



California

Three Reasons Governor Brown's School Funding Plan is Better than the Status Quo and Three Big Ideas to Make the Plan Even Better

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EXECUTIVE SUMMARY

The current California education funding system lacks transparency and is extremely difficult for parents, policymakers and taxpayers to understand. In addition, under the current system, districts receive notably different per-pupil funding rates; affluent schools often receive more funding per pupil than less affluent ones.

Last year Governor Brown successfully passed a sweeping tax increase through Proposition 30 that will lead to significant increases in revenue for California schools, projected to total \$17 billion dollars over the next four years. Since Proposition 30 and Proposition 98 legally mandate through the state constitution that the majority of new tax revenue goes to the K–12 education system, the legislature has little discretion over K–12 school finance. In the 2013–2014 state budget process, the policy debate has shifted from arguments over increases in K–12 education spending to a discussion of how to allocate new K–12 spending obligations in a simpler, more equitable and transparent manner.

Accordingly, Governor Jerry Brown proposed a new

school finance plan for California in the 2013–2014 budget, called “Local Control Funding Formula.” It increases funding to school districts with a larger number of disadvantaged students by financially weighting those students according to need, simplifies current byzantine school finance regulations and gives school districts more autonomy over finances.

More specifically, of every dollar allocated through the formula, 80 cents will go to the base grant for every student, 16 cents will go to supplemental grants for disadvantaged students in every district, and 4 cents will go to a concentration grant for students in districts with more than 50 percent disadvantaged students.¹

While Governor Brown's plan distributes money to school districts with larger numbers of disadvantaged students, it does not do enough to ensure that the money gets to these students' schools or to the students themselves—aside from threatening audits or sanctions if disadvantaged students fail to meet performance targets. This is worrying, since studies of staff-based budget allocation and within-district inequities show that money already devoted to disadvantaged kids is often not reaching their individual schools, even when

specific funding streams like Title I are designated for disadvantaged students.

Brown’s plan would be greatly improved in this respect by integrating the following recommendations:

1. Distribute all the extra weighted funding for at-risk and English Language Learner students on a per-pupil basis to the particular schools in which those students enroll, funneling funding for disadvantaged students directly to them, rather than to the district.
2. Authorize school principals, rather than districts, to spend the funds for their students as they see fit, according to their students’ needs.
3. Implement a modern school-level financial reporting system, ensuring that extra funding reaches the disadvantaged student and that school district finance allocations are transparent to the public.

California could easily adapt the current language in the charter school section of Assembly bill 88 or Senate bill 69, which are legislative alternatives to Governor Brown’s budget proposal, to accomplish this. Charter school student funding is weighted per pupil to customize to each student’s needs, and individual schools are held accountable for how they spend those dollars. For true accountability and equity, every school in California should have to follow charter-school reporting requirements by holding individual schools and their districts accountable for student outcomes and financial expenditures.

THE LOCAL CONTROL FUNDING FORMULA

Governor Jerry Brown has proposed a new school finance plan for California in the 2013–2014 budget called “Local Control Funding Formula” (LCFF). It would simplify school finance in the state of California, offer school districts flexibility over spending and relief from regulatory red tape, and provide more resources for disadvantaged students.²

In April 2013, the Public Policy Institute of California released a new poll on Californians and Education that found that 71 percent of adults in California support Governor Brown’s proposal to give more funding to school districts that have a larger number of disad-

vantaged students. In addition, most adults think local school districts (43%) or schools (36%)—rather than the state—should have control over spending state funds.³ They support Governor Brown’s move to allocate funding in an unrestricted and flexible manner.

Under the current system, districts receive notably different per-pupil funding rates based on historical factors and varying participation in categorical programs. As the 2013–2014 budget proposal states, “There are many different funding streams, each with their own allocation formula and spending restrictions. It is state driven and interferes with local officials deciding how best to meet the needs of students.”⁴ In fact, a 2012 Education-Trust West study found that the highest poverty school districts—those with the largest concentrations of low-income students—receive \$620 less per student, on average, from local and state sources than the most affluent districts.⁵ In addition, the current funding system lacks transparency and is extremely difficult for parents, policymakers and taxpayers to understand.

In contrast, the governor proposes to replace the numerous streams of funding the state currently sends to school districts and charter schools with one simplified formula called the “Local Control Funding Formula.” According to the Legislative Analyst Office the governor’s proposal would provide a uniform base per-pupil rate for each of four grade spans.⁶ In addition to the base, districts could receive four weighted funding supplements based on individual student characteristics: (1) students needing additional services, defined as English learners (EL), students from lower income (LI) families, and foster youth; (2) districts with high concentrations of EL/LI students; (3) students in grades K–3; and (4) high school students.

Despite a May revision of the 2013–2014 budget, the governor’s basic proposal has not changed since January. When LCFF is fully implemented the base grant for all districts would average \$6,816 per student—\$1,548 more than they’re currently getting. High school districts would get \$1,000 more per student and elementary districts would receive more, too, for smaller classes. Governor Brown’s preliminary specific base grant and weights from the January proposal include:⁷

Base Grant:	<ul style="list-style-type: none"> ■ \$6,342 for grades K–3 ■ \$6,437 for grades 4–6 ■ \$6,628 for grades 7–8 ■ \$7,680 for grades 9–12
ELL, Low-Income, Foster Youth	<ul style="list-style-type: none"> ■ 35 percent of base and 7-year maximum for ELL. ■ Student can generate weight for either LI or ELL but not both.
K–3 weight to support small class size	<ul style="list-style-type: none"> ■ 11.2 percent of base ■ Requires 24 students or less per teacher to qualify.
High school weight	<ul style="list-style-type: none"> ■ 2.8 percent of base
Small school subsidy	<ul style="list-style-type: none"> ■ Small schools in geographically isolated areas get minimum grant rather than ADA per pupil funding
“Add-ons” to new formula	<ul style="list-style-type: none"> ■ Locks in districts’ current allocations of Targeted Instructional Improvement Block Grant and Home to School Transportation categorical funding as permanent add-ons but removes restricted spending requirement on these funds.

Other notable features of the governor’s plan from the January budget and the May revision include:⁸

- The plan increases funding because the base rates and supplemental weights when fully funded would exceed the per-pupil funding that the majority of school districts currently receive.
- The plan allows a student to qualify for either low-income or ELL weights and concentrations but not both funding weights.
- The plan removes all categorical funding requirements from the formula and the add-ons starting in 2013–2014, providing districts full flexibility to spend the formula in an unrestricted manner.
- The plan requires each district to develop and make available an annual accountability plan that details how the district will spend funding to improve student achievement and file these plans

with County Offices of Education.

- The plan increases accountability by requiring districts to spend the weighted funding supplements on disadvantaged students. County offices of education could audit school district spending on disadvantaged students and scrutinize and reject academic plans for these students when districts fail to meet specific academic targets for disadvantaged students two out of three years. Districts with persistent shortfalls in student performance would be subject to sanctions from the state superintendent or state board of education.
- The plan does include a “hold harmless” provision that would ensure every school district, regardless of local funding, would receive at least as much funding from the state as they received in the 2012–2013 budget year in perpetuity.

THREE REASONS GOVERNOR BROWN’S PLAN IS BETTER THAN THE STATUS QUO

1. The funding is simple and more transparent.

Governor Brown has proposed a student-based funding system that replaces a set of overly complex and difficult funding formulas that are not well understood by most educators, policymakers or the general public. This new funding system has a uniform formula that is comparable across every school district in California and will make it much easier for policymakers, researchers and the general public to make valid comparisons of school spending. The transparent formula will make it more feasible to study the role that funding plays in school performance and school quality. In addition, it will also make it easier to evaluate how school funding is spent in relationship to the needs of individual students. In the past, it was impossible to evaluate which funding streams were attached to which students because each district received such a wide variety of funding from multiple sources based on multiple district-level factors. This new funding system is rational and related directly to the number of students that enroll in each school district.

2. The funding is more local, more direct and more accountable.

This formula reduces “red tape” and regulatory compliance. The new funding formula will collapse more than 50 state categorical programs, each with its own set of rules and administrative requirements, into one straightforward funding stream. Louisiana Governor Bobby Jindal has been praised for offering local school districts regulatory relief from state earmarks under the guise of his “Red Tape Reduction Act”, which gave districts waivers to spend money more flexibly in exchange for specific performance improvements. Governor Brown’s proposal goes much further by ending scores of state-level earmarks altogether. Brown’s plan gives every district flexibility and regulatory relief while improving accountability by requiring districts to adopt specific accountability plans with clearly defined performance goals. The plan honors a key component of performance-based government by focusing on evaluating outputs, instead of mandating specific spending inputs that tell school districts exactly how they must spend money to improve performance. The governor’s plan would require spending audits and specific sanctions for those districts that fail to improve student outcomes.

3. Through the weighted student formula (WSF), the funding is more equitable for the most disadvantaged students.

Earlier this year, House Majority Leader Eric Cantor argued in his “Making Life Work” speech at the American Enterprise Institute that Republicans should consider embracing weighted student funding for federal education policy. He said, “Under this policy, the more students a school attracts, the more money that school, its administrators and teachers receive. Low-income students are weighted heavier in the funding formula as are children with disabilities, and those learning English as a second language. So, there’s incentive for schools to seek the more vulnerable population, and reasons for schools to differentiate themselves and excel.”⁹

Jerry Brown’s student-based approach to funding disadvantaged students is much more equitable than the current earmark approach to funding student characteristics. The funding plan increases equity by

attaching funding to individual students and prioritizes spending on improving outcomes for low-income, English language learners, and foster kids—who collectively make up more than 55 percent of the students in California. Overall the plan would spend 80 percent of funding on a base grant for every student, 16 percent for disadvantaged students in every district, and 4 percent on concentration grants for districts in which more than 50 percent of students are disadvantaged.

Governor Brown’s plan has been criticized based on the notion that this is a social justice scheme that redistributes school financing and creates winners and losers. However, the existing system already has winners and losers, and many districts currently receive less funding despite having more economically disadvantaged students. The governor’s proposal puts forward a simpler, more transparent mechanism for funding disadvantaged students with specific expectations that outcomes will improve for these students based on this financial investment. His plan has strengthened accountability for money that is invested in disadvantaged students by requiring districts to think strategically about their academic plans and evaluating districts on student performance and other indicators of student success. The plan also includes sanctions from the county and state for failure to invest in these students or failure to meet performance targets for these students. This is better than the status quo, where it is difficult to evaluate spending on disadvantaged students or any students in California in a meaningful way.

ANALYSIS

There is no doubt that Governor Brown’s school funding proposal would create a system that is simpler, more equitable and more transparent than the existing school finance regime, which often produces irrational and arbitrary results. That existing system is complex and convoluted, including more than 50 categorical programs and countless associated restrictions and reporting requirements that schools find burdensome. Governor Brown’s proposed reforms would simplify matters, giving school districts greater flexibility in how they spend the money allocated to them, and relieving them of the worst of the state education bureaucracy’s red tape. The reforms would also make

sure that school funding between districts is transparent and equitable. In short, this major overhaul of education finance in California would be a significant improvement relative to the current system.

In April, the chair of the Assembly Education Committee, Joan Buchanan, turned Gov. Jerry Brown's Local Control Funding Formula plan into Assembly Bill 88 and the Democratic leaders of the Senate proposed their own version of school finance reform in Senate Bill 69—this bill included some elements of the governor's plan. These bills suggest that reform will likely happen through the legislative process rather than as an add-on to the state budget.

Yet, there are serious issues in school finance in California that Governor Brown's plan does not address, including within-district inequity between schools and the lack of transparent reporting of funding allocations at the school level. This brief presents three additional implementation ideas that would strengthen Governor Brown's plan and provide true equity, flexibility and accountability.

Reforming school finance in the state of California should involve a modern school finance system that is nimble enough to support upcoming technological change and innovation, as well as forge true equity and transparency. Toward that end, it should (1) have "money follow the child" to the school rather than just the district, (2) give principals autonomy and flexibility over funding, and (3) require school-level financial reporting.

Colorado recently passed school finance reform legislation through its Democratic-controlled legislature, with the governor signing Senator Mike Johnston's school finance reform legislation into law in May 2013.¹⁰ This Colorado plan is more comprehensive than Governor Brown's plan in three ways. First, it requires that all the extra weighted funding for at-risk and ELL students be distributed on a per-pupil basis at the school in which those students enroll within a district.¹¹ Second, the "principals of those schools have full autonomy to use the funds for those students."¹² Finally, the legislation would require financial reporting on per-pupil spending at the school level, including data in real dollars on salaries.¹³ The school-level reporting would include a standard chart of accounts to make school-to-school and district-to-district

comparisons accurate and meaningful, and a Web portal that would report school- and district-level data in a user-friendly format that would be accessible to the general public. This brief explains why Governor Brown's plan should follow Colorado's lead by also embracing weighted student funding, principal autonomy and school-level financial reporting.

HAVE THE MONEY FOLLOW CALIFORNIA STUDENTS TO SCHOOLS

If Governor Brown and the legislature are going to reform school finance and attach a significant increase in financial support to disadvantaged students, they should make sure that the financial mechanisms in place at the district level will actually guarantee the extra support reaches disadvantaged students. Current school district financial distribution and staffing mechanisms in California are not distributing the money we already spend on disadvantaged students in a way that actually supports those students at the school level. Within a school district, students with similar characteristics do not draw down an equivalent amount of funding from one school to another. In addition, the extra money that districts receive from state and federal funding streams designed to reach more disadvantaged students does not necessarily support more-disadvantaged students or the schools they attend.

Most districts use a staff-based allocation process that delivers resources to schools in the form of staff positions based on the number of students in a school. As education researchers Karen Hawley Miles and Marguerite Roza explain:

Most districts allocate resources to schools in three steps: (a) assigning school staff using an enrollment-based formula, (b) adding staff positions and resources on top of this formula, and (c) converting staff positions to dollars using district-wide average salaries. The staff-based formula allocates most school employees, such as teachers, principals, and guidance counselors, based on increments, or ranges, of overall student enrollment or enrollment of specific types of students.¹⁴

There are two significant issues with this kind of allocation system that contribute to inequity between schools in a school district. First, schools at the cusp of

the cut-off of the enrollment formula will receive vastly different amounts of money. So a formula that allocates one vice principal for every 500 students will mean less money per pupil for a school with 499 students versus one with 501 students. Secondly, because teacher salaries are based primarily on seniority, schools will receive very different amounts of funding depending on the experience level of their teaching staff. And since schools serving disadvantaged children tend to have less-experienced teachers, the perverse result of staff-based allocation is that those schools—which already face significant challenges—often receive less funding per pupil than ones that serve better-off children. This is masked by the fact that, on paper, districts act as though they fund all teaching positions in the district based on the district-wide average teacher salary.

In recent years a growing number of researchers, education advocates and legislators have pointed out that by not requiring districts to report actual school-level expenditures and instead relying on district averages for expenditures including teacher salaries, districts are able to mask within-district inequities in school finance for per-pupil spending. A 2011 report from the U.S. Department of Education documents that schools serving low-income students are being short-changed because school districts across the country are inequitably distributing their state and local funds.¹⁵ The analysis of new data on 2008–09 school-level expenditures shows that many high-poverty schools receive less than their fair share of state and local funding, leaving students in high-poverty schools with fewer resources than students in wealthier schools.¹⁶

In fact, the data reveal that more than 40 percent of schools that receive federal Title I money to serve disadvantaged students spent less state and local money on teachers and other personnel than schools that don't receive Title I money at the same grade level in the same district.¹⁷ In other words, even though the federal government gave school districts extra money for disadvantaged kids, individual schools which enrolled these kids had less money overall than other non Title-I schools in the district.

In addition, a 2012 Education-Trust West report using new data from the Office for Civil Rights at the U.S. Department of Education found that there are large gaps between district revenues per student and

reported expenditures per student at the school level. Their report found significant teacher salary gaps between the highest- and lowest-poverty schools in almost all of California's 20 largest school districts.¹⁸ Similarly, a 2012 Center for American Progress study found that in the California schools serving 90 percent or more nonwhite students, per-pupil spending is \$191 less than at all other schools, and \$4,380 less than at schools serving 90 percent or more white students.¹⁹ Student-based allocations, where principals receive actual dollars, can help reduce these inequities that are driven primarily by personnel practices.

Los Angeles Unified provides a good example of within-district inequity in California. In support of the Los Angeles Unified School District's decision to move to a per-pupil funding system, the American Institutes for Research completed a district fiscal analysis that found that schools with the highest percentage of low-income students had lower amounts of unrestricted funding from the general fund and had less-experienced and lower paid teachers, with more teachers teaching out of field (i.e. in a subject area or at a level for which they are not authorized).²⁰ In addition, the November 2011 analysis by the U.S. Department of Education found that if Los Angeles Unified had to report actual dollars at the school level, 141 Los Angeles schools would not be receiving per-pupil funding equal or comparable to the average per-pupil amount received by schools that are not eligible for Title I support from the federal government.²¹

The solution to this problem is to have money follow the child to the school level, not just to his or her district. After all, we want equity for real students within schools, not for aggregate numbers of students at the school district. A school district is the wrong unit of measurement: inequity within school districts in California is just as serious of a problem as inequity between school districts. It doesn't make any sense to target extra resources to disadvantaged kids or to equalize funding between districts, if the money still never reaches the students for which it was intended.

One of the most significant criticisms of Brown's plan is that some schools with high concentrations of disadvantaged students would not be eligible for concentration grants because their school district's overall student population does not meet the 50 percent dis-

advantaged threshold to qualify for the concentration grant. Senate President Pro Tem Darrell Steinberg, has proposed SB 69 that would allocate concentration grants at the school level based on the proportion of disadvantaged students in a school.²² He has identified more than 400 schools that have high concentrations of disadvantaged students who would not receive the concentration grants under a district-based funding allocation system. The bottom line is that attaching all of the supplemental funding to the school level by having the funding weight follow the student would help alleviate this criticism and increase school-level equity.

When the money does follow the child through weighted student funding to the school level, within-district equity improves. An American Institutes for Research 2008 analysis of the San Francisco Unified weighted student funding implementation found that high-poverty middle and high schools in San Francisco benefitted significantly from the implementation of the WSF policy. Focusing on the overall per-pupil spending, they found that San Francisco increased the proportion of total resources allocated to high-poverty relative to low-poverty middle and high schools after they implemented a funding model based on student allocations rather than staffing.²³ In other words, the funding disparity between school-level expenditures between schools with wealthier and more disadvantaged students shrank under a weighted student formula. Similarly, a study of Houston and Cincinnati's weighted student funding allocations found that the switch to weighted student funding significantly improved equity between schools within the district.²⁴

Baltimore has also made real progress in terms of within-district equity from one school to another. In 2008, only 52 percent of Baltimore schools received funding within 10 percent of the district median dollars per pupil figure. By 2012, 81 percent of the district schools were within 10 percent of the median-funded school. Analysis by Education Resource Strategies compared Baltimore to several similar districts and found that thanks to weighted student funding it had the highest percentage of schools within 10 percent of the median per-pupil spending.²⁵

A study released in April 2013 by the New York City Independent Budget Office backs this up. Titled

“Is It Getting Fairer?,” the study examines New York City's weighted student funding program, which was implemented five years ago, to determine whether it has resulted in more equitable funding. It finds that despite budget constraints that have prevented the majority of schools from receiving their full weighted allocations, the weighted student funding mechanism “has moved the distribution of funding to more closely correspond to student needs.”²⁶ The bottom line is that the study found less disparity across schools in New York City since the implementation of a weighted student formula in which the money follows the child.

Districts that have implemented a weighted student formula are more likely to have a greater amount of equity within schools in the same district because schools are allocated resources in real dollars instead of staff positions. Resource allocation based on staffing can lead to large disparities within a school district because schools can receive wide variations in staffing with just a small difference in the number of students. Wide variations in the amount of salary attached to each individual employee are masked when the district averages the cost of all compensation and other expenses across schools. We need to attach actual dollars to students and then allow schools to spend their funding to meet those students' needs.

In summary, while Governor Brown's plan does require weighted funding to be spent on disadvantaged students, without a student-based funding allocation system at the school-level that would allow funding to follow kids to schools in the same way that the district receives its supplemental funding from the state, there is no guarantee that district staffing patterns and norm-based formulas will not continue to perpetuate between-school inequity. For genuine parity between students, schools should receive actual dollars based on the characteristics of their students.

INSTITUTE SCHOOL-LEVEL AUTONOMY AND ACCOUNTABILITY

In surveys conducted by the non-partisan Legislative Analyst's Office, school administrators across California have reported benefits from increased state funding flexibility, whereby the state has given district

superintendents discretion over 40 restricted categorical school funding streams since 2009.²⁷ For example, the education reform group Students First, which supports Governor Brown’s plan, recounted a story from Fresno Unified Superintendent Hanson based on his testimony before a senate budget committee about Governor Brown’s funding proposal. Hanson explained how a funding stream for tutoring for the California High School Exit Exam became more effective when the superintendent had discretion over the resources. “Before 2008, school districts could only use these funds on students who had failed their initial attempt at the exam. With funding flexibility, Fresno Unified can now use these funds to provide tutoring to students who need the help before they even take the exam, which Superintendent Hanson said made much more sense for Fresno’s students in enabling them to graduate from high school.”²⁸

Principals report the same kind of benefits from autonomy and flexibility as school superintendents when they have discretion over resources. When American Institutes for Research (AIR) surveyed principals in Oakland Unified (which has a robust student-based budgeting school-level allocation system) about autonomy and flexibility at the school level, they found that even though this style of budgeting created more work for school administrators and district staff, school communities strongly preferred it to traditional budgeting processes.²⁹

Principals who have autonomy over their budgets and receive real dollars based on students instead of staffing allocations do respond positively to funding incentives and work to change outcomes for kids. Perhaps the most compelling case for weighted student funding comes out of Baltimore, where 80 percent of district dollars started following students to their schools in 2007.³⁰ The highly acclaimed HBO series *The Wire* put a spotlight on the crime, drugs and violence ravaging the city’s public schools. But juvenile shootings in Baltimore fell by 67 percent, and juvenile arrests dropped 58 percent between 2007 and 2011.³¹ Over the same period, dropouts were down 56 percent, truancy fell 30 percent, and suspensions decreased by 34 percent. High school graduations were up 12 percent. The Baltimore superintendent has attributed many of the improvements to the financial incentive

principals and administrators have to keep kids in school, since their funding is based on student allocations and not staffing formulas.³²

California already has successful examples of weighted student funding at the district level. San Francisco and Oakland have both improved equity and school performance with student-based budgeting programs where principals have autonomy to spend resources on the needs of their students. Both of these districts require schools to tie individual performance plans for academic outcomes and instructional strategies to budgeting priorities. Over the past decade, Oakland public schools have made remarkable improvement on the California Academic Performance Index (API). In 1999, five Oakland schools met the statewide minimum API goal of 800 or greater. By 2012, 42 Oakland schools reached that benchmark.³³ Oakland has become the most improved urban school district in California, gaining more than 120 points on the state’s Academic Performance Index in the last eight years. Similarly, San Francisco has seen double-digit student achievement gains for Hispanic and African American students over the last five years.³⁴

Los Angeles Unified also has a “local control funding” pilot called “Budgeting for Student Achievement”, in which 151 schools receive their funding based on a per-pupil allocation and principals have autonomy to make decisions over how that funding can be used to meet the needs of students. These principals have made decisions that improve outcomes for their students and even generate revenue for their individual schools. Consider the example of Frank Del Olmo Elementary, which has seen rapid improvement in student outcomes for disadvantaged students thanks to strategic budgeting that aligns school-level academic priorities with per-pupil funding allocations.

California already requires schools to develop an annual performance plan called the Single Plan for Student Achievement (SPSA), which is intended to create a cycle of continuous improvement of student performance, and to ensure that all students succeed in reaching academic standards set by the State Board of Education. This plan would seem like a good fit for school-level accountability in the governor’s new funding plan. Districts such as Los Angeles, San Francisco and Oakland already require schools to integrate

budgeting priorities with the SPSA. Districts can then ensure accountability by monitoring schools to make sure school-level plans are in line with district and state achievement priorities. The new school finance system could follow those examples by requiring school-level plans that outline spending and instructional priorities aligned with district-level academic objectives.

In summary, school principals would benefit from having the same kind of autonomy and discretion over resources that districts would have under Governor Brown's plan, as this would give them the flexibility to use their resources to be more effective instructional leaders, and to tailor their activities to the needs of their students. Such autonomy need not result in any

Frank Del Olmo Elementary in Los Angeles Makes the Case for Weighted Student Funding

Los Angeles Unified compiled best practices from individual principals participating in the pilot, which demonstrate that principals can manage their budgets and prioritize their funding to meet instructional goals. Frank Del Olmo Elementary has an over 80 percent Hispanic student population and has gone from an API score (based on a compilation student achievement scores) of 744 in 2007–2008 to a score of 847 in 2011–2012 (800 is the target for all schools in California). Del Olmo now ranks 10 out of 10 on a scale comparing it with schools with similar demographics. Principal Eugene Hernandez explains how Del Olmo has leveraged the per-pupil funding model to allocate resources based on academic goals, focus on improved attendance and other cost savings, and exercise more control over school operations:³⁵

■ Principal Hernandez explains: “The number one benefit of per-pupil [funding] is that it gives us more flexibility to examine our data to see how we should be investing our resources. We take a look at how many boys and girls are at a particular academic level based on the California Standards Test. We look at multiple data points, API scores, AYP, how many English Learner kids are making the targets. We also analyze our school plan and ask ‘What does our school plan say about closing the achievement gap?’ We have a long term vision for what we want to do.”

■ In making spending decisions, Principal Hernandez asks: “What is your goal, to have that computer lab, for example? Is it to do word processing skills, or is it to tie into language arts and to science? What is it? It takes a lot of work, but the bottom line is whatever expenditures I have are based on the school plan and the district objectives. It is not what Eugene Hernandez wants. If, for example, our scores showed that we have a large achievement gap for English language learners. How are we targeting our resources to improve that gap?”

■ “We review our data every period and the best thing the district has come up with is My Data. For elementary schools, we have tests every six weeks, and it is not to say that a teacher is doing a bad job, it is to take a look at the results and say ‘ok for a hypothetical example, let’s take single digit addition. All my kids missed it, so what can I do to get better at single digit addition?’ Sometimes we play too much of the blame game as teachers and as principals and as a district. Instead, we ask, ‘how can we take a look at that and inform our practice to get better at teaching single digit addition?’ All my expenditures support my instructional goals, I use my data to drive standards-based instruction, and that is what we are all about.”

Principal Hernandez also offers the following practices he uses on his campus:

■ “Continue to focus your resource allocations based on your academic goals, which must be based on an in-depth examination of data for every child. For example, if I get more resources or part of my carryover, I would use that money for my Response to Intervention with the 5–10 percent of kids that need a replacement program because sitting in the classroom isn’t working for them. That is what I would use my money for, to be more focused on how we can close the achievement gap. Then we assess how well this strategy is working and whether we should continue to invest our resources.”

■ “Principals must focus on improving attendance and saving money in order to add resources to their school. Schools must focus on high attendance every day because it is used to determine school funding. Additionally, employee attendance is critical too. Lower staff absence rates free up dollars that can be allocated to instruction, intervention or other areas, based on school needs. Del Olmo improved attendance by 1.2 percent (in 2010–2011) and the school improved overall teacher attendance as well, resulting in additional revenue and lower expenditures, creating additional dollars at the campus.”

loss of accountability—on the contrary, combining school-level autonomy with rigorous performance planning can increase accountability at both the school and district level.

IMPLEMENT A MODERN SCHOOL-LEVEL FINANCIAL REPORTING SYSTEM

In order to truly modernize California’s school finance system we need to require school-level financial reporting. The only way we can ensure that extra funding is reaching the students it was intended for is to make school districts more transparent about how they allocate funding at the school level. Currently, parents, taxpayers and policymakers cannot access information about how a district distributes resources within the district because expenses are reported at the district-level and are then aggregated and averaged across schools.

Districts in California can find and report this school-level data because they were able to report it for every school in every district in the state for the American Recovery and Reinvestment Act of 2009 and for the Federal Office of Civil Rights. If the federal government requires the state to report this information, it should also be openly available in a user-friendly format for the general public in California. For true equity and accountability, districts must start publicly reporting their actual per-pupil expenditure data by school, using real dollars for teacher salaries and other school-level expenditures.

If California is going to spend all this time, effort and resources overhauling school financing, it should take this one-time opportunity to create a transparent and accountable school-level reporting system. Several other states—including Florida, Ohio, Rhode Island and Texas—have already implemented and manage school-level expenditure systems. Colorado is heading the same way. And moving forward, the federal government is requiring every state to report actual expenditures at the school level to the Federal Office of Civil Rights. There is no practical reason for California to resist robust and transparent school-level financial reporting.

CONSIDER ELEMENTS OF COLORADO’S SCHOOL-FINANCE REFORM PLAN

In May 2013 the Colorado General Assembly approved Democrat Senator Mike Johnston’s school finance reform legislation, which would make Colorado school finance more equitable, transparent and accountable. The Colorado legislation is controversial because it includes a \$1 billion dollar tax increase for education funding that would have to be approved by Colorado voters through the initiative process in November 2013. Nevertheless, the accountability provisions of the bill ensure that education funding would actually be spent where it is intended to be spent, and also target school-level accountability to a much greater extent than Governor Brown’s plan does.

Colorado’s legislation demonstrates that it is politically feasible to design legislation that attaches funding to children and requires school districts to pass that revenue directly to school principals, while also mandating that all school districts report actual school expenditures in real dollars for maximum transparency and accountability.

Ultimately, the Colorado school finance legislation is very similar to the proposed education finance reform in California, but it does contain three provisions that make it a much better package than Governor Brown’s plan. First, it requires that all the extra weighted funding for at-risk and ELL students be distributed on a per-pupil basis at the school in which those students enroll. Second, it requires that the “principals of those schools have full autonomy to use the funds for those students.” Finally, it implements financial reporting on per-pupil spending at the school level including data in real dollars on salaries. More specifically, it requires a standard chart of accounts to make school-to school and district-to district comparisons accurate and meaningful, as well as a Web portal that would report school- and district-level data in a user-friendly format that would be accessible to the general public. The legislation spells out these requirements and would be easy for Governor Brown or the legislature to add to California’s current legislation:

In Colorado districts would be required to allocate their state share of at-risk and ELL [English language learner] per pupil funding to schools within the district based on each school's at-risk and ELL ADM [average daily membership enrollment], and the principals of those schools have full autonomy to use the funds for those students; financial reporting at the school level, including data on salaries and types of benefits; creation of a standard chart of accounts to make school-to-school and district-to-district comparisons accurate and meaningful; creation of a web portal to standardize the reporting of school and district expenditures such that the format is easy to understand, sort, and filter by the general public.³⁶

In addition, California could easily adopt similar elements to Colorado's legislation by adapting the current language in Assembly bill 88 or Senate bill 69 written for California charter schools. The California legislation already recognizes that the "local control funding formula" will be distributed to individual charter schools based on their student counts and that they will file individual academic plans and report financial data at the school level. Charter school students receive their funding in a "backpack" and their individual schools are held accountable for how they spend those dollars. For true accountability and equity, we should move to make every school in California follow charter-school reporting requirements by holding individual schools and their districts accountable for student outcomes and financial expenditures.

We already hold individual schools accountable for student performance. Accountability sanctions are implemented at the school level. When principals and teachers cannot improve or maintain minimum state and federal student achievement benchmarks, schools— not school districts—face sanctions. If we hold individual schools accountable for outcomes, we should also move toward a system that gives them autonomy and discretion over resources that will make them more likely to achieve those outcomes.

CONCLUSION

While Jerry Brown's school finance plan is certainly a huge improvement over the existing unintel-

ligible and unfair school finance system in California, the governor really needs to put the "local" in local control. As his proposal stands it is more of a "dump truck" reform that distributes money to school districts in a more equitable way and then falls short by not ensuring that the money follows each student to be spent at the school level on that student's needs. Studies of staff-based budget allocation and within-district inequities show that money already devoted to disadvantaged kids is often not reaching their individual schools.

At the very least, Governor Brown and the legislature should take a lesson from Colorado and require districts to distribute low-income and English language learner weights to principals to spend autonomously, while also requiring school districts to report actual expenditures at the school level so that taxpayers and policymakers will know where and how the money is being spent.

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Lisa Snell is the director of education and child welfare at Reason Foundation. Snell has frequently testified before the California State Legislature and numerous other state legislatures and government agencies. She has authored policy studies on school finance and weighted student funding, universal preschool, school violence, charter schools and child advocacy centers.

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