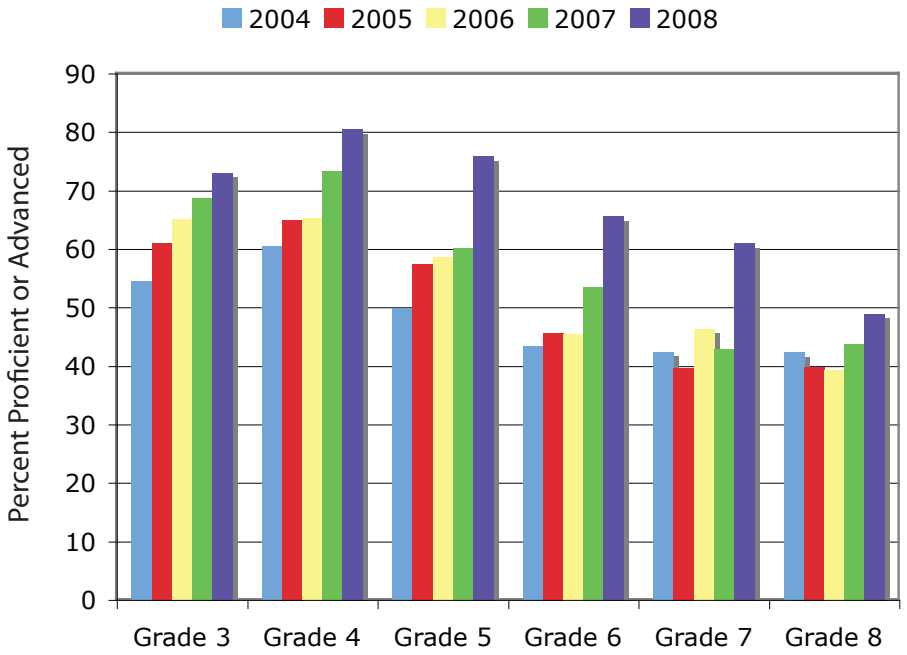
While it is still too early to attribute success to the Fair Student Funding Plan, and several trends have been improving in recent years. On several key measures Baltimore schools appear to be moving in a positive direction.

- Baltimore's Maryland School Assessment scores increased in 2008. Every grade scored higher in both reading and math in 2007-08 than in 2006-07. More importantly, the district saw huge jumps in the number of students scoring proficient or advanced in both subjects.[10]
- District enrollment increased. For the first time in decades, city schools posted a modest rise in enrollment. State officials had predicted the schools would lose about 3,000 students this year; instead, the system saw a net gain of about 800 students, much of it attributable to fewer dropouts between the ninth and 10th grades and to more parents enrolling their children in prekindergarten programs. If the trend continues, it could signal the first time since 1969 that Baltimore's public schools were a growth enterprise.
- High schools lowered the dropout rate. For the last five years, City Schools has lost some 3,000 students between the ninth and 10th grades, approximately one-third of every freshman class. In 2007, for example, only 5,871 of 8,918 high school freshmen returned as sophomores—a loss of more than 3,000 students. This year, by contrast, 2,115 freshmen failed to return as sophomores. That's still nearly a quarter of the class, but it's also about 900 more students than last year that educators managed to keep in school. Cutting dropouts by nearly a third represents undeniable progress.
- In 2007-2008, 82 of City Schools' 152 public elementary and middle schools made AYP, compared to 65 of 153 schools last year—a 26 percent increase. The number of high schools making AYP has nearly doubled in the last year, from 11 in 2006-07 to 21 in 2007-08. For the first time ever, the majority of high schools met the federal standard. This year, Carver Vocational High School exited "school improvement." Four other schools will exit "school improvement" status if they make AYP again next year.
- The high school graduation rate is on the rise. At 62.6 percent for 2007-08, it is the highest it has been since the state started reporting this rate in 1996.
- The number of successful attempts to pass the high school assessment tests in 2008 was up 2,348 over 2007.

IX. Lessons Learned

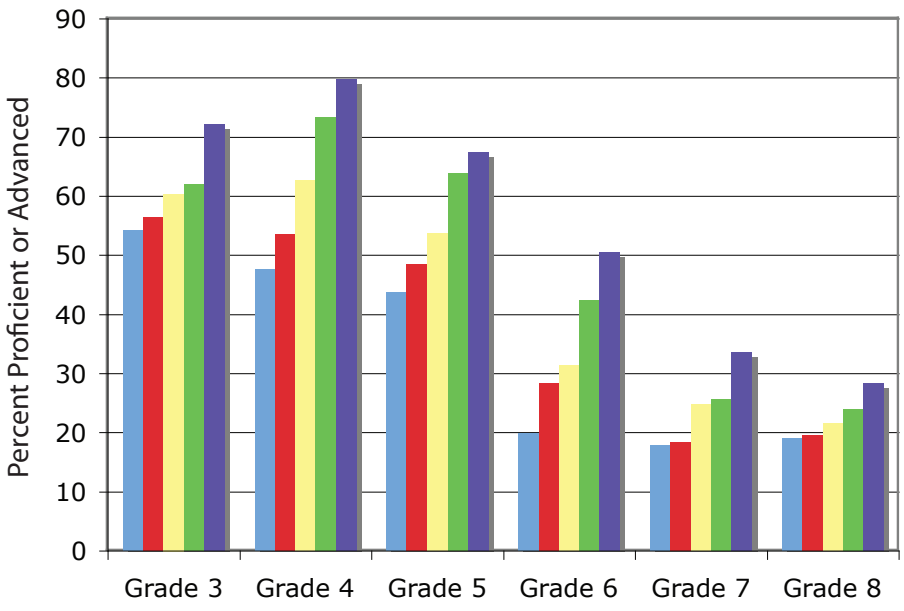
1. Be as transparent as possible about the process of school decentralization. Baltimore schools CEO Alfred Alonso and the school board of commissioners made a commitment to transparency and making all of the documents and decisions surrounding the switch to a decentralized system available to the community through the district Web site and community engagement. Every decision is documented in detail and available to the public.
2. Include information on the school choice process in parent handbooks about charter school options. Public charter schools are a legitimate option for students choosing for middle and high school. Most school districts with open enrollment are not as transparent about charter school options.

Baltimore City Public Schools: Maryland School Assessment Reading
2004-2008



Source: Baltimore City Public Schools, 2008

Baltimore City Public Schools: Maryland School Assessment Math
2004-2008



Source: Baltimore City Public Schools, 2008

3. Incentivize academic achievement and connect the weights to academic performance rather than poverty, as Baltimore has. Low scoring students and high scoring students generate additional revenue rather than low-income students.
4. Close or merge low-performing schools in a timely fashion and let students enroll in more successful schools.
5. Size the central office to direct more money to the schools. Over the last two years, CEO Alonso has made significant cuts to the central office staffing model and freed up 80 percent of the operational budget to go to schools where principals have discretion over budget decisions.

Resources

Board Briefing: Student Weights, Baltimore City Public Schools, March 24, 2009, http://www.baltimorecityschools.org/news/PDF/BoardBriefingStudentWeights.pdf

Fair Student Funding: Promoting Equity and Achievement in Baltimore City Public Schools, Baltimore City Public Schools, http://www.bcps.k12.md.us/News/PDF/councilofgreatschools.pdf.

Proposed FY 2010 Operating Budget: Building a System of Great Schools; A Companion Guide for Parents, Baltimore City Public Schools, http://www.bcps.k12.md.us/news/pdf/FY2010BudgetCompanion.pdf

The BCPS Fair Student Funding Plan and FY 2009 Budget Guide to Supporting Documents, Baltimore City Public Schools, April 21, 2008, http://www.baltimorecityschools.org/School_Board/Budget/PDF/FSF042108GuideSupportingDocs.pdf

To view individual school-level budgets under Fair Student Funding go here for FY 2008-2009. http://www.bcps.k12.md.us/News/BudgetAdjustFSF.asp

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Endnotes

1. Sara Neufeld, "`Beginning of the Alonso Era'; Just Weeks into the Job, the City Schools' CEO is Changing How Business is Done With a Distinguishing Hands-on Style," *The Baltimore Sun*, Pg. 1A, July 16,2007.
2. Sara Neufeld, "School Board Passes Budget; Funding Overhaul Empowers Principals," *The Baltimore Sun*, Pg. 2B, April 16, 2008.
3. Sara Neufeld, "Schools Facing Difficult Decisions; Funding Overhaul Raises Questions On Distribution," *The Baltimore Sun*, Pg. 1B, March 20, 2008.
4. *Proposed FY 2010 Operating Budget: Building a System of Great Schools; A Companion Guide for Parents*, Baltimore City Public Schools, http://www.bcps.k12.md.us/news/pdf/FY2010BudgetCompanion.pdf.
5. Sara Neufeld, "Alonso Presses School Shake Up," *The Baltimore Sun*, Pg. 1A,

March 11, 2009.

6. Ibid.
7. Ibid.
8. Sara Neufeld, "City Parents to Have More Input on How Schools Run," *The Baltimore Sun*, Pg. 4A, February 11, 2009.
9. For more information see the BCPS family engagement policy here, http://www.bcps.k12.md.us/News/PDF/familyengagementpolicyrevisions.pdf
10. Some of the increase may have been attributed to a shorter test that had the same degree of difficulty. See Liz Bowie, "MSA Changes may have Raised Scores," *Baltimore Sun*, July 18, 2008. For a complete analysis of test score increases see: Spring 2008 MSA Results, Preliminary Analysis, Baltimore City Public Schools, http://www.baltimorecityschools.org/News/PDF/MSAAnalysis08.pdf.
11. "A Growth Enterprise; Our View: A Small Rise in Enrollment Offers Hope for Baltimore's Troubled School System and Some Evidence that Efforts to Keep Kids in School are Having Results," *The Baltimore Sun*, Pg, 28A, November 13, 2008.