ERS
Education Resource Strategies

Rethinking Resources for Student Success

Fair Student Funding Summit:

Conference Proceedings and Recommendations for Action

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EXECUTIVE SUMMARY

On March 25-26, 2010, a cadre of urban education leaders gathered in Baltimore, MD for the *Fair Student Funding Summit*, a conference that brought together districts that use weighted student funding (WSF) as an approach for allocating dollars to schools.[1] Convened by Education Resource Strategies (ERS) and hosted by Baltimore City Public Schools, the purpose of the summit was to provide a forum for districts to share ideas on school funding, discuss what is and isn't working, and spark new approaches. Participants included a mix of those who have well-established WSF systems, those who recently adopted WSF, those who are in the planning stages of implementation, and those who have returned to a more centralized system.

> "Fair Student Funding is not about budgets. It is about equity, freedom, and accountability…. We can confidently say that two schools with the same kids have the same budgets, although the programs may look very different."
> —Andres Alonso, Baltimore City Public Schools

The conference was made possible through funding from the Carnegie Corporation of New York. More than 60 educational leaders from 14 school districts and several other organizations attended (see participant list on page 4).

The purpose of this conference proceedings report is to document and share the conversations from this first-of-its-kind event so that participants can:

- Revisit the discussion in its entirety, make connections between sessions, and use findings in current practice.

- Learn what happened in concurrent sessions that they could not attend.

- Share the conference discussion with colleagues who did not attend the summit.

- Use this as a primer to educate others on the constructs, advantages, and challenges of WSF, and to generate discussions on the issues involved. (This can be particularly helpful to create a shared understanding of WSF issues across groups with different perspectives, such as financial versus academic.). Note that summaries of participating districts' approaches to WSF and background characteristics can be found at www.ERStrategies.org.

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[1]"Weighted Student Funding," also commonly referred to as "fair student funding" or "student-based budgeting," is a method of allocating funds to schools based on student need. Under this approach, schools get a base level of funding for every pupil, plus an allotment for students considered to be high-need. Typically, principals have at least some degree of flexibility in how the dollars are used. The main alternative to WSF is a staffing formula approach, where schools are allocated positions rather than dollars and principals generally have much less flexibility over how resources are used.

KEY LESSONS LEARNED

Although summit participants articulated a range of goals, philosophies, approaches, and concerns regarding weighted student funding, the following key lessons emerged:

- Districts vary widely in their approaches to WSF. Individual district contexts (e.g., fiscal situation, regulatory and union conditions, etc.) affect roll-out options considerably.

- WSF promotes district conversations on school resource equity.

- WSF must be built around academic strategies and goals, rather than driven by the nuts and bolts of fiscal considerations.

- One of the potential benefits of WSF is that it can give principals the flexibility to tailor resources to their schools' needs. However, the current fiscal crisis is curtailing that flexibility significantly—as budgets are cut, principals have less practical flexibility in how resources are used.

- Union contracts as well as federal and state regulations can significantly impact a school's ability to organize resources strategically. Efforts to renegotiate union contracts and seek waivers from regulations are critical to success.

- Strong principal training and support are essential for successful WSF implementation.

- WSF requires a significant change in the central office mindset, from rule enforcement to school empowerment, coupled with the development of new structures and functions to enable this new role.

- Schools must be held fiscally accountable but need user-friendly and up-to-date data and tools for budgeting.

- Research is needed on the impact of WSF on student performance.

FAIR STUDENT FUNDING SUMMIT PARTICIPANTS

School Districts		Other Organizations
Baltimore	New York City	Annenberg Institute for School Reform
Boston	Philadelphia	Carnegie Corporation of New York
Cincinnati	Prince George's County	Education Resource Strategies
Denver	Rochester	Fund for Educational Excellence (Baltimore)
Hartford	San Francisco	The William and Flora Hewlett Foundation
Houston	Seattle	Pivot Learning Partners
Los Angeles	Stockton	

Summit participants included staff from a variety of district departments, including Operations, Accountability and Assessment, Academic Services, School Support, Special Education, Strategy and Program Development, Budgeting, and Finance. Of the 14 districts represented, six have implemented WSF, two have tried it and retreated, and six districts are piloting or moving toward WSF. Summaries of participating districts' background characteristics and approaches to WSF can be found at www.ERStrategies.org.

SUMMIT PROCEEDINGS

SESSION 1: BEYOND EQUITY—EMPOWERING SCHOOLS & IMPLICATIONS FOR THE CENTRAL OFFICE

Session 1 explored the kinds of central office changes needed to implement WSF. Overall, participants discussed that while WSF can ideally give principals flexibility to tailor resources to their individual school needs, it requires fundamental changes in the central office and raises questions around how to combine flexibility with oversight and efficiency, how to shift the central office mindset to one of training and support for school leaders, and how to make sure that the additional budgeting responsibilities do not interfere with the principal's ability to focus on instructional leadership.

The key areas of discussion in this session included:

1. Balancing Principal Autonomy with District Oversight

- **Districts make different decisions about how and when to grant autonomy.** Participants described their districts' differing approaches on principal autonomy:

  - Autonomy for all, in which districts gave all principals the responsibility of determining which resource strategy would best improve student achievement.

  - Earned autonomy, in which the district gave autonomy to higher-performing schools, but not lower-performing ones; districts actually became more involved in managing resources for lower-performing schools.

  - Tiered autonomy, in which districts established tiered levels of autonomy based on performance, growth, and an internal capacity assessment. For schools that were struggling, they provided more support, resources, and guidance.

    "One of the main things you have to decide is, is autonomy the de facto starting point? Or is it something to be earned?"

- **Principals differ in their desire for autonomy.** There was consensus that it is critical to understand who wants autonomy, why they want it, and how much they actually have. As one participant noted, "Particularly in this climate of financial crisis, the real autonomy districts can give is allowing schools to decide what to cut. There are some principals who want to make those decisions, and other principals who don't—they want cover from the district, and to make the district decide."

    "You have to consider two things: Do principals want autonomy? And do they have the ability for it? We tried to look at school sites individually. Don't over-promise autonomy and flexibility until you know what your principals want and can do."

- **Districts need to guard against autonomy outrunning capacity.** Participants cautioned that principals don't necessarily know how to align resources around goals or how to innovate, so training is paramount. They stressed that "it's one thing to expect principals to be instructional leaders, and it's another thing to

expect them to be really savvy in terms of how to allocate resources." Participants suggested that districts focus more on helping principals learn to use priorities to drive resource use. They also noted that there is a fine line between giving principals flexibility over how to organize their resources, and over-burdening them with organizational responsibilities. Districts felt they had to strike a balance between pushing principals to be strong instructional leaders and making them resource managers.

> *"We tried to figure out how to support principals by taking the managerial stuff off their hands without tying their hands. That was a constant balance we had to strike."*

Some districts have created a "central services economy" where schools can choose whether to buy certain services from the district or from outside providers. One participant explained that his district piloted a service economy in which schools could choose to go outside the district to buy services from non-profits. He noted that in many cases schools went outside the district and got better prices and quality, in part because "within the central office we were bound by our existing contracts, so we were constrained by how well we could serve schools, and the outside organizations could do it better."

Another district leader commented on the importance of geography if services are opened up to the free market, saying, "It depends on the city you're in and whether there are good outside vendors…. If you open up to a free market, it doesn't help if no one steps up to provide services. We're struggling with this."

2. Shifting the Role of the Central Office

There was consensus that WSF systems demand a change in the mindset, roles, and culture of the central office. Participants discussed specific changes, including:

- **Changing central office culture:** The group noted that central office staff must shift from the mindset of "we serve the DOE" to "we serve the schools." To adopt a more decentralized approach and service orientation, district staff require intensive training on the service approach, an overview of roles and functions of each department, knowledge of available services and providers, and an awareness of school needs.

    > *"There has been a philosophical change: the principal is the CEO of the school. The central office is there to support them. We've inverted the pyramid so that the principal is on top, telling the central office what they need, rather than on the bottom. That's required a cultural change and huge structural changes in the district."*

- **Changing central office staff roles:** Job descriptions must change for many central office staff, and the group noted that it is a big adjustment to move from telling principals exactly what they should be doing to disseminating best practices. As one leader noted, "We're still working hard to change central office staff mindsets—there are some staff who are still going out to schools saying 'I'm here to serve you, make sure you do XYZ.'"

- **Providing intensive budget help and information on best practices:** Some participants highlighted the need for district teams to sit down with schools and go through the budget process line by line, and when needed provide operational coaches to help principals year-round in building budgets, understanding budget reports, and building logistical capacity.

- **Separating support and evaluation:** Districts also said that they are creating a wall between school support functions and school evaluation functions, so that principals are more willing to reach out for support when they need it.

    *"Our challenge was clearly conveying what we did as support, not accountability.
    We are making modifications and revisions to who clearly supports and who evaluates [schools]."*

SESSION 2: WEIGHTED STUDENT FUNDING—WHAT DO SCHOOLS CONTROL?

In general, WSF districts attempt to give as much autonomy as possible to schools, taking into consideration factors such as the need for regulatory compliance, cost efficiencies, and school leadership skill. The desire to keep principals in their primary role as instructional leader also influences what is and isn't released to school control.

Most WSF districts at the summit retain control over certain bulk purchasing and district-wide services but give schools control over general education, ELL, and professional development. The greatest variation among districts occurred in deciding whether to devolve resources for special education, instructional coaching, health and pupil services, security, custodial services, and technology. A comparison of specific district devolvement decisions is a helpful starting place and can be found in the Summit Supplement.

Participants described several factors used to determine which decisions should be devolved to schools, including:

- **District philosophy:** Some districts started with the philosophy that everything should be devolved to schools unless there was a good reason not to (economy of scale, regulatory compliance, etc.). Other districts had a philosophy that only key instruction areas should be devolved so that principals wouldn't be over-burdened with operational factors, or base what they devolve on what they think principals can handle.

    "What is the district willing to relinquish control over? Different districts have put different stakes in the ground, mostly depending on the superintendent's philosophy."

- **Regulatory compliance:** Many districts retain control over areas where state and federal laws are complex (e.g., special education) or where resources are scarce but mandated (e.g., speech therapists).

    "We have gotten more flexibility on the multitude of categorical funds, which is something we had been pressing for."

- **Economies of scale:** Participants noted that some resources are cheaper when they are purchased in bulk. One commented, "It doesn't make sense to devolve certain things like transportation, food services, or textbooks. We're constantly looking for ways to balance economies of scale versus autonomy."

- **School leadership capacity and preferences:** Participants also discussed the fact that principals may lack the skills necessary to budget strategically in certain operational areas, or have strong opinions about what they do or don't want control over. District leaders expressed the desire to hire "school leaders who are both instructional leaders and savvy with allocating resources."

    "Our principals didn't want to deal with figuring out how much toilet paper to order."

ERS' work with WSF suggests it is critical to examine which resources to lock and unlock. There is no one right answer for every district; instead, WSF decisions depend on each district's context, capacity, and student needs.

SESSION 3: WEIGHTED STUDENT FUNDING—DEVELOPING A FORMULA

Participants discussed the need to strike a balance between providing sufficient base funding and creating weights based on student needs. When more dollars are tied up in foundation amounts and weights, the base amount per pupil decreases.

- **Foundation amounts and subsidies:** Some participants said they provide a foundation amount in addition to the per-pupil allocation, while others do not. They noted that foundation dollars are intended to make sure that all schools, regardless of size, can cover certain basic operating essentials, such as a principal and a school secretary. For some, subsidies, which can be thought of as additional foundation amounts targeted to some schools, were necessary to keep small schools open or to maintain specialty programs at magnet schools or tech/vocational schools.

- **Determining weights:** Participants agreed that incorporating diverse student and program needs makes weighting a complex, iterative process, and it is essential to include key stakeholders in conversations on appropriate weights for each student group.

    "We have incredibly diverse schools, some with tons of poverty and some with none, same for ELL. We've yet to be able to figure out how to make the majority happy on how we determine weights."

    "We initially had a single ELL weight, but then realized there were different levels of need, so now we have categories based on how long students have been in the ELL program."

Key questions to consider in determining weights:

- Who/what should be weighted? (i.e., what characteristics best represent student needs and deserve to be weighted, such as special education, ELL, poverty, mobility, at-risk indicators, school level, grade level, academic performance, participation in selective or career path/vocation education)

- What weighting gradations should be included within those characteristics? (e.g., special education cognitive disabilities, time spent in ELL program)

- What should the weights be?

- Which student group(s) should represent the base (1.0) weight?

- Who should develop the weights?

- Which district standards, represented through weights, are non-negotiable?

Common challenges in determining weights:

- The conflicting needs of different student groups

- Being able to set weights based on desired programs rather than on budget realities

- How quickly weighting systems can become overly complicated

- Adapting weights to changing fiscal and school environments

- Compensating for schools that can't raise funds externally

- Establishing the right incentives through weights (to avoid restrictive and expensive programs)

- Finding the right balance between weights and base funding (the more dollars that are allocated through weights, the lower the base funding per pupil)

- Making sure that weights/funding cover the costs of educating different types of students, and that schools are actually providing appropriate programs and services (i.e., implementing accountability and performance management systems)

Weights

	Baltimore		Cincinnati		Denver		Hartford	
Base Weight	$4,785	1.0	$4,873	1.0	$3,335	1.0	$6,606	1.0 for G4–6
Foundation Amount	—		—		—		$265K for schools <260 students	
School Level or Grade Level	—		K–3 and 9–12: $975	0.2	—		K: $5,615 G1–3: $7,927 G7–8: $7,267 G9–12: $8,588	0.85 1.2 1.1 1.3
Achievement: High	$2,200	0.45	—		—		$661	0.1
Achievement: Low	$2,200	0.45	$1,413	0.29	—		Well Below: $661 Below: $330	0.1 0.05
Poverty	$900 for HS only	0.18	$244	0.05	ES: $256 SS: $290	0.08 0.09	—	
SPED	LRE A (mainstreamed): $4,737 LRE B (mainstreamed): $8,709 LRE C (self-contained): $6,603–$7,943	0.99 1.82 1.38–1.66	CD, OHI-M, SLD: $2,264 VI $4,873 ED $8,623 OH/OHH/OHI-M $10,818 HI $13,352 MD, PS $13,498 AU, DB, TBI $17,981	0.4645 1.0 1.7695 2.22 2.74 2.77 3.69	Mild to moderate disabilities: Qualify for FRL: $351 Do not qualify for FRL: $234	 0.11 0.07	Level 1: $5,285 Level 2: $8,588 Level 3: $15,788 Level 4: $26,886	0.80 1.30 2.39 4.07
ELL	—		$2,353	0.4828	—		0–30 Months: $2,576 30–60 Months: $1,652 60+ Months: $859	0.39 0.25 0.13
Other	—		Career path participation Preschool disabilities	0.60 1.0	—		—	

Weights

	Houston	New York City	Oakland	San Francisco	Seattle
Base Weight	$3,390–$3,379 1.0	$4,003 1.0	$3,380 1.0	$2,772 1.0	$3,653 1.0
Foundation Amount	Add'l $1,116/pp for ES<500 MS<750 HS<1000	$225k + collective bargaining increases	—	Principal and clerk for all schools (except K–8s who also get a counselor and 0.2 librarian)	$237k for ES<250 $504k for MS<600 $645k for HS<1000 $238k for Alt<250
School Level or Grade Level	ES: $3,390 1.0 MS: $3,415 1.0 HS: $3,379 1.0 + $200 from State HS Allotment	K–5: $4,003 1.0 G6–8: $4,323 1.08 G9–12: $4,123 1.03	School/Grade-Level ES: $3,380 1.0 MS: $3,645 1.0784 HS: $3,693 1.0926	K: $3,512 1.27 G1–3: $3,686 1.33 G4–5: $2,772 1.00 G6–8: $3,160 1.14 G9–12: $3,298 1.19	K–3: $3,653 1.0 4–6: $3,470 0.95 6–12: $3,248 0.89
Achievement: High	$405–$410 0.12	—	—	—	—
Achievement: Low	—	G6–12 Only: Well Below $1,601–$2,000 0.4–0.5 G6–12 Only: Below $1,000–$1,401 0.25–0.35	— (categorical $s only)	—	—
Poverty	$507–$512 0.15	K–5 Only: FRL $960 0.24	$673 0.2 for K–5 only	$249 0.09	K–3: $318–362 0.087–0.099 4–5: $460 0.126 6–12: $796–815 0.218–0.223
SPED	$507–$512 0.15 —excludes SPED staffing	<20%: $2,242 0.56 20–60%: $2,722 0.68 >60% (self-contained) $2,922–4,924 0.73–1.23 >60% (integrated) $9,127–$10,087 2.28–2.52	— (categorical $s only)	Small amount for PD and supplies–everything else staffed centrally Resource program: $27 0.0097 Special Day Class– Nonsevere: $49–$52 0.0179–0.0189 Special Day Class– Severe: $81–$90 0.0315–0.0328	Level 2 $3,454 0.95 Level 3 $3,803–9,635 1.04–2.64 Level 4 A, E, B $13,599–19,184 3.72–5.25
ELL	$338–$342 0.10	K–5 $1,601 0.4 G6–12 $2,000 0.5	$400 0.12 for K–5 only	Beg/Int: $200–$530 0.0724–0.1919 Advanced: $155 0.0561 LT non–redesignated: $240 0.0869	K–5 $972 0.27 6–8 $1,384 0.38 9–12 $1,408 0.39
Other	Mobility: $338–$342 0.10 Voc. Ed: $1,183 0.35	Portfolio Schools: Selective Academic: 0.25 Selective Audition: 0.35 Career/Tech Ed: 0.05–0.26 Transfer: 0.40	—	—	—

ROUNDTABLE DISCUSSIONS: TACKLING THE TECHNICAL ASPECTS OF WSF

The summit included concurrent roundtable discussions that delved into the following five WSF topics:

1. Getting started: implementation challenges

2. Principal training and support

3. Fiscal accountability and budget monitoring

4. Using average vs. actual staff salaries when budgeting

5. Enrollment projections and funding adjustments

1: Implementation Challenges

- **Building support in schools and the community:** Participants agreed that an open, transparent, iterative process is essential to garnering support. They stressed that district leaders must balance competing needs of various programs, knowing that the more invested and informed the stakeholders, the smoother the process.

- **To pilot or not to pilot:** Participants noted that the advantages of piloting WSF before moving to full-scale implementation are that it creates a longer timeframe for planning, training, and getting the formulas right. On the other hand, the longer timeframe also creates the disadvantages of running a pilot program—it prolongs any inequities in the current system, expands the amount of planning that needs to be done, and means that two different financial systems have to run simultaneously. Given these pros and cons, some districts chose to pilot WSF in a small number of schools first, while other districts moved to WSF across the board in a single year. Districts were more likely to pilot when they thought that principal capacity was low and they wanted more time for training.

  "We're doing a 57-school pilot. We didn't care about getting the formula right since the pilot's mostly about training and consensus-building for the site teams."

  "Our superintendent doesn't believe in pilots—they're too slow and create inequities along the way. With a pilot you have to run two structures simultaneously, which is organizationally challenging and stressful."

- **Determining whether to hold schools harmless for major funding gains or losses:** To ease the transition to WSF, many districts limit how much a school can gain or lose from one budget cycle to the next as the new funding system is phased in. The majority of participants have some way of holding schools harmless to minimize large budget swings in individual schools.

  "In the first year, we held harmless all schools to make sure that no one lost funding compared to what they would have gotten the old way."

2: Principal Training and Support

- **Principal capacity is key to WSF success, making strong training programs vital, but districts are finding it a challenge to create training programs that work.**

  Participants agreed that principal capacity is key to the success of WSF and that training is of paramount importance, but they also found that it is hard to do training well. Some districts were satisfied with certain aspects of their training programs, but were still working to improve training delivery and support overall. Participants mentioned room to improve in:

  - Instilling a more strategic focus in principals

  - Sharing best practices from within and outside the district

  - Conducting peer training

  - Building an infrastructure to increase principal capacity in the long term

  - Creating a principal pipeline of future leaders with the skills to be instructional leaders as well as savvy budget stewards

  Participants agreed that one of the reasons training is difficult to deliver is that it needs to cover an array of topics. Suggested topics included strategic resource use, weighting rationale and formulas, the use of budget software and tools, legal and state compliance, guidance documents outlining ways to meet programmatic needs, a list of approved vendors and service providers, a menu of network and central services, ways to run meetings and review budgets with stake-holders, philosophy, teaching quality, academic improvement, operations, budget processes, management and administration, and handling of unions.

  > *"We developed an agenda and action plan to train principals to be strategic and align the budget with their mission and vision…. We are moving them in the direction of making decisions around students and student outcomes, identifying key staff they really need. That is very challenging."*

- **District approaches to principal training vary.**

  District efforts range from providing reference materials and formal training sessions to designating experts and service providers to work in the schools. The variety of approaches to training and support that were mentioned include:

  Training:

  - A leadership academy that provides year-long training to incoming principals in skills and methods

  - Annual school site council training on the funding formula

  - Monthly budget training for new principals and budget labs several times per year

  - Non-profit organizations that provide leadership training in areas such as mentoring, writing proposals, and meeting management

  - Leadership training through university partnerships

  - Training of school support staff to free principals from daily operations so as to focus on instruction

  - Model principals as early implementers and peer trainers

"Model principals [who became] early implementers and advocates did most of the training of other principals in the transition to WSF. Peer training made it easier for other principals to buy into the concept and philosophy."

Support:

- A facilitator/coach assigned to each school
- School Support Networks*, made up of up to 13 staff, that cater to the individual needs of a cluster of schools in a variety of areas (e.g., budgeting, instruction, special education, data, compliance, operations, recruitment, professional development, procurement, maintenance, transportation, etc.) and broker resources for schools
- Teams that sit down with schools and go through the budget process, line by line
- Differentiated central support based on school performance and growth
- Budgeting tools that organize spending by highlighting priorities
- Retired principals who act as mentors to new principals
- Outside performance coaches and internal school improvement coaches
- Web-based access to goods and services

Principals pay to access the network through a budget allocation.

3: Fiscal Accountability and Budget Monitoring

- **Fiscal accountability involves not only making sure that schools are spending money legally and within their budgets, but helping them tie spending decisions to their academic needs.**

   Participants noted that with school control and a decentralized environment come the need for financial accountability and transparency. Districts described how they were developing processes, policies, and tools to help schools budget appropriately and monitor spending throughout the year, but cited some challenges, especially the need for a stronger link between strategic academic thinking and budget development.

   "It's not just a budgeting process. It has to be coupled with accountability, clear performance standards, and empowerment."

To help schools tie spending decisions to their academic goals, districts can begin by setting basic academic and programmatic standards by which schools justify resource decisions and measure success.

- **Several factors impede school accountability: Participants highlighted the following challenges:**

   - The lack of school leader discretion over salaries
   - The use of average rather than actual salaries, which can impede true cost-based decisions
   - The lack of principal control over the higher operating costs of small schools
   - Difficulties of monitoring privately-raised funds
   - The difficulty of knowing that weighted dollars actually follow the intended students

"How do you know how much schools are actually spending on each kid or each type of kid? It's hard to unpack that."

- **Despite these issues, participants cited a range of efforts to support and hold school leaders responsible for effective resource decisions:**

  - Compliance documents and budgeting software tools that walk schools through resource decisions and budget scenarios
  - Mandatory principal in-services on budgeting, account codes, and budget software/reports
  - Peer training by principals
  - Business manager position required at schools with new principals
  - Ongoing budget support by central office staff
  - Focus on fiscal responsibility as part of regular district-wide principal meetings
  - Budget compliance as part of a principal's evaluation
  - Monthly school budget reports from the central office to highlight significant discrepancies between budgeted and actual expenditures
  - Spot audits by Ernst & Young
  - School consequences of fiscal mismanagement (e.g., roll-over of deficits into the next year)
  - Rewarding effective budgeting by granting schools a portion of their savings
  - Ability to cash out certain program/expense areas as long as they meet student needs and requirements
  - Centrally-controlled mechanisms to prevent overspending
  - Central reserves for unforeseen expenses such as maternity/paternity leave or long-term substitutes
  - School closings (based on principal evaluation, community survey, and school comparison) as ultimate form of school accountability

4: Using Average vs. Actual Staff Salaries when Budgeting

When constructing their school budgets, should principals assume that staff will cost the district average for that position, or do they use the actual cost for a particular employee? It turns out that few districts budget using actual salaries, due to complexity and political implications. Participants discussed the advantages and disadvantages, as follows:

- **The advantages of using actual salaries when budgeting are that actual salaries reflect the true cost of staff at a school and can expose inequities between schools.** Impoverished schools often end up with the least senior teachers (given union rules that allow teachers to select placements by seniority), so these schools often have substantially lower teacher salary costs. If budgets are based on actual teacher salaries, then principals can use the money they "save" by having cheaper teachers and invest it in other ways. When budgets are based on average salaries, the schools lose this savings (they are charged the average amount even though they have cheaper teachers), resulting in lower (and less equitable) per-pupil expenditures. There is essentially a money transfer from schools with cheaper teachers (which tend to serve disadvantaged students) to schools with more expensive teachers (which tend to serve wealthier students).

"My argument is, just show it [the actual salary]. Once you show it, schools will raise questions and be passionate."

- **However, most districts budget using average salaries because:**

  – They don't want to penalize schools with a concentration of more senior staff, which is often beyond school control.
  – Actual salaries create an incentive for principals to save dollars by trading senior teachers for new teachers, making decisions based on cost rather than quality; using average salaries gets around this problem.
  – Actual salaries are less predictable and make it harder for principals to budget appropriately, especially when there are vacancies during the year.

  "We don't want principals put in the position where they can trade for newer, cheaper teachers. The fit is what's important, not principals deciding based on costs."

- **Districts wishing to continue using average salaries have several options to reduce funding inequity:**

  – Provide subsidies for schools with less experienced staff to use for professional development, substitutes, and mentoring programs.
  – Funnel the dollar differentials into career ladders and ways of attracting expert staff to high-need schools, giving them incentives to teach more challenging students.

  "If we want to show the misdistribution of teachers, we make the books more transparent at the end of the year, track what actually happens like subs coming in, open positions."

5: Enrollment Projections and Funding Adjustments

- **Enrollment projections are the "bedrock" of a WSF formula, but are notoriously inaccurate at the detailed level necessary to support a complex weighting system.**

  Participants agreed that WSF generally requires more detailed enrollment projections than traditional funding systems because districts need to forecast enrollment by school for all the student categories that are weighted. It is notoriously difficult to accurately project enrollment at a detailed level, and this is an area where these districts struggled. Participants explained that when enrollment projections are off, funding is also off and districts are left with the problem of how to "level" funding after school has already started. Districts also need to determine how to deal with student mobility over the course of the year—if a student transfers schools midyear, does her funding go with her? How can districts "level" funding in a way that makes sure that students are equitably and adequately funded without disrupting educational programs and staffing?

  "My concern is that if enrollment is the bedrock of this system, what happens when you get the data wrong…. The danger is that you erode the benefits of the entire weighted student funding system."

  "This is the biggest weakness of WSF. It's so tough to get it at a micro-level…. If you're off by 20 kids, then you're off by two teachers."

- **Timing varies for enrollment forecasts and adjustments.**

Districts employed different approaches and timing to enrollment projections and updates. Participants explained that timing is influenced by the district budget calendar, the uncertainty created by school choice, and staffing policies. There is a built-in tension between doing projections early to aid in budgeting and hiring, and waiting until later, when there may be more accurate enrollment data. Participants suggested the following challenges with enrollment forecasts and strategies to address them:

- **Challenges to accurate enrollment forecasts:**

  - Inherent imprecision of enrollment forecasting techniques

  - Movement/instability of students in transition years (e.g., grades K, 6, and 9)

  - Difficulty of predicting certain student populations (e.g., low-incidence disabilities)

  - Need for more accuracy in estimating student populations with high weights (more dollars are at stake)

  - Gaming of the system by some principals

  - Educational disruption caused by mid-year funding adjustments, especially to staffing

  - Seniority-based staffing and forced-placement policies

  - Complications of projections in a system with school choice

- **Strategies for minimizing the effects of inaccurate enrollment forecasts:**

  - Allow principals and others at the school site to project/adjust enrollments, with monitoring from the central office

  - Project/adjust centrally with principal negotiation and/or an appeals process

  - Involve principals, parents, teachers, and stake-holders in the process to take away the mystery and invest them in the decisions

  - Budget for a reserve at the school and/or central level

  - Under-project student enrollment to avoid teacher transfers/layoffs

  - Fund below contractual class-size maximums

  - Apply for class-size waivers for increased enrollment

  - Offer stipends for teachers willing to teach class sizes over the contractual maximum

  - Provide loans from central office to schools for large influxes of students

  - Hold back some dollars based on funding 90% of projections, and allocate the dollars after school has started and enrollment has stabilized

SESSION 4: WEIGHTED STUDENT FUNDING—OPPORTUNITIES & CHALLENGES

With a few exceptions of districts that have moved away from it, participants reported that WSF is popular with both districts and schools despite the challenges and significant changes required in mindset, training, and daily responsibilities.

> *"Eighty-seven percent of principals said they wanted to keep the budgeting and funding process they had [WSF]. It is a resounding 'yes' that this is what we believe is best for our kids and our school site and ultimately what will make our district prosper."*

Opportunities

- **Increasing funding equity across schools and students:** As one participant noted, "Sometimes people talk about winners and losers under WSF, but it's important to remember that winners and losers already exist. WSF is just shuffling the dollars to make it more equitable."

- **Empowering principals and school communities** to really think about what they need and how to better utilize dollars. As one participant noted, "Schools are less likely to ask the district to cover an expense if it's taken from their bottom line."

- **Inspiring principals to be innovative:** Participants noted that WSF forces and helps principals to be creative in funding priorities.

  > *"Those in the schools, who are closest to the students, are best qualified to meet a child's needs and ensure compliance."*

Challenges

- **Gaining WSF benefits during tough economic times:** When districts are almost at a bare minimum for covering basic needs, WSF is less relevant. Some participants were having a tough time even funding basic class size, and are revisiting their weights to make sure they're being efficient. Others were adjusting their weights this year to be flatter because they found that funding per school was too volatile when weight amounts were so high.

  > *"Budget shortfalls came and went.... The schools had an illusion of discretion but contracts and staffing obligations left principals debating over what amounted to pennies in the end."*

- **Finding flexibility amid federal, state and union regulations:** Participants discussed the fact that principal flexibility in scheduling, staffing, hiring, and firing is often constrained by union contracts, which tend to put teacher seniority over school needs. Districts have had different degrees of success in renegotiating union contracts and easing restrictions. Some felt that the financial crisis and parameters around federal Race-to-the-Top funds may crack open the door to alternative bargaining agreements.

  > *"Principals said that what we really needed to change was the collective bargaining agreement, not the funding system."*

- **Securing adequate school leadership capacity:** Participants agreed that principal preparation is critical, and that developing good programs to train principals in budgeting and strategic resource use has been a struggle.

    "There is a lack of preparation of principals in resource management and in understanding how resources drive instruction and meet goals."

- **Achieving true funding equity:** Participants discussed how to achieve true equity for all students and the challenges of balancing all of the different student needs as well as other factors such as private/outside funding.

- **Determining the extent of principal autonomy:** Other participants noted the tension between mandating use of best practices and letting schools decide on approaches, then holding them accountable for results.

- **Measuring the effectiveness of WSF as a funding system:** One participant commented, "We could never make the point that WSF was improving academic accountability and achievement—and that was a huge issue for us."

RECOMMENDATIONS & NEXT STEPS

Like any other funding system, WSF has its advantages and disadvantages, along with its own set of implementation challenges. Many of the issues that plague WSF, such as the accuracy of enrollment projections or the lack of flexibility created by union contracts, are a challenge in any funding system. The devil is very much in the details, and while there is not a one-size-fits-all solution, here are some observations on implementing WSF.

- **Change the role of the central office:** WSF implementation demands a change in mindset and structures that focus on support and accountability, rather than directives and compliance monitoring. If districts decide to implement WSF, they must take deliberate steps to change the culture of the district and increase collaboration between the fiscal and academic sides of the central office. Large bureaucracies do not make cultural changes easily, and the new systems that need to be put in place are complex to design and implement. It is important to devote the time and strategies this shift demands.

- **Create a strategy to address dual principal roles:** WSF raises the philosophical issue of whether principals should be responsible for both academics and finances. On the one hand, does managing the fiscal side take them away from instructional leadership? On the other hand, can they have full academic leeway without having operational control? Some schools resolve this by hiring school business officials to run day-to-day operations while leaving principals ultimately in control of how resources are organized. Mostly, though, districts are still wrestling with how to approach the issue. Districts need to examine the skills of their current principals and make a call on whether they expect principals to play this dual role. If they do, how do they plan to train or support them so they are set up for success?

- **Create more resource flexibility:** Allowing principals to use resources flexibly is at the core of WSF, but districts have great difficulty in creating real flexibility. In many ways, their hands are tied by federal, state and union regulations, and also sometimes by districts' own internal policies. Contract law especially stands in the way of flexibility and getting the right people into the schools. Unless districts find a way to tackle this and create greater flexibility for principals, WSF will not live up to its potential.

- **Consider the impact of the fiscal crisis:** As revenues decline and budgets are cut, principals have less freedom in how to use resources because they may not be able to meet the bare minimum necessities of running a school. The district then needs to answer the question: *Who is best situated to decide what to cut: the central office or the schools?* Several participants noted that the schools know student needs better, but do not want the responsibility or political fallout from making budget cuts. When districts have moved away from aspects of WSF, falling revenues have been one of the key reasons.

- **Keep collaborating:** We hope that this summit will extend the relationship among the district leaders who participated. Feedback from the event suggested that participants saw great benefit in hearing about other districts' experiences and were interested in learning more from each other. Districts can continue to be a resource for each other as they explore different WSF approaches and solutions by:

- Communicating on the *Fair Student Funding Summit* LinkedIn page: Developed specifically for participants and their colleagues, this interactive site is a portal for conversations, sharing documents, and getting feedback in real time. This site, open to accepted members only, is designed to help very busy people ask the questions and get the answers they need quickly and efficiently. It's also designed for you to post program or policy solutions, and share resources.

    - Proposing or hosting a follow-up event to continue the conversation, hear updates on what's working, and share lessons learned.

    - Reaching out by email: Get in touch with participants (let us know if you need another copy of the contact list).

- **Create a WSF district consortium to advance research.** There are many areas that need further examination and sharing of lessons learned. Districts can collaborate to form their own consortium to push learning in WSF. Opportunities ripe for this work include:

    - **Building principal capacity:** Because they've never had to do it before, most principals aren't skilled in strategic planning or creating budgets that fit school needs. Since this is a core issue across WSF districts, it is a logical place for collaboration: a consortium of districts and certification programs could systematically look at what principal skills are needed compared to what principal skills exist, determine effective ways for getting the right skill sets, and create joint training programs to serve principals. An opportunity also exists to compare resource use across schools and start identifying and disseminating best practices to help principals do strategic budgeting. Districts typically do not collect the data necessary to do this.

    - **Developing weights:** In theory, WSF weights should be based on student need, but in practice no one really knows what the "right" weight is or even what characteristics should be weighted. Districts and the research community need to develop more systematic approaches to determining funding needs. Collaboration could be key here too, with districts partnering to help the research community get the grants they need to do more research on how to get weights right.

    - **Evaluating WSF:** Does it work? As yet, the research community has been slow to look at questions like whether WSF succeeds in increasing funding equity, creating transparency, and raising student achievement, and in how the structure of the program might affect these outcomes. This is an important area for applied research, and we hope that the AIR (American Institutes for Research) evaluation program starting in California will begin to answer these questions.

CONCLUSION

The *Fair Student Funding Summit* was an informative and inspiring opportunity for a group of district leaders to step back and reflect on the benefits, challenges, and different approaches to weighted student funding. The goals of WSF are clear: to achieve greater equity, target resources where they are needed, and give principals the flexibility to tailor resource use to their individual school needs. The conference highlighted the fact that there is no one-size-fits-all approach to WSF, and that there are many challenges to constructing a system that fully realizes the goals. The WSF districts' funding systems are continuing to evolve, and despite the challenges the overall feeling at the conference was, "It's worth it."

MORE RESOURCES AT ERSTRATEGIES.ORG

Weighted Student Funding District Summaries

This collection of posters was used for the opening gallery walk at the summit. You will find background information on each district along with a summary of its approach to WSF. There are also two overview charts that compare weighting systems across districts, as well as what percentage of resources schools control.

Weighted Student Funding: Why Do Districts Decide to Implement WSF?
(ERS, March 2010)

This ERS presentation defines how school districts can fund schools through a more decentralized system that connects extra dollars to students who require additional resources.

Understanding Student-Weighted Allocation as a Means to Greater School Resource Equity
(by Karen Hawley Miles, New American Schools; published in *Peabody Journal of Education*, Winter 2005)

This article examines how the shift to weighted student funding affected the pattern of resource distribution within two urban districts: Houston and Cincinnati. The study provides evidence that WSF can be a means toward greater funding equity across schools within a district.

Leveling the Playing Field: Creating Funding Equity Through Student-Based Budgeting
(by Karen Hawley Miles, Kathleen Ware, and Marguerite Roza; Phi Delta Kappan, 2003)

This report traces the Cincinnati Public School District's process of moving to a WSF system.

"Fair Student Funding is not about budgets. It is about equity, freedom, and accountability... We can confidently say that two schools with the same kids have the same budgets, although programs may look very different."

–Andres Alonso, Baltimore City Public Schools

ERS
Education Resource Strategies
Rethinking Resources for Student Success
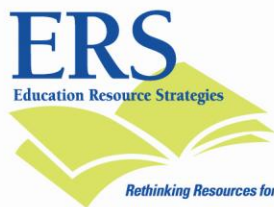
Education Resource Strategies
1 Brook Street
Watertown, MA 02472
617.607.8000
www.erstrategies.org