

## **FAIR Student Funding--A Model for California Schools**

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“The Getting Down to Facts” studies called California’s current financing system “irrational and complex” and said “tinkering around the edges of reform is unlikely to have any effect.” The reports argue that California needs to throw out its current school finance system and “start from scratch.” However, this does not mean that California needs to reinvent the wheel. In fact, California should look to New York City with 1.1 million students and more than 1,400 schools for a lesson in how to restructure school finance from scratch and scale it up to every school in California.

### **The New York City Model**

Beginning in 2007-08, the New York City Department of Education is empowering all public schools, so that educational decisions are happening in schools, where the people closest to students are deciding what will help students succeed.<sup>1</sup>

Public School Empowerment builds on the Empowerment Schools initiative pilot. In the 2006-07, 332 New York City public schools took on greater decision-making power and resources in exchange for accepting accountability for results. These “Empowerment Schools” worked under performance agreements, committing to high levels of student achievement with clear consequences for failure. In exchange for this commitment, principals and their teams had the freedom to design educational strategies tailored to their students. These schools have hand-picked their support teams, hired additional teachers, implemented creative schedules, designed tailored assessments, invested in professional development, and purchased both internal and external services that meet their needs and their students’ needs. Initial results were promising, with more than 85 percent of empowerment schools meeting the performance targets set by the Department of Education.

Beginning in the 2007-08 school year, all public schools are empowered, as their principals and their teams gain broader discretion over allocating resources, choosing their staffs, and creating programming for their students. Schools also have increased resources, because of the Department’s new Fair Student Funding formula, which allocates funds based on student need.

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<sup>1</sup> For detailed information about school empowerment and fair student funding in New York City, including the budget of every school in New York City in terms of actual dollars go to New York City Department of Education here:  
<http://schools.nyc.gov/Offices/ChildrenFirst/FairStudentFunding/default.htm>

In New York City, “Fair Student Funding” is based on simple principles:

- School budgeting should fund students fairly and adequately, while preserving stability at all schools.
- Different students have different educational needs, and funding levels should reflect those needs as best as possible.
- School leaders, not central offices, are best positioned to decide how to improve achievement.
- School budgets should be as transparent as possible so that funding decisions are visible for all to see and evaluate.

In keeping with these principles, Fair Student Funding means that:

- Money will begin to follow each student to the public school that he or she attends, without hurting better-funded schools.
- Each student will receive funding based on grade level. Students also may receive additional dollars based on need.
- Principals will have greater flexibility about how to spend money on teachers and other investments—along with greater responsibility for dollars and greater accountability for results.
- Key funding decisions will be based on clear, public criteria.

Below is an actual example of the differences in resources in one Queens middle school between the 2006-2007 and 2007-2008 budget year. Because New York City is phasing in fair student funding, in the first year of the program schools receive 55 percent of their fair student funding amount over and above their budget allocation under the old approach up to \$400,000. This is because schools that receive less funding under the new approach will be held harmless and phased in through 2010.

### **School Budget Overview -**

#### **I.S. 5 - THE WALTER CROWLEY INTERMEDIATE SCHOOL (Q005)**

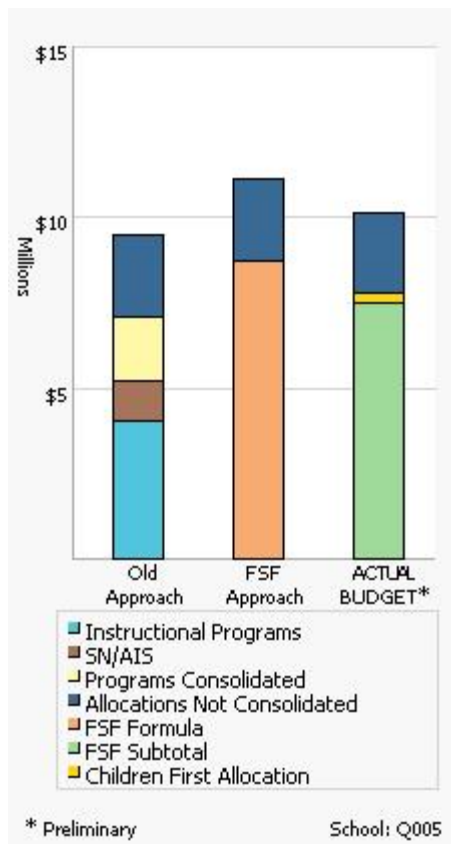
In fiscal year 2007-2008, New York City schools begin the transition to Fair Student Funding. We are showing three budget views, but only the third represents a school's actual budget. All schools are receiving additional funds this year.

- I. **OLD APPROACH** - This section shows how much money a school would receive in fiscal year 2008 based only on the fiscal year 2007 methodology.
- II. **FAIR STUDENT FUNDING (FSF) APPROACH.** This section shows how much money a school would receive under the new Fair Student Funding formula. *For schools receiving less funding under FSF, this number is hypothetical.*
- III. **ACTUAL BUDGET (PRELIMINARY).**
  - a. If funding is greater under the Old Approach than under the FSF Approach, a school will receive base funding equal to its Old Approach funding.

- b. If funding is greater under the FSF Approach than under the Old Approach, a school will receive base funding equal to its Old Approach funding plus new funding.
- c. All schools receive funds from unconsolidated programs.
- d. All schools receive additional "Children First" dollars from reductions in central and regional offices.

**I. OLD APPROACH**

<u>Instructional Programs</u>	\$4,087,213
<u>Special Needs / Academic Intervention Services (SNAIS)</u>	+\$1,145,114
<u>Programs Consolidated</u>	+\$1,901,652
<b>Amount Under Old Approach</b>	<b>=\$7,133,979</b>



**II. FAIR STUDENT FUNDING (FSF) APPROACH**

FSF Formula=\$8,785,259

**Difference: FSF would increase your funding by: \$1,651,280**

### III. ACTUAL BUDGET (PRELIMINARY)

Amount Under Old Approach		\$7,133,979
New FSF Allocation (Approx. 55% of Difference up to \$400,000)	+\$400,000	
FSF Subtotal		= \$7,533,979
Allocations Not Consolidated	+\$2,392,571	
Children First Supplemental Allocation	+\$266,323	
<u>FY08 Budget</u>		= \$10,192,873

#### California's History with Weighted Student Formula

According California's 2007-2008 state Budget total per-pupil expenditures from all sources are projected to be \$11,163 in 2006-07 and \$11,541 in 2007-08. The key question for school funding equity, efficiency, and student performance is how do we get more of these current California education resources into the backpacks of students to more effectively serve individual student needs and raise student outcomes?

A weighted student formula model coupled with local school empowerment addresses several of the key issues raised in "The Getting Down to Facts" reports. California should look closely at New York City's Fair Student Funding Model which pairs weighed student formula and school empowerment through budgetary control. Following the New York City model and moving to this type of system would use current resources more effectively, make school finance simple and transparent, and provide a positive way to strengthen the role of the principal in California schools.

California has one of the most centralized public school systems in the United States. In California, local property taxes are aggregated in Sacramento and then re-allocated to school districts on a per-capita basis. These reallocated funds—both general revenue and categorical funds—do not flow directly to schools, but to school district central offices. The central offices then allocate personnel to schools rather than money. For example, a school district would determine the number of teachers and other kinds of personnel each school receives based on the district's student population and characteristics. If a school principal wanted to invest resources in an additional reading instructor to raise reading scores at the school, the school principal would not have the budgetary discretion to hire the reading teacher because employees are assigned at the district level based on the average characteristics of schools in the district.

In a February 2005 study by the Education Trust West, *California's Hidden Teacher Spending Gap: How State and District Budgeting Practices Shortchange Poor and Minority Students and Their Schools*, found that state education dollars are not distributed equally within school districts. The report found that the money spent on teachers' salaries in California, which makes up the majority of education funding in California, varies widely from school to school within the same school district. For example, all ten of California's largest school districts post a spending gap on teachers' salaries between

high and low minority high schools. These gaps range from \$64, 291 to \$522,459.<sup>2</sup> The Education Trust-West report found dramatic spending gaps in teachers' salaries within districts, with more highly paid teachers and more experienced teachers concentrated in more affluent schools.

Districts report average teachers' salaries for entire districts instead of calculating the actual salaries of teachers assigned to any particular school. These district averages are even reported on the school level report cards. These averages mask teacher salary differences between schools within the same district. The report uses this analogy:

*It's as if we had two pots of water, one ice cold and the other boiling hot, and concluded that the average water temperature is warm: True, but not very informative about the conditions in each pot.*<sup>3</sup>

The Education Trust-West recommends reporting transparent school salary and budget information at the school level, changing the funding system to allow money to follow the child rather than districts allocating funds based on teaching positions in an individual school.

In California weighted student funding gained visibility in 2003 when Governor Schwarzenegger appointed former Los Angeles Mayor Richard Riordan as Secretary of Education.<sup>4</sup> Riordan called for a major overhaul of California's education system that included streamlining school finance through weighted student formula, empowering school site principals, and making sure the money followed students all the way to the school. Although there was speculation about a pilot program for school empowerment, the Schwarzenegger administration never introduced a concrete proposal.

In California, we have two striking examples of districts using weighted student formula. San Francisco, with 116 schools and 60,000 students, is in its seventh year of using a weighted student formula for funding and giving more decision-making power to principals and their School Site Councils, made up of parents and school staff. Since implementing the weighted student formula, San Francisco's test scores have improved every year, and it is now the highest-performing urban school district in California.

Similarly, in 2004 the Oakland Unified School District transformed its budgeting formula from a centralized process to "results-based budgeting." As reported in a new Education Trust West report, "California's Hidden Teacher Spending Gap," the Oakland District allocates funding to its schools based on the number and type of students at each school. Oakland gives each school administrator the flexibility to allocate this funding in whatever way fits the school's instructional needs. Oakland allocates funds to the school

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<sup>2</sup> Education Trust West, *California's Hidden Teacher Spending Gap: How State and District Budgeting Practices Shortchange Poor and Minority Students and Their Schools*, February 2005. <http://www.hiddengap.org/report/>

<sup>3</sup> Ibid.

<sup>4</sup> "Weighted Student Formula" *Concept Enlivens School Finance Debate*" Edsource Issue Brief, May 2004, <http://www.edsource.org/pdf/WeightedStuForm04.pdf>.

in the same way it receives revenue from the state: unrestricted Average Daily Attendance (ADA) funding is allocated to the schools based on their current year enrollment. According to *Education Week*, Oakland is the only district in the nation that gives principals direct control of their ADA funding. In 2006 Oakland made the largest gains of the state's thirty largest districts on the states Academic Performance Index.<sup>5</sup>

Also in California, Los Angeles school and union officials have agreed to develop a group of independent small schools in the Pico-Union area, allowing students to choose a campus that best fits their interests. The Belmont Pilot Schools Network would consist of five to ten fully autonomous high schools launched over the next five years, with a maximum of 400 students each. Principals and teachers at those schools would work under a separate contract that would free them to determine school calendars, curricula, budgets and administrative structures.<sup>i</sup>

California could take advantage of its largely centralized school funding system and implement a state-level weighted student formula that would fund students based on their individual characteristics. The weighted student formula would create an equitable funding stream, give all principals more control over their budgets, and let students choose their schools. California could easily follow the map of New York City which offers step by step instructions on how to divide a complex budget into actual per-pupil funding based on weights that follow the child.

If California is not ready to institute fair student funding statewide—an interim solution would be to offer school districts a financial incentive to pilot the weighted student formula concept within a school district. This financing mechanism would be especially important for those California districts with higher achievement gaps, higher concentrations of school dropouts, and a greater need to weight funding toward individual student characteristics.

California could offer waivers to state-level categorical mandates that limit discretionary funding to those districts willing to implement weighted-student formula financing schemes with principal control and public school choice.

New York City's school empowerment program has the motto that "the main thing is to keep the main thing the main thing." That's just what California's finance system needs: a clear transparent funding system that like New York City puts "Children First" and funds them in a clear transparent manner.

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<sup>i</sup> Arin Gencer, "Plan Aims to Boost School Choice, New Campuses in the Pico-Union Area would get Freedoms Similar to those of Charter Sites." *Los Angeles Times*, July 25, 2006.

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<sup>5</sup> Lisa Snell and Shikha Dalmia, "Experimenting with school choice: A Tale of two California Districts," *Education Week*, February 12, 2007.