Oakland Unified School District

<table>
<thead>
<tr>
<th>Program Name:</th>
<th>Results-Based Budgeting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implemented:</td>
<td>2004-2005 School Year</td>
</tr>
<tr>
<td>Program Type:</td>
<td>District-Wide</td>
</tr>
<tr>
<td>Legal Authorization</td>
<td>State Administrator</td>
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<table>
<thead>
<tr>
<th>Oakland School Empowerment Benchmarks</th>
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<tbody>
<tr>
<td>1. School budgets based on students not staffing</td>
<td>yes</td>
</tr>
<tr>
<td>2. Charge schools actual versus average salaries</td>
<td>yes</td>
</tr>
<tr>
<td>3. School choice and open enrollment policies</td>
<td>yes</td>
</tr>
<tr>
<td>4. Principal autonomy over budgets</td>
<td>yes</td>
</tr>
<tr>
<td>5. Principal autonomy over hiring</td>
<td>no</td>
</tr>
<tr>
<td>6. Principal training and school-level management support</td>
<td>yes</td>
</tr>
<tr>
<td>7. Published transparent school-level budgets</td>
<td>yes</td>
</tr>
<tr>
<td>8. Published transparent school-level outcomes</td>
<td>yes</td>
</tr>
<tr>
<td>9. Explicit accountability goals</td>
<td>yes</td>
</tr>
<tr>
<td>10. Collective bargaining relief-flat contracts, etc.</td>
<td>no</td>
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</table>

Oakland met 8 out of 10 school empowerment benchmarks.
I. Program Overview

In 2008, the Oakland Unified School District enrolled 38,627 students and Oakland charter schools enrolled 7,553 students. Student demographics show that 37 percent of district students are African-American, 34 percent Hispanic, 16 percent Asian, 7 percent White and 4 percent other. Of these, 67 percent are eligible for the free and reduced lunch program and 31 percent are English language learners. Over the last four years, Oakland Unified has been California’s most improved large urban district, adding 73 points to its Academic Performance Index over that time.

From fall 2000 to fall 2008 the district has experienced a decline in enrollment of over 15,000 students. All California school districts receive both unrestricted and restricted resources based upon the number of enrolled students. Over the course of the past eight years, the district’s severe enrollment loss has been due primarily to two factors:

1. Families moving out of Oakland due to increased cost of living in the Bay Area and
2. Rapid growth of charter schools, which made up 16.8 percent of Oakland’s public school enrollment in the 2008–09 school year.

Oakland Unified calls its student-based financing system “results-based budgeting.” Oakland Unified’s decentralization and student-based financing efforts started in the 2001-2002 school year under Superintendent Dennis Chaconas. According to the Center for American Progress 2008 report on Oakland’s result-based budgeting system, the school board decided to exempt seven of the district’s recently established small high schools from the district finance system. Each small school received a budget based on the same way the district received its funding—the average daily attendance (ADA) of the students enrolled at that school. Principals were given control over use of these resources at the school level and by the 2003–2004 school year 14 schools were receiving funding based on ADA and the principals had discretion over the budget.

In 2003, the school district experienced a fiscal crisis that led to a state takeover of the district in exchange for a $100 million loan from the state of California. The state installed a state administrator in place of the superintendent.

The state takeover provided a unique opportunity to make rapid change in a school district with a long history of poor academic and financial performance. In partnership with the Bay Area Coalition of Equitable Schools (BayCES), new State Administrator Randolph Ward began a new initiative, Expect Success, to create a more accountable school district. Starting in spring 2004, Oakland Unified School District launched a fundraising campaign to attract national and local donors to invest in high achievement, equitable outcomes and public accountability. District leaders and community partners used this seed funding to write the three-year reform plan “Expect Success” designed to transform the district into a model of urban reform. To date, Oakland has raised $30 million and succeeded in being the most improved, in terms of academic gains, of any urban school district in California over the last four years.

In 2004, Dr. Ward decided to expand the district’s student-based financing system to include every school in the district. He
and other district administrators visited the Edmonton School District in Canada to learn more about best practices in student-based financing. Dr. Ward’s implementation of results-based budgeting is an example of a top-down implementation of a school decentralization system. He asked a small group of district administrators in conjunction with a member of the Bay Area Coalition of Equitable Schools (BayCES) to quickly design the framework for Oakland’s school finance policy. In a three-month period, Oakland’s leadership created the framework for the new “results-based budgeting” (RBB) policy by developing new funding formulas and initial budgets for all schools. Oakland implemented results-based budgeting district-wide, as part of the “Expect Success” reforms in 2004–05.

Results-based budgeting (RBB) is OUSD’s unique budgeting process based on a per-student formula that accounts for all expenses associated with school operations. Budgets are allocated to and managed by school sites. RBB increases equity, transparency, accountability and site-based decision-making in the budgeting process. The theory of action for results-based budgeting has been to provide maximum budget flexibility and funding equity for all school sites. The advantages include the ability for individual school sites to customize educational programs and support services to fit the needs of the students, staff and parents.

The allocation of funds achieves equity of resources under RBB as it is based on actual students (versus staff allocations) and schools have more control over directing their resources. Schools are also charged for actual salaries rather than average salaries. While sending schools revenue rather than staffing positions increases equity, it does not go far enough. In most school districts schools are charged for average teacher salaries rather than actual teacher salaries. This means that a more popular school with more experienced teachers is often subsidized by less popular schools with less senior staff members. In Oakland, schools are charged actual salaries. This increases equity because schools that have more beginning teachers with lower salaries will now have more resources based on the same number of students to invest in extra staff, teacher development or additional support mechanisms to help their students achieve.

Since budgets developed through RBB reflect the true costs to operate instructional programs for schools, school financing is easier for parents and the community to understand. RBB directly ties budgets to schools’ strategic plans and each school site council (SSC) has oversight of categorical funds, which adds accountability for the results attained with school funding. Finally, leaders at the school sites have more control over the budgets, allowing the educators closest to the needs of the students to make decisions about the best use of funds.

American Institutes for Research (AIR) conducted a study of the implementation and results of RBB over the course of FY2007-08. The AIR study showed that even though results-based budgeting created more work for school administrators and district staff, school communities had a strong preference for RBB over traditional budgeting processes. This was confirmed by the feedback the OUSD received from principals in 2008. The strong response from internal stakeholders is that RBB should continue and should be improved as needed and periodically evaluated for effectiveness.
II. Student-Based Budgeting Process

In 2004 the Oakland Unified School District transformed its budgeting formula from a centralized process to “results-based budgeting.” Oakland allocates funds to the school 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.

Oakland does not have a traditional weighted student formula; instead Oakland gives schools the money for their students and makes school-level funding more equitable for students by charging schools for actual teacher salaries at the school rather than average district salaries.

Oakland district administrators created a basic per-student allotment for elementary, middle and high schools that it reviews each year to ensure that all schools can cover their operating costs. Since schools in Oakland with more veteran teachers had much higher costs than schools with less experienced teachers the district decided to have a “hold harmless” type clause that allowed individual schools to phase-out of their higher salaries over a number of years. The district provided additional resources to schools with higher veteran teacher costs to ease the transition to charging schools for actual salaries. This extra subsidy was gradually phased out by the 2008-2009 school year. In Oakland, the district also provides resources to small schools to help cover operational costs. The district is moving to identify the minimum number of students a school needs to be economically viable and is managing its school portfolio to move toward the goal that every school can cover basic operational costs.

Oakland weights only the grade level of students served in the school. Therefore, it does not technically have a weighted student formula. Oakland does not include traditional student need factors (poverty, EL status or disability) as weights for distributing unrestricted (discretionary) funds. According to the AIR study, not including weights for specific student populations was a conscious decision by district administrators, who focused on two other policy components to increase resource equity: instead of weighting the GP funds, Oakland relied on the distribution of categorical program funds (e.g., Title I or Title III), which commonly do take student need factors such as poverty and EL status into account and the use of actual rather than average salaries of school personnel.

Specifically, in the AIR study five district respondents mentioned that the large amount of categorical funds that Oakland receives would ensure school budgets that reflect the needs of the students. In addition, four district respondents mentioned that given that schools spend most of their budget on personnel costs, the decision to become the first district in the country to use actual salaries in school budgets to calculate school-level costs would better address equity.

Oakland implemented the use of actual salaries so that schools with less experienced teachers would have lower teacher-related costs in their budgets and could redirect this money toward resources (e.g., professional development) that would support and help retain experienced teachers in schools serving larger percentages of high-poverty students.

Oakland weights the total enrollment at the school by the school’s average daily attendance (ADA) from the previous year. For example, if the district calculates that a
school has an actual enrollment of 500 students and had an ADA the previous school year of 90 percent, the school would receive general purpose funds for 450 students (500 × .90 = 450).

According to the AIR study, this method of weighting enrollment by ADA has been somewhat controversial in Oakland. In the study three district administrators and one principal who mentioned the use of ADA appeared to favor this calculation. These respondents felt that the use of ADA creates a realistic count of how many students are actually in the school receiving the resources, creates an incentive for a school with low attendance to improve and creates accountability for the school’s attendance rates. For example, one district administrator remarked that after the first year, six schools saw an increase of more than 5 percent in their average daily attendance. The principal asserted that this weighting “really did shift the school’s culture” to focus on improving attendance to “bring in dollars.”

### III. Autonomy

There are two ways to view school-level autonomy. First, autonomy at the school site can be evaluated by budget discretion—the proportion of funds sent to the schools versus retained at the district level. Second, one can evaluate by planning discretion—how much control over staffing and programmatic offerings do principals have?

Oakland’s strength is the budgeting discretion it provides to schools as it continues to move larger amounts of unrestricted funds and restricted funds to the school level. For example, even as Oakland Unified is forced to make significant budget cuts because of declining enrollment and California’s budget crisis, the majority of reductions were made at the central office and the district worked to protect the unrestricted funding that goes to schools so that more than 87 percent of the unrestricted budget would go to schools in 2009-2010.

#### Unrestricted Budget Cuts: School versus Central Office Reductions 2009-2010

<table>
<thead>
<tr>
<th>Location</th>
<th>2008-09 Budget*</th>
<th>2009-10 Proposed Reduction</th>
<th>Reduction as% of Budget</th>
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<tbody>
<tr>
<td>School Sites</td>
<td>179,203,025</td>
<td>(6,601,575)</td>
<td>(3.7%)</td>
</tr>
<tr>
<td>Central Office</td>
<td>51,342,139</td>
<td>(21,939,731)</td>
<td>(42.7%)</td>
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<tr>
<td>TOTAL</td>
<td>230,545,164</td>
<td>(28,541,306)</td>
<td>(12.4%)</td>
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2009-2010 Total Unrestricted Revenue to be Allocated

- Amount to be allocated to Schools: 87%
- Amount to be allocated to Central Office: 13%  


In terms of autonomy over staffing, principals in Oakland are still bound by a 277-page labor agreement between the Oakland Education Association and the district that spells out work rules and transfer and hiring rules based on the
seniority status of the employee. The AIR study reported 12 of 22 respondents in Oakland mentioned collective bargaining agreements as a constraint on autonomy. As one Oakland principal commented, “Sometimes it feels like we have all the responsibility but we actually don’t have any of the freedom … because if you can’t choose who you’re going to hire … then some of your budgetary autonomy actually goes away.”

IV. School-Level Management Support

Oakland offers a strong program of assistance to principals and school staff from central office personnel. Principals receive support from the district’s assistant superintendents (called Network Executive Officers). In addition, school principals can also hire operations support coaches (or “ops coaches”) who help to create budgets and serve as liaisons to the district office. In the AIR study, one district administrator describes the operation support coaches as “executive assistants to help navigate the systems of the district.” Another district administrator adds, “We couldn’t live without him.” In addition, the district created “drop in” hours with various district officials around the time the annual plans and budgets are due to answer schools’ questions.10

Oakland also has a tiered approach to school support. It provides more intensive capacity building for the planning and budgeting processes of the lowest performing schools. The Network Executive Officers can veto decisions made at these schools that they perceive to counter the school’s needs.

V. School Site Councils

In California the education code requires every school to develop a school site council with responsibility for developing a “single plan” for student achievement. In Oakland the school site councils focused on a plan for student achievement and were accountable for how categorical funding from the state and federal government for school improvement were used to advance student achievement.

As the AIR study reported, in Oakland the district left it up to principals to decide how much they wanted to involve the community in decisions beyond those regarding the categorical funding. A district staff member commented, “RBB certainly puts in place the conditions for greater participation for the parents and community, but it doesn’t make it a [requirement].”11 One Oakland district administrator noted that certain principals present the entire budget to the SSC for review and input, but the district does not mandate them to do so.

VI. School Choice Component

A major goal of OUSD has been to increase the number of high quality options for families in OUSD by opening new schools, improving existing schools and closing the lowest performing schools. The district’s goal is to provide every family with access to at least two quality schools in their neighborhood and the ability to select from a diverse range of educational options throughout Oakland.

Oakland has managed its school choice process through a system known as “school
portfolio management.” The system uses a simple color-coded scale. Blue and green schools are the highest performing and are eligible to apply for flexibility from district-wide curricula. Red are the lowest performing schools, followed by orange and yellow schools, all of which receive increased monitoring and support.

From 2007 to 2008, the number of blue and green schools nearly doubled, from 14 to 27 schools, including the first green high school. The number of red and orange schools also increased from 27 to 37 schools, due primarily to higher performance standards under No Child Left Behind. Over the last three years, OUSD has developed a strong model for school portfolio management (SPM) and has successfully made difficult decisions about individual school closures, openings and restructuring. There are currently approximately 30 schools that the district is considering for restructuring and possible closure based on low achievement or low enrollment or both. In the 2008-2009 school year the district is “phasing out” three schools by not adding any new students and letting the existing students finish before the schools are closed.

Since the 2005-2006 school year, Oakland Unified School District has used an enrollment system called “the options system” for its elementary, middle and high school levels. The options system lets families participate in and influence the process of selecting a school for their children. In 2008 OUSD had school tours, open houses and an elementary school “options fair” as part of the open enrollment process.

Elementary schools, middle schools and high schools host open houses and school tours targeted at prospective families throughout the month of December. These events offer existing and prospective families a unique opportunity to learn more about OUSD’s educational options, speak directly with staff and determine where they’d like their children to attend school. Oakland also publishes updated school brochures that describe each school at the elementary, middle and high school level and their academic performance, as well as the percentage of students that chose the school as their first choice and were then enrolled.

The options process is designed to help families and students choose a school that they believe will meet their particular needs. The options process does not guarantee that every family will be accepted into its first-choice school. It does, however, significantly expand the social and educational options available for Oakland families.

The options process reinforces OUSD’s commitment to offering a diverse portfolio of high-quality schools that expands opportunity for public schools students. By increasing access to a range of academic programs, many of which would otherwise be out-of-reach for disadvantaged students, the options process serves the district goals of achievement, equity and accountability.

VII. Accountability

Oakland Unified School District has instituted specific accountability goals for both the overall district and individual schools. The three main accountability goals or milestone assessments are as follows:
1. All students will read and write by the end of third grade.
2. All students will succeed in algebra by
the end of ninth grade.

3. All students will graduate.

In addition, each OUSD school is required to publish a school scorecard that measures each school on three academic goals:

1. Absolute Performance. How is the school performing against Adequate Yearly Progress Targets?

2. Cohort Matched Student Level Growth (value added). How is the school accelerating growth for students who have been in the school over time (measured for both one and three years)?

3. Closing the Achievement Gap. Is the school closing the gap between school-wide performance and that of the lowest performing subgroup?

These school-level outcomes are used by the school portfolio management system to make decisions about which tier a school belongs to and how to manage school closures.

In addition to the specific accountability goals identified for the district and the schools, charging schools for actual salaries seems to also introduce more accountability between the teacher and the principal. In the AIR study, several district respondents mentioned that actual salaries were expected to make principals more aware of the actual costs of all teachers and encourage them to hold teachers accountable for their performance. In spite of the fear that principals might discriminate against veteran teachers, one district respondent claimed that using actual salaries did introduce the cost of the teacher into decisions to retain certain staff but also gave principals a lever for holding teachers to high standards:

"We saw a lot of people opting for more experienced people when they were good. It didn't have anything to do with how much they cost. Yeah, you betcha that people didn't want to pay a lot of money for people who were mediocre! That's the accountability part that's supposed to be there."\(^\text{12}\)

**VIII. Performance Outcomes**

Since Oakland introduced results-based budgeting in 2004, the district has seen positive movement on a number of performance measures. OUSD has posted the largest four-year Academic Performance Index (API) gain among large urban school districts. The API is a state measure of the growth in student performance on the California Standards Test (CST), the California High School Exit Exam (CASHEE) and other examinations.


However, with an API score of 657 OUSD still ranks low compared to other large urban districts. The state of California sets a benchmark of 800 as the goal that every school and district should be scoring on the API.

- Oakland students have shown major improvement on the California High
School Exit Examination, which all students must pass in English and math before graduating from high school. In 2008, 60 percent of high school students passed the English-language-arts portion, compared and 61 percent passed math. By comparison, in 2005 48 percent passed the English/language arts portion and 45 percent passed the math portion of the exit exam.

- Oakland has also increased the number of advanced placement courses for high school students. In 2003-04, for instance, Oakland’s high schools offered 18 advanced placement classes with 512 enrolled. In 2007-08, they increased this total to 116 with 3,073 students enrolled. In 2008, 116 Oakland public high school students have been named AP scholars. That means they have earned a score of 3 or better (out of 5) on three Advanced Placement exams.

- In Oakland the graduation rate is also beginning to improve. According to graduation rates recorded by the California Department of Education using the National Center for Education Statistics graduation rate methodology the graduation rate for OUSD improved between 2005-2006 and 2006-2007 (the latest year which data is available). The overall graduation rate for 2005-2006 was 60.8 and for 2006-2007 it increased to 68.3 percent—an increase of 7.4 percent.
Case Study: Allendale Elementary

Allendale elementary is one of the most improved schools in Oakland. In 2008 Allendale improved its state API by 63 points to 741 and they made all of the No Child Left Behind goals for every subgroup and made adequate yearly progress (AYP). The school also made progress in closing the “achievement gap” that exists for African-American and Hispanic students. Both groups changed their performance dramatically. Allendale’s Hispanic students raised their scores by 100 points. In addition, Allendale has seen their enrollment grow as a result of improvement in academic performance. They represent a case in point, of a school that improves academic performance and then sees an increase in the number of families that enroll in the school.

percent of students graduating. For African-Americans the graduation rate improved from 56.2 percent in 2005-2006 to 67 percent in 2006-2007—an increase of 10.7 percent. For Hispanic students the graduation rate improved from 57.8 percent in 2005-2006 to 63.2 percent in 2006-2007—a 5.4 percent increase.

- Twenty-one schools in OUSD made double-digit percentage point gains in 2008 in the number of kids who tested at “proficient” or better in reading and/or math.

- In 2008 Oakland schools also founded the Bay Area Urban Debate League with nine high schools. Debate is a competitive team sport that prepares students to critically read, research and speak their mind; the broader goal of this league is to point young people toward college scholarships and successful careers with positive social impact.

IX. Lessons Learned

1. Increased transparency for schools leads to demands for central office transparency. According to the AIR study, increased transparency in the schools because of results-based budgeting has led to an increased demand for transparency in the district office. Respondents indicated that the RBB policy in Oakland and created an increased perception of transparency regarding how the schools received funding. An interesting side-effect heard from schools in both districts is that the schools, in turn, demanded increased transparency regarding how the district used its funds centrally. An example of this can be seen in the January 29th, 2008 Board retreat in Oakland to strategize about how to deal with budget cuts from the state budget crisis in California. The budget retreat documents include a transparent line-item central office budget that demonstrates how each program area will be cut to manage the budget crisis and direct more resources toward schools.

2. Categorical programs and restricted funding at state and federal level limit innovation and budget discretion. Respondents to a comprehensive AIR evaluation of results-based budgeting stated that the large number of categorical programs at state and federal levels inhibit innovation and reinforce a compliance-oriented mentality. Despite recent provisions attempting to change the restrictions on federal funds, it has been very difficult to change the compliance mentality in states, districts and schools. If state policymakers are interested in creating avenues for more school-level innovation, they must re-examine how state funds are distributed and how districts are required to report the expenditure of these funds.
Respondents repeatedly voiced a desire to improve the state funding system to better promote innovation.

3. Districts should report school-level budgets and scorecards. One positive innovation from OUSD is that parents can easily find academic and school spending data at the school level by looking at school level budgets and scorecards. OUSD has an especially strong student report card because it evaluates schools based on subgroup progress, value-added and progress toward closing the achievement gap. Parents can also compare which schools are more popular by examining enrollment trends in school budgets.

4. Collective Bargaining limits school-level discretion. Collective bargaining remains a huge challenge even under a student-based budgeting system. Principals’ autonomy to spend resources is constrained by work rules and personnel policies. Collective bargaining rules limited principals’ perceptions of discretion and autonomy because in Oakland it was very difficult to make staffing decisions for hiring or firing or transferring personnel.

Resources


To view Oakland Unified School level budgets for 2008-2009 go here: http://webportal.ousd.k12.ca.us/docs/7302.pdf

To view Oakland Unified school score cards for 2008 that include, student achievement, value-added student gains and data on closing the achievement gap go here: http://webportal.ousd.k12.ca.us/Schools.aspx?Tab=2


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Endnotes


6. Ibid., p.19.

7. Ibid., p.12

8. Ibid., p. 16.

9. Ibid., p. 33.

10. Ibid, p. 44.

11. Ibid., p. 50.


13. Ibid, p. 89.