Approaches to District Financial Analysis

GATES Foundation Meeting

"Meeting the Growing Demand for School District Financial Analysis"

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Part I – Frameworks for State and Local School Finance

Importance of cost-based funding

- Equal educational opportunity by funding schools based on the cost of doing business in local communities.

- Understanding cost requires:
  - identification of the educational goals you are trying to achieve;
  - the needs of the students you intend to serve; and
  - the prices of the inputs you need to use

Cost-based funding: *easier said than done*

- **Limitations of educational production functions (input/output analysis)**
  - Difficult to identify all of the outcomes
  - Difficult to measure them outcomes
  - Difficult to understand the technology
  - Studies focused on a limited set of outcomes.

- **Education is more than a collection of test scores.**
  - We need recognize a broader sets of goals.

- **What works can't be adequately capture by multivariate models**.
  - It requires engagement with practitioners, parents, and other members of the local community including business owners and students.
  - Moreover, it was complicated enough that it was not going to be possible to develop a one-size fits all model.

- **We need easy to understand models for determining**
  - How many dollars you need – adequacy -- and
  - Simple ways of equitably distributing dollars – Federal → States → LEAs → Schools

PJP Guiding Questions for Cost Modeling:

THINK G.E.E.R.

- **Goals:**
  - How will your program design help you achieve your goals?
- **Efficiency:**
  - How does your design minimize cost?
- **Evidence:**
  - In what ways is your design supported by research evidence or your own experience?
- **Realities:**
  - How does your program design fit the realities in your state, and does it have a reasonable chance for implementation?

FORMULA BASED ON COST FACTORS

Determine what are the factors that affect costs – start with understanding the factors that affect variations in all spending across districts.

- Variations in spending are based on:
  - Cost -- minimum expenditure to achieve the goal
  - Choice -- how much to spend and on what

- Cost factors include:
  - Price – unit price of an input
  - Need – additional inputs necessary to achieve a goal
  - Scale – size/density of the operation

Desirable Properties of Funding Mechanisms I

- **Adequate and Equitable**
  - *Adequate.* Funding is sufficient for all districts to provide appropriate programs for the unique population of students served.
  - *Student equity.* Funding is distributed to ensure comparable program quality regardless of where the student attends school.
  - *Wealth equity.* The availability of overall funding is not correlated with local wealth.
  - *District-to-district fairness.* All districts receive comparable resources for students who are comparable with respect to their needs.

- **Transparent, Understandable and Accessible**
  - The funding system and its underlying policy objectives should be transparent and understandable by all concerned parties.
  - The concepts underlying the formula and the procedures to implement it are straightforward and "avoid unnecessary complexity."
  - Allocations stemming from the formula should be replicable using publicly available data, calculation tools, and associated documentation.

- **Cost-Based** – Funding received by districts for the provision of specific programs tailored to their unique population needs should be linked to the costs they face in providing these programs.

- **Minimizes Incentives** – The funding formula should minimize incentives to increase funding through over-identification or misclassification of students with respect to special needs, manipulation of enrollment size, or both.

Desirable Properties of Funding Mechanisms II

- **Reasonable Administration Costs**
  - Costs to maintain and update the funding system are minimized at both the local and state levels.
  - The data requirements, recordkeeping, and reporting are all kept at reasonable levels.

- **Predictable, Stable and Timely**
  - The funding system allows policymakers to predict future demands for funding accurately.
  - State and local education agencies can count on stable funding across years.
  - Local education agencies (LEAs) are provided expected funding sufficiently in advance to allow them to develop a plan to allocate resources properly.

- **Flexible** – To address their specific circumstances and unique local conditions, LEAs are given maximum latitude in how resources are used, in conjunction with a strong outcome accountability system that includes review of resource allocation planning.

- **Outcome and Spending Accountability**
  - State monitoring of local agencies is based on various measures of student outcomes.
  - A statewide system for demonstrating satisfactory progress for all students in all schools is developed.
  - Schools showing positive results for students are given maximum program and fiscal latitude to continue producing favorable results.

- **Political Acceptability** – Implementation avoids any major short-term loss of funding and no major disruption of existing services.

LINKING THE STATE TO THE LOCAL MODEL: *STRATEGIC SCHOOL FUNDING FOR RESULTS (SSFR)*

MISSION STATEMENT:

*The purpose of the **SSFR** project is to implement and evaluate the impact of a comprehensive approach to local school finance and governance reform with the goal of creating the conditions for improved human resource management and a more equitable distribution of both resources and student learning opportunities.*

SSFR is funded by the Institute of Education Sciences (IES), Hewlett Foundation, and Ford Foundation.

Five elements of SSFR as a core reform strategy:

- ***Equity***
- ***Autonomy***
- ***Accountability***
- ***Transparency***
- ***Choice.***

Theory of Action behind SSFR

- ***SSFR achieves equity by implementing student need-based funding model.***
  - *The Targeted Revenue Model or TRM supports allocating dollars, rather than staff, to schools based on student need.*
- ***SSFR links school autonomy to accountability.*** *This component builds on the need-based funding model by*
  - *providing increased autonomy for schools over how dollars are used and*
  - *holding them accountable for the results (i.e., student outcomes).*
  - *Autonomy is granted based on performance evaluation and demonstration of success (hence the term "strategic")*
    - *SSFR creates demand from school leaders for more discretion over the means to success.*
    - *To support school autonomy, SSFR includes a site budgeting tool: needs assessment, goal setting, program design, and allocation of dollars to inputs using various revenue sources*
- ***SSFR promotes increased transparency*** *by*
  - *simplifying and clarifying the processes by which resources are allocated to schools,*
  - *increasing the participation of a wide range of stakeholders in the design of these processes,*
  - *improving the access by stakeholders to information on resource allocation, and*
  - *simplifying the structures that support resource allocation decisions.*
- ***SSFR encourages expanded educational choices*** *offered to families and children*
  - *to create an element of competition among schools for clientele– provides them a way to express preferences*
  - *By linking school autonomy, accountability, transparency, and choice, SSFR encourages a culture of school innovation to attract students and families, and*
  - *By providing structured site-based budgeting tools in the context of a fixed revenue constraint, SSFR fosters school leaders to operate efficiently to produce the best possible results.*

What differentiates the SSFR from the State level model?

- *It works within the limits of the available revenue from federal, state and local sources*
- *It focuses on the development of tools that support resource allocation and improved decision making at the central office and school site.*
  - *The TRM – for allocating central office resources to schools and provides them with discretion over how the sites use their dollars*
  - *The SITE Based budgeting tool creates a structure that permits each school site to do something like what the State level PJPs do with the exception that they are operating with a limited budget.*
    - *It asks the central office to specify the parameters of the goals for the sites.*
    - *It asks the sites to add goals relevant to the community they serve.*
    - *It asks them to develop a program designs*
    - *And finally it asks them to specify the resources to deliver on that design, and to figure out how to staff it.*

Part II - Selected Examples from State and District Studies

Implicit Weight Analysis

Changes in the Relationship Between Spending and Student Poverty

- **Question:** Did relationship between per-pupil spending and student poverty become stronger after implementation of Weighted Student Funding?

- **Methodology:** Estimated spending/poverty relationship for pre- and post-implementation years:

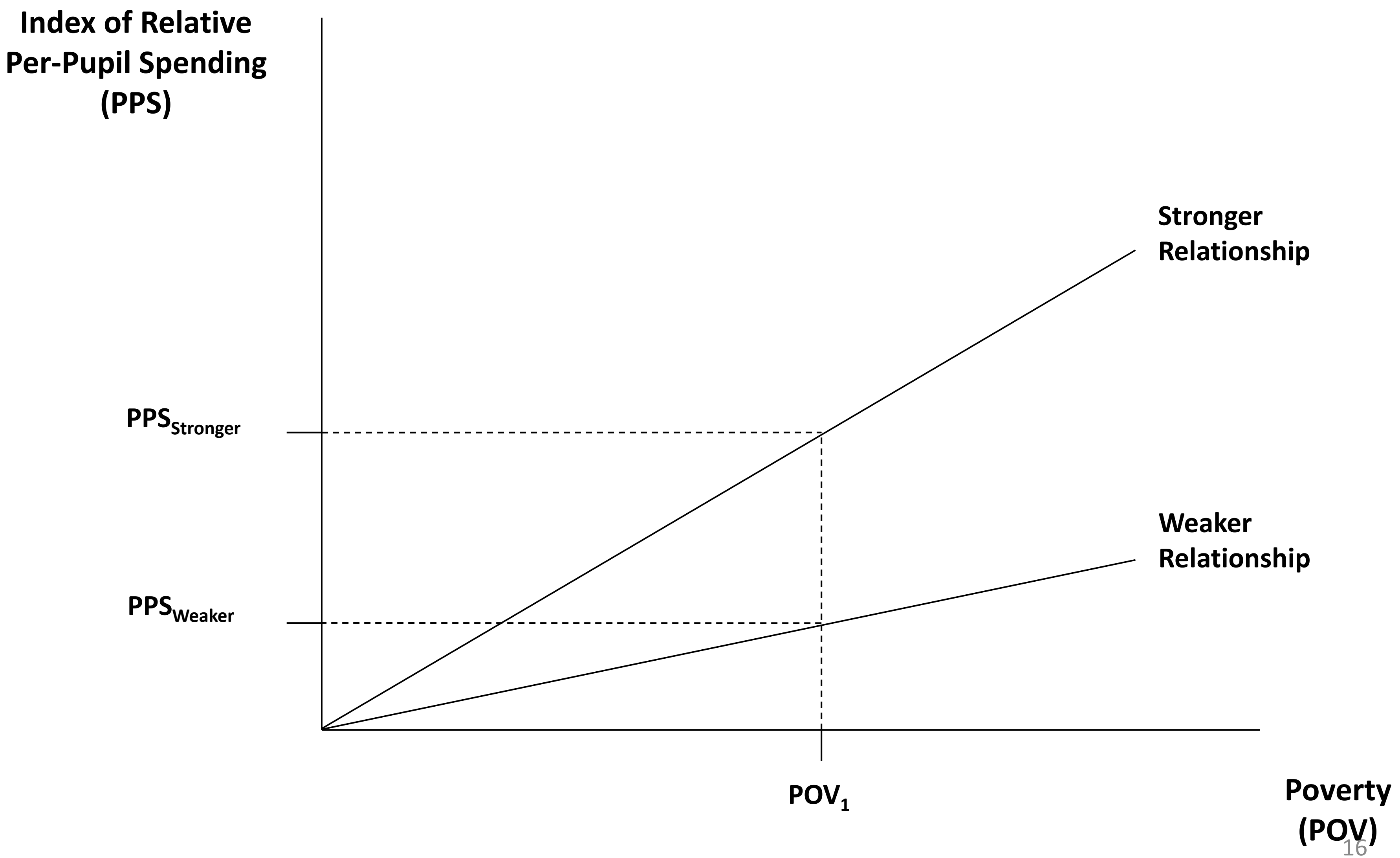
  Per-Pupil Spending = f(Student Poverty, School Size)

  Analysis performed separately for:

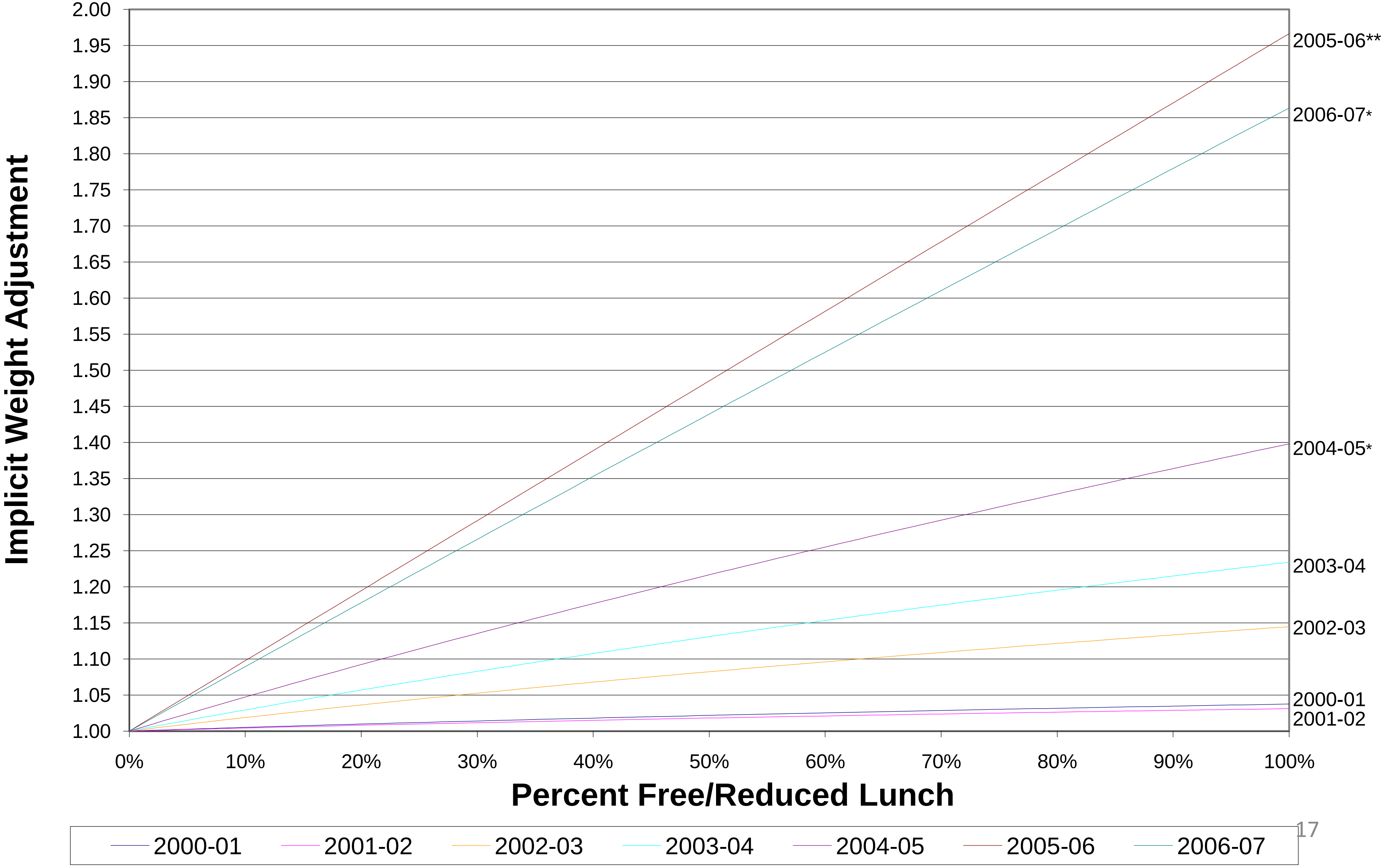
  - Elementary versus middle/high schools
  - Spending made with unrestricted (general purpose) versus restricted (categorical) dollars

- **Interpretation:** Implicit poverty weight profiles show how much more was spent per-pupil across school poverty levels relative to similarly sized school with no students in poverty.

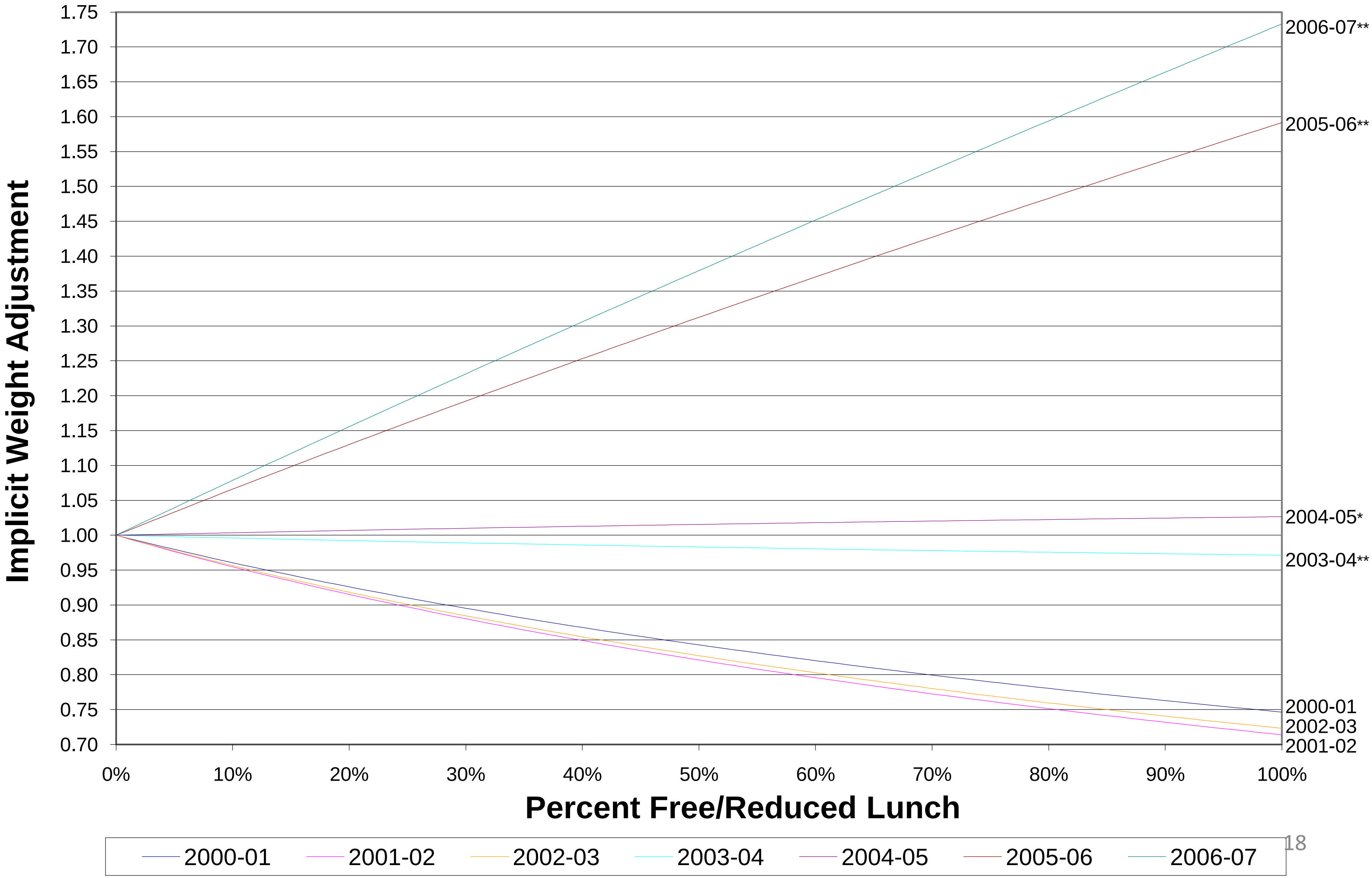
Graphic Example of Relationship Between Spending and Poverty



Stronger Relationship Between Middle/High Per-Pupil Spending and Poverty After Implementing WSF in SFUSD

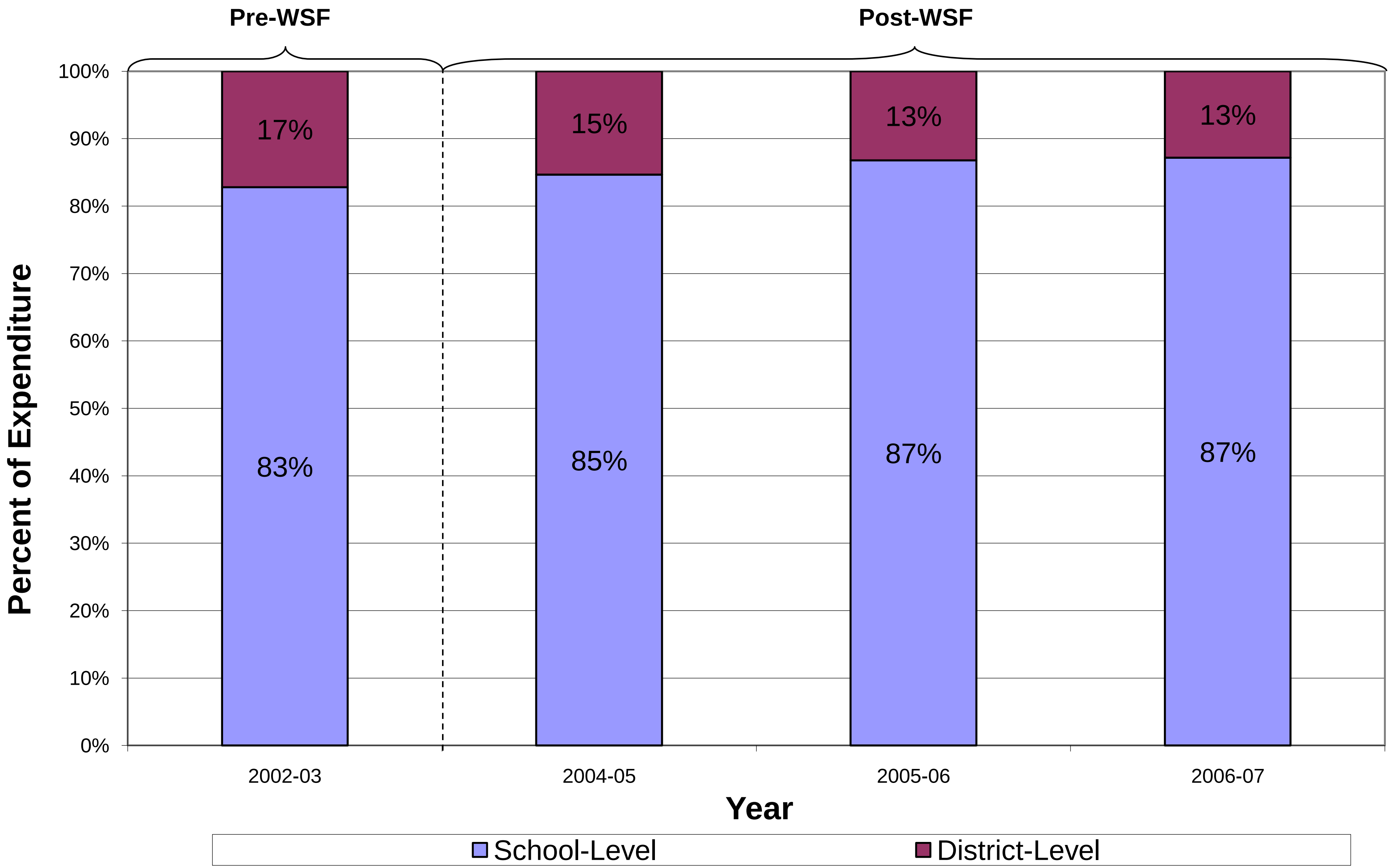


Stronger Spending/Poverty Relationship After Implementing WSF in SFUSD Driven by Unrestricted Dollars



Analysis of Spending Discretion at the Central District Office Versus Schools

Share of Per-Pupil Expenditure* at Central District Office and Schools in Oakland (2002-03 and 2004-05 to 2006-07)



* Note: Expenditure does not include the following object categories: Capital Outlay, Other Financing Uses or Other Outgoing Expenditures.

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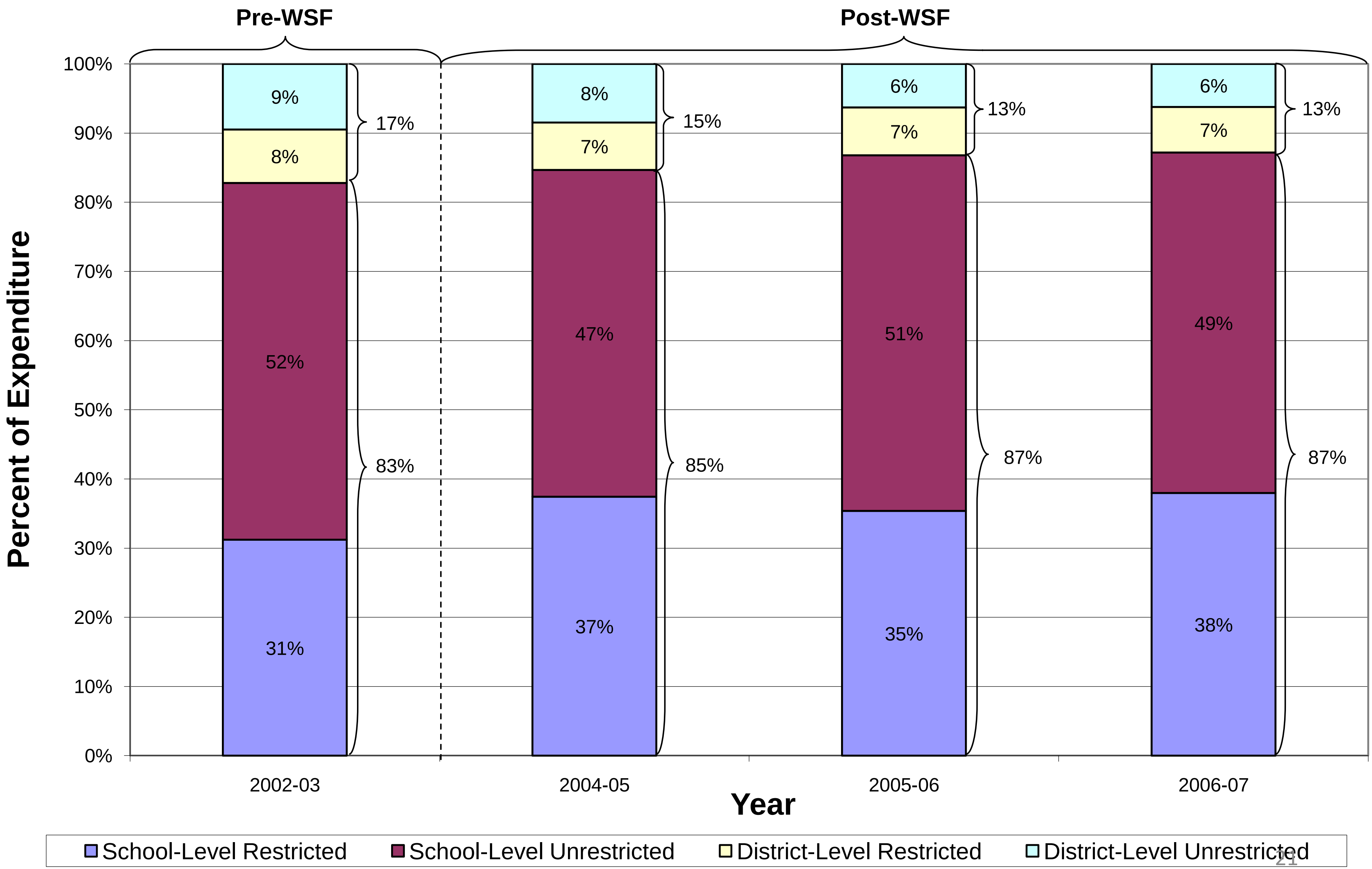

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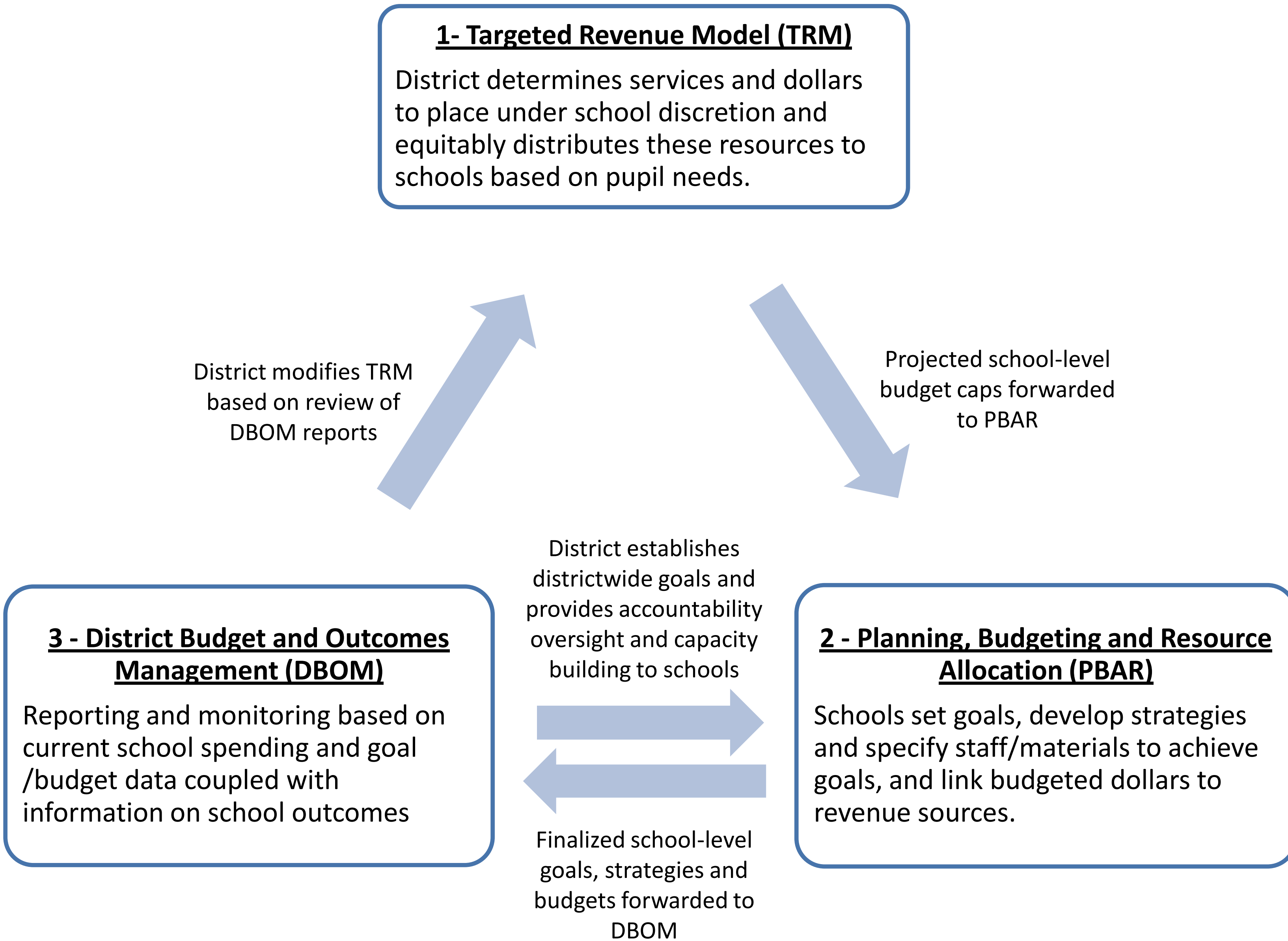
Strategic School Funding for Success Tool Suite

Goals for Building a Suite of Resource Allocation Tools

- **Alignment of Goals**
  - State
  - District
  - School
- **Connect Goals, Strategies and Resources in Transparent System**
  - Link to Accountability
  - Increase District and School Capacity
  - Improve Efficiency
  - Promote Equity
- **Increase Engagement of Key Stakeholders by Providing More Control Over Means to Success**
  - Central Office Leaders
  - School Leaders
  - Community Leaders

Overview of SSFR Tool Suite



Targeted Revenue Model (TRM)

- **Purpose** – to facilitate increased **equity**, **efficiency** and **transparency** in the distribution of resources.
- **Description** – TRM is a mechanism for allocating dollars to schools that promotes the following:
  - ***Equity*** by distributing *dollars* to schools based on student needs.
  - ***Efficiency*** by giving schools more direct control over the means to success (dollars).
  - ***Transparency*** through simple-to-use model to calculate dollars available to each school.

Planning, Budgeting and Resource Allocation Tool (PBAR)

- Engages and includes both school leaders and community stakeholders in decision-making process.
- Explicitly connects district/school goals, strategies and resources:
  - Fosters more thoughtful and innovative school planning.
  - Provides transparent information for district to monitor progress and provide planning/capacity building support if needed.
  - Feeds into a knowledge base of school plans/budgets and outcomes.
- Provides school leadership with greater control over the means to success.
  - Represents a shift from traditional staffing model by providing dollars instead of positions to schools.

District Budget Management and Outcomes (DBOM)

- **Purpose** – To provide centralized inputs into TRM and PBAR, and report output to facilitate central office monitoring of site planning and budgeting for student achievement to assess short-term and long-term goals.
- **Description** – Provides district input data for decision-making and tools:
  - Goals and Accountability
  - Student Demographics
  - Student Performance
  - Payroll
  - Fiscal
- **Value added for the district**
  - *Improves alignment of targeted resources*. Helps align student needs, program designs and strategies, and resource allocation to evaluate where resources need to be targeted.
  - *Provides a knowledge base*. Provides an accessible knowledge base in the form of a program design library that can be shared with other principals/school leadership teams.
  - *Provides comparative benchmarks*. Creates outcome benchmarks against which progress of individual schools can be compared.

Information on the Internet

- Weighted Student Funding in Oakland and San Francisco:
  - http://publicportal.ousd.k12.ca.us/19941081118112585 0/lib/19941081118112585 0/A_Tale_of_Two_Districts_Final.pdf
- Strategic School Funding for Results website:
  - http://www.schoolfundingforresults.org

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