2013

Weighted Student Formula Yearbook

Best Practices

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Best Practices for Weighted Student Formula Budgeting

This *Weighted Student Formula Yearbook* has examined 15 different school districts, each with its own particular circumstances, program characteristics and performance outcomes. Nevertheless, when taking a broad view of the districts covered in this *Yearbook*, certain patterns emerge. These patterns suggest a set of best practices for student-based budgeting, school-level accountability, school choice, principal autonomy and school-level management support. Taken together, these best practices offer a template for the ideal school reform package—a model that school districts across the country should aspire to replicate. This chapter outlines that model.

1. Best Practices for the Weighted Student Formula

A. Redirect central office resources to the schools.

Districts should redirect central office resources to support schools. Several districts including Oakland, Hartford, New York and Baltimore have significantly reduced costs at the central office and put the money into school-level budgets.

- In Hartford, central office expenses and central services are limited to 30 percent of the budget. This is in contrast to less than one-half of resources being spent in schools and classrooms by Hartford Public Schools in 2006–07. The district achieved this goal with a 20 percent reduction of central office expenses, including the reduction of over 40 district-level positions.

- In keeping with its belief that resources must be in the schools, not in the central office, Baltimore City Schools has cut district office positions by 33 percent (from 1,496 in FY 2008 to 1,001 in FY 2012) and moved $164 million in additional dollars to schools, resulting in direct school funding increases every year since FY 2008. Houston has continued to reduce its administrative costs and direct more revenue to the classroom. The administrative cost ratio has declined from 6.48 percent in 2002 to an estimated 4.01 percent for 2013.

B. Use school-level academic plans to align resources with achievement goals.

A central role of the school site council is to develop a specific plan delineating focus areas for improving student achievement and detailing how resources will be used toward achieving the goals in the academic plan.

- The Saint Paul Public Schools' budget philosophy is that each school site's "school comprehensive improvement plan" (SCIP) will drive the school budget process.

- San Francisco demonstrates the importance of using a weighted student formula in conjunction with school-level academic plans that tie instructional strategies to budgets and outline specific academic goals for each school. The weighted student formula in isolation is just a funding mechanism, but when budgets are aligned with academic goals school leaders can focus on how best to use school-level resources to raise student achievement.

C. Publish detailed school-level budgets.

School-level budgets offer parents and community members transparency to see how money is spent at each individual school. The best school-level budgets offer detailed data about student populations and their specific characteristics and how much money each student population generates for the school. Good school-level budgets also report academic achievement data.

- Hartford Public School District publishes very detailed school-level budgets that report the student populations at each school as well as the funds generated by each group of students. The school-level budgets also include the school's performance data.
- In Houston Independent School District, the budgets report data broken down by the student sub-groups at each school and show the weights and funding for each group of students. In addition, HISD's school-level budgets also report student achievement data for each school.

D. Use foundation grants to support small schools.

Districts should give every school a foundation grant to cover the basic administrative costs of running a school. This allows schools of every size to cover the basics and it does not work against small schools. It allows districts to continue to embrace small schools even under a system that funds schools on a per-pupil basis.

- In San Francisco the weighted student formula gives each school a foundation allocation that covers the cost of a principal's salary and a clerk's salary.
- In New York City all schools, regardless of size or type, receive a lump-sum foundation grant of $225,000. The dollars are not tagged to particular positions, and schools—not central administration—determine whether they need more core administrative staff and fewer teachers, or the reverse. The foundation grant also allows small schools to maintain a core administrative staff.

E. Charge schools actual salaries to increase equity.

New York, Hartford and Oakland demonstrate that it is possible to achieve even more equity by charging schools for the actual cost of their teachers' salaries rather than each district's average salary.

- In Oakland the district charged actual salaries to schools using the rationale that since schools spend most of their budget on personnel costs, using actual salaries in school budgets to calculate school-level costs would better address equity. Oakland implemented the use of actual salaries so that schools with less-experienced teachers would have lower teacher-related costs in their budgets and could redirect this money toward resources (e.g., professional development) that would support and help retain experienced teachers in schools serving larger percentages of high-poverty students.

- New York City charges schools for the average of each school's teachers rather than the school district average. The school-level average more accurately reflects the mix of teachers' salaries at each individual school and allows principals to have more control over the cost of the teachers at their individual school.

F. Devolve district restricted funds into the weighted student formula.

School districts need to reduce their own restricted programs and devolve those resources into the student-based budgeting formula.

- In New York City, the district shifted restricted special education funds into the weighted student formula. New York's Fair Student Funding (FSF) gradually shifts special education funding away from per class type and toward funding individual student needs. In doing this, FSF hopes to emphasize that special education students are an integral part of a school, not a separate subset of students. FSF aims to eliminate the view of special education as strictly prescriptive, immovable and segregated from the kind of innovative thinking that occurs in general education. The full continuum of services is available to serve students, as schools receive special education per-student funding based on the number of periods a day that a student requires special education services, rather than funding based on a specific service delivery model. This should increase schools' flexibility to develop service delivery models or a combination of models tailored to meet the individual needs of the students.

- Hawaii has developed a good test for whether resources should be included in the student-based budgeting formula.[1] Hawaii's "committee on weights" asks a series of questions on very specific criteria to determine whether funds should be added to the WSF allocation:

Hawaii's Criteria for Funds to Be Included in WSF

Program funds are recommended for inclusion in WSF if the funds:

1. Were provided to all schools;

2. Were provided to all schools of a particular level (i.e., high school);

3. Could be distributed equitably by formula;

4. Would provide greater flexibility to the school community, or

5. Were previously distributed in a manner that resulted in an inequity.

For example, in 2008 the Board added the Peer Education Program to the unrestricted weighted funds because all secondary students in Hawaii should have access to the funds.

G. Connect student weights to academic achievement rather than poverty.

Districts should reward academic achievement by connecting the weights to academic performance rather than poverty, as Baltimore has. Low-scoring students and high-scoring students—not low-income students—generate additional revenue.

- In Baltimore the district weights both academic need for students that score basic (below grade level) and academic need advanced (above grade level). The basic and advanced weights demonstrate how Superintendent Alonso sought to make incentives for academic achievement rather than simply offering extra dollars for disadvantaged students. In 2009, 38.94 percent of students were in the lowest academic category, and therefore eligible for the basic weight. By 2012 that had fallen to 30 percent. Similarly, in 2009 15.56 percent of students were eligible for the advanced weight. By 2012 that number had increased to 25 percent. It is clearly 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.

- Denver's "Performance Weight" acts as an incentive tied directly to the district's accountability system. It offers a financial incentive for academic growth and allows schools to have spending discretion over those earned resources. Schools receive a maintenance factor for maintaining high achievement or a growth bonus for moving up each category in the school performance framework.

H. Use hold-harmless strategies to phase-in equitable school-level budgets.

Most districts have a hold-harmless clause that transitions schools to budget equity over two to five years. For example, Poudre School District has established a safety net so that no school will lose more than 20 percent of its current budget. To offset that cost, no school will gain more than 80 percent.

I. Allow schools discretion over purchasing of central office services.

Give schools the resources in actual dollars to purchase central office services and let them choose between competing support systems to decide which central office support functions are necessary for each individual school.

- In New York City, schools utilize an innovative network support system called the Children First Network. Support Funds come from funds formerly controlled by field and central offices and are allocated on a per-school basis. Schools use these funds to purchase their Children First Network Support Team services each year.

Schools are required to pay for services provided by their Children First Network. The level of support varies by network, but they all include instructional supports and coaching, help in using accountability tools, organizational and professional support, and other dimensions of support that relate to a school's educational mission and goals. Each Children First Network offers schools assistance with mandated and operational services related to human resources, payroll, budget and procurement, transportation, food, facilities, safety, extended use, grant management, technology, health, youth services, student suspensions and some elements of special education.

Any remaining funding is flexible and can be used by principals to meet the needs of their students by purchasing additional services or materials such as academic intervention services, professional development, textbooks, supplies and other equipment.

Principals can partner with one of nearly 60 networks to best meet the needs of their students and school communities. Some networks focus on instructional models that support particular groups of students, such as high school students who are over-aged and under-credited. Others are organized around a particular area of expertise or philosophy, such as project-based learning or leadership development. Networks offer school communities an array of high-quality school support options and let them determine which will best serve their students, staff and entire community.

J. Implement weighted student formula to help with enrollment fluctuations.

Student-based budgeting can increase flexibility for budgeting during changing conditions, such as decreases or increases in enrollment.

- Poudre School District demonstrates that student-based budgeting can be a flexible and transparent tool for budgeting when schools are faced with declining enrollment. Rather than schools losing entire teaching positions based on the staffing model when fewer students are enrolled, instead the school loses the money for the actual loss in enrollment—not an entire position. This allows the school to be more flexible about how to handle financial loss in the budgeting process.

2. Best Practices for Accountability

A. Use overall proficiency, value-added measures and movement toward closing the achievement gap to measure school progress.

- In 2008, Denver Public School District launched a "school performance framework" to measure the progress of actual students against themselves and against peers from the entire state of Colorado. This metric not only ensures that all students move forward, it also measures and compares growth year by year. About 60 percent of the framework is based on student growth and the rest of the framework is based on overall proficiency.

- In San Francisco the district uses an academic plan called the "balanced scorecard" to guide school-level accountability. The balanced scorecard focuses schools, departments and individuals on common goals and objectives so that each understands its role in supporting the plan, while also providing a mechanism to communicate progress and feedback throughout SFUSD. The plan outlines a school's programs and strategies for improving student achievement, as well as the responsibilities for everyone involved in that process. In this way it provides a framework for continuous improvement and holds schools accountable for improving student achievement.

B. Publish school-level report cards with user-friendly rating systems.

- In Denver, every public school, except those in their first year of operation, is assigned one of the following accreditation ratings every September using data collected during the previous school year: distinguished, meets expectations, accredited on watch, or accredited on probation. Ratings affect how much support schools receive, corrective action taken and compensation earned by principals, assistant principals and teachers.

- In New York City progress reports grade each school with an A, B, C, D or F to help parents understand how well their school is doing and compare it to other, similar schools. These progress reports are the centerpiece of the City's effort to arm educators with the information and authority they need to lead their schools and to hold them accountable for student outcomes. The reports also provide parents with detailed information about school performance, both to hold their schools accountable and to inform family decisions.

C. Use performance-based pay as an incentive for school improvement.

Several districts have combined performance pay with student-based budgeting to provide even more incentive for teachers and principals to raise student achievement with the resources at their discretion.

- As part of the accountability framework, Denver Public School District operates a groundbreaking teacher pay system called ProComp, along with a principal compensation system that rewards improved student achievement and commitments to work in hard-to-serve schools and hard-to-staff assignments. ProComp is a nine-year bargained agreement between the Denver Classroom Teachers Association and Denver Public Schools that is designed to link teacher compensation more directly with the mission and goals of DPS and DCTA.

- In 2008 the Houston Independent School District implemented a new accountability process called the ASPIRE (accelerating student progress and increasing results and expectations) model. This overarching initiative connects all of HISD's educational improvement efforts and encompasses innovative technology solutions, professional development and communications. ASPIRE's system of value-added analysis helped HISD increase student achievement and reward those who help students make strong academic progress. As one of the largest performance-pay plans in the nation, in 2008 the ASPIRE Award Program recognized more than 10,000 teachers and other school personnel with more than $23 million in bonuses. The district also broadened performance management, making everyone in the central office more accountable for the quality of support provided to ensure successful teaching and learning in every classroom. ASPIRE has now become even more rigorous. For example, teachers who ranked in the top half no longer are guaranteed bonuses. They either had to meet certain thresholds, or to rank in the top 25 percent or 30 percent. The district paid out $17.6 million in bonuses in 2013.

D. Invest in data systems that offer teachers and principals "one-stop" data centers for student information and strategic planning for academic goals.

- The New York City Department of Education has invested in the technology and data systems necessary to allow schools to use evidence from student performance to inform their strategic planning and accountability goals. The "achievement reporting and innovation system" (ARIS), is a groundbreaking tool introduced in 2007 to help teachers and principals raise student achievement. ARIS gives educators access in one place to critical information about their students—ranging from enrollment history, diagnostic assessment information, credits accumulated toward graduation, and test scores to special education status and family contact information. ARIS combines this information with an online library of instructional resources and with collaboration and social networking tools that allow users to share ideas and successes with other educators in their school and across the City.

E. Give parents real-time online access to information about their student's performance and classroom assignments.

- In Cincinnati an online program called PowerSchool offers every parent in the district real-time access to their student's progress including assignments and grades. Each classroom maintains a computer with Parent-Connect to allow parents access at the school.

F. Close habitually low-performing schools and redirect resources to expanding higher-quality school options.

- Hartford has employed an aggressive strategy of closing low-performing schools and redirecting resources to higher quality new schools. Since the 2006–07 school year, the district has changed 34 schools to improve school quality: redesigning 17 schools, converting 11 schools to magnet status, opening 3 new schools, and permanently closing 3 failing schools. The district also encouraged the growth of its higher performing schools by enrolling more students in those classrooms. Schools whose average percent of students proficient in reading and math exceeds the state average are among the fastest growing schools in the district, increasing their enrollment by just over 10 percent in the 2012–13 school year.
- Denver also demonstrates that closing under-enrolled and low-performing schools can redirect scarce district resources to students who previously were enrolled in the closing schools, and that money can follow those students into newer higher-performing schools. It also can provide additional resources to create new high quality schools.

- A recent analysis by Education Research Strategies (ERS) found that since student-based budgeting (as "Fair Student Funding") was implemented, Baltimore strategically closed 26 (13 percent) of its lowest-performing and under-enrolled schools and replaced approximately 40 percent of the district's principals by the end of FY 2009. The ERS analysis shows that the schools that closed had lower average attendance rates, utilization rates and proficiency levels than the schools that remained open. Since 2009, Baltimore moved 11 percent of students (8,600) into higher-quality schools with reading and math scores that were higher than both the closed schools and the district average.

3. Best Practices for School Choice

A. Embrace open enrollment.

Several *Weighted Student Formula Yearbook* districts are "all choice" districts. This means students can enroll in any school on a space-available basis and schools that are oversubscribed use a lottery to allocate spaces.

- In March 2013, the Boston School Committee approved a new school choice plan for kindergarten–8th grade to give more students access to quality schools closer to home. The plan will take effect for the 2014–2015 school year and replaces the existing three-zone system created in 1988. The new plan offers families all the choices within a mile of home, plus more choices a little farther away if needed to assure their list includes at least three high-quality schools, plus city-wide schools. Every applicant will have at least six choices. In addition, Boston maintains a complete open enrollment system for high school students in which they rank their top high school choices and are not constrained by residential assignment.

- In Denver the link to the school enrollment process is simply titled "School Choice: Selecting a School." Students may enroll in any school in the district, regardless of where they live, so long as there is space available and they meet the entrance requirements. Parents can research Denver schools through the School Choice Enrollment Guide or by attending school fairs and individual school visits. The district also runs a new SchoolMatch website where parents can enter desired school features and get a list of matching schools. For example, parents could search for "schools that serve 6th grade, meet expectations on the School Performance Framework, and offer world languages and after school programming." SchoolMatch will then generate a list of schools and the "match strength" of each school up to 100 percent.

The district's school choice process allows parents to prioritize five school preferences and matches these preferences with each school's admission priorities and available space. Oversubscribed schools select students using a lottery process. Denver uses a "one-application" process where all schools are on the same timelines and include most schools on the application, including district charter schools.

- In June 2013 Newark Public Schools introduced a plan that ends residential assignment and will allow students to choose any public school in Newark. The plan, called One Newark, would allow families to fill out one application to apply to their school of choice—charter or regular—listed in order of preference. The new system will end the practices of automatically enrolling children at neighborhood schools or forcing parents interested in charter schools to enter multiple charter school lotteries.

B. Use technology to manage the school choice process and create an online enrollment process

- Poudre School District implemented an online process for school choice applications. The process provides parents the opportunity to complete and submit their application from the comfort of their own home and eliminates the need to take the application to the school and/or schools where they are applying. Other benefits of the online system include providing parents the opportunity to apply for multiple schools with one application. Parents will receive an automatic confirmation number that can be printed and kept on file for reference, and the first consideration lottery process will now be automated.

C. Offer open enrollment for middle and high school students to start.

- Several districts started their open enrollment systems by allowing older students to choose between schools. This policy can help high school students select a school that better meets their interests and ultimately helps to retain students in secondary education.

4. Best Practices for School Autonomy

A. Give principals discretion over a large percentage of a school district's operating budget at the school level.

The key indicator for a robust WSF system is the amount of money that follows a child to the school level. In order for principal autonomy and local decision-making to be meaningful, principals must actually have the resources in real dollars to align with instructional goals. The other components of a school

empowerment system will be weaker if the money that follows students is not enough to incentivize principals and other school leaders to better serve students in order to keep the public dollars for those students. In fact, a promising finding from the *Weighted Student Formula Yearbook 2013* is that both correlation and regression data suggest that higher budget autonomy—a larger share of district budgets allocated to the school level on a per-student basis—is associated with better school district performance.

- Oakland's strength is the budgeting discretion it provides to schools as it continues to move larger amounts of unrestricted funds and restricted funds to the school level. For example, even as Oakland Unified is forced to make significant budget cuts because of declining enrollment and California's budget crisis, the majority of reductions were made at the central office, and the district worked to protect the unrestricted funding that goes to schools.

B. Negotiate collective bargaining relief with unions.

Several districts demonstrate that it is possible to negotiate with unions for a range of concessions that give principals more autonomy over school-level decisions that were previously constrained by collective bargaining rules.

- In September 2012, Boston Public Schools signed a new contract that gives schools more local autonomy including staffing and hiring flexibility so school leaders can select the right teacher for every classroom, replacing an outdated seniority-driven system. The new contract achieves the goal of offering all BPS schools access to similar flexibilities that the district's successful Pilot, Turnaround, In-District Charter and Innovation Schools already enjoy.

- Hartford Public Schools principals also have discretion over staffing decisions and a collective bargaining contract, ratified in 2008, which allows flexibility for longer school days or years and more control over scheduling, such as block scheduling.

- New York and Denver have an "open market" teacher hiring process where principals can interview multiple candidates and make decisions about which teachers will best fit with their schools.

5. Best Practices for School-Level Management Support

A. Set the level of district intervention and support based on student performance update.

- Since 2009 Cincinnati has grouped schools according to performance, with a progression of services provided according to need. High-performing schools receive coaching only by request, improving schools receive part-time coaching, and schools in need of academic intervention receive intensive,

prescriptive coaching. The district has three "turnaround teams," each consisting of a principal and two lead teachers that work with the district's lowest-performing elementary schools.

- Hartford demonstrates the value of a clear accountability matrix that evaluates and sets the level of autonomy for each school based on student performance. Low-performing schools face intensive intervention from central office teams and eventual closure if performance does not improve.

B. Create "Principal Academies" to train principals to be entrepreneurial leaders.

Many districts that have implemented student-based budgeting from New York to Denver provide intensive professional development and training for principals using independent principal academies that are developed by nonprofits, universities or through other district partnerships. These principal academies are designed to train and empower principals to be strong entrepreneurial and instructional leaders.

C. Provide extra district support during the budgeting cycle.

Many districts offer intensive support during the budget cycle with hotlines for principals or specific one-on-ones with budget analysts to provide extra support during the months principals are developing their budgets.

D. Redesign central office support.

- In Baltimore the central office is restructuring the way it provides support to principals and schools. As schools assume more responsibility the administrative role of the district 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." Under this plan, 14 networks would each serve up to 15 schools, and each would be comprised 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, and they would offer schools one-stop shopping solutions, keeping them from having to navigate the central office's myriad departments. To measure and ensure the quality of this school support, school principals would evaluate the networks and provide these evaluations to district leadership.

Conclusion

This *Yearbook* profiles 15 school districts, detailing how each has implemented weighted student formula financing systems and examining how their students are performing.

Districts that have embraced a decentralized "school empowerment" approach to governing individual schools and adopted weighted student formula budgeting systems *should* be making progress toward more equitable outcomes, with all students making gains in academic achievement. If parents have the right to choose a school and the "money follows the child," this *should* provide schools with an incentive to better serve students.

However, Reason's analysis finds that weighted student formula districts display a wide range of performance outcomes for their students. One factor that seems to explain this divergence is the extent of the decentralization that districts have implemented. In districts with larger portions of state, local and federal dollars following students to the school level, performance outcomes have a positive relationship with the school-based budgeting funding allocation.

Ultimately, this is one of the most promising findings to come from our analysis: both correlation and regression data suggest that higher budget autonomy—a larger share of district budgets allocated to the school level on a per-student basis—is associated with better school district performance. This finding deserves careful future research to document the extent to which weighted student formula policies can play a role in improving the quality of public education in the United States.

The finding also suggests that of all of the best practices outlined in this concluding chapter of the *Weighted Student Formula Yearbook*, it may be those that relate to the amount of funding going directly to the school level—and the degree of flexibility principals and school-site councils have in spending it—that have the greatest potential to deliver better educational outcomes for America's children.

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Endnote

[1] For more on Hawaii's weighted student formula see *Weighted Student Formula Yearbook 2009*, http://reason.org/news/show/weighted-student-formula-yearb