



# Ensuring Equal Opportunity in Public Education

*How Local School District Funding  
Practices Hurt Disadvantaged Students and  
What Federal Policy Can Do About It*

June 2008

Made possible  
with support from



---

# ENSURING EQUAL OPPORTUNITY IN PUBLIC EDUCATION

How Local School District Funding  
Practices Hurt Disadvantaged Students  
and What Federal Policy Can Do About It

---

## Introduction by

John Podesta and Cynthia Brown

## Papers by

Phyllis McClure  
Ross Wiener  
Marguerite Roza  
Matt Hill

Center for American Progress  
June 2008

---

# **Funding Schools Equitably**

Results-Based Budgeting in the  
Oakland Unified School District

---

**Matt Hill**

Oakland Unified School District

June 2008



## Introduction and Summary

**D**uring the early 2000s, the Oakland Unified School District embarked on a reform initiative that was focused on achievement, accountability and equity. Through their analysis, the leadership team at Oakland Unified realized that there were disparities in student educational outcomes and resources between the schools located in high-income neighborhoods and low-income neighborhoods. To correct this issue, the leadership team embarked on a path to equity via funding and budget transparency.

To accomplish this they implemented a new budgeting system called Results-Based Budgeting, which combined elements of Student-Based Budgeting and School-Based Management. SBB is a system that distributes dollars to schools on a per-pupil basis rather than allocating money in the form of staff positions, programs, and other resources. SBM is an organizational structure in which school districts allow decisions about the allocation of resources to be made at the school level, usually by a principal and a committee of teachers. This new Results-Based Budgeting system pushed dollars out to school sites and used actual site-by-site expenditures to develop budgets. In conjunction with its other reform initiatives, the Oakland Unified School District has been the most improved large, urban school district in the state of California over the last three years. Since 2002, Oakland Unified has seen its state Academic Performance Index rise from 568 to 658.

This paper addresses why and how the Oakland Unified School District changed the way it funded schools. Through this revolutionary process, Oakland Unified was the first district in the country to take on the funding inequities that have plagued our schools. By reflecting upon our school districts' challenges and successes, we can learn ways to address the current loophole that exists today in the Elementary and Secondary Education Act of 1965 (known today as the No Child Left Behind Act) Title I comparability provision discussed elsewhere in this volume. This paper will focus on the following topics:

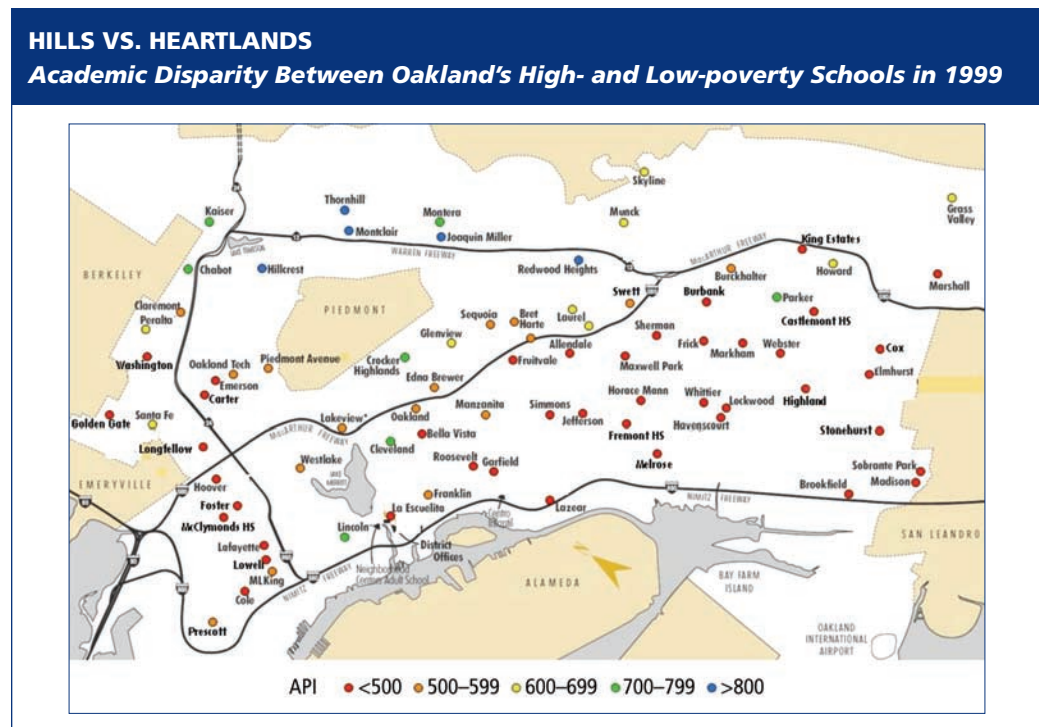
- **Background on Oakland Unified's Expect Success Initiative**—a short overview of the Oakland school district's history and budget reform strategy.
- **Funding Allocation Issue**—a brief overview of the issue of Oakland's traditional approach of using average expenditures when budgeting for schools.
- **Oakland Unified's Solution**—an explanation of Results-Based Budgeting, how it differs from other models, and how it addresses the funding allocation issue.

- **Implementation of Results-Based Budgeting**—an explanation of the phases of implementation, with key activities highlighted in each phase.
- **Results**—current academic, equity, and financial successes that demonstrate our school district is heading in the right direction.
- **Challenges and Lessons Learned**—key lessons learned that can be used when considering the implementation of this type of model.
- **State and Technical Assistance Needed**—suggestions for federal and state authorities to consider when planning on how to help districts address the inequities caused by our funding models.

# Background on Oakland Unified School District and its Expect Success Initiative<sup>1</sup>

The Oakland Unified School District started its reform initiatives in 1999 when parents and community members were upset about the deplorable conditions of the schools. Schools were overcrowded and underperforming, with inequities existing throughout the district. Oakland Unified’s lack of equity can be demonstrated by what locals call the “Hills vs. Heartlands” divide. In 1999, Oakland’s “hill” schools (see top of map, below) had lower free-and-reduced-lunch-program, or FRLP student populations—an educational proxy for poverty—and higher academic results than our “heartland” schools (see bottom of map).

In 2000, Oakland Unified’s Board of Education adopted a policy that focused on small autonomous schools—beginning the process of breaking up large high schools into smaller schools. This movement influenced leadership to look differently at how the District funded schools. Then, in 2003, the school district experienced a fiscal crisis that led to a state takeover. Additional challenges included chronic academic underachievement and lack of equitable funding between individual schools.



Source: Academic Performance Index data from the California Department of Education.

In the fall of 2005, the Oakland Unified School District, the Bay Area Coalition for Equitable Schools, and their partners in the community launched an ambitious plan to transform an urban school system that had struggled to meet the needs of children and families in every neighborhood of the city. This effort, called Expect Success, expands on grassroots reforms started in Oakland over the last decade, and brings in best practices, new ideas, and common sense from some of the most successful and innovative educators in North America.

The Oakland Unified School District started with a clear vision statement to guide the work: “In partnership with our community, we are creating an exceptional public school system with high standards of teaching and learning for every student, and high standards of service to our schools.” To implement this vision, the district set a number of five-year goals (see box below).

Introducing change is never easy. Where Oakland has made progress, it has done so by honestly addressing the shortcomings

of its school system—shortcomings that are profoundly felt in the achievement gap that exists between students from different neighborhoods, different races, and different economic levels. This effort is called Expect Success because it’s about raising expectations of Oakland faculty, staff, and students to a much higher level, and making sure they have the systems and support they need to achieve them.

Oakland’s approach isn’t complicated. It’s about having good people and using best practices in places that encourage academic success. It’s about respecting educators and providing them with needed support, while building a strong professional culture in every school. It’s about investing in teachers and school leaders, and then holding them accountable for meeting higher expectations. And it’s about reaching out in a serious way to neighborhood groups, churches, families, rank-and-file teachers, students, businesses, and organized labor to involve them all in making the greatest difference in students’ lives.

Expect Success has attracted an unprecedented level of financial support to the

## Expect Success

### *Oakland Unified’s Five-Year Goals*

- All students will graduate prepared to succeed in college and the workplace.
- All students will read and write at or above grade level by the end of 3rd grade.
- All students will succeed in algebra by the end of 9th grade.
- All students and adults will respect one another and work together across cultures.
- All employees will be high performers.
- All schools will be clean, healthy, and safe.



Oakland schools from local and national donors, who collectively have contributed more than \$28 million over the past four years. Some of the changes funded by this effort are highly visible: the creation of new neighborhood schools to give all families more quality educational opportunities, and the reorganization or closure of programs that were not attracting sufficient enrollment or meeting high standards for students. Other changes, such as a more effective management structure, better technology for educators, and more empowerment for school leaders, might go unnoticed by the city at large, but are important nonetheless.

Expect Success has been a very ambitious plan that has taken a hard look at many aspects of educating the children of Oakland. Some opponents have sug-

gested that the leadership team was taking on too much at once, but given the data at the time, something drastic had to be done. Too many students were not receiving the skills necessary for them to succeed in life. Incremental changes were not going to be enough to remedy systemic issues that were plaguing the children of Oakland.

Today, the Oakland Unified School District currently operates 142 schools (107 regular public schools and 35 charter schools) serving over 44,000 students, including charter students. 38 percent of our students are African American, 33 percent Hispanic, 16 percent Asian, 7 percent white, and 6 percent other. Of these, 68.4 percent are eligible for the free and reduced lunch program.

## Overview of the Funding Equity Issue

When the Oakland Unified School District was wrestling with its many challenges in 2003, the leadership team decided to tackle an issue that it had been discussing for the past couple of years. Traditionally, schools in the Oakland school district had been staffed based on a formula that allocated teachers based on the number of students enrolled in a particular school. Costs for employees were allocated using average salaries and benefits. Data showed that while this system provided an equitable number of teachers, it did not necessarily provide for equitable funding of those teachers. The reason: Individual school sites have staffing costs that vary significantly due to the seniority of teachers.

The issue affected Oakland's "heartland" schools the most since they had a disproportionate share of new teachers, and the actual salaries at those schools were lower than the "hill" schools. In essence, the "heartland" schools ended up paying for the "hill" schools' teacher salaries instead of having the additional funding available to support their own programs. Therefore, new teachers, who most needed a more supportive environment and the mentorship of a stable staff with veteran leadership, were usually left without any additional supports.

Often the result has been that these potentially excellent teachers have stayed only a year or two before leaving the school, the district or the profession. Over time, the experience curve at the different schools became polarized, to the detriment of the students who attended the "heartland" schools.

As Marguerite Roza indicates in her research, the inequities in teacher salaries between high- and low-poverty schools is prevalent in urban districts across the country.<sup>2</sup> Many advocates from across the country had hoped that the No Child Left Behind Act might offer a strategy to help equalize the discrepancy in funding by providing additional funds to schools with high Free and Reduced Lunch Program, or FRLP students, a common educational proxy for levels of poverty.

The language of the Title I provision of NCLB, however, continued to allow districts to take advantage of a loophole created by traditional budgeting practices. Because all districts (except for Oakland today) use a budgeting system based on average teacher salary figures, it allows them to easily demonstrate comparability when determining whether Title I and non-Title I schools have equal expenditures before federal funds are added to a Title I school. Traditional budgeting models that use staffing ratios to allocate resources create a comparability loophole.

Under this type of budgeting model, districts use actual salaries to calculate total teacher compensation. But because school budgets are developed using a staffing ratio that is based on average salaries, Title I and non-Title I schools demonstrate comparable expenditures when in reality the difference can be quite stark.

Some school districts, such as the Houston Independent School District, started down the path of rectifying this issue, but no district had successfully resolved it—until Oakland Unified. With the support of many key stakeholders, the Oakland Unified School District was determined to rectify this problem.

## Oakland Unified's Solution: Results-Based Budgeting<sup>3</sup>

### Overview

The Oakland Unified School District's solution was called Results-Based Budgeting. RBB is a budgeting process designed to allocate funds in a way that follows the child. The process is based on a per-pupil formula that takes into account all of the school district's expenses. After the allocation amounts are determined, schools are then provided local autonomy in return for accountability in making data-based decisions that lead to results as demonstrated by improved student achievement sustained over time. RBB is focused on four key tenets:

- Transparency
- Equity
- Accountability
- Autonomy

Oakland Unified's end goal is to create communities of learning in every school where there are opportunities for new teachers to learn from experienced teachers, and where there are opportunities for experienced teachers to mentor new hires and learn from their innovative approaches. Results-Based Budgeting in the district is designed to make this happen by maintaining fiscal responsibility, promoting more effective and efficient decision-making around the use of funds in support of student achievement, and addressing systemic inequities in funding allocations.

The term Results-Based Budgeting begins with the word "results" because this is the primary goal of the process. It is designed to empower school administrators by giving them control over their resources so they can best serve the needs of their students in the most effective and efficient way possible. After all, how can we hold principals accountable for student achievement if we do not give them the resources they need alongside the opportunity to use those resources to address their students' particular needs?

Control over these resources provides site administrators with the ability to make choices about how best to serve the needs of their students. The Oakland Unified School District expects such individual school or site control to increase the responsiveness of district schools to their specific conditions, and thus expects RBB to better meet the needs of students, teachers, and staff. The result: sustained improvement of academic achievement (see box on page 79).

## School-by-School Accountability

### *Objectives for Results-Based Budgeting*

- Allow individual decision units (school sites and central office departments) to develop budgets aligned with desired results.
- Connect decisions regarding use of resources to incentives for efficiency.
- Give principals and department heads more control over the conditions of success to increase effectiveness.
- Distribute resources in a more equitable manner.
- Create greater and broader autonomy for decisions and results.
- Create transparency in the budget process to allow greater access by staff, community, parents, and students, and build trust.
- Develop and use better data to drive decision-making.

In addition, site administrators have an incentive to change their site's cultural norms around control and minimization of miscellaneous expenses that reduce funds available for use in the classroom, such as unnecessary copying or substitute costs, because every dollar saved on extraneous expenses remains in the site's budget. In exchange for such control, sites will be held accountable for sustaining academic improvement. Specifically, all of the District's schools are expected to continue their progress toward achieving the key results for all children.

### Comparison to other models

Results-Based Budgeting builds upon two forms of organizational reform that have become popular in urban districts throughout North America over the past 20 years: student-based budgeting and school-based management. RBB builds

on School-Based Management and Student-Based Budgeting systems, and takes these principles further by using actual salaries and average daily attendance (see page 80).

### ***Traditional Budgeting based on Staffing Ratios***

Traditional-based budgeting models use staffing models because it is easier for districts to manage the complex urban education funding system. This staffing model, however, causes many inequities, which happen for a number of reasons. Specifically:

- Schools of different sizes benefit differently from the central office's allocations of, say, librarians and counselors.
- Teacher salaries continue to get distributed unfairly.

- Complex school accounting procedures—Oakland Unified manages over 125 resources, such as Title I and Title II—make it difficult for outsiders to compare budgets from school to school.

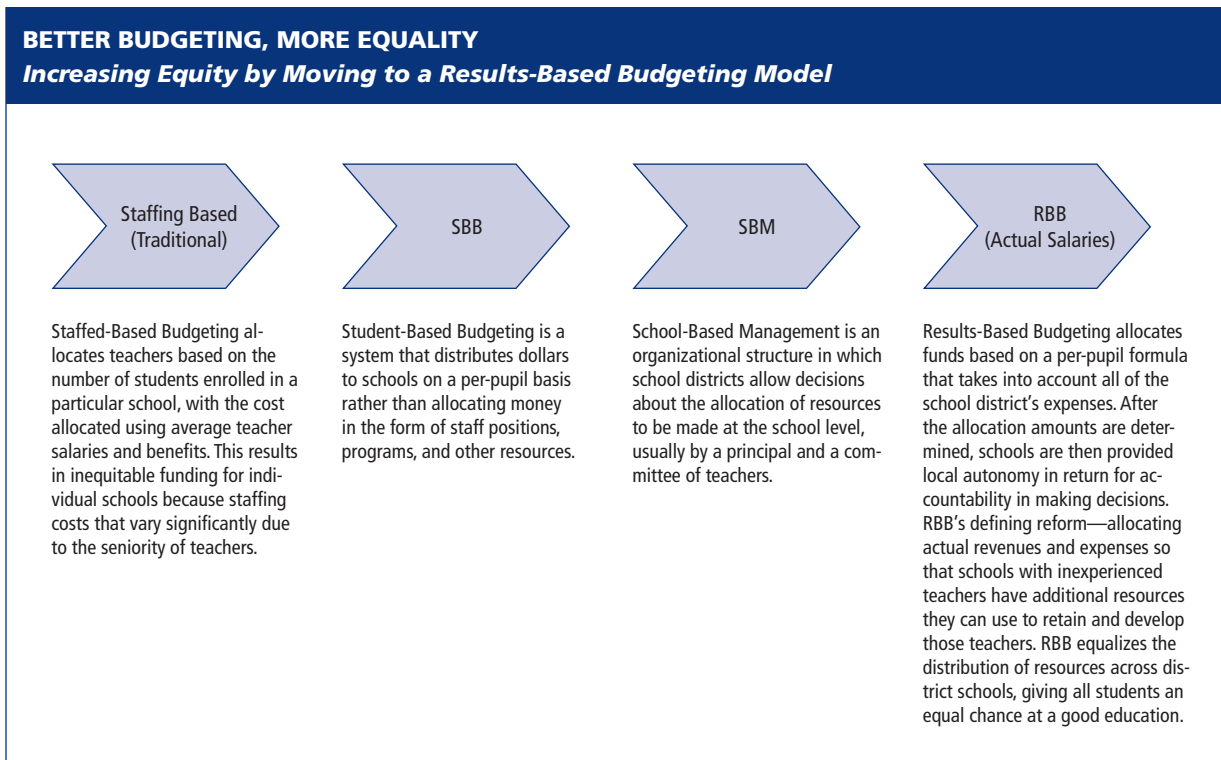
### Student-Based Budgeting

Student-based budgeting is a system that distributes dollars to schools on a per-pupil basis rather than allocating money in the form of staff positions, programs, and other resources. Proponents of SBB (sometimes also referred to as Weighted Student Funding) believe it will increase equity and transparency. Unfortunately, this only holds true for the revenue side of the budget equation. Revenues are allocated on a per-student basis, which means the system is transparent and equitable on how those funds are utilized.

But in order to have true transparency and equity, SBB needs to focus on the expense side of the budget ledger. When districts calculate a school’s expenses based on average district salaries instead of actual salaries of that particular school’s staff, then the outcome is often inequitable. Using average expenses does not represent the true costs of serving a child. Through the use of average salaries, schools that have less-than-average labor costs must bear the burden of covering the costs of schools that have higher-than-average labor costs. This difference will be illustrated below in our comparison of two schools pre-RBB and post-RBB.

### School-Based Management

School-Based Management is an organizational structure in which school districts allow decisions about the allocation of



resources to be made at the school level, usually by a principal and a committee of teachers. Districts using SBM control the quality of the education that schools deliver by evaluating the outcomes of the schools, instead of telling schools exactly how to educate their students. Arguments for SBM focus on the increase in quality that comes from delegating decision-making powers to the schools.

SBM is thought to improve performance by putting power in the hands of the people who have the most control over results. Many experts believe that teachers and principals know what the students in their schools need better than district central offices. When school leaders control how resources are spent, they can use them to fund innovative programs that meet the particular needs of the community. Principals will be more zealous about eliminating waste when they have control over the money they save.

SBB and SBM have been implemented in many districts other than Oakland: Seattle, Houston, Chicago, and most famously Edmonton, Canada. Edmonton Public Schools credits the enormous gains in public satisfaction with the school system over the last 30 years to the implementation of SBM and SBB in the 1970s. Several delegations of leaders from Oakland Unified visited Edmonton to learn from its model before launching RBB.

### Results-Based Budgeting

The Oakland Unified School District's budget system is different from typical implementations of SBM and SBB in two important ways. First, under RBB school budgets are calculated based on average daily attendance and actual enrollment rather than projected enroll-

ment. In order to do so, the district must revise school budgets in November—after the school year has already started. This means that a school can lose money if its attendance was lower than its average for the prior year, or if enrollment for the current year is below projected levels.

Oakland Unified chose to base budgets on actual enrollment and attendance because if it had based them on projected enrollment then it would be allocating a different amount to the school than it actually receives in revenue from the state, and quite possibly giving schools money the district did not earn. In addition, RBB gives principals a very strong incentive to increase both attendance and enrollment. Nevertheless, the November budget revision unquestionably complicates the budget planning process for principals.

The second way RBB is different is that teacher salaries in the Oakland Unified School District are accounted for by using actual expenditures versus average expenditures. In contrast, U.S. school districts that use SBM and SBB account for teacher salary expenses on an individual school basis using the district's salary average, which means that the district "charges" the schools the same amount for every teacher—regardless of whether that teacher is a 20-year veteran or a new teacher, even though the district pays those teachers very different amounts.

School districts that use SBM and SBB systems do not solve the problem of inequitable funding. Schools in high-income communities are still better able to attract high-paid experienced teachers, and because of the average salary system they don't have to account for the extra cost of those teachers in their school budgets. More affluent schools appear to

have the same budgets as other district schools, but only because they're receiving veteran teachers at no cost. Under RBB, schools with newer teachers receive additional funds that allow them to bring in teacher coaches, expand programs, or reduce class sizes.

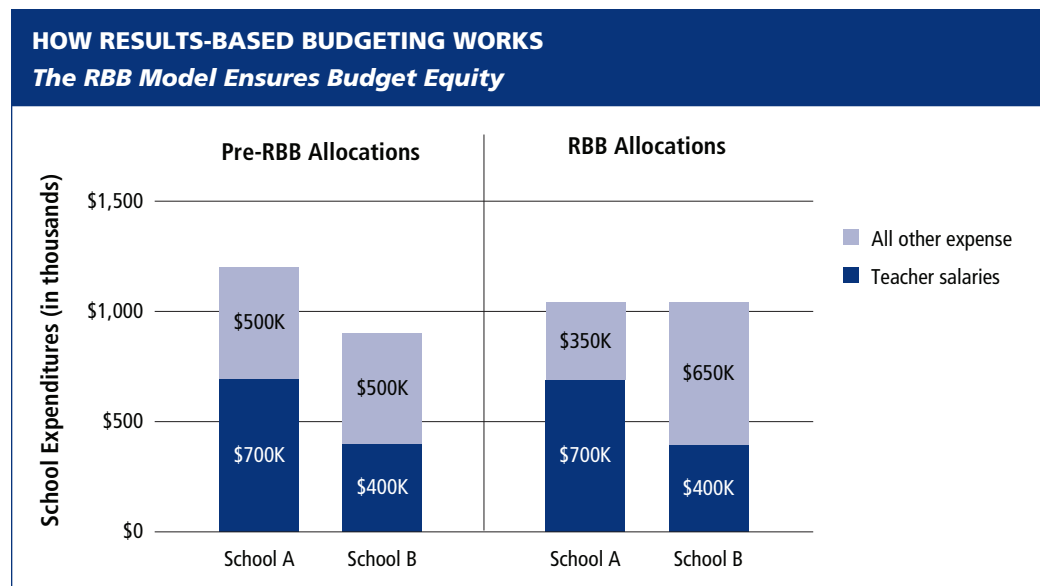
Consider the two following examples, the first is a traditional, SBM- or SBB-run school district, and the second is Oakland Unified's RBB-run district. In the first case, imagine two schools under an "average teacher salary" scenario—School A and School B. The two schools each decide to hire 10 teachers. The average salary of teachers in the district is \$50,000, so each school pays  $10 \times \$50,000 = \$500,000$  in teachers salaries. School A, however, attracts 10 veteran teachers who receive salaries of \$70,000 each (\$700,000 total), while School B has 10 newer teachers who receive \$40,000 each (\$400,000 total). The district actually pays those teachers very different amounts based on their experience, yet it charges each school the same amount—\$500,000. School B, which

actually needs more teaching resources, is in fact receiving \$300,000 less in teaching expertise.

Under RBB, this story ends differently. School A and School B would receive the same amount of money on a per-pupil basis. School A now has to pay for the additional experience it is receiving through higher teacher salaries, and School B now has extra money to spend on additional learning materials, professional development, or overtime hours for its teachers.

This is RBB's defining reform—allocating actual revenues and expenses so that schools with inexperienced teachers have additional resources they can use to retain and develop those teachers. RBB equalizes the distribution of resources across district schools, giving all students an equal chance at a good education.

One case in point: Oakland Unified's Think College Now elementary school. David Silver, the founding principal at Think College Now, had a very inexpe-





rienced team during his first couple of years. Under RBB, he was able to use the additional resources he received to bring in coaches to support his new teachers. Over the past couple of years David has been able to retain much of his team, and now has a more experienced staff of teachers. He acknowledges this has caused his labor costs to increase, leaving him with fewer funds for coaching and other services. Yet he says this is a tradeoff he will make every time because his students are benefiting from having experienced teachers, and boast the academic results to prove it. Think College Now was named a California Distinguished School in 2008.

The use of actual teacher salaries is the most revolutionary aspect of RBB. No other school district in the country did this before Oakland (currently no other district has implemented an actual salary model), including districts known for having innovative SBM and SBB models, such as Cincinnati, Milwaukee, and Houston. Opposition to RBB is in part due to strong resistance from teachers unions, which argue that schools would fire experienced teachers if they were more expensive. Advocates of RBB counter that good teachers are worth their weight in gold, as illustrated by David Silver's success with his Think College Now elementary school.

## The Genesis of Oakland Unified's Results-Based Budgeting

**R**BB has been part of the Oakland Unified School District's policy dialogue for several years. The site decision-making policy was passed by the Board in 1999 and provided schools with great control over decision making at their sites. The small schools policy, which was passed by the Board in 2000, started the process for breaking up our large high schools. Both of these policies laid the initial ground for the introduction of the RBB system. The district's 2002 strategic plan called for greater site-level autonomy over budgets. Then a principals' committee was formed in 2003 to study results-based budgeting, culminating in a Board resolution in support of site-based budgeting. Here's a detailed description of how these decisions played out in practice.

### Phase I of RBB: Change Budgeting Systems

Oakland Unified's Under Superintendent, Dennis Chaconas, had been experimenting in 2002 with a new budget system based on the feedback of the community to ensure equity for all students. At the time, Oakland used a traditional method of allocating resources to schools in which the district decided the staffing level for each school based on enrollment size. Those resources were purchased by the district and then distributed to the schools.

In 2002, Oakland Unified decided to exempt seven of our recently established small high schools from this system. Instead, each small school would receive a budget based on the same way the district received its funding—the average daily attendance of the students enrolled at that school multiplied by a per-student allocation determined by the district. After the principal received their revenue, he or she could determine the best use of the funds. This small school, site-based budgeting system was the “Beta version” of what was to become RBB.

The Oakland school district had two key building blocks when developing site-based budgeting. First, the Oakland Education Association, or OEA, Oakland's teachers union, supported the idea of giving more budget decision-making power to schools. Second, each school had some experience with deciding how to spend funds because they already had control over NCLB Title I money. Therefore, every school with Title I money (most Oakland schools) should have already had in place a process for making group decisions about how to allocate financial resources.

At first, there were only a few small schools, and their budgets did not have a significant impact on Oakland Unified's overall budget. As the number of small schools grew, how-

ever, the Office of School Reform had to determine whether or not the small schools were getting their fair share of Oakland's resources. That meant calculating how much money every student in the district could be getting, and comparing it to the resources actually being allocated to schools.

The Oakland school district did these calculations, and discovered that the system was, indeed, unfair. Under the staffing model the school district was not allocating the appropriate amount of revenue on a per-student basis.

### **Phase II of RBB: District-Wide Implementation and Development of Tools and Support**

By the 2003–2004 school year, 14 schools were using a per-pupil funding formula. Following the two-year pilot program, RBB was launched district-wide in all of Oakland's schools for the 2004–2005 school year.

Implementation was a grueling process. Staff from the Office of School Reform and the finance department single-handedly designed and launched the entire system within three months without any additional support from outside organizations and without developing a formal implementation process. Instead, staff had to personally walk every principal through the budgeting process on their laptop.

The time pressure was immense. The process involved huge Microsoft Excel spreadsheets that had to be emailed back and forth between the principals and central office and then manually consolidated and uploaded into the district's financial system.

The unrestricted funding allocation formula was developed based on extensive modeling using an analytical approach to determine the range of the base level funding and an empirical approach to determine specific allocations. A decision was made that Oakland Unified would set the funding amount at a level that would:

- Push most schools to cut their costs to a minimum
- Equitably fund schools that had been underfunded in the past
- Stay within a total expenditure amount for all schools

As an inevitable reality, the transition to a formula required that some schools would be allocated insufficient unrestricted revenue to operate their schools regardless of any adjustments they could make.

Consequently, the school district agreed that it would provide transitional funding—from a local parcel (property) tax for these schools—for a period of one to three years in lieu of requiring massive involuntary transfers that would be highly disruptive to many school communities. Therefore, no teachers were forced to change schools, and school communities had the time to structure their programs and support systems to match their funding.

In order to create the RBB funding allocation, district staff modeled budgets for every school as though they would have been funded in the traditional way using staffing formulas (based on student enrollment) to determine staffing allocations, and using current average salaries to determine the cost of these positions. The staffing formulas were based on formulas used in the staffing alloca-

## Overview of the RBB Formula

### *Adjusting the RBB Process*

1. In cases of historically underfunded schools, funding allocations were adjusted up to minimum expenditure levels required to operate the school; for historically overfunded schools, allocations were leveled down in order to begin addressing the issues of equity.
2. Transitional funding (amounting to approximately \$3 million out of a budget of \$479 million over a three-year timeframe) was provided to bridge the gap in funding that resulted from the district's choices not to:
  - a. Achieve the target funding by having the most needy students bear all of the burden
  - b. Disrupt school communities and lose teachers by massive involuntary transfers
3. Work was started within the district's human resource and labor department to begin shifting provisions and practices that have supported or allowed the inequity in distribution of teaching resources. This work is consistent with other goals of recruiting and retaining teachers and establishing balanced staffing at all schools so that professional learning communities that utilize the strengths and address the needs of veteran and novice teachers can be addressed.

tion process in 2003–04. The total site expenditures, using this modeling process, established a minimum total expenditure level for sites given the current configuration of schools and projected enrollment.

This minimum total expenditure level was used as the target in developing the funding formula allocations. In other words, the formula was designed to develop school budgets that would be as close as possible to the minimum total expenditure level for sites. Every principal then worked with a team made up of the executive director, fiscal analyst, human resources staff, labor analyst, and accountability Teacher on Special Assignment to create a balanced school-level budget for the 2004–2005 school year.

As the teams worked through this process, it was apparent that indeed, some schools could not balance their budgets given the constraints of the union contract and

their current staffing costs. As a result, the funding formula was adjusted to ensure that these schools could operate in 2004–2005 (see box above).

### **Phase III of RBB: Provide Additional Support and Evaluate Model**

In the 2005–2006 school year, the school district implemented an online tool to help principals and financial service employees to manage budgets. We also rolled out additional training sessions and guides to support our principals on how to build their budgets.

In the 2006–2007 school year, the school district better integrated our school site planning process with our budget process so that principals, teachers, and families could see the connection to programmatic choices and the budgets that they

developed. This school year we have implemented technology to create an online integrated school site planning and budgeting process. We have also partnered with the American Institutes for Research to analyze the results of our RBB strategy. AIR is collecting qualitative and quantitative data to provide to us, so that we can better understand the impact of our budgeting process.

### **Phase IV of RBB: Analyze Results and Perform Continuous Improvements**

Starting this summer, we will enter into the next phase of our work by reviewing the research of AIR and identifying ways to improve our budgeting process and tools so that we can reach our goals of equity and high student achievement for all of our students. One interesting preliminary finding is that overall the average

teaching experience at our “hill” schools is still higher than our “heartland” schools.

This will require additional research to determine why this is occurring and which schools are outliers. Some questions that we will explore include:

- What are “heartland” schools doing with their extra funding?
- Is it having an impact on student achievement?
- Are there labor policies discouraging veteran teachers from going to heartland schools?
- What will be the impact of not having the veteran teacher support subsidy?
- How has our small schools initiative affected teacher distribution?

## Oakland Unified School District's Progress to Date

In the last three years, the Oakland Unified School District has made significant progress in improving academic performance, ensuring equitable outcomes for all students, and restoring public confidence in the district, particularly in the area of fiscal responsibility. It is the most improved large urban school district in the state of California over the last three years. While these results cannot be tied to one single initiative, RBB has been a critical component to our equity strategy to ensure that we are focused on raising student achievement for all of our students.

### Academic Performance

Oakland Unified continues to make progress on the Academic Performance Index, gaining 7 points for an API district total of 658. This increase makes our district the most improved large urban school district in the state of California over the past three years. The API summarizes a school district's performance on California's standardized tests (see charts on page 99).

### Equitable Outcomes

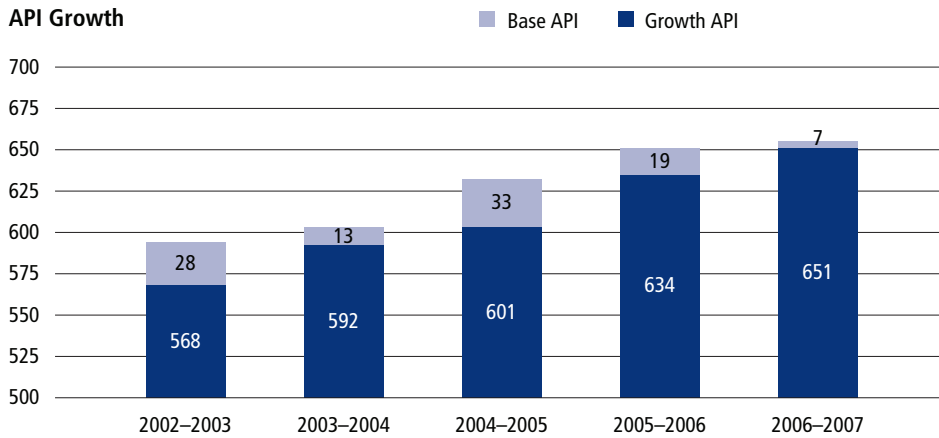
Every subgroup of students in the Oakland Unified School District made gains on the API in the 2006–2007 school year. Several student populations demonstrated particularly impressive progress in their API performance.

Filipino and Pacific Islander student populations, for example, made large strides, gaining 27 and 41 points, respectively, on the API. Other subgroup populations, such as Asian and students with disabilities, made noticeable gains as well. In addition, from 1999 to 2007 the API scores have increased for all of our schools and substantially for our “heartland schools” (see map on page 83).

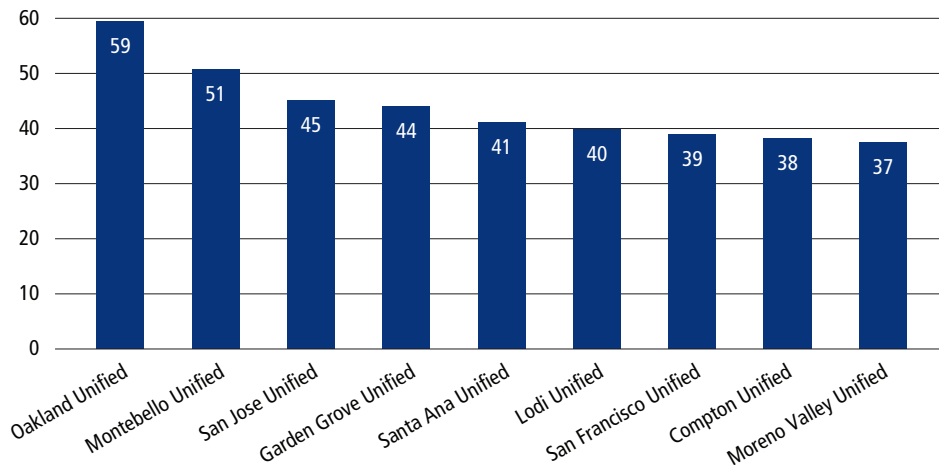
### Fiscal Responsibility

Oakland Unified has made great strides toward improving its financial condition between 2003 and 2007. In 2003, the adopted budget General Fund balance for 2002–03 was negative \$59.7 million (both unrestricted and restricted), and our legally required reserve was not budgeted. In addition, we received a negative certification

**OAKLAND'S IMPROVING ACADEMIC PERFORMANCE**  
*The District's Academic Performance Index Gains Over the Past Three Years*



**Number of Points Added to API Scores from 2004 to 2007**  
 (California School Districts > 20,000 Students)



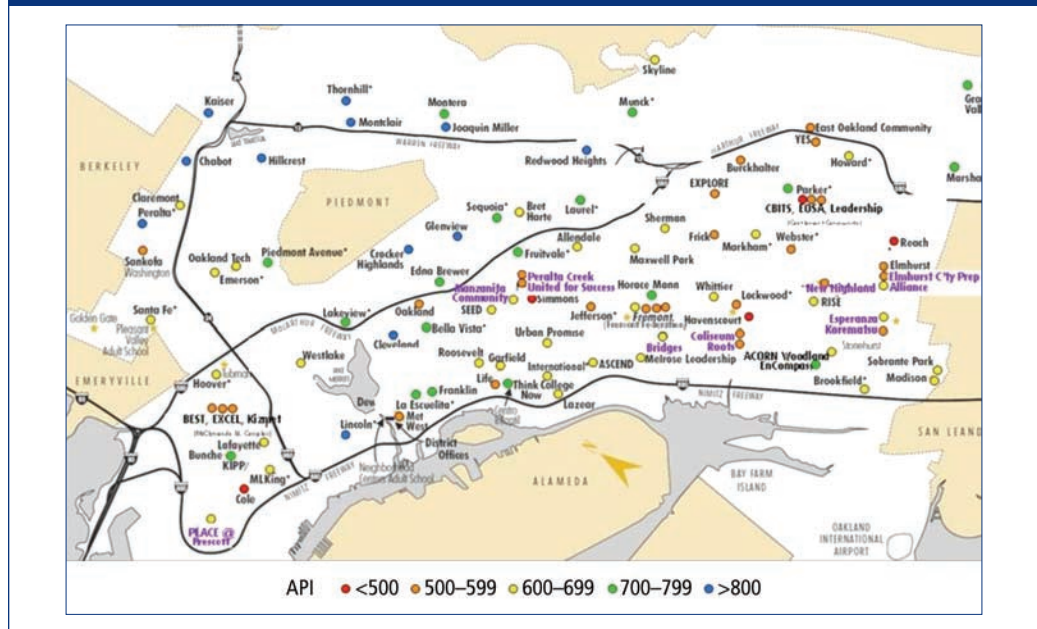
Source: OUSD's 2006-2007 Annual Report.

from the Alameda County Office of Education, and our bond rating outlook was negative. Most devastating, the state in 2003 took over the district when Oakland Unified had to borrow a \$100 million loan for recovery from the state.

By 2007, our ending General Fund balance was \$43.2 million (both unre-

stricted and restricted), and we had fully budgeted our legally required reserve. Alameda County Office of Education has raised our certification to "qualified," and our bond rating outlook has increased from negative to stable. We have also made strides to pay down our loan from the state and have outstanding debt of \$87,292,836.

**ACADEMIC ACHIEVEMENT GAINS ACROSS OAKLAND**  
*Academic Performance Index Scores Rise in All Schools from 1999 to 2007*



Source: Academic Performance Index data from the California Department of Education.

**Additional Improvements**

In addition, Oakland Unified has increased access to professional development for all staff through a focus on professional learning communities. The district has enhanced student assessment and reviews of data about student performance through a new performance

management system. We have increased parent control over where their children attend school, and invested in technology to improve performance and efficiency.

Yet there is much more work to be done to achieve our district’s vision and ambitious five-year goals.



## Challenges and Lessons Learned

**F**or other school districts that are considering the implementation of a similar RBB funding model, it is important to study the challenges experienced and lessons learned by Oakland Unified. After eight years of implementation, I feel that there are five lessons learned that can be shared (see box on page 102).

### Overcommunicate

The most important area to focus on is communication. In the early phases of RBB, the concept of moving to a new budgeting model that was more transparent, provided more autonomy to schools, and sought to fix the inequities was supported by the community and schools. But during the implementation of RBB and during the transition to state receivership in 2003, the amount of communication decreased. Many people, including teachers, administrators, and the community, were confused about the goals and purpose of RBB. Given the speed of the implementation and the lack of resources focused on the work, it was very hard to build consensus around the changes.

In hindsight, Oakland school district officials should have had at least one individual who was solely focused on the change-management aspect of the project. Unfortunately, this did not occur as RBB began to take on a life of its own. Whenever there were challenges with budgeting, RBB was blamed.

Under any budgeting system, Oakland Unified would have faced the same challenges of declining enrollment, rising health care costs, and limited funding from the state. But due to the lack of communication, RBB was always seen as the culprit. Perhaps the best way to avoid this problem is not to “brand” your budgeting model. When communicating a new budget strategy, focus on the goals of the budgeting model (transparency, equity, accountability, and autonomy) instead of what the budgeting process is named.

### Work Closely with Your Labor Organizations

Partnerships with labor organizations are extremely critical. The concept of RBB was initially supported by Oakland Unified’s unions, but when the communication channels broke down the unions started to rally against RBB. Their primary concern was that RBB was intended to force veteran teachers out of the system since RBB was based on actual versus average teacher salaries.

## Five Lessons Learned

1. Overcommunicate
2. Work closely with your labor organizations
3. Ensure you have adequate funding to support the transition
4. Invest heavily in support tools for principals and finance staff
5. Stay the course

Contrary to this belief, our analysis shows that under RBB each school receives enough money to staff a school with the most expensive salary levels and a base level of non-labor expenses. Yet this is the absolute minimum amount of funding for a school to remain financially viable and does not factor in the programmatic needs of the school or the professional development needs of the staff. Therefore, it is a reality that some principals will find it very challenging to make the tradeoffs necessary to balance their school's budget, especially if their school districts are in similarly difficult financial situations as Oakland's over the past several years.

In addition, for the first three years of RBB, Oakland Unified used a local parcel (property) tax to cover the additional cost of having veteran teachers at a school. If a school's average teacher compensation was more than the district's average, then the school would receive a subsidy. This was intended to ensure that veteran teachers were not forced from their schools, which could have had a potentially negative impact on student achievement.

Next year, veteran teachers in the Oakland Unified School District will not receive the veteran teacher support

subsidy for the first time. Those schools that have a veteran staff will receive enough funding for their staff, but they may need to cut back on other supports, such as teacher coaching. Principals, like David Silver at Think College Now, will continue to make the necessary tradeoffs to balance

the needs of their students and teachers while balancing their budgets.

Since there was not an open dialogue between leadership and the unions, the misconception that RBB is an attack on veteran teachers still exists in the Oakland school district today. Reflecting upon this dilemma, there should have been more analysis and data shared between leadership and unions up front to demonstrate that this model was not intended to affect our teachers or students in any negative way.

Due to the lack of communication and trust between the district's leadership team and union, the two sides did not sit down together to address the major issue of equity. Unfortunately, we still have many veteran teachers choosing to work in our "hill schools" versus our "heartland schools." RBB is the first step to remedying the issue, but a conversation still needs to occur over how we can create conditions that will ensure an equitable mix of new and veteran teachers at all schools.

What could do the trick? Is it compensation? Is it recognition? Is it working conditions? Until these questions are answered jointly by our leadership team and unions we will not realize our goal of equity for all students.

## Ensure You Have Adequate Funding to Support the Transition

Before deciding whether to implement this type of budgeting model it is critical to consider two key financial factors. The first is the financial environment of your state and district. Ideally, the best time to implement this model is when revenues are increasing so that more funding can flow to the schools each year. Principals are going to be a lot more receptive to this change when their decision making is focused on programmatic expansion versus cutting core programs.

Unfortunately, Oakland Unified experienced very challenging financial conditions due to declining enrollment, limited state funding (California ranks 46<sup>th</sup> in funding per student), and a state budget crisis. Even though the percentage of Oakland school district dollars allocated to schools has increased each year (currently 83 percent), the total amount of funds to allocate has decreased each year. In other words, the slice of the pie is getting larger, but the size of the whole pie is shrinking.

Given these circumstances, principals must now make extremely difficult decisions about what to cut from their budgets. The benefit of RBB for principals is that they have the opportunity to decide what gets cut. But nobody wants to be put into the difficult situation of cutting budgets. It was a lot easier under the old budgeting model to blame the “district” for cuts.

The second factor to consider is the amount of money necessary to support schools that have above average teacher salaries. Punishing schools for having above average salaries at their schools, a so-called “flip the switch” problem, is best avoided. Drastic cuts to programs

that schools have developed over many years will most likely thwart efforts to transition to the RBB funding model. Instead, plan for a subsidy to provide to schools that have above average salaries for a set number of years.

In Oakland, district officials were fortunate to have a local parcel (property) tax to subsidize the funding of veteran teacher salaries at schools for three years. This approach has provided our principals with the opportunity to adjust the financial structure of their schools gradually over time. The downside of this approach is that it delays the conversation about equity among the schools, but at least we are now being more transparent about the true expenses and funding received at each school. Other districts that have higher per-student funding could also hold back some of the funding they allocate to schools in addition to a parcel tax.

## Invest Heavily in Support Tools for Principals and Finance Staff

It is very easy to underestimate the support that schools will need to manage their budgets, especially since this type of change will be driven by the district’s financial team. It will be easy for the financial team to overestimate the comfort level school administrators will have with their budgets. In addition, many principals have a hard time seeing the connection between being an instructional leader and a “budget director.”

The first step for a district to take before they change budgeting systems is to survey their principals to gauge their comfort level with budgets, Microsoft Excel, and technology. Do they understand the vision behind the change in budget-

ing? Do they feel that they can handle the new responsibilities themselves or do they have someone on their team that can handle these functions? What type of training would they like?

Next, the district must assess the capacity of its finance team to become trainers. Many traditional district finance teams have never had to train or coach schools on how to manage their budgets. This is a new skill set that they will need to learn. In addition, the finance teams at most school districts are overworked due to antiquated, paper-based processes and procedures. Adding this type of responsibility on top of their existing workload without technology and process improvements is not advised.

Finally, a district will need to develop streamline tools to help principals and finance departments adjust to this change. In Oakland, we moved very quickly during the implementation stage in order to ensure that we could avoid too much resistance. Therefore the tools were very rudimentary (Microsoft Excel spreadsheets). If officials are able to build consensus up front, then they should take the time to create user-friendly technology tools, trainings and processes for budget development, and revisions before rolling out to schools.

Remember, this is not a one-time effort. In order to be successful, officials will need to continually improve policies, processes, and tools.

### Stay the Course

Change is difficult. No matter how much you plan, there will always be resistance. Before school district officials make the

decision to change budgeting models, they need to be sure they have the support, courage, and determination to stay the course. They need to set expectations by clearly explaining that the results of moving to a new budgeting system will take several years.

School district officials also have to detail why moving to a new budgeting system will create the opportunity for higher student performances precisely because the new budget process is transparent about funding, and allows for greater autonomy in budgeting decisions. Budgeting systems by themselves will not guarantee increased student performance, of course, but in the right hands RBB decision-making can clearly deliver better and more equitable education to all students in a given school district.

School officials implementing an RBB makeover of their districts must also be prepared for many of the people involved in the process claiming it is too hard and not worth the trouble. These people will demand a return to the status quo. The status quo, however, is simply not acceptable for all children. To the opponents of RBB, the main question is this: How does an RBB-type system harm students compared to the traditional type of budgeting? The answer is clear.

Besides, the amount of distraction that would be caused by switching back and forth between budgeting systems is not good for students. Too much time will be focused on financial systems and not on instruction. It is critical for district leadership to perform a comprehensive analysis of the district's ability to transition, and then make sure support is available to the district before it decides to implement this type of change.

## Conclusion: Federal and State Assistance Needed

**A**cross the country today there are only a handful of school districts that have moved to a student-based budgeting model, and Oakland is the only district to use actual salaries, though a couple of other districts are currently moving in that direction. The main reason districts do not move to this new budgeting system is complexity. Oakland, for example, manages over 125 sources of funding, including Title I, Title II, and Targeted Instructional Improvement Grants. It would be a lot easier to manage those budgets centrally, but as this report makes clear, the consequences of a centralized system that does not focus on actual expenditures is far worse than the complexity of moving to a new budgeting system.

Still, given all of the challenges that school districts face it is unlikely that changing budgeting systems will rise to the top of their priority lists. To ensure all of our students receive the resources they deserve, federal and state assistance is needed. Here are four ways that essential assistance could be forthcoming (see box below).

### Require a Budgeting Model That Promotes Transparency

To ensure equity, there must be 100 percent transparency with revenue and expenses. The best way to do this is to implement a standardized budgeting model that is based on the tenets of results-based budgeting. The federal government could provide a financial incentive for states to do this. The model should ensure that equitable resources make it all the way down to each and every child. Most federal and state funding is

### Helping Hands Needed

#### *Four Ways Federal and State Governments Can Help*

- Require a budgeting model that promotes transparency
- Invest in data systems
- Provide strategic assistance vs. compliance oversight
- Focus on results not inputs

already allocated on a per-student basis, so this would not require too much effort at those levels. Most of the support will be needed at the district level.

### Invest in Data Systems

Even if there is no national RBB model, school districts could benefit greatly from better budgeting systems and/or support from their state governments. If funding were available for states to implement a standard budgeting system it would alleviate the fears of many districts to migrate to a new budgeting process. The Oakland Unified School District had to develop its budgets during the first year using Microsoft Excel spreadsheets because the district's existing finance system could not support the new process. A new federal/state-approved budgeting system would need to break down revenues and expenses on a site-by-site basis. This technical support would remove a significant initial barrier toward moving to an RBB model.

### Provide Strategic Assistance vs. Compliance Oversight

When districts move to a fully transparent budgeting system by using actual teacher salaries, they may uncover that they have not been adequately allocating resources to Title I schools. Instead of imposing hefty audit findings on these districts, it would be beneficial to provide strategic assistance to the districts to develop a three-year plan to ensure resources are equitably distributed to their schools. Too many times, districts end up getting

caught in the red tape from the past that prevents them from doing the right thing for their students now.

The Oakland Unified School District, for example, was still cleaning up audit findings from the 2002–2003 school year at the start of the 2007–2008 school year. While compliance is important, the best cure for an issue is prevention. If state and federal agencies invest in a strategic budgeting unit that can assist districts during transition to a clearer budgeting system, then those agencies should be able to reduce compliance costs in the long run and have a greater impact on all students.

### Focus on Results Not Inputs

Building on the last recommendation, many districts spend a lot of time and energy documenting and worrying about what they are spending their money on rather than focusing on results. At the very least, Title I legislation needs to be rewritten to examine the effect the dollars have on closing the achievement gap.

If principals and districts could submit strategic plans that demonstrate the practices that they are going to implement with their Title I dollars and then show matched cohort results for their Title I students over time, then they would see better results than the ones we are seeing today. What is a better use of a principal's time—ensuring their team completes employee time sheets or working with their team to develop differentiated instructional strategies for their students?

## Endnotes

- 1 Adapted from OUSD's *Expect Success: Making Education Work* and 2007 Annual Report, available at <http://wcbperfal.ousd.k12.ca.us/docs/10480.pdf>.
- 2 M. Roza, "What if We Closed the Title I Comparability Loophole?" in *Ensuring Equal Opportunity in Public Education, How Local School District Funding Practices Hurt Disadvantaged Students and What Federal Policy Can Do About It* (Washington, DC: Center for American Progress, 2008).
- 3 Adapted from OUSD's Multi-Year Fiscal Recovery Plan.

## About the Authors

### Matt Hill

Matt Hill is currently working for the Oakland Unified School District as the executive officer for strategic projects. In this role he oversees the District's strategic planning process and helps manage the strategic projects for the district. Prior to this role he was the program manager for Expect Success, the school district's \$43 million reform program that consists of over 20 initiatives. Prior to joining Oakland Unified, Mr. Hill worked in Black & Decker's Business Development group, where he redeveloped the strategic planning process for the hardware and home improvement division. Mr. Hill also worked as a strategy consultant with the Johnson and Johnson UCLA Management Fellows program for Head Start and healthcare executives. Previously, he worked for Accenture as an analyst, and then as a process consultant in the financial services industry, where he worked on technology and strategy projects. He holds a B.S. in business administration from the University of North Carolina, and an M.B.A. from the UCLA Anderson School of Management. In addition, Mr. Hill serves on the board of directors for the Children's Council of San Francisco.

### Phyllis McClure

Phyllis McClure's professional career has centered on school desegregation and Title I of the Elementary and Secondary Act of 1965. That involvement began in the 1960s in the Office for Civil Rights of the Department of Health, Education and Welfare and at the U.S. Commission on Civil Rights. She continued her career commitment to educational equity for poor and minority students at the NAACP Legal Defense and Educational Fund in 1969 until 1994. Throughout those years she played a direct role in monitoring enforcement of Title I and Title VI of the 1964 Civil Rights Act. This involved conducting workshops on Title I for black parents and community groups, investigations, filing complaints about misuse of Title I funds and the adverse racial effect of ability grouping on black students, and studying the implementation of school desegregation plans. She was co-author of the 1969 report "Title I of ESEA: Is It Helping Poor Children?"—an expose about the initial failure of Title I to spend federal money on the educational needs of disadvantaged children in high-poverty schools. Ms. McClure then served on the U.S. Office of Education's Title I Task Force in 1969–1970 that helped create the first rules on comparability. Ms. McClure holds a B.A. from the University of Connecticut, an M.A. in history from the University of California-Berkeley, and an M.P.A. from the John F. Kennedy School of Government.



## Marguerite Roza

Marguerite Roza, Ph.D., serves as a research associate professor with the Center on Reinventing Public Education at the University of Washington. Dr. Roza's research focuses on education spending and productivity in the context of education policy. Recent research has documented the real dollar implications of education policies once realized inside schools and across schools within districts. Her calculations of dollar allocations and cost equivalent tradeoffs have implications for education finance policy at all levels in the education system. Her work has been published by Education Sector, the Brookings Institution, Education Next, and the Peabody Journal of Education. Dr. Roza earned a Ph.D. in education from the University of Washington. Prior to that, she served as a Lieutenant in the U.S. Navy, teaching thermodynamics at the Naval Nuclear Power School. She has a B.S. from Duke University and has studied at the London School of Economics and the University of Amsterdam.

## Ross Wiener

Ross Wiener is vice president for program and policy at the Education Trust, a national, non-profit organization focused on closing achievement gaps in public education. Prior to joining The Education Trust, Mr. Wiener served as a trial attorney in the civil rights division of the U.S. Department of Justice. As an attorney in the educational opportunities section, he investigated and prosecuted violations of federal civil rights laws in schools and school districts across the country, including cases involving desegregation, disability rights, harassment, and the adequacy of services to limited-English proficient students. Mr. Wiener received a B.A. with honors in history from the University of Wisconsin-Madison, a law degree with high honors from the George Washington University Law School, and clerked for Judge Kermit Victor Lipez of the U.S. Court of Appeals for the First Circuit.

## Acknowledgements

We wish to thank The Eli and Edythe Broad Foundation for their sponsorship of this publication as well as their ongoing support of our education programs.

# Center for American Progress



## **ABOUT THE CENTER FOR AMERICAN PROGRESS**

The Center for American Progress is a nonpartisan research and educational institute dedicated to promoting a strong, just and free America that ensures opportunity for all. We believe that Americans are bound together by a common commitment to these values and we aspire to ensure that our national policies reflect these values. We work to find progressive and pragmatic solutions to significant domestic and international problems and develop policy proposals that foster a government that is “of the people, by the people, and for the people.”

**Center for American Progress  
1333 H Street, NW, 10<sup>th</sup> Floor  
Washington, DC 20005  
Tel: 202.682.1611 • Fax: 202.682.1867  
[www.americanprogress.org](http://www.americanprogress.org)**