Fund the Child

Tackling Inequity & Antiquity in School Finance

JUNE 2006

THOMAS B. FORDHAM
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EXECUTIVE SUMMARY

To ensure America's economic competitiveness, boost student achievement, fulfill the promise of equal opportunity, and renew the education delivery system, the United States must transform its archaic approach to financing public education. This proposal explains why and how.

The standards movement, signified by No Child Left Behind, calls on Americans to embrace the challenge of educating all children to high standards by setting goals and holding educators accountable for reaching them. But these steps alone are not sufficient to advance this important agenda. To make progress, and especially to close achievement gaps, we must acknowledge that some students require more educating than others in order to meet the same ambitious standards. Hence they also require more resources.

Education is changing in other ways, too. New forms of schooling are being born, people are becoming far more mobile, and educational options are proliferating, not only within traditional school districts. Though these changes face resistance, the fact is that profound and unstoppable demographic, technological, and social forces will continue to create the need and the demand for sound educational alternatives.

Yet America's current system of school finance falls woefully short of meeting these challenges. It was designed for an age that accepted achievement gaps, that defined "equity" in simplistic ways, that did not have to contend with much student mobility, that assumed just about everyone would attend a district-operated neighborhood school, and that entrusted management decisions to "central offices." Matched against the education realities and challenges of the 21st Century, that funding system turns out to be archaic, unjust, and inefficient. Indeed, it can fairly be termed a brake on the forward momentum of both standards-based reform and the deployment of more educational options.

This proposal's signatories (see page 5) call on policymakers to transform the school funding system in service of meeting our high ambitions for student learning. We envision a transparent system in which:

- funding from all levels follows every student to whatever public school[1] he or she attends;
- the amount varies according to the student's needs;
- funding arrives at schools as real dollars that can be spent flexibly, with accountability gauged by results rather than inputs, programs, or activities.

Funding that truly "follows" the child means moving a real dollar amount between school budgets as a specific child moves between schools or even districts. The school that the child attends then decides how to spend the funds. The system we propose is not a set percentage of education dollars to be spent in the classroom—it is a fundamental shift in the philosophy of public education funding. Buildings, programs, and staff positions are not funded—kids are.

We believe that such a system will greatly enhance the equity of school funding, and do so in a way that supports schools and educators in their efforts to raise achievement for all students.

The Current Finance System is Broken

On a number of counts, our current funding systems fail miserably to meet both the challenges and

What happened in Edmonton could have happened in hundreds of other places on the continent. We had absolutely nothing going for us that other people don't have.
—Michael Strembitsky

opportunities our schools face. In a tragic paradox, they too often direct less money to schools that serve students who need the most help. Within states, large gulfs separate the best-funded and worst-funded school districts, in ways that favor the more affluent. Whether a child attends a well-funded school or poorly funded school still depends heavily on where he/she lives. Even within school districts, there are often vast disparities between schools—disparities that generally favor schools with savvier leaders and wealthier parents. The latest research shows that these gaps between disparate schools and districts can amount to thousands of dollars per student per year. For youngsters on the caboose of the socio-economic gravy train, we spend tens of thousands of dollars less on their educations than we do on their more advantaged peers.

These long-recognized inequities would be bad enough if all kids cost the same amount to educate. But they don't. Poor students, minority students, and students with special needs lag far behind their peers in student achievement. While these gaps arise both from ineffectual education and from factors beyond the schools, they present society with a moral imperative to provide more schooling and better teaching to close the gap. Doing more will require more resources.

At the same time, education is changing in America. Students are more mobile and few stay in the same neighborhood or district from kindergarten through graduation. Public school students have more choices than ever before, and more students than ever are choosing to attend charter, magnet, and other "choice" schools over their neighborhood option. Whereas geography has historically determined students' schooling options, technology advances are rendering this constraint archaic—entirely new kinds of schools are cropping up, such as virtual schools. This trend is sure to continue in ways that can't be predicted. Along with standards and accountability, this expanding range of choices is a powerful engine of reform and improvement within American education. In an era of proliferating options and new forms of education, it is most important to fund students, not static institutions.

All of these problems have a common root: today, money does not follow children to the schools they attend according to their needs. Instead, money flows on the basis of staff allocations, program-specific formulae, squeaky-wheel politics, property wealth, and any number of other factors that have little to do with the needs of students, the resources required to educate them successfully, or the educational preferences of their parents.

Money alone cannot buy achievement. Many poorly funded schools have achieved great outcomes with students from challenging backgrounds, and many well-funded schools squander their resources. But a modernized and fair funding system—coupled with reforms that ensure accountability for results—has great potential to pave the way to high levels of learning for all.

The Solution: Weighted Student Funding

The best hope for achieving equity and accommodating our new diversity of options is a system of "weighted student funding," or WSF. Already being

tried in several states and districts, WSF is a system of school funding based on the following principles:

1. Funding should follow the child, on a per-student basis, to the public school that he/she attends.
2. Per-student funding should vary according to the child's need and other relevant circumstances.
3. It should arrive at the school as real dollars (i.e., not teaching positions, ratios, or staffing norms) that can be spent flexibly, with accountability systems focused more on results and less on inputs, programs, or activities.
4. These principles for allocating money to schools should apply to all levels (e.g., federal funds going to states, state funds going to districts, districts to schools).
5. Funding systems should be simplified and made transparent.

A system based on these principles would be much fairer than the current system. It would create incentives for schools to attract and educate students from all backgrounds, not just the well-to-do. It would give school leaders and educators the tools and authority they need to get the job done. It would finance schools in a way that is much more readily understood by parents, educators, and the taxpayers, making it easier to maintain equity over time. And it would fit much better the new landscape of public education, in which children attend a diverse range of schools rather than just their neighborhood district school.

Challenge and Opportunity

Successfully moving to weighted student funding is challenging. In the pages that follow, we consider a whole range of design challenges: what funds to include in the system; how to set the weights that determine the funding provided for each child; how to handle tricky issues such as restrictive teacher seniority rules and local tax funding; and how to ensure that students attending all kinds of public schools are fairly funded. We also tackle a set of implementation challenges: how to identify and classify students; how to build the capacity of schools and systems to handle new responsibilities; how to build broad support for the new approach; and how to make the transition from where we are now to where we need to go.

School districts are like other large institutions. They work well only if they are organized and managed properly. And as in other large organizations, central offices are in a poor position to know what should be done in each of a hundred or a thousand schools.

—William G. Ouchi

WSF is not a silver bullet solution to all the inequity and antiquity problems plaguing public education. Our goal here is to point toward the right direction for school financing to move, and to describe the principles that lay the foundation for a fair and modern system of school financing. We do not claim to have every answer, but the examples we reference here prove that WSF can succeed—and that no two implementations of it will be identical. Making WSF work will require talented leaders and policymakers willing to roll up their sleeves and commit to the hard work, and the trial and error, of developing new and creative solutions.

While these challenges are significant, we believe the payoff is well worth the effort. In a swiftly evolving era that demands more and more from our public schools, weighted student funding holds out the best promise for providing them with the dollars and authority they need to live up to our highest aspirations.

SIGNATORIES AS OF JUNE 2006*

The Honorable William J. Bennett, former U.S. Secretary of Education; Washington Fellow, The Claremont Institute

The Honorable John Engler, former Governor of Michigan; President and CEO, National Association of Manufacturers

The Honorable Bill Goodling, former Chairman, Committee on Education and the Workforce, U.S. House of Representatives

The Honorable Shirley Hufstedler, former U.S. Secretary of Education; Senior Counsel, Morrison & Foerster

The Honorable James B. Hunt, Jr., former Governor of North Carolina; Chairman, James B. Hunt, Jr., Institute

The Honorable Paul O'Neill, former U.S. Secretary of the Treasury; former Chairman & CEO, Alcoa; Special Advisor & Consultant, Blackstone Group

The Honorable Rod Paige, former U.S. Secretary of Education; Chairman, Chartwell Education Group

The Honorable John Podesta, former Chief of Staff to President William J. Clinton; President, Center for American Progress

Arlene Ackerman	Former Superintendent, San Francisco and Washington, D.C. Public Schools; Christian A. Johnson Professor of Outstanding Educational Practice, Teachers College, Columbia University
Steven Adamowski	Former Superintendent, Cincinnati Public Schools; Senior Fellow, American Institutes for Research
Russlyn Ali	Director, Education Trust-West
Clint Bolick	President & General Counsel, Alliance for School Choice
Eli Broad	Co-Founder, The Broad Foundation; Co-founder, KB Home; Founder, SunAmerica Inc.
Cynthia G. Brown	Director of Education Policy, Center for American Progress
Tom Carroll	President, Foundation for Education Reform and Accountability; Founder and Chairman, Brighter Choice Charter Schools
Michael D. Casserly	Executive Director, Council of the Great City Schools
John Chubb	Founding Partner and Executive Vice President, Edison Schools; Distinguished Visiting Fellow, Hoover Institution, Stanford University
Michael Cohen	President, Achieve, Inc.
Anthony J. Colon	Interim Executive Director, Fight for Children; Chairman of the Board, American Board for Certification of Teacher Excellence

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THE CASE FOR CHANGE: SYSTEMATIC INEQUITY AND ANTIQUITY IN SCHOOL FINANCING

Public education's ground rules and operating assumptions are changing fast. Yet its financing system isn't keeping up with the simultaneous pursuit of equity and quality, of accountability and choice. Nor is it keeping up with even broader changes, such as modern demographics in which families move frequently. The system is both antiquated and unfair. The time has come to modernize America's basic approach to public school finance.

Deep Inequities

> Once the world has been flattened and the new forms of collaboration made available to more and more people, the winners will be those who learn the habits, processes, and skills most quickly—and there is simply nothing that guarantees it will be Americans or Western Europeans permanently leading the way….The sky is not falling today, but it might be in fifteen or twenty years if we don't change our ways, and all signs are that we are not changing, especially in our public schools.
>
> —Thomas Friedman, *The World Is Flat*[2]

Whether you're reading Friedman's best-seller or one of innumerable academic works on the subject, the message is clear: our future hinges on how well we educate our children. If America is to retain its position as a leader in the world, the country must teach many more of its students to much higher levels than ever before. Thanks to recent shifts in state and national education policies, schools across the country are being held to higher expectations and standards. We have reached the point where nearly everyone agrees that all young Americans should achieve at high levels regardless of class, race, or special needs.

As soon as schools think about dollars in terms of per-pupil funding, they realize that every expense of [another school] eats into their own per-pupil allotment.

—*Marguerite Roza*

Although we may wish that achieving this goal were easy for every student, numerous studies have shown that *some students require more resources than others:*

- Some start behind because their lives prior to school did not provide them with the same educational opportunities as other children.
- Some home circumstances present problems related to health, nutrition, parental support, and other conditions, all of which materially impact children's performances.
- Some have disabilities that lead them to require additional education services and attention.
- Some are from homes where English is not the primary language.
- Some are recent immigrants who had little formal education in their home countries.

Ignoring these differences has contributed greatly to the wide achievement gaps between various types of students. Recent testing data show that the achievement gap among poor, African-American, and Hispanic stu-

dents and their more affluent and white peers is at least 20 percentage points across grade levels and subjects—the equivalent of over two grade levels. These gaps are largely unchanged from 15 years ago, despite earnest efforts to improve accountability and assessment.[3] The students on the nether side of these gaps need resources to succeed that too often today they do not get.

Fortunately, successful schools and talented school leaders have proven that educating these children is by no means a lost cause. Given the right attention and resources they can achieve. The best schools typically serve these high-need populations in a number of non-traditional ways, from increasing instructional time through longer school days and years, to hiring more capable teachers to provide the skilled instruction these children need to succeed.

A recent Education Trust study found that "high impact schools" use several approaches to educate hard-to-teach students. Counselors, for instance, analyze seventh- and eighth-grade test scores to identify struggling pupils. Those youngsters receive a variety of supports, including mandatory summer school or after-school tutoring. High-impact schools also provide students who arrive at school behind their peers with extra instructional time in English and math.[4] This and numerous other studies have shown that every child can achieve, regardless of the socio-economic obstacles standing in their way.

Money alone does not explain the success of these schools. But high expectations and a rigorous commitment to fulfilling them, especially with disadvantaged children, costs money—more money than it takes to educate children who don't face the challenges of poverty or disability. Achievement for all students will require more time on task (meaning longer school days and years), and it will require excellent teachers. Our chances of meeting ambitious achievement goals for all children will be greatly enhanced if we allocate resources equitably to all students based on the resources needed to educate them.

Money alone doesn't account for school success. But high expectations and commitment to fulfilling them, especially with disadvantaged children, requires funds.

Despite clear evidence that some students require more resources than others, less money often flows to schools serving children who need these extra resources most. This is no isolated problem: the disparities between what these children need and what they actually receive are widespread and are built into our policies for funding schools.[5]

- **Disparities between districts.** A recent Education Trust study found that 36 states have a funding gap between low-poverty and high-poverty districts, with a national disparity of over $900 per student. Thirty-five states have a funding gap between districts with low- and high-minority populations, with a nationwide gap of over $600 per pupil. These gaps have a huge impact on the ability of high-poverty schools to educate their children. For example, the annual funding gap of $2,065 in Illinois translates into an annual

INEQUITY IN CINCINNATI

Prior to the implementation of WSF in Cincinnati, only 42 percent of its schools received allocations within 10 percent of the district average.* There was a disparity in funding of more than $6,000 per student between the highest (more than $10,000 per pupil) and lowest (less than $4,000 per pupil) funded schools.** In other words, one school received only one-third of the total funding of another school in the same district. The largest outliers were magnet and alternative schools in the district, where Cincinnati provided 1.7 times the average allocation.

In year one of WSF, Cincinnati's funding allocations became only slightly more equitable. The percentage of schools funded within 10 percent of the district average increased from 42 percent to 49 percent. Clearly more change was in order.

After significant changes to the student-based budget formula over the next three years, the district achieved equity. By year four of WSF, every school in the district received a school budget allocation of exactly the weighted average for its mix of students for the 69 percent of district funds allocated to the schools.*

* K. H. Miles and M. Roza, *Understanding Student based Budgeting as a Means to Greater School Resource Equity.* Seattle: University of Washington, Center on Reinventing Public Education. 2004. Available online at: http://www.crpe.org/workingpapers/pdf/ SBB_MilesRoza.pdf

** M. Ucelli, E. Foley, T. Emdon and C. Bond, First Steps to a Level Playing Field: an Introduction to Student-Based Budgeting. Annenberg Institute for School Reform at Brown University, 2002

shortfall of over $51,000 for one classroom of 25 students, and over $825,000 a year for a typical elementary school of 400 students.[6]

- **Disparities within districts**. Inequities also exist among schools within the same district. Another recent Education Trust study showed that the ten largest school districts in California all post a spending gap between high- and low-minority high schools. These gaps range from $64,000 to more than $500,000 per school. The study also found that, collectively, teachers serving students in schools that enroll low-income K-12 youngsters receive on average $140,000 less than teachers in wealthy schools. That gap grows to $172,000 for students in schools that serve mostly Latino and African-American students.[7]

Nor is this problem confined to California. In a 2004 study of Baltimore City, Baltimore County, Cincinnati, and Seattle, the difference in funds distributed by the district to high-poverty schools (as opposed to schools in low-income neighborhoods) ranged from $400,000 to $1 million per school.[8]

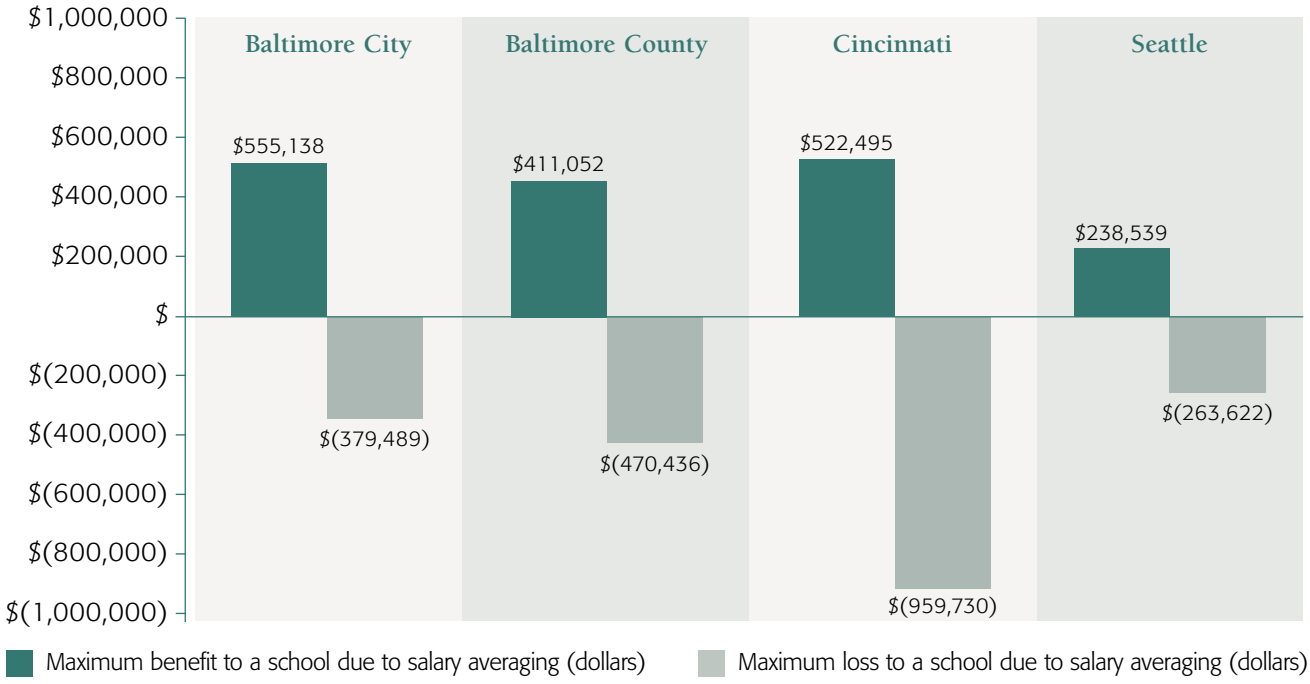
Another study of Cincinnati and Houston revealed similar inequities (before they implemented weighted student funding systems). In Houston, the lowest-funded school received less than half of the average district expenditures, while the highest-funded school received nearly three times the average district figure. In Cincinnati, fewer than half of all schools received allocations within 10 percent of the district average. Clearly, all schools within a district do not receive equal funding, and those children with the greatest needs are often hurt the most.[9]

- **Disparities between school options.** Parents and children today often have many choices available to them within public education, and an estimated 26 percent of U.S. students do not attend their assigned district-run public school.[10] Many embrace various forms of public school choice as part of an improved and robust system of public education in America. But under the antiquated school financing structures in place today, students who opt out of their assigned district schools are often opting into schools that receive lower levels of funding.

One example of these disparities emerged in a recent Fordham Institute study of funding differences between public charter schools and district schools in 16 states and the District of Columbia. With just one exception, charter schools received less revenue than district schools, with the per-pupil funding gap ranging from 4.8 percent in New Mexico to 39.5 percent in South Carolina. In dollars, the gap ranged from $414 in North Carolina to

Inequity Within Districts

Impact of Salary Averaging in Four Districts



Source: M. Roza, and P. Hill, *How Within-District Spending Inequities Help Some Schools* to Fail. Paper for the Brookings Conference on The Teachers We Need, May 2003, pg 14.

$3,638 in Missouri. For the more than 580,000 students attending charter schools across those 17 jurisdictions in 2002-03 (the year studied) the gap amounted to over $1 billion. For a typical charter school with 250 students, the shortfall was over $450,000.[11] Today, more than a million kids attend some 3,000 charter schools.

■ ■ ■

Under open enrollment policies, more students are attending school outside of their hometowns.

■ ■ ■

Not all schools of choice are as disadvantaged as charters. Magnet schools, for example, often receive a disproportionate share of resources due to special grants provided by the district.[12] This disparity can be significant—one study found that magnets in Cincinnati received 1.7 times the average allocation for normal district schools (before implementing weighted student funding).[13] But that may be unfair in a different way.

When these multiple gaps are combined, the effects are even more disastrous. For a worst case scenario, imagine the difference in funding between an affluent school in an affluent district and a poor school in a poor district. With a $500,000 within-district gap, and a $1,000,000 district-to-district gap, the combined gap could be as much as $1,500,000—or nearly $4,000 per pupil between schools in the same state.[14] Imagine how much less a poor high school with 2,000 students receives over the four years of its students' educations. This injustice harms these students and schools and thus harms our entire country. The school financing system as constructed today is simply not getting the money to where it is needed the most.

An Antiquated System in a Rapidly Changing World

Public education financing evolved as a locally based system in the 1800s—when ours was a locally based nation. States had a limited role in public education and contributed little toward funding it. People were frequently rooted in their communities for generations, and solved problems (such as how best to educate their children) at the community level. Over time, states wrote responsibility for public education into their constitutions while leaving control of schools mainly to communities. Eventually, most states made some effort to equalize funding, but these systems remained a patchwork of efforts to fund "district systems."

As recently as forty years ago, this was a plausible approach. When children reached the proper age, they hopped on the bus—or put on their shoes—and went to their neighborhood elementary schools. A dozen years later they graduated from their community high schools. Parents and students settled in a home or community for the entire academic career of a child, and once there had very few education choices to make.

But the pace of change has accelerated steadily. Desegregation, the war on poverty, changing career patterns, burgeoning technology, and the shrinking globe have all changed how people live. Parents and students today move much more frequently: from community to

community, district to district, and state to state. Students rarely stay in the same neighborhood or even the same district from kindergarten through twelfth grade. The 2000 U.S. census found that 15 to 20 percent of school-aged children moved in the previous year. A 1994 study by the U.S. General Accounting Office found that one out of six children had attended three or more schools by the end of third grade—and low-income children, already at educational risk, are more likely to move than their middle- and upper-income peers.[15]

As people changed, what they wanted from public education changed as well. Demand for options, insistence for better results, and dissatisfaction with the "one best system" all grew. In many respects, education policy has been changing, or trying to change, with the changing times. But the basic financing system of public education has not changed.

Within neighborhoods and districts, children have options they never had before. More students than ever are choosing to attend charter, magnet, and other "choice" schools over their default local district option. Under open-enrollment policies, more students are choosing to cross district lines and attend school outside of their hometowns. Consider:

- A 2003 study revealed that 35 percent of children attended alternative schools, both public and private, when their parents were aware that they had a public choice (51 percent of the total population). Fully 12.5 million children attended schools other than their assigned public schools, up from just 8.6 million in 1993, an increase of 45 percent.[16]

- More than 3,600 public charter schools now serve more than a million children across the country.[17]

- As of 2003, 23 states (and Puerto Rico) had established comprehensive, statewide open-enrollment systems, permitting students to transfer both within and among school districts. An additional 22 states allowed school choice on a more limited basis—restricting it to transfers within districts, or allowing districts to decide whether to accept students from outside their boundaries.[18]

■ ■ ■

It's estimated that 26 percent of students don't attend their assigned district-run school.

■ ■ ■

- More than 50,000 students have benefited from almost 100 privately funded scholarship programs that allow them to attend a school of choice, and another 12,000 have benefited from five publicly funded programs. By January 2006, Milwaukee's publicly funded program alone enrolled over 14,000 children, demonstrating that choice is expanding.[19]

Entirely new kinds of schooling are springing up, such as "virtual" or "cyber" schools, in which students do most of their learning from home or other locations, connected to educators via the Internet. As technology continues to advance, there is no way to predict how this landscape will change in the future. In ten years, or perhaps sooner, "school" may look very different from what it looks like today.

This expanding range of options, and the possibility of even greater diversity of choice in the future,

can be a key engine of reform within public education.[20] But our school finance systems are still deeply rooted in an era where nearly all children attended an assigned district school. In that era, it made sense to simply fund districts. It was districts, after all, that hired all the teachers and assigned all the kids to schools, so it made sense for funding to flow automatically to districts.

> ***It makes far less sense to center our funding systems entirely around districts***

In the new era, it makes far less sense to center our funding systems entirely around districts. Certainly, districts still play critical roles for the schools they manage, roles that must be funded. But today's imperative is to ensure that dollars are available to educate children wherever that education happens. Today, public education is increasingly likely to happen not just in a neighborhood school, but in another district school across town, a charter school, or even a school in the next district over. Yet our finance systems are still largely built to send money to school districts.

As a consequence, it is more difficult to realize the full power of options in public education. Too often, opting for a public school of choice means opting for a lower level of funding. That may make parents think twice. It also makes the many educators, community leaders, and others who would like to open new public options think twice, constraining the supply of newer and better choices. The supply is growing, but it is growing under the restraints of financing arrangements that weren't designed for diverse providers of public education.

The Root Causes

We've discussed how the system of school finance is inequitable and antiquated—but what keeps it that way? Policies at the district, state, and federal level all contribute to the problem. Many of the assumptions and political deals built into those policies deny, ignore, or even compound those problems. These public policies are so flawed and so consistently fail to solve problems that the entire financing system needs to be modernized if the core problems of inequity and antiquity are to be solved.

District policies

District budgeting practices systematically favor schools with the fewest educational challenges, to the detriment of those with the most. District officials may not even realize these patterns exist because the patterns are deeply ingrained from years of poorly designed policies.[21] There are four primary explanations for them:

- **School size.** Schools come in many different sizes, and it would seem logical to think that dollars would be distributed proportionally to the number of students schools serve. Unfortunately, this is rarely the case. Instead of funding schools on a per-student basis, districts use minimum staffing requirements to direct dollars to schools. Allocating school employees (teachers, princi-

pals, guidance counselors, etc.) based on increments of students leads to further inequity when a school falls either just below or just above these arbitrary cutoffs.[22]

Districts also often use arbitrary thresholds for other non-academic services (including transportation, food, facilities, security, maintenance, utilities, grounds, etc.). As a result, these services may not be distributed equitably among schools.[23]

Consider two simple examples. Two schools in the same district, one with 200 students and one with 800. Each receives funding for one principal ($80,000) and one assistant principal ($60,000), one school counselor ($40,000), and a football team ($20,000). The small school would get $1,000 per student from the district for these four expenses, while the larger school would receive only $250 per student. Due to the district's insistence on allocating only whole staff members, the small school's counselor is able to spread her time over 200 students, while the 800 students at the large school are left to fight for time with their one counselor.

Now, picture two different schools: one with 450 students and one with 500 students. Imagine that the district assigns a new teacher (with an average salary of $40,000) to a school for every 20 students, and an extra assistant principal ($60,000) and a librarian ($50,000) are both assigned once a school hits the 500 student mark. Despite having just 50 more students, the larger school receives an extra $300 per student, or an additional $140,000, in funding.

- **Budgeting by numbers of staff, not their salaries.** Instead of giving a certain per-student amount to each school for staff compensation, districts typically allocate a certain number of staff positions to each school. Through this system, similar sized schools end up with similar numbers of staff. But the equity ends there. Because some staff members are paid much more than others, one school can effectively receive quite a bit more funding than another if it employs more experienced, and thus expensive, teachers. In Seattle, for instance, basic salaries for teachers range from $30,000 to nearly $60,000, and the district makes no differentiation between the two extremes when assigning teachers to schools. By sweeping real salary differences under the rug, districts end up with significant differences between schools in the amount of funding dedicated to staff salaries.

One school can receive considerably more funding than another by employing more experienced, and more expensive, teachers.

These differences exist because new teachers (with salaries much lower than the district average) are concentrated disproportionately in schools in the poorest neighborhoods. Chronic teacher turnover at the most troubled schools and contractual rules allowing more senior, and thus better paid, teachers to get their pick of the

most attractive teaching positions in affluent neighborhoods account for this problem.[24] As teachers gain seniority and become more expensive, many of them use "bumping rights" and other collective bargaining rules to migrate to more affluent schools with "easier-to-teach" students. The disadvantaged schools that most need these experienced teachers have nothing to offer to attract or retain them. Even if school leaders could offer valuable incentives to these teachers, they have no discretion or autonomy to hire at the school level. The most affluent schools with the easiest-to-teach students stockpile the most experienced and best-paid teachers, and there is nothing that principals in the poorest schools can do to stop it.

Policymakers have shoehorned the funding for new forms of public schooling into existing financing systems.

To better understand how these policies work, picture a pair of schools, one on each side of the tracks. Each has 40 teachers and 800 kids. On the rich side, the average teacher has 14 years experience, and 60 percent of the teachers have master's degrees. On the poor side, the average teacher has 3 years experience and just 10 percent have master's degrees. Let's say that the 11 added years of experience are worth $9,000 in salary and the master's degree is worth $3,000. The affluent school would receive $432,000 more than the poor school—just in funding for teacher salaries. That is an additional $540 per student to the rich school, before any of the other factors discussed in this section are taken into account.

Our goal should be not just to get experienced teachers in disadvantaged schools, but talented and experienced teachers. Unfortunately, these schools have little or no choice over what experienced teachers they get. A recent study found that 40 percent of school vacancies are filled by teachers from other schools, with their new schools having little or no say.[25]

- **Savvy schools.** A dirty secret is that schools often get a good bit of their funding by asking for it—and some schools are much better at asking than others. Districts typically fund adults, buildings, and programs before they think about funding actual students, and programs in particular vary widely from school to school. Programs can take any number of forms in a district—from special academic offerings for students to professional development for teachers—but the shared characteristic is that with programs come staff members, funding, and other resources.

  Professional development is a prime example. A recent study found that professional development resources are not distributed equitably between schools. Most districts have not coordinated professional development spending across their schools, choosing instead to target

school-level capacity-building.[26] While this is a legitimate goal, without cross-district coordination the funds supporting professional development are distributed blindly across schools with different needs. Schools with veteran teachers get the same amount for professional development as schools with inexperienced teachers who need more help. Some schools end up with well-trained teachers, while others suffer.

Some programs or resources are awarded by competitive application, which favors schools with well-connected or talented principals and teachers who can put together compelling proposals. Savvy parents (and the board members who respond to them) are extremely effective at lobbying district offices for extra programs in their schools. Many districts also give schools funding for some activities based on how many students sign up for them (such as summer school or music lessons); it is hard to imagine that students at some schools do not get more encouragement than others.

- **Inertia.** As many who have dealt with school funding can attest, it's extraordinarily difficult to remove funding from a school that has gotten used to it. This is true not just of actual dollars; schools will understandably fight tooth and nail to keep staff positions, academic and non-academic programs, or any other resources they find beneficial. Until emotion-based arguments hold no sway in the distribution of district programs and resources, district schools will never be treated fairly.

It is important to note that when implemented properly, some of these policies and programs can help level the playing field for certain schools and students. Providing extra resources for chronically low-performing schools, which typically serve high-need populations, is a prime example. When channeled through dysfunctional district funding policies, however, even this admirable tactic often fails to meet its intended objective. Without real dollars directly following children from one school to another, there is no way to ensure that the playing field is leveled for all students in a district, rather than just those with the shrewdest principals, teachers, and parents.

Often, more than 50 percent of education funding comes from locally generated dollars.

State policies

Most states allocate at least some of their funds on a per-pupil basis, often weighted to account for differing levels of student need. But states generally do not provide funding directly to schools. Instead, they provide money to districts. The funds then go into one big pot at the district and are allocated through the same unfair district policies we have already discussed. State policies typically do little to ensure that districts allocate state funds fairly among their schools and students. And state policies often underfund non-district public choice

options, such as charter schools. With the advent of new forms of public schooling, policymakers have shoe-horned these options into existing finance systems rather then retooling those systems to accommodate the new reality.

Even if districts do allocate money as the state intends, several other state policies lead to further inequity:

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Special education costs vary widely based on students' specific conditions.

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- **Locally generated funding.** States rely on locally generated dollars to cover a significant part, often more than 50 percent, of education funding.[27] This reliance on local funding benefits wealthier locales with strong tax bases. Unless states step in to equalize this funding, the rich continue to get richer and the poor continue to get poorer. In North Carolina, the school funding gap between affluent and poor counties has increased over 26 percent during the past five years.[28] Some states are making efforts to equalize funding, but much more needs to be done to increase the overall state share of funding before this inequity is eliminated.

- **Program- and staff-based funding allocations.** Many state funding streams fund districts or schools based on staffing ratios or special programs offered rather than the number and characteristics of schools' students. This leads to the same results as similarly constructed district policies.

- **Special education.** Special education costs vary widely based on students' specific conditions. Some states have a flexible special education funding system to account for these differing costs, but not all. While some funding for special education follows students between schools and districts, it is not always commensurate with the true costs of educating them. This challenge is especially severe for small school districts and charter schools, which can find their budgets overwhelmed by enrollment of even a small number of high-cost students for whom they are not fully compensated.

- **Non-district options for public education.** As states have opened up choice options such as charter schools and virtual schools, districts no longer educate all students in a state. These alternative options usually receive less than 100 percent of the funding enjoyed by traditional school districts. In many states, alternatives are denied access to local funding, including facilities funding. As the recent Fordham Institute study of charter school funding showed, this inequity can reach half a million dollars or more for a typical charter school.[29]

- **Astute Districts.** Savvy schools are not the only ones who know how to play the categorical funding game better than others—some districts also have a distinct advantage over those that lack the acumen to get involved at the state level. By working directly with the legislature or other state-level leaders, some districts can get funds that other districts do not have access to.

Federal policies

At the federal level, a great deal of the funding for public education aims to meet students' differing educational needs. But it doesn't work as intended, partly for reasons of political compromise, partly because federal dollars flow through the same antiquated state-district system, and partly because no one has rethought federal programs in light of changing education circumstances. Programs such as Title I are designed to account for individual student needs and distribute funds accordingly, but they, too, typically fund schools rather than individual students. The key issue at the federal level is the assumption that states and districts are using this funding appropriately. One problem with this assumption is that it relies on states and districts to distribute other funds equitably before they disburse their federal funding. Unfortunately, this expectation is not being met.[30]

Some states and districts game the system, perhaps unknowingly, by lowering their own allocations to schools catering to needy children because they know these schools will receive federal funds. This violates the "supplement not supplant" principle. For example, a needy school may get $5,000 per student, versus $4,800 for a wealthier school, but $1,000 of the $5,000 is provided by Title I. Rather than giving each school an equal amount of funding before the Title I money is taken into account, the district purposely underfunds the needy school, in this example by $800, then uses the Title I funds to make up the difference. This practice ignores the fact that it may cost $1,000 more to educate a child in the needy school. As Marguerite Roza found, "When it comes to accounting for how funds under Title I are used, federal grantors do not know what the district grantees are doing."[31] Not knowing in this case means not addressing this fundamental cause of inequity.

In addition to states and districts gaming the system, the way Title I needs are calculated is flawed. A provision of Title I exempts teacher pay differentials (one of the largest sources of inequity as explained before [see p. 11]) from equity determination. These federal policies may have good intentions at heart, but they contribute to the overall problem.[32]

School leaders are held accountable for results but have little control over how money is spent in their schools.

Additional Concerns

Two other significant issues contribute to inequitable funding:

- **Lack of school-level autonomy.** Increasingly, school leaders are held accountable for results, but they have little control over how money is spent at their schools. In fact, almost no dollars as such reach individual schools; the district pays nearly all the bills. School budgets are developed at the central office, and decisions on hiring, services, and teacher allocation are made there. School leaders are often powerless to make tradeoffs and use the money according to actual student needs.

Schools need the flexibility to spend education dollars as best suits their high-need students.

- **Lack of transparency**. Despite the large sums of money allocated to educate students, it is extraordinarily difficult to find and understand data on school funding at all levels—federal, state, and district. Comparing resource levels across schools is very complicated, and understanding the specific needs of the schools' populations is even more so. District allocation practices are so murky and complex that it is difficult to determine how much money is spent at any individual school.[33] Even school boards and district administrators may have little idea how much money their schools have.[34] Until recently, districts rarely documented school-level expenditures. Even now, *most schools receive resources that are tracked at the district level, and not within school budgets.*[35] Principals typically control a very small percentage of the overall resources spent on a school—only 2 percent in Edmonton before it became the first major school district in North America to implement a full-scale WSF system in the late 1970s.[36] With such a small percentage of funding going directly to the schools, principals and parents are often left in the dark.

Part of the problem is that there are no standard definitions for financial reporting in public education. Funding data are stored, used, and reported differently by each district. As a result, most school leaders believe that "poor" schools receive disproportionately more funds than those in wealthier neighborhoods.[37] These misconceptions only further ingrain the unfair policies already in place.

It is true that generously financed schools can be educational disasters, but it is indisputable that some children cost more to educate than others. In short, money does not guarantee learning, but an acute shortage of it reduces the odds of learning happening.

The answer to this predicament, we believe, is for policymakers at all levels to move to a system of weighted student funding. The next section explains how such a system would work and how it would bring equity to today's broken system of school finance.

THE SOLUTION: WEIGHTED STUDENT FUNDING

To solve the problems of inequity and antiquity plaguing our system of education financing and to ensure that all children receive a quality education, dramatic change is needed. Weighted student funding (WSF) is the best solution. We believe that five principles must be embraced to reform school financing and close the achievement gaps.

1. Funding should follow the child, on a per-student basis, to the public school[38] that he/she attends.
2. Per-student funding should vary according to a child's need and other relevant circumstances.
3. The funds should arrive at the school as real dollars (i.e., not teaching positions, ratios, or staffing norms) that can be spent flexibly, with accountability gauged by results, not inputs, programs, or activities.
4. These principles for allocating money to schools should apply to all levels (e.g., federal funds going to states, state funds going to districts, districts to schools).
5. All funding systems should be simplified and made transparent.

This section explains each of these principles, beginning with the first two.

Principle 1: Funding should follow the child, on a per-student basis, to the public school that he/she attends.[39]

and

Principle 2: Per-student funding should vary according to a child's needs and other relevant circumstances.

These two principles are the core of weighted student funding. At its heart, WSF is a simple idea: allocate dollars directly to schools on a per-student basis, and have that funding follow the child as he or she moves from school to school. The key change from traditional approaches is that money is allocated to schools not based on staffing levels or programs, or just the number of students, but on the characteristics of the students attending the school. Students with greater needs (poor, disabled, or English language learners, for example) receive more money as part of their allocation, allowing their schools to provide the education they need.[40]

These principles advocate a significant change from the way many "per-pupil" funding systems work today, which partially adjust school budgets based on student characteristics but do not necessarily ensure that funding follows the child. Funding that truly "follows" the child means a real dollar amount moves with a specific child between school budgets as that child moves between schools and even districts—not just calculating a total based on the number and characteristics of a group of students.

Under WSF, the per-student amount varies with the characteristics of the child. Students with added educational needs receive extra funding based on the costs of meeting those needs. The amount attached to each student is calculated by taking a base amount and adding money determined by a series of "weights" assigned to various categories of students. These weights could take the form of dol-

lar amounts: an extra $500 for a student in one category, $1,000 for a student in another. Or they could be expressed in proportional terms, with students in a high-need category generating, say, 1.4 or 1.5 times the base level of funding. Either way, the concept is the same: students with higher levels of need receive more "weight" in the funding system. As a result, the schools they attend end up with more dollars.

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Under WSF, schools will have powerful incentives to serve more disadvantaged kids.

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Each state or district using WSF needs to decide what categories to weight, and how much weight to give each one. These are tough decisions that we return to in our discussion of issues and challenges below. Most districts that have implemented weighted student funding assign higher weights for:

- students from low-income families
- English language learners
- students with disabilities (including different weights for different types of disabilities)
- students with previously low test scores

But other categories could also be weighted higher, such as:

- gifted and talented students
- returning drop outs
- migrant students
- students who have changed schools

The idea of weighting in line with student need is the heart of Principle 2. But Principle 1 is equally important: the weighted amount must follow the child to the public school he or she attends. This principle has two important corollaries.

First, a large proportion of total education funding must be included in the weighted sum that follows the child. Some funds must be retained by central authorities at the federal, state, and district levels to discharge their responsibilities. But the more they retain, the less is available to allocate to schools according to the needs of their students. So districts need to push as much of their education funding as practicable all the way through to their schools under the WSF system. It also means that higher-level policymakers should require that federal and state funding flow to schools in the same way. In the issues and challenges section, we take up this question in more detail. For now, the vital point is that for WSF to address the inequity inherent in the current system, the proportion of money allocated according to its principles should be substantial.

Second, funding should follow children to whatever public schools they attend, including schools of choice.[41] For charter schools and other choice options that are part of districts, districts should ensure that all relevant funds follow children into them. For charter schools and other options that are independent of districts, it's the state's job to direct a full share of funding to them. A family choosing a public school of choice should not have to accept a lower level of funding than other public school families enjoy.

Following these two principles would help solve a number of problems. One is inequity, whereby some schools have many more students with special needs due to disabilities, poverty, language barriers, or lack of prior achievement, but they do not receive sufficient resources to serve them. Using WSF, unequal funding actually paves the way to equity. As expressed in the Annenberg Institute for School Reform's report, *First Steps to a Level Playing Field: An Introduction to Student-based Budgeting:* "If equality is about leveling the playing field and providing all students the same opportunity, then weighting student funding to achieve this goal can be considered fair, even when it means that some students receive more dollars than others."[42]

It's important to note that our call for equity via WSF is much different from the calls for "adequacy" (i.e., lawsuits seeking to define a minimum amount of local and state education funding per student necessary to provide an "adequate" education) that have become prevalent. Arguments for adequacy tend to assume that if we added more resources to the current system of schooling, somehow our schools would produce higher results. Our contention is different. We are not advocating a set level of "adequate" funding that every school should receive. Rather, we are calling for federal, state, and district policymakers to allocate whatever level of funding they provide in a way that is fair and rational. And we are calling for changes not just in how much money different schools receive, but also in the terms under which they receive it. By empowering schools to spend funds in ways that meet their students' needs, WSF facilitates changes in schools and classrooms, not just in budgets.

These two principles will also help solve the antiquity problem. WSF fits much better with the new landscape of expanding educational options in the U.S. Under WSF, parents can be confident that, whatever option they choose, fair funding will follow their child. And would-be providers of alternative forms of public school—educators, community groups, and school management organizations—can be confident that they will receive fair funding in return for providing public education. So on both the demand side and the supply side, WSF facilitates options and choice.

The weighted amount must follow the child to the public school he or she attends.

Another reason to implement WSF is to provide schools with incentives to serve challenging populations. As the system is now constructed, school administrators have powerful incentives to avoid attracting costly students to their schools. Schools with the easiest-to-serve student populations are rewarded with plenty of funding to serve them, while schools that need the most help are left to struggle with meager resources. Schools have a disincentive to enroll student populations that traditionally score poorly on achievement tests—too often poor and minority children—because of the sanctions inherent in state accountability systems and No Child Left Behind (NCLB). Federal and state accountability rankings deter schools from serving challenging populations, particularly if they don't get sufficient funds to do so.

WSF IN EDMONTON; BLAZING THE TRAIL *

Before Edmonton, Alberta, adopted Weighted Student Funding, only two percent of the district's total education funding was distributed directly to schools rather than spent from a central office. Today, Edmonton distributes nearly 75 percent to its schools via a WSF formula, far more than other prominent North American experiments with WSF.

Former Superintendent Mike Strembitsky first implemented WSF in Edmonton in 1977 as a pilot program involving seven schools. The effort faced many obstacles, including antiquated information systems and stubborn central office personnel, but ultimately the will of a strong superintendent and supportive board prevailed. WSF expanded to all Edmonton schools by 1981.

Principals were now responsible for many decisions from the staff mix to what equipment and supplies would be needed, decisions that previously had been the domain of the district. In the mid-1990s, after Strembitsky left, Edmonton redesigned its district office, now called Central Services. Schools were now able to buy assistance directly from the district or from outside vendors. Today, principals report to the superintendent with direct accountability and no layers of bureaucracy in between.

Implementing WSF has not only helped the district become more equitable, it has helped academic achievement. Student performance in Edmonton tracks close to the averages for Alberta as a whole—even though it has a higher percentage of students in poverty. Alberta's performance, in turn, tracks with the top-performing countries in mathematics, reading, and science.

*Jeff Archer, "An Edmonton Journey," *Education Week*, January 26, 2005; Timothy R. DeRoche, Bruce S. Cooper, William G. Ouchi and Lydia G. Segal. "Models of School-Site Funding: Analysis of Weighted Student Formula in Urban Schools," December 16, 2003; Jerome G. Delaney, *The Development of School-Based Management in the Edmonton Public School District*, Fall 1995. Available online: http://www.mun.ca/educ/ faculty/mwatch/vol1/delaney.html.

Under WSF, if weights are implemented properly, schools will have powerful incentives to serve more disadvantaged kids. Schools may begin to vie for these populations to gain increased funding, rather than shun them as is often the case today. By rewarding schools for attracting more students (and especially more students with educational challenges), WSF can fundamentally change the way individual schools think about their "most attractive" students. As schools change their behavior to attract a different mix of students, it is also important that students are able to attend the schools that are right for them.

Transparency in public education financing is yet another plus for WSF. Implementing WSF encourages districts to properly account for all funds they send to

IS AUTONOMY ESSENTIAL FOR WSF?

Technically, WSF can be implemented without providing autonomy to school leaders, and some districts have taken this route. While following only the first two principles set forth here would still be a huge leap forward for most of the country, to truly eradicate inequity and antiquity, WSF and autonomy must go hand in hand.

The system of WSF we recommend is not just about distributing money fairly, but also about enabling schools to change their behavior based on the money they receive. The more autonomy that school leaders have to deploy the funding they receive, the more effective WSF will be.

Giving schools autonomy does not mean they are not held to standards. District standardization of successful practices can be a benefit to schools no matter what financing system is in place, and autonomy can still function well with standardized proven and successful curricula. If a district has a good common math program that has been shown to work, it need not be abandoned for the sake of autonomy.

Nor does autonomy mean giving leaders carte blanche to not get the job done. There may be some schools where giving the current team added discretion is not a good strategy, if team members lack the skills or the will to be a success. Districts should take their oversight role seriously and move aggressively to change leadership in such schools.

schools, and helps schools understand the factors affecting the funding they receive. This transparency has benefits for the public as well. Done well, a WSF system makes school spending easier for parents, voters, and taxpayers to understand.

Many district leaders and administrators do not understand the biases that exist within the system, biases that work against equity—WSF can help make them aware, while providing a means to eliminate these biases.[43] Elected officials will also be able to make better, more informed decisions. Inequity is hard to hide in a simple system of transparent calculations.

Principle 3: Per-student funding should arrive at the school as real dollars (i.e., not teaching positions, ratios, or staffing norms) that can be spent flexibly, with accountability systems focused more on results and less on inputs, programs, or activities.

Simply allocating school funding using weights and having the money follow the child is not enough to ensure equity. The funds must be provided to schools in the form of spendable dollars, not as teaching or staff positions. Further, once money is distributed to schools based on the educational needs of students, local school leaders

must be free to determine how best to meet those needs.[44] For this to work, actual teacher salaries must be used to determine a school's true costs—not staff positions or other proxies.

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It's unrealistic to make all education funds discretionary, but the more flexibility provided to school leaders the better.

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Some important types of discretion that school leaders must have include:

- **Staffing structure.** Deciding how many and what type of teacher positions vs. administrative and other positions to have.
- **Staff hiring decisions.** Choosing the best teachers for the school within budgetary constraints, and managing the tradeoffs between experienced teachers who cost more and younger teachers who cost less.
- **Academic programs offered.** Choosing the classes to be offered and the curricula and pedagogies to be used.
- **Use of time.** Deciding the length of school day and year, the bell schedule, and time for teachers to plan, collaborate, and engage in professional development is vital, as some students require more "face-time" with teachers than others do.
- **Non-academic services.** Deciding how to provide services (e.g., transportation, food, maintenance) that need not be provided centrally.

Districts should make these spending decisions as easy as possible for schools. Edmonton, for example, gives each school a credit card with which school employees can make a purchase.[45] This not only eliminates unnecessary overhead and complication, it sends a message to schools that they truly do have the authority to make these decisions and tradeoffs. It may be unrealistic to make all education funds discretionary for school leaders (due to restrictions placed on some federal and state grants, or the need for some level of system-wide consistency), but the more flexibility provided to school leaders the better.[46] We address these issues in more detail in the issues and challenges section.

Such decisions are often constrained by collective bargaining agreements. There are inherent tensions between many rights given teachers in these agreements and the autonomy school leaders need in order for WSF to work properly. Districts implementing WSF should not do so without addressing these issues. Ideally, existing regulations and union contracts should be revised to enable flexible use of resources and fully support the autonomy of school leaders so critical to the success of WSF.

As schools receive autonomy over their use of resources, they must also be held accountable for results. WSF provides additional funds to support better educational outcomes for students with additional needs. If schools do not achieve better results with the new system of funding, changes must be made. The No Child Left Behind Act and state-level accountability systems provide the basis for such evaluations, which need not change under a WSF system.

Another reason to embrace autonomy is that buy-in to WSF is likely to be stronger when local education leaders

have more say in how funds are spent. Moreover, if we want school leaders to strive to attract students with higher levels of need, we need to give them the autonomy needed to make decisions that impact these students' educations. The "65 percent solution," enacted by several states to increase funding to the classroom, actually reduces the flexibility afforded school leaders. In contrast, WSF could lead to more spending in the classroom and more flexibility for the principal. For WSF to succeed, principals must be enterprising and focused on solving problems that stand in the way of learning.[47] Today's school leaders often lack the authority and autonomy to push through these barriers.

School autonomy can also play a vital role in empowering school-level leaders and developing their capacity. As the Edmonton school district found after implementing WSF and site-based management, "When staff are involved in decisions that affect them and their students, they develop a stronger sense of commitment and ownership for the implementation of the decision than when it is 'handed down' from above."[48] There is a better chance to attract the type of dynamic leaders needed to run the most challenging schools when they have the autonomy to make the right decisions—and then implement the decisions they made.

Principle 4: These principles for allocating money to schools should apply to all levels (e.g., federal funds going to states, state funds going to districts, districts to schools).

Inequity is often created as money passes from the federal government to states, from states to districts, and from districts to schools. At all levels, it is vital to direct funding based on student needs. There are huge funding gaps between districts within states, between different public school options (e.g. charters), and between schools within districts. For true equity, the principles of WSF must be implemented across the board.

For state and federal policymakers, part of the solution is allocating their funds according to a weighted student model. But the challenge does not stop there. If federal funds flow to states on a weighted student formula, but states then allocate that money as they see fit, the funds will not necessarily flow to the schools attended by the children who originally generated the dollars. The same goes for state-to-district transfers. Even if states allocate funding according to WSF, if the money goes into big district pots, it will not necessarily end up where it "belongs."

At all levels—federal, state, and district—it is vital to direct funding based on student needs.

In theory, the solution to this problem is simple: federal and state policymakers can require funds to flow to the schools attended by the students who generate the funds. If a district receives an extra $1,000 because Jane is economically disadvantaged, and Jane attends Elm Street Elementary, Elm Street should receive that funding.

In practice, achieving that outcome is more complicated. As noted earlier, this simple solution doesn't prevent districts from providing fewer resources to Elm Street in the first place. Under this scenario, Elm Street doesn't actually end up with an extra $1,000. Instead, all or part of the increment goes to close the pre-existing gap between Elm Street and other schools. This can be intentional (i.e., "gaming" the system) or it can be a by-product of less-experienced (hence less-expensive) staff ending up at high-poverty schools.

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States must design their allocation systems so that funds follow children to whatever public schools they attend.

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To ensure equity, federal and state policies must require districts to fund schools equitably as a condition for receiving the "extra" resources. This means requiring them to account for actual staff costs rather than hiding their spending by using average salaries in their equity calculations, as they can now do under Title I. Both the federal and state levels should mandate that the money they allocate follows the student all the way to the school level, with an agreed-upon set of weights for each level.

Finally, as states design their allocation systems, they must ensure that funds follow children to whatever public schools they attend, whether those are within school districts or outside options such as public charter schools. We return to that topic under the Issues and Challenges section on page 32.

All of this would be far easier to achieve if the state played a larger role in financing schools. In theory, a state could engineer a system of weighted student funding even while localities generated and controlled a large share of funding. But as the preceding paragraphs suggest, such engineering would be complex and, despite the best efforts of state policymakers, still vulnerable to gaming by local officials. As a result, we believe WSF, and the benefits it brings, will be more attainable if states increase the share of public education funding that is state-generated and controlled. States have already developed many mechanisms for doing so, and exploring those in detail is beyond the scope of this proposal.

Federal policymakers need to take action to address the inequity in Title I funding as well. The amount of Title I money a state receives per student depends on how much each state spends per student. Due to this provision, wealthy states such as Massachusetts and Connecticut receive the lion's share of Title I dollars while states such as West Virginia—which actually spend a higher proportion of their overall state budget on education—are unfairly punished. Federal policymakers have an interest in rewarding spending "effort" by states, and ensuring that federal dollars don't simply supplant state funds. But using absolute spending levels as the proxy for effort is unfair to low-wealth and high-poverty states. These states may well be exerting more "effort" relative to their economic base even though they spend less.

To remedy this problem, the process of calculating per-student Title I allocations should be changed so states

receive more money if they have low wealth, more money if they have high poverty, and more money if they exert a high spending "effort" relative to their capacity, defined by per capita wealth, or some other metric of economic well-being. Washington policymakers must stop giving wealthy states with few low-income students a disproportionate share of Title I money. Instead, policymakers should concentrate more federal resources in high-need states that have little wealth and much poverty but that also spend a high percentage of their available resources on education—states that struggle under the current system.[49]

Melding the disparate funding schemes in place at the federal, state, and local levels is a Herculean task and in many cases will require the revision of existing laws and statutes. Solving this problem will require hard work and cooperation across all levels. Still, there is much to be gained at all levels by adhering to the principles espoused here—and showing a little cooperation.

Principle 5: All funding systems should be simplified and made transparent

Clear, in-depth information on school funding is scarce today, which leads to confusion among parents, school leaders, and policymakers. If WSF is to work well across all levels, the funding to be weighted and allocated must be clearly documented, and the information made available to the public. All levels of funding should be transparent and understandable by everyone. Revenue and expenditure information—for 100 percent of taxpayer dollars directed toward education—should be made available annually in every state and district. Information on district and site revenues, costs of school staff and materials, and comparisons to other schools should be provided to schools by districts.[50]

The form this information takes and its consistency are critical if WSF is to work as it should. Common accounting standards governing education funding at all levels should be established and adhered to. States can help by taking a central role in education funding. By providing a larger percentage of education dollars, states could also better regulate the flow of information about those dollars.

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The lack of transparency in school financing today has allowed inequity and bias to fester and grow without much scrutiny.

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The lack of transparency in school financing today has allowed inequity and bias to fester and grow without much scrutiny. It has allowed administrators at all levels to pretend that problems are isolated or non-existent, and has made it nearly impossible to highlight the inequities that riddle the system. By contrast, clear information about funding empowers educators, parents, and community members to advocate for changes that will improve equity and outcomes. As an added benefit, good data about school revenues and expenditures will enable stronger research linking resource use to student outcomes. Useful resources such as the website SchoolMatters.com begin to address this problem.

THE CHOICE CHALLENGE: HOW WSF HELPS EXPAND THE RANGE OF CHOICES FOR FAMILIES

For weighted student funding to work in the changing world of public education, it must apply fully to students in all public schools, including charter schools and other publicly funded choice options for children.[51] As more children choose new public education options, their need for and rights to a fair share of education funding must be accomodated. A student should not have less money spent on his or her education simply because his/her parents choose a charter or alternative school.

The funding system advocated here should be easy to apply to the charter and choice world—per-pupil funding is how charter schools receive nearly all of their education dollars. The difficulty is ensuring that public school options receive full funding rather than the partial funding they typically receive today.

Two elements are essential:

- **Full operational funding.** Traditional public schools receive their operating funds from a variety

WIDE-RANGING SUPPORT FOR WSF

One reason WSF is so compelling a solution to the woes of the education financing system is that it is no "pie in the sky" idea. It has been partially implemented with success in several settings, which we discuss in some detail in sidebars throughout this document. Support for WSF has come from a number of sources. In a recent report, the National Education Association, the nation's largest teachers union, found that "The budget system known as WSF shows promise in helping large urban school districts provide funding equity to schools."* Teacher surveys in California have shown a high level of support among teachers for this new solution—a recent survey found that teachers are nearly four times as likely to prefer WSF over the current funding system.** Policymakers and leaders from across the political spectrum have embraced the concept of using WSF and local autonomy to strive toward equity in education. This is a solution whose time has come.

* See M. Petko, Weighted Student Formula (WSF): *What Is It and How Does It Impact Educational Programs in Large Urban Districts?* National Education Association, Washington D.C., 2005. Available online at: http://www.nea.org/ edstats/images/formula.pdf

** Louis Harris, *Report on the Status of Public School Education in California: A Survey of a Cross-Section of Classroom Teachers In California Public Schools.* Prepared for The William and Flora Hewlett Foundation, May 2004, pgs. 6-8. Available online at:http://www.hewlett.org/NR/rdonlyres/1F605152-67B9-4634-B667DBC6 6078D995/0 /HarrisReport10.pdf

of sources, with state, local, and federal tax dollars making up the lion's share of the money. Routing federal and state funds to public school options is relatively straightforward. Most states with independent charter schools, for example, already have well-developed mechanisms for doing this. Local funding is trickier. For political—or even constitutional—reasons, some states may find it difficult or impossible to require local governments to provide a pro-rata share of local tax funds to charter schools and other choice options. In such cases, state policymakers need to find other ways to ensure full operational funding for such schools. The most obvious way is for the state to provide full operating funding directly to public schools of choice, deducting those amounts from the funding it sends to students' original districts of residence. The larger the share of education funding that states control, the easier this problem becomes to solve.

- **Full capital funding.** Few states provide charter schools with funding for facilities, and yet charter schools are typically required to find and pay for buildings themselves. As a result, charter schools frequently dig deep into their operating funds to cover lease or mortgage payments, thereby diverting funds intended for instruction into bricks and mortar. While there are many ways that states can help choice schools with facilities, the most straightforward—and the most consistent with weighted student funding—is to provide them with a per-pupil allocation for capital on top of their operating funds. Schools could then use those funds to make lease payments or pay off loans or bonds. States can also ease the facilities burden by making it possible for public schools of choice to issue tax-exempt bonds and by requiring districts to make vacant facilities available to them.

More schools competing to educate children well can only have a positive impact.

These approaches work best where public schools of choice are legally independent of local school districts; for example, charter schools authorized by states or other non-district authorizers. For public schools of choice that are legally part of their districts, a weighted student funding system would work differently, with the district taking responsibility for ensuring fair funding for its choice schools.

Giving public schools of choice a fair share of resources, weighted by student need, should have another effect: attracting others to the Herculean task of opening schools that serve the neediest students. When all public schools (district, charter, or any other form) receive the funding they need to educate their students successfully, the range of choices available for students will multiply. More schools competing to educate children well can only have a positive impact.

ISSUES AND CHALLENGES RELATED TO WSF

While WSF is a relatively simple concept, its details can be devilish. This section discusses those details under two headings—mechanics and implementation—each with several underlying questions that must be addressed to make this solution a successful reality.

Mechanics

What proportion of overall education funding should be included in the WSF allocation to schools?

The percentage of funding included in the WSF process is a major driver of equity. The higher the proportion of funds allocated through WSF, the more real student needs can be met.[52] If a large percentage of state or district funding is still spent centrally or allocated via the old system, the same old inequities will remain.

All funding dedicated toward school-level activities should be included in the weighted pre-pupil allocation. Yet some centralized capacity is necessary at the federal, state, and district levels.
Three categories of expenses may legitimately be centralized:

- **Oversight and accountability**. This includes holding schools accountable for results and ensuring compliance with law and regulation. The federal government has certain oversight responsibilities that it cannot delegate to states. States have certain responsibilities that they cannot delegate to the districts or schools they oversee. And districts in turn, have responsibilities that they cannot delegate to schools. Fulfilling these responsibilities costs money, and so each level must retain a small slice of education funding to carry these out. The key is to ensure that these activities do not consume a great deal of funding, thereby leaving maximum funds available for schools and for services that benefit schools, while keeping in place the crucial accountability mechanisms under NCLB and its state-level counterparts.

- **High-priority programs.** Quite often, federal, state, and district authorities establish special programs to advance some priority of the central office. A recent example at the federal level is the Reading First program, designed to enable schools to implement research-based reading programs. Every state and district has similar types of programs on the books. Arguably, these programs are part of the problem that WSF systems are designed to solve. Instead of being allocated to schools according to their students' needs, to be spent in ways that schools think will maximize learning, funds are allocated in other ways, through competitive grants for example, and must be spent in line with system-level directives. This kind of allocation is one driver of school-to-school inequities.

  On the other hand, some programs such as Reading First may be justified if they solve "collective action problems" that might bedevil a completely decentralized system. For example, large

investments in innovative learning approaches or new technologies might never happen if a hundred individual schools had to voluntarily pitch in funds to an R&D effort. At times, it makes sense for a central authority—federal, state, or district—to make the investment.

How can system leaders decide what kinds of central spending make sense in this way? Consistency, as in reading programs, may be a consideration. Another consideration is "investment." Programs that require temporary funding in order to accomplish some purpose that will reap benefits over time may well make sense to provide centrally. Programs that are essentially ongoing activities that benefit schools may well not. These fall into the category of "services," to which we turn next.

- **Services.** Services include transportation, building maintenance, food service, professional development, curriculum development, and other activities that have traditionally been arranged and provided centrally, usually at the district level. In theory, funds for all such services could be disbursed to schools, which could then decide whether and where to buy these services. Schools might opt to purchase them from the central office, or buy them from other providers, or do the work themselves, or do without. By granting the resources and decision-making to the schools, a district would increase the odds that the services schools obtain meet their real needs. And by requiring district-provided services to, in effect, compete for schools' business, a district would help keep its service offices on their toes, always looking for ways to improve value and reduce cost. With fewer dollars spent on services that principals don't want or need in their schools, more money will be available to help students learn.

The percentage of funding included in the WSF process is a major driver of equity.

In practice, though, it may be impractical or unwise to decentralize control of all such services, for three reasons. First, if sizable economies of scale accompany actual provisions of some service, it may be financially unwise to decentralize it. Second, arranging a wide range of services may be very time- and attention-consuming for school leaders, diverting their attention away from instructional leadership. In such cases, it may make sense for the district to provide the services, freeing up school personnel to focus on other matters. Third, districts may be better positioned than schools to provide certain services. Some districts are doing exceptional work in providing curriculum design, benchmark assessment, and/or data analysis, and schools might find it nearly impossible (or fiscally imprudent) to match the quality and depth of these services.

Which services should be centrally provided vs. school-decided? We cannot draw a bright line here; each district will have to make this determination. We recommend that districts (and states) begin by assuming that all services will be decided by schools, and then move services back centrally when and only when the "burden of proof" of centralization benefits has been satisfied. Such an approach keeps the process "honest": focused on the needs of schools, while allowing for system logic to rule when it is truly advantageous to do so.

Assume that all services will be decided by schools, and centralize only when the 'burden of proof' is satisfied.

We recognize that this approach could create a slippery slope, with more and more services sliding back into the central office as the logic of economies of scale takes over. To avoid the slippery slope, one possible solution would be for districts to convene a committee of principals to advise upon decisions about which services to centralize. System leaders also need to be mindful of two important (and common) misconceptions:

Misconception #1: Expenses that aren't directly academic don't need to be locally controlled. Some would argue that there are no reasons for non-instructional functions, such as groundskeeping and food service, to be controlled at the school level. Why would schools even want to control such matters? In fact, school principals may want control of such functions for a variety of reasons, not least of which is the potential to save money on some expenses and shift the savings into the academic program. For example, a school could recruit parents to volunteer to do campus landscaping, thereby saving money to pay for an additional teacher. Part of this misconception is the idea that principals are solely academic leaders and not also business managers. As discussed in the manifesto "Better Leaders for America's Schools," leadership qualities are of primary importance in a principal.[54] The more a principal can serve as successful CEO of a school with strong academic and organizational leadership, the better.

Misconception #2: Economies of scale always make it worthwhile to provide services centrally. While there may be economies of scale for certain services (and they should be taken into account when deciding how to provide services), this should not be the sole decision criterion. A good example is purchasing. While a central office may be able to obtain a discount with central purchasing, that discount may not be important to a school leader if the supplies purchased are not what the school needs, or if they take months to arrive.

Edmonton distributes 73 percent of its total district resources through WSF.[55] Under the existing WSF systems in Cincinnati and Houston, 65 to 69

percent of total general fund dollars goes into school budgets.[56] The appropriate amount of funding to include in the WSF system may vary from district to district, but districts experimenting with WSF need to include a substantial percentage of funds. Indeed, the proportion of funds flowing from the federal government, states, and districts to schools should be as high as practicable—while still retaining for central authorities the capacity to carry out their public reporting, analysis, accountability, NCLB, and in some cases curriculum design responsibilities. Simply stated, for WSF to be effective, principals must be given authority over a significant portion of the overall funding pool.

How should different student characteristics be weighted?

The weighting system for WSF is a large driver of equity but there is no clearly established "industry standard" system of weights.[57] All levels of funding should be distributed by weights—federal, state, and district. There naturally may be different weights at different levels, but ideally the weights developed at each level will support those developed at the others. The only definitive thing to be said about determining weights is that the more they can be based on facts (historical spending, best practices in other districts, etc.) and the best available analysis of true relative costs over time, the better. Several approaches to determining weights stand out (see page 37 for examples):

- **Negotiation.** Negotiation and debate to arrive at consensus is an important approach (as used by Edmonton). The key here is an open process that encourages local buy-in. Some implementations of WSF have used an open process driven by the district, with adjustments to the weights made each year.[58] Some have depended on a group of principals or other stakeholders (often including union and/or community representation) to make the weighting decisions annually. This could also be a more open process, perhaps a series of public hearings and discussions culminating in a decision by a commission or board set up for this purpose, or by the existing governing board.

The weighting system for WSF is a large driver of equity, but there is no established 'industry standard' system of weights.

- **Marketplace.** One approach is to set weights over time based on the "marketplace" for students that are weighted. In a comprehensive WSF system such as we propose, weights can (and should) be established such that hard-to-educate children become desirable for schools to enroll. Knowing that student performance standards must be reached, principals should find the weight for an at-risk child sufficient to make that child an asset to the school. Principals should seek out the children who bring with them weights that are at least sufficient to enable the school to meet achievement standards. Just as the free market sets prices for goods and services, the market for

hard-to-educate children can determine their weighting. Principals and schools should seek to enroll hard-to-educate children because they know that with the money accompanying the child they can show improvement trends and reach performance levels. If this doesn't happen, the district or state should adjust weights until it does.[59]

- **Expert Costing—the "Successful Schools" Method.** Expert costing involves analyzing cost data from the district or beyond to determine the relative costs of educating different categories of students. One approach to expert costing is to ask educators and other experts to generate a list of what is required to educate a group of students successfully, and then estimate the cost of that list. Unfortunately, this approach suffers from fatal flaws. Since the exercise is hypothetical, it has no mechanism to force the experts to set priorities and make tradeoffs. Nor does it try any guarantee that the wished-for items will actually produce results. A better approach is to identify schools that have been successful in educating that group of students and analyze their actual costs relative to the costs of less successful schools. This method has its own challenges, such as appropriately defining "success." But done well, this approach provides data on costs that are rooted in real-world success.[60]

None of these approaches to determining weights is mutually exclusive of the others. In the negotiation approach, expert or market data can be introduced. In the expert costing approach, presenting the expert analysis to schools and citizens for discussion is critical to build buy-in. And the marketplace approach needs plausible initial weights—which could be set via one of the other methods.

Different processes have led to different weighting schemes in districts that have tried WSF. The table below shows how three districts weighted some common student characteristics (the num-

Comparison of Weights Across Three Districts

Type of Student	Edmonton	Houston	Seattle
Limited English Proficient (LEP)	126%	110%	127%
Sp. Ed (lowest)	199%	210%	195%
Sp. Ed (highest)	546%	700%	876%
Disadvantaged (poor)	NA	120%	110%
Gifted & Talented	126%	112%	NA
High mobility school	NA	120%	NA

Source: From T.R. DeRoche, B.S. Cooper, W.G. Ouchi and L. Segal. "When Dollars Follow Students: The Political Viability, Equity, and Workability of Weighted Funding Formulas." *The School Administrator*, August 2004, 14-17.

WEIGHTING AND STAKEHOLDER INVOLVEMENT

Districts have taken many approaches to weighting, with one main principle in common: the weights are determined by discussions with stakeholders outside of the central office.

Edmonton focused on local input with principals driving the process. Each year, the district "locks the group of principals in a room," and they cannot emerge until they agree on the weights for the year. The inputs and outputs of the process are open to all stakeholders in the district, and Edmonton has had relatively little trouble with acceptance of the outcome. As the Edmonton superintendent says, "The teachers union has reviewed our books several times and believes that everything is on the table. So they have never meddled with, substantially, trying to get involved in the mechanics. Because they have confidence in the system."*

Cincinnati focused instead on union involvement in the weighting and other mechanics of the WSF system. The district formed a joint union-management team, composed of deputy superintendents and the union president. The team met biweekly to review implementation issues associated with WSF and local autonomy. In addition, the school board developed a review team to evaluate what was working and not working with the system, and to make changes when necessary to improve equity.**

Hawaii has taken the most comprehensive approach, establishing a Committee on Weights to annually determine the system for the state. The committee, with approximately 40 members, is composed of a broad spectrum of stakeholders: six principals, six teachers, six classified school staff, three educational program specialists, seven parents, three members from the business community, one member from the military, one from the Governor's Office, two from the Higher Education department, and one from early education. Union representatives appoint half of the school staff to the committee. There is a possibility to expand the committee if other stakeholders in the state eventually require representation.

*W.G. Ouchi, *Making Schools Work: A Revolutionary Plan to Get Your Children the Education They Need.* Simon & Schuster, New York, 2003, p. 90.
** M. Ucelli, E. Foley, T. Emdon and C. Bond, *First Steps to a Level Playing Field: an Introduction to Student-Based Budgeting.* Annenberg Institute for School Reform at Brown University, 2002.
*** Hawaii State Department of Education website: http://reach.k12.hi.us/empowerment/wsf/, visited 12/22/05.

bers shown are percentages relative to a base per-student amount).

Once determined, weights should not be written in stone. They should be reevaluated regularly, even annually, with a close look at results from the previous year and whether the categories should be diversified or streamlined. Edmonton started with weights that ranged from 1 to 11 (i.e, the neediest students received 11 times the base funding), but currently range from 1 to 4.5,[61] in part because they have reduced the number of special-education categories. Decision-makers should not lose sight of the fact that weights are simply a means to an end.

Once determined, weights should not be written in stone.

At what level of the "system" should weights be set? Should states establish a single weighting system that all districts follow, or allow districts to set their own weights? Or should states enact a hybrid system, in which state funds are allocated according to state-set weights, with districts controlling local allocations? We don't think there is one best way to proceed on that point. The more aligned all of a state's funding systems are, the better. But whether that alignment is best achieved through state mandate or states working in conjunction with districts will likely vary from place to place.

Should any school characteristics be weighted?

There are two types of school characteristics to consider. Those that can be controlled by the school should *not* be weighted. Suppose, for example, that some schools in a district opt to pursue elaborate science programs while others do not. Should these science-oriented schools have access to extra funding? In most cases we don't think so. These schools may well have fine reasons to allocate their resources to this purpose, but they should do so by making tradeoffs against other potential uses of funds. That way, schools have all the right incentives to allocate resources in line with their students' needs—rather than simply to gain access to some pot of grant funds. The same logic goes for expensive extracurricular offerings, athletic programs, and other forms of optional spending. There might be good reasons to make an exception for alternative schools, especially when the additional spending can be achieved by weighting the students—for instance, for schools focused on drop-out recovery, incarcerated youth, teenage moms, or other types of students often left out of the system. And some allowance for programs can be useful, if it's infeasible to achieve the extra funding via student weights. However, these should be small exceptions, and ideally the WSF weighting system as a whole should be designed to encourage these valuable programs.

A tougher problem is the size of the school. Typically, small schools have higher per-pupil

allocations than larger schools under existing financing systems, since they spread their overhead costs over fewer students. A WSF system could continue this practice, perhaps by granting every school, regardless of size, a base amount of funding (e.g., $250,000) prior to allocating per-student funds. In our view, however, smaller schools should not get such subsidies. Smallness resembles the expensive science program discussed above: it may well have benefits for students, but schools should in effect "buy" those benefits by making tradeoffs against other potential uses of resources. A small school, for example, may need to give up certain extracurricular or athletic offerings, or have staff fill multiple roles (principals who teach, librarians as reading specialists) in order to make its economics work. Edmonton, however, gives each school with a total enrollment of under 300 an additional $460.88 per pupil, or a total maximum of $138,265 extra.[62]

There may be exceptions where schools do not choose to be small, such as in remote rural areas. We recognize that this process may be painful for existing small schools at first, since they have built their budgets and programs around a certain financial model. Some who implement the WSF model may want to give a slight boost in baseline funding for these schools or use a transition period to phase in the WSF system for small schools over a number of years.

Additional school-level characteristics not controlled by the school itself that may be worthy of special weighting consideration include these two examples:

- **Concentrations of poverty and disadvantage.** Research has shown that school poverty concentration in a school is consistently related to lower performance on every education outcome measured.[63] One study demonstrated that the chances that a disadvantaged student would fall into the bottom achievement quartile were twice as high for a student attending a high-poverty school as for one in a low-poverty school (59 percent vs. 28 percent).[64] As a result, one could argue that a high-poverty school's costs would not be fully covered by individual-level weights for poverty. It would be reasonable for a WSF system to award supplemental funds to such schools, on top of their student-based allocations. Title I funding is allocated based on the same principles.

Some who implement the WSF model may want to use a transition period to phase in the system.

- **Student mobility rates.** Many studies have shown that mobility has a negative impact on a student's performance.[65] This can also be true when the concentration of student turnover is high at a school. A 1998 study found that district and school accountability ratings suffered as student turnover rates increased.[66] Arguably, high mobility schools deserve extra funds to address these challenges.

On the other hand, mobility is highly correlated with other kinds of disadvantage that very likely would be weighted under a WSF system. So there may be no need to provide even more funding to high-mobility schools. In addition, not supplementing schools' funding in response to mobility creates an incentive for schools to do what they can to minimize turnover. Though doing so is not entirely within schools' power, schools can take steps to increase their retention rates.

Ultimately these are local decisions, and no two systems of weighting characteristics will likely be the same.

What happens to teacher seniority under WSF?

Adapting teacher seniority rules to WSF will be challenging. If schools must bear the full costs of salaries, and if salaries rise with seniority, schools need to be able to decide the optimal mix of senior and junior teachers on their payrolls. Otherwise, because staff costs make up most of school spending, schools will not truly have control of their budgets.

WSF therefore requires that districts eliminate the right of senior teachers to choose their assignments, a right that is in direct conflict with the local autonomy necessary for success. Instead, school leaders must be allowed to select the teach-

STRATEGIES FOR SENIORITY

A recent report by The New Teacher Project* illuminates the current restrictions of teacher seniority rules and the reforms needed. The goals are: 1) to ensure that both voluntary transfers and excess teachers are placed with the consent of the teacher and the receiving school, 2) to allow new teachers to be hired in a timely manner, and 3) to better protect those novice teachers who are contributing to the success of their current school. The report lists five recommendations for action by districts:

- provide voluntary transfers some advantages in selecting their schools, while eliminating requirements that give them the absolute right to a job in another school
- provide every opportunity for excessed teachers to receive a satisfactory placement in another school and end the forcing of excessed teachers onto schools that do not believe they are a good fit for the job
- eliminate contractual requirements that treat novice teachers as expendable
- reform the teacher evaluation and dismissal process
- develop meaningful rewards for experience and service.

* Jessica Levin, Jennifer Mulhern and Joan Schunk, *Unintended Consequences: The Case for Reforming the Staffing Rules in Urban Teachers Union Contracts*. The New Teacher Project, November 2005.

ers they think can get the results they need with the school's specific group of students. Principals will be constrained in their hiring decisions by the real costs of any one teacher.

There will be resistance. Ultimately WSF can adapt these rules by significantly altering them to support the goals of the new system in exchange for other benefits—more money available to be spent in the classroom (and likely higher salaries that will come with that money) and autonomy for school leaders.

How can WSF ensure that all students who choose public school options, including charter schools, are treated fairly?

In a fully developed WSF system—with public school choice and a genuine labor market for teachers—both districts and schools could be more flexible, efficient, and effective. There are two specific types of choice options that need to be considered: charters and other alternatives that are part of districts, and public schools of choice that are independent of districts. If a charter school (or other school option) operates as part of a district, the solution is simple: it should get the same weighted student amount as other district schools. The district should withhold for oversight and accountability the same amount from these schools as from all other district schools, and money for all services should be provided to these schools.

Charter schools independent of districts present a slightly more complicated funding dilemma. One way to help maintain equity for their students is to ensure that they get their full portion of federal and state funding from the state. Still, the primary source of inequity for these schools is local funding. Currently, states handle such schools in various ways: 1) some states just don't ensure that local funds get to charters; 2) others require districts to cut checks to charters; 3) still others provide state funding that partially offsets the lack of local funding. None of these options is satisfactory. Options one and three leave charter schools with less than full funding, while option two relies on districts to fund them, which can be problematic—especially if relations between district and school are chilly.

If a charter school operates as part of a district, it should get the same weighted student amount as other district schools.

We recommend that the state fully fund the total amount to which the independent school is entitled for each child from all sources, then to deduct that amount from the state's allocation to the child's district of residence.[67] For example, if a student allocation (including local, state, and federal funding) is $8,000 in a district, the district should have $8,000 less in total funding if that student attends a charter. If $2,000 of that student's allocation comes from local funding, the state would lower its funding to the district by $2,000, and instead provide it directly to the charter school. In this way the district would still have

the same total amount to spend per student, and the charter would receive its fair share.

Facilities funding is another critical issue. Charter schools are often forced to spend a large share of their student funding on facilities while district schools have their facilities separately funded and maintained centrally. One possible solution is to follow the example laid out by California's Senate Bill 740, which requires districts to provide charters with sufficient facilities for a fee. To truly treat all public schools fairly, district funding for facilities should be part of the student allocation—not a separate stream of funding allocated per school or otherwise.

Every school in a state should have a fair share of the resources the state allocates to education.

How should local funding be included?

Local funding constitutes 43 percent of the average school budget, drawn primarily from local property taxes.[68] It is hard to imagine how to achieve equity while leaving 43 percent of the resources out of the equation. Hence, there needs to be a way to include local funding in the WSF system in a way that's fair to districts, schools, and taxpayers.

Local funding differences really come to light when inter-district inequity is examined. The differences in funding between affluent and poor districts in the same state can be staggering. To produce equity in public education funding, state and federal funding must equalize less advantaged districts. As noted in the previous section, reliance on local funding also presents problems for public schools of choice that are not part of any district and thus have no tax base of their own.

One approach to mitigate these disparities is a modified version of the "foundation" approach that has been implemented by forty-five states and the District of Columbia.[69] This foundation approach would involve the state using its WSF formula to calculate the amount of funding to which each public school is entitled. The state would then require each locality to contribute to this calculated amount by taxing itself at a certain minimum rate. The state provides the remainder of the funds required by districts that did not generate the full amount through local taxes. This state subsidy is larger for poor districts than for affluent districts (which generate more local money at the same tax rate). As a result, every student is fully funded according to his/her needs but the local/state funding mix differs based on the local property base. Since charter schools have no explicit local tax base, they would be fully funded by the state (as discussed earlier).

The goal is to make sure that every school in a state has a fair share of the resources the state allocates to education. We don't presume to specify some "adequate" level of school funding, but rather to address how the state apportions what-

ever level of funding it decides to provide for public education. Some localities may choose to go above and beyond the state's allocation by assessing a higher tax rate than is required by the state and generating funding above and beyond the calculated state WSF amounts. Some might object to the resulting inequity, but in our view, this is tolerable so long as the poorest localities receive sufficient state funding.

There is no perfect way to include local funding in WSF, and we are not arguing for a particular method. A stronger state role in the distribution of education funding would aid this process and make the local funding differences less severe, but even that would not be a cure-all. The ultimate goal is funding following the child according to his/her need, whatever path it takes to get there.

How should capital funding be handled under WSF?

Our discussion so far of WSF has focused primarily on allocating operating dollars: the day-to-day resources that schools and school systems use to provide instruction and other sources. It is less clear how to fit into WSF the dollars that pay for "bricks and mortar," from new construction to building maintenance and repair. Within a school district, for example, it would make little legal and practical sense to handle certain capital functions, such as issuing bonds for school construction, at the school level. Districts or states are in a much better position than individual schools to borrow at a low rate and to manage major construction and renovation efforts. While some capital functions, such as minor improvements and repairs, could certainly be delegated to schools via a WSF system, most districts would probably retain the major capital functions centrally.

Yet capital funding must still be considered here because it exhibits both the inequity and antiquity of operational funding. It is inequitable because more of it flows to more affluent students, who tend to live in localities with high property wealth. It is antiquated because, despite an increasing state role in some places, capital funding is still largely district-based, even though public education increasingly is not.

The ultimate goal is funding following the child according to his/her need, whatever path that takes.

Making capital funding policies more workable for the new forms of public school options is a topic we address in our specific discussion of making WSF work for public schools of choice. But what about making it more equitable? Can WSF help ensure that students, wherever they live, have suitable facilities in which to receive instruction? Perhaps, but not in the same clear-cut way that WSF directs operational funding to where it is needed. Allocating capital funds on a simple, weighted student basis would make little sense. Instead, capital funding systems need to take account of a school's existing facility, growth in student population over the long term, and other factors. While some of the collateral reforms

proposed here—such as an increased state role—would help address capital inequity, WSF itself is less relevant to solving this problem. Inequity in capital funding is a difficult problem to solve, and WSF by itself will not fix it. More work must be applied to this effort to come up with creative solutions before this problem can be solved.

An accurate picture of the student population of every school is essential for WSF to work well.

Since the primary root of capital funding inequity is the disparity in wealth between districts, expanding the state role in capital financing holds out the best hope for easing this problem. If states shouldered more of the burden of capital funding—by issuing their own bonds or subsidizing debt service for low-wealth districts—inequities in bricks and mortar would shrink.

Implementation

How should students be identified and classified?

WSF cannot work if there is not an accurate picture of the student population of every school. With more money flowing to students with greater needs, there will be great temptation for schools to exaggerate their students' disadvantages. To ensure a fair process, the school should not have responsibility for classifying students. Several processes for identifying student characteristics already exist (such as the free and reduced price lunch program), so in many cases there is no need to invent complicated new systems. There should, however, be a centralized auditing function to ensure that this process is done fairly and consistently across all schools (at the district level) and all districts (at the state level).

There will always be uncertainty about school enrollments and final school budgets at the beginning of the school year. This has yet to prove an insurmountable problem in any district where WSF is practiced. There are many possible solutions to this issue—capping year-to-year percentage budget changes, basing funding on the projected enrollment or previous enrollment year, phasing in dramatic changes over multiple years, etc. The best solution will depend on the characteristics of the district and state where WSF is implemented. Whatever approach is taken, a critical underpinning of WSF is a careful system for counting students that adjusts funding over time as enrollment shifts.

What can be done to increase schools' capacity to handle responsibility for budget control?

> If people do not know how to manage, they never will unless given an opportunity. And so the first thing is that you have got to give them a chance. The second is that you do so within a controlled context. And one of the things that we have learned through our experiences is not to judge people's behavior under the old set of rules as to how they will behave when you change the rules. We couldn't recognize the behavior of most of them under the new system!
>
> *—Mike Strembitsky, former superintendent of Edmonton* [70]

Districts making this transition will need patience and to give principals the opportunity to lead. Some individuals may not immediately have the capacity to support their newfound freedom and responsibilities under WSF's autonomy. The public school system has not always recruited people for their managerial skills, and it would not be surprising to find learned helplessness and trained incapacity among the principal population.

Increasing capacity is not an insurmountable problem, however, the key is to balance the transition process with the strengths and needs of the school leaders. One approach is to provide business managers to schools to backstop more academically focused principals. Cincinnati designed a hands-on management training course for principals when it shifted to WSF, which focused on helping them learn the new budget system and how to link their decision-making to instructional priorities.[71] Houston implemented a system of regional superintendents to help transition authority to school-level leaders and also made specially trained business mangers available for schools, with smaller schools able to share these services.[72] All of these approaches aid the transition process, but districts ultimately must change recruiting practices to take these needs into account as they hire and assign school leaders. The new job description for principals will attract a broader, more talented, more entrepreneurial pool of candidates into K-12 education.

With these new responsibilities for school leaders comes a new responsibility for districts to provide a stronger internal audit function. Even with the support described above, not all school leaders will be able to handle the new system. If, over an appropriate period of time, there are problems at a school, the district should take its oversight role seriously and move aggressively to change leadership at that school.

Districts making the transition to WSF will need patience and to give principals the opportunity to lead.

What kinds of capacity are needed at the district, state, and federal levels to oversee a new kind of system?

Much of the education system would not be ready for WSF if it were dropped in place today with little or no transition. Much work needs to be done at the district and state levels to surface and track the information that is the lifeblood of WSF. Districts need systems to support these efforts, and facilitate the process of setting weights. Districts need a comprehensive school-based information system, and states need a student tracking system to ensure that funding can follow students from school to school.[73]

The lack of information systems was Edmonton's major hurdle to implementing effectively WSF district-wide. Hours of time-consuming manual data manipulation and information gathering were required to determine dollar allocations.[74] The sooner districts can build their data-collecting capacity, the better.

Districts and states still have a key role to play under the new WSF system. They need to provide standards for all schools and to facilitate assessment of students and schools based on those standards. States must put in place accountability structures based on the new systems, and districts must help administer and adhere to them.[75] In addition, districts should help schools gain access to independent sources of help as they struggle to adjust to their new responsibilities.[76]

We believe that all stakeholders can come to view WSF as a powerful solution to multiple problems.

Another important role for districts involves human capital. The central office will still be responsible for finding and placing talented leaders as principals of individual schools. In addition, districts should continue to ensure a strong talent base of teachers for its schools to choose from.

Will key stakeholders support the new approach?

If there is one certainty in public education, it is that major change will encounter major resistance. Although we believe that all stakeholders can come to view WSF as a powerful solution to multiple problems, with an impact greater than the sum of its individual parts, many stakeholders may have perspectives and beliefs that conflict with aspects of WSF. The good news is that there are potential benefits to be offered to all, especially when states can aid the transition process. Nevertheless, many different types of stakeholders must be considered, each with different motivations.

- **Schools that will lose funding under the new system.** It is inevitable under WSF that there will be both "winners" and "losers": some schools today receive too little funding, and some receive an unfairly large share. The schools that will lose some funding under the new system will undoubtedly resist the changes and prefer the status quo. Parents with students in "loser" schools will not be happy, and communities that lose a portion of funding for their schools will protest. Parents and students are one key set of stakeholders that particularly needs to be included in the WSF implementation process to mitigate such resistance. Stressing local involvement and local buy-in to the process of developing the weighting system (as Edmonton did) can help mitigate this resistance. Marginally increasing funding to mitigate the impact on "loser" schools might also be a solution.

- **Central office administrators.** The role of central office administrators will change under the WSF paradigm, and it is up to policymakers to help push their roles to the next level. This group may not be a politically powerful voice, but they may have influence over the board and superintendent and can often sway decisions on a personal level. These administrators will certainly be valuable to the successful implementation of WSF. Yet many of them will lose power over the flow of money under the new system, especially senior district

officials who are used to telling schools precisely how to spend their money. They must be given a voice in the process, but ultimately leaders must assert the priority of students' needs over the prerogatives of central office officials.

- **Teachers and their unions.** Surveys of teachers and statements by unions have shown a surprising level of support for the WSF concept, due in part to the new levels of autonomy granted to them under the system. Still, elements of WSF will be controversial, particularly changes to seniority systems. Yet, the new system could result in more money going to the classroom, which can in turn be negotiated in collective bargaining. And by empowering schools to direct funds in ways that meet student needs, WSF creates a more professional environment for educators.

- **State policymakers.** In general, this group should favor the new system—by its relative simplicity and transparency, WSF encourages consistent implementation of the state funding policies they have implemented. Yet, legislators representing communities whose funding level will decrease will likely oppose the change.

- **Federal policymakers.** In general, federal policymakers should favor the new system, as WSF and local autonomy encourages greater school-level accountability, in accordance with the principles behind NCLB.

- **School board members.** WSF does not affect the central policymaking role of the school board. In some ways, it enhances this role by

WINNERS AND LOSERS IN CINCINNATI

After the implementation of WSF in Cincinnati, there were changes in the funding of every school in the district. On average, schools gained or lost $266 per-pupil—4.2 percent of the average school budget. The largest gain was $730,881—a 16.8 percent increase in that school's original budget. The largest loss was $595,316—a 16.4 percent decrease in that school's original budget.* Significant losses were not confined only to schools with large percentage decreases in budgets. With the elimination of special-program funding, many long-treasured programs across the district—each with its supporters—lost funding.**

* K. H. Miles and M. Roza, *Understanding Student based Budgeting as a Means to Greater School Resource Equity.* Seattle: University of Washington, Center on Reinventing Public Education. 2004. Available online at: http://www.crpe.org/workingpapers/pdf/SBB_MilesRoza.pdf

** M. Ucelli, E. Foley, T. Emdon and C. Bond, *First Steps to a Level Playing Field: an Introduction to Student-Based Budgeting.* Annenberg Institute for School Reform at Brown University, 2002.

giving the board an explicit tool—the weighting system—to drive funding in line with its policy priorities. The current system obscures resource flows, hindering school boards' ability to direct dollars in line with policy. Still, school board members will lose some specific prerogatives under WSF. Under the existing system, they can be adept at budget time to get things for the schools they represent.

What should the transition process from the existing system to the new WSF system look like?

Fully transitioning to WSF can be a difficult process. Some schools will gain money and some will lose. The key is to find a way to phase in WSF and mitigate transition problems without compromising the core idea. It is important not to overwhelm schools right off the bat.[77]

The simplest way to transition to WSF is gradually to increase the percentage of funds allocated using the system.[78] Another approach is to phase in the fiscal reductions or increases any school would face. Hawaii is choosing this route, with its WSF system including a maximum 10 percent reduction (or gain) the first year, 25 percent the second year, 50 percent the third year, and 100 percent the fourth year. Phasing in the use of actual teacher salaries may also be a good approach for mitigating the impact on schools that have an abundance of experienced teachers in place.[79]

RESISTANCE IN EDMONTON

Central office personnel were among the biggest obstacles to implementation of WSF in Edmonton. People with responsibility for finances were the loudest naysayers. With control over the finances, they enjoyed considerable power over the schools. Many also felt that WSF threatened their continued employment. Finally, some were skeptical of the ability of school principals to handle the financial process. The steadfastness of Superintendent Mike Strembitsky and the district's board ultimately was able to overcome the resistance, and principals in the district thrived with their new responsibilities.*

* Jerome G. Delaney, *The Development of School-Based Management in the Edmonton Public School District*, Fall 1995. Available online: http://www.mun.ca/educ/faculty/mwatch/vol1/delaney.html

RIDING THE WSF WAVE IN HAWAII

Public education in Hawaii is unique—a single statewide "district" directly responsible for public education. In 2004, the Legislature passed the Reinventing Education Act for the Children of Hawaii (REACH), paving the way for the implementation of WSF for its 181,000 students statewide. Hawaii will be the first state to convert its school-finance system entirely to WSF.

Basic per-student funding has been set at $4,274, and transportation and food service will remain with the central office for the time being. School principals will have control over a total of 72 percent of the state's funding, beginning with the 2006/07 school year.* The state's eventual goal is to move 80 to 90 percent of state funds to the school level. This level implies that schools will need to take responsibility for "getting children to school, feeding them, or cleaning up after them," says Robert Campbell, director of the WSF project in the state education department.**

Hawaii is taking a phased implementation approach, designed to limit the gains and losses to schools. The maximum funding gain (or loss) will be 10 percent the first year, 25 percent the second year, 50 percent the third year, and finally 100 percent the fourth year. It is too early to tell what results Hawaii's comprehensive approach to WSF will yield, but it's one of the best developed WSF systems on the books today.

*Hawaii State Department of Education website: http://reach.k12.hi.us/empowerment/wsf/, visited 12/22/05.
**Linda Jacobson, "Hawaii Moves Forward With New School Finance," *Education Week*, November 30, 2005.

WSF IN HOUSTON*

Houston recognized the need for a new brand of school-based leader—one who could move independently yet take action consistent with the goals of the district.

—Rod Paige

Former Superintendent (and former U.S. Secretary of Education) Rod Paige's drive toward local autonomy and accountability was a prime reason for Houston's implementation of WSF in 2000. Paige, with the support of the school board, wanted to create a data-driven marketplace for students and services among principals and schools in the district. WSF made this possible.

There was resistance from the wealthier schools and communities that lost money under the new system. Prosperous parents complained that they were paying more into the system than their schools were getting back. To head off this complaint, Paige pledged to keep the tax rate flat for five years. Once the system was in place and student achievement was on the rise—with no increase in taxes—support for the district's approach was easier to come by.

The original implementation plan called for a gradual three-year phase-in of the economic impact of WSF, with 30 percent the first year, 30 percent the second year, and the final 40 percent the third year. By the end of the first year, however, momentum had become so strong that principals in the district requested a full implementation for year two. WSF was rolled out 100 percent in 2001-02.**

The district weights a number of categories. Houston also provides additional funding for small schools and magnet programs, which continue to receive a disproportionate share of resources.

Houston had originally planned to transition gradually to the use of actual teacher salaries over a seven year period, beginning in 2002–03. That plan has since been tabled, due to reluctance to tackle this issue head on. Inequities owing to the use of average teacher pay still range up to $1 million annually between two schools.

In year one of WSF in Houston, the average school gained, or lost, $250 per pupil. For the average-size school in Houston, this amounted to a total gain, or loss, of $174,406. The largest overall loss in school resources due to WSF, $991,480, represented 31.8 percent of the school's original budget.***

The results have been dramatic, both fiscally and academically. Houston currently distributes slightly less than 60 percent of its funding through WSF, but even this relatively small amount has gotten significant results. Only one in four schools deviates from the weighted average funding by more than five percent—down from more than half under the old system. Houston's lowest-funded school formerly received only 46 percent of the weighted average funding—it now receives 96 percent.*** In 2002, 85 percent of Houston's tenth graders passed the exit examination—up from only 50 percent in 1994. That same year, the district became the first recipient of the Broad Prize for Urban Education. Houston still has some distance to go to reach all of its WSF goals (and eradicate the remaining inequity in the system), but the district is on its way.

*Sources: Houston Independent School District, Decentralization Reference Update, September 2001. Available online: http://www.houstonisd.org/vgn/images/portal/cit_7634/12071decenref0901.pdf; M. Ucelli, E. Foley, T. Emdon and C. Bond, *First Steps to a Level Playing Field: an Introduction to Student-Based Budgeting.* Annenberg Institute for School Reform at Brown University, 2002; Presentation by Susan Sclafani, October 18, 2005.
** W.G. Ouchi, *Making Schools Work: A Revolutionary Plan to Get Your Children the Education They Need.* Simon & Schuster, New York, 2003; Timothy R. DeRoche, Bruce S. Cooper, William G. Ouchi and Lydia G. Segal. "Models of School-Site Funding: Analysis of Weighted Student Formula in Urban Schools" December 16, 2003.
*** K. H. Miles and M. Roza, *Understanding Student based Budgeting as a Means to Greater School Resource Equity.* Seattle: University of Washington, Center on Reinventing Public Education. 2004. Available online at: http://www.crpe.org/workingpapers/pdf/SBB_MilesRoza.pdf.

HOW WSF WOULD WORK

The system we are proposing is relatively simple: education dollars follow the student, according to his/her need, at the federal, state, and district levels, and school leaders gain the autonomy necessary to help all of their students achieve. In contrast to the existing system of inequity, obfuscation, and constraint, we urge a new system of fairness, autonomy, and transparency.

To see how weighted student funding could work in practice, let's visit a hypothetical city three years into its state's implementation of WSF. We'll start our tour at Urban Elementary. Like most public schools in center-city neighborhoods, Urban has more than its share of challenges, with most of its students living below the poverty line and many learning English for the first time. Three years ago, the picture was bleak. For as long as anyone could remember, Urban had been plagued by teacher turnover, with the best young teachers "doing their time" at the school before moving on to others in the district, to be replaced each fall by a new cohort of novices. And who could blame them? Nearby suburban schools had higher-achieving pupils, fewer discipline problems, and principals who always seemed able to reel in the next grant for a new science lab or art program. At Urban funds were always scarce. Test scores languished, all too predictably, at the bottom of the charts.

Then the state and district embarked on a new approach to school finance based on the principles of weighted student funding. The state revamped its school funding system, raising the state share to nearly 80 percent and allowing those funds to follow children to the schools they attended, with amounts varying according to a straightforward system of weights based on educational need. Urban's district stepped forward to be part of a pilot program with WSF. As part of the deal, the district promised to allocate its own local funding, as well as the state's, according to a WSF approach.

While it would be an exaggeration to say WSF changed everything, the contrast is stark. Since so many of Urban's students are disadvantaged, the school's per-pupil funding level is now one of the district's highest. With its past reputation still looming, Urban continues to attract a mostly young teaching force. Under WSF, however, more money is left over in the Urban budget after deducting teacher salaries and benefits—funds that the school is free to devote to its priorities. An additional reading specialist has come on board specifically to work with English language learners, and the school has hired an award-winning veteran teacher to work full-time coaching novices. The principal also controls a fund that offers retention bonuses to young teachers who produce big learning gains and agree to stay. The atmosphere at Urban is palpably different and test scores are way up. Urban didn't just "buy" improvement with its newfound resources. Strong leadership and lots of hard work by teachers, parents, and students are the real story. But WSF signaled that the state and district were willing to invest in change at Urban—and gave Urban the fiscal wherewithal to back up its elbow grease.

Urban's principal is not entirely satisfied with the new finance system. Only 70 percent of the district's funding goes out to the school under WSF, with the rest retained centrally. While some of that pays for important oversight and capacity-building functions, the rest goes to services provided by the central office to schools. Urban's principal is confident that, if she had control of these funds, she could arrange for custodial and groundskeeping services more inexpensively than the district, piping the savings into another reading coach or bigger retention bonuses.

Not too far away from Urban is New Middle, a two-year-old charter school authorized by the state board of education. A group of top-notch middle school teachers had been planning such a school for years, but they had not acted. The state's charter school funding formula was too stingy, offering only 80 percent of the operating funds that the district enjoyed. Worse, they would have had to dig into that 80 percent to pay for a facility, further reducing funds available for instruction. WSF changed all that. Now, for each child who chooses New Middle, the state sends the full 100 percent of operating dollars straight to the charter school. Since New, like Urban, serves a disadvantaged population, the sum is high enough to pay for the 200-day school year and long instructional days that are New's hallmarks. In addition, New receives a state supplement to pay for the renovated office building it leases, so it can put most of its operating dollars to work for kids. As New's waiting list lengthens, numerous other charter proposals are in the state hopper. And the regular district middle schools have stepped up with new offerings of their own; under WSF, attracting and retaining more students will give them the resources they need for kids. The WSF system has opened up a new era of choice for inner-city families.

While the state's assumption of 80 percent of the school funding burden raised the city's overall funding by nearly $1,000 per pupil, not every school's budget went up as a result—and some schools have had adjustment challenges. At

The system we are proposing is relatively simple: education dollars follow the student.

Grassy Field Elementary, on the other side of the proverbial tracks from Urban and New, educators are facing a slight decline in funding over the next few years. The school's relatively advantaged population is the reason. Also, numerous special grant programs that Grassy Field's savvy principal had captured for the school have been rolled into the WSF system. The decrease hasn't fully kicked in yet due to a phase-in program paid for with a special state appropriation that was part of the governor's WSF package. But it will, and Grassy Field is having to adjust. For years, Grassy Field had its pick of the best veteran teachers. Under WSF, Grassy Field will have to pay the full cost of those veterans, and it won't be able to afford to do so. Fortunately, impending retirements will mean that few, if any, of Grassy Field's current teachers will have to leave (though Urban hired one as its coach). But going forward, the school will need a full mix of senior and junior teachers in order to balance the budget. Moving from a full-day to a half-day kindergarten program is also being con-

sidered, but the principal has yet to decide whether the school would be better off sacrificing in other areas instead. Grassy Field's principal, faculty, and parents griped for a while about the change, but as reality takes hold they've turned their attention to maintaining the school's sterling reputation under the new regime.

The system is not perfect; indeed, it is in constant evolution. The district's WSF Steering Committee meets regularly to recalibrate weights, consider appeals from schools arguing they have been treated unfairly, and rethink the mix of centrally and locally provided services. So while the basic principles of WSF are set, the specifics continue to change in response to new data and fresh thinking. At the state level, too, WSF is under constant scrutiny as the state transitions from pilot program to full implementation. But as the landscape of public education evolves statewide, the flexible WSF system is well-suited to accommodate change. When the state approved the opening of two virtual public schools, for example, the WSF system provided a natural mechanism for ensuring that they were fairly funded. As further changes and challenges arise, WSF offers a transparent framework under which funding follows children to the ever-shifting set of public schools they attend.

We do not claim that implementing WSF will come easily—the districts and states that have done so have faced challenges. We now turn to these issues and strategies for how to best mitigate and address them.

Policymakers at all levels have a role to play in making WSF a reality. To an extent, each level could act independently to build a WSF system. Districts could, without any policy change at the state or federal levels, make significant strides toward implementing WSF within their own jurisdictions—as several big cities have done. The federal government, too, could adjust its funding policies in ways that would immediately improve equity and provide incentives for states and districts to act.

Of the three levels, though, states are in the best position to advance WSF. So while we offer policy recommendations for all levels of government, we begin with states.

Recommendations for State Policymakers

- **Substantially increase the state role.** WSF will be easiest to implement and will have the greatest impact if states provide a greater share of school funding. Many states, such as California and Michigan, have already moved in this direction, and there are many models for doing so. The right model for a given state will depend upon its constitutional and political circumstances, so we do not offer a detailed blueprint here. Our recommendation is that states, through whatever means make sense, increase the share of school funding they provide to as high a level as possible.
- **Make state money follow the child, according to need.** States should retain centrally only those funds required for essential oversight and investments in R&D that are best handled at the state level. The vast bulk of funds should follow students based on a system of weights that takes into account the students' educational need.

Policymakers at all levels have a role to play in making WSF a reality.

- **Ensure that districts allocate state and federal funds according to WSF principles.** States should require districts to pass through as much state and federal funding as possible to schools, based on the state's WSF model. They should require districts to pass through real dollars, rather than staff allocations or other staff- or program-based approaches, and they should require districts to give schools wide budgetary autonomy.
- **Encourage districts to allocate local funding according to WSF principles.** To the extent that funding is still locally generated, states should present districts with powerful incentives to allocate those funds fairly. States could, for example, require districts to show that they are allocating local funds equitably according to a WSF approach in order to become eligible for state funds.

- **Include all public school options fully within the WSF approach.** States should ensure that public charter schools and other comparable options receive full funding on par with traditional districts. For schools authorized by bodies other than districts, states should finance them directly, with 100 percent of operating dollars provided to districts as well as capital funding. For choice options within school districts, states should require districts to treat them equitably as a condition for state funding.

- **Shower the public with data.** States should develop systems that pump out copious, clear, and intelligible information about how funding is being distributed and spent at all levels of the system.

Recommendations for District Policymakers

Regardless of whether states move forward, districts can follow the principles of WSF.

- **Make district money follow the child, according to need.** Districts should ensure that the vast bulk of funds follows students based on a system of weights that takes into account their educational needs.

- **Limit central spending to essentials.** District offices should retain centrally only those funds required for essential oversight, services, and R&D investments best handled at the district level, including curriculum design, benchmark assessments, and sophisticated data analysis. As for services, the presumption should be that schools decide which to purchase where. Districts should override that presumption only if benefits such as economies of scale clearly outweigh the loss of school-level control.

- **Allocate funds in real dollars, with school-level budget autonomy.** Districts should pass through funds as real dollars, rather than staff allocations or program-based approaches. Schools should then be free to spend their funds to achieve the educational outcomes for which they are held strictly accountable. Other district policies or contract agreements that hinder important areas of school autonomy—such as senior teacher "bumping rights"—should be amended to ensure that schools can direct funds as needed.

- **Include all public school options fully within the WSF approach.** For public school options under their jurisdictions, districts should provide 100 percent of operating dollars and ensure that such schools have adequate facilities by providing suitable buildings or capital funds.

- **Shower the public with data.** Districts should develop systems that pump out copious, clear, and intelligible information about how funding is being distributed and spent within the district.

Recommendations for Federal Policymakers

Though federal funding represents a relatively small share of total public education spending, Washington can also contribute to the implementation of WSF.

- **Require true equity, based on real salary costs, as a condition for federal funds eligibility.** Current federal law requires districts to fund schools equitably in order to gain eligibility for

key programs but allows districts to use average salaries, rather than real salaries, when calculating equity. This law should be changed to require real salaries to be used in the calculation of equity. More broadly, federal policymakers should make funding contingent upon states and districts following basic principles of WSF.

- **Amend funding allocation formulas that favor wealthier states.** The process of calculating per-student Title I allocations among states should be changed so states receive more money if they have low wealth, more money if they have high poverty, and more money if they have high spending "effort" (to reduce perverse incentives to substitute federal funding for state and local dollars). Washington must stop giving wealthy states with few low-income students a disproportionate share of Title I money. Instead, policymakers should concentrate more federal resources in high-need states with little wealth and much poverty, especially those that spend a high percentage of their available resources on education. These states are struggling unfairly under the current system.[80]

- **Continue streamlining federal funding to allow school autonomy.** Federal policymakers should minimize strings attached to funding, allowing schools to combine dollar streams in ways that support their education programs. Schools should be held accountable primarily for outcomes, rather than for fulfilling reporting and compliance requirements.

While WSF will work best if all of these pieces are put into place, incremental progress would also be valuable. Phasing in the allocation of funds according to student weights, for example, can smooth the transition for schools that may find their resources reduced as a result. But even as they consider partial versions of WSF, policymakers should keep their eyes on the full vision: a system of funding that treats all students equitably regardless of where they live and what type of public school they attend.

CONCLUSION

The time for weighted student funding is now. NCLB has brought to the fore the imperative for all children to achieve. States, districts, and schools are now accountable for their results and many are coming to realize that yesterday's education financing system is broken. It is rife with inequity at all levels—federal, state, and local—and forward-thinking leaders and policymakers are starting to understand that there must be a better way. If all students, regardless of where they live or what kind of school they attend, are to receive the public education they deserve, changes must be made.

Weighted student funding is designed to answer these problems. By installing a system where funding follows each child according to his/her needs and school leaders are given the autonomy to make decisions, we can demolish many of the barriers to equity already in place and create a brand new school financing system, one in which schools compete to hire the best teachers and to attract the hardest to educate students, and in which they are free to try new and dynamic solutions to ensure that all of their students succeed.

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ENDNOTES

[1] Some signers of this proposal would extend the solutions and principles discussed here beyond public schools. They favor a system in which public dollars follow children on a weighted basis to all schools, including those operated under private auspices, so long as schools receiving such funds agree to be held publicly accountable for their academic results

[2] Thomas L. Friedman, *The World Is Flat: A Brief History of the Twenty-First Century* (New York: Farrar, Strauss, and Giroux, 2005), pp. 183, 270. Emphasis added.

[3] Lynn Olson, "A Decade of Effort," *Quality Counts*, Education Week, January 5, 2006.

[4] Education Trust, "Gaining Traction, Gaining Ground: How Some High Schools Accelerate Learning for Struggling Students" and "Power to Change: High Schools that Help All Students Achieve" Available online at: http://www2.edtrust.org/EdTrust/Press+Room/High+School+2005.htm

[5] The discussion that follows focuses on inequity within states. Of course, there are also large funding inequities between states - a cursory look at state spending levels on public education reveals that it varies widely, from a high of $12,959 per-pupil in New York to a low of $5,890 in Mississippi (U.S. Department of Education, *Digest of Education Statistics 2004*, National Center for Education Statistics, Table 165). Signers of this proposal, however, do not agree on how to address this issue. Some would have low-effort states spend more but keep a primarily state-based finance system with additional federal support for special but limited purposes; others envision a larger federal role. As a result, this document focuses on fixing within-state inequity.

[6] The Education Trust, *The Funding Gap 2005*. The Education Trust, Special Report: Washington, DC. Winter 2005, pgs. 2-3.

[7] Education Trust-West, *California's hidden teacher spending gap*. Education Trust-West: San Francisco, 2005, pg. 10. Available online at: http://www.hiddengap.org/resources/Report_FINAL.pdf

[8] M. Roza, and P. Hill, *How Within-District Spending Inequities Help Some Schools to Fail.* Paper for the Brookings Conference on The Teachers We Need, May 2003, pg. 14.

[9] K. H. Miles and M. Roza, *Understanding Student based Budgeting as a Means to Greater School Resource Equity.* Seattle: University of Washington, Center on Reinventing Public Education. 2004. Available online at: http://www.crpe.org/working-papers/pdf/SBB_MilesRoza.pdf

[10] J. Wirt, S. Choy, P. Rooney, S. Provasnik, A. Sen, and R. Tobin, *The Condition of Education 2004* (NCES 2004-077). U.S. Department of Education, National Center for Education Statistics. Washington, DC: U.S. Government Printing Office, 2004. Available online at: http://nces.ed.gov/programs/coe/2004/pdf/25_2004.pdf

[11] Chester E. Finn, Jr., Bryan C. Hassel, Sheree Speakman, *Charter School Funding: Inequity's Next Frontier*, Thomas B. Fordham Institute, August 2005. Available online at: http://www.edexcellence.net/institute/charterfinance/. As Marguerite Roza has noted, developing true "apples to apples" charter and district funding comparisons is fraught with difficulties. See Robin J. Lake & Paul T. Hill, eds., *Hopes, Fears and Reality: A Balanced Look at American Charter Schools in 2005*. Center on Reinventing Public Education, Oct. 2005, Chapter 6, at http://crpe.org/ncsrp/pubs/2005_HopesFears.shtml.

[12] K. H. Miles and M. Roza, *Understanding Student based Budgeting as a Means to Greater School Resource Equity.* Seattle: University of Washington, Center on Reinventing Public Education. 2004. Available online at: http://www.crpe.org/working-papers/pdf/SBB_MilesRoza.pdf

[13] Ibid.

[14] Calculation done assuming a 400 student school

[15] Education Week Research Center: Student Mobility, Available online: http://www.edweek.org/rc/issues/student-mobility/?print=1

[16] J. Wirt, S. Choy, P. Rooney, S. Provasnik, A. Sen, and R. Tobin, *The Condition of Education 2004* (NCES 2004-077). U.S. Department of Education, National Center for Education Statistics. Washington, D.C.: U.S. Government printing Office, 2004. (See Indicator 25: Parental Choice of Schools.) Available at: http://nces.ed.gov/programs/coe/2004/section4/indicator25.asp

[17] Center for Education Reform, *CER Quick Facts*, November 1, 2005. Available online: http://www.edreform.com/index.cfm?fuseAction=document&documentID=1964

[18] Todd Ziebarth, *School Choice: State Laws, Education Commission of the States*, May 2003. Available at http://www.ecs.org/clearinghouse/13/75/1375.doc.

[19] Jennifer Garrett, *Increasing Opportunities for America's Children to Succeed, The Heritage Foundation, 2001*. Available online at: http://www.heritage.org/Research/Education/Schools/background.cfm). Alan Borsuk, "Number of voucher students is up but takes a dip," *Milwaukee Journal Sentinel*, April 11, 2006.

[20] Standards and accountability on the one hand, and competition and choice on the other, are two powerful engines of contemporary school reform in America. Some signers of this proposal give priority to standards and accountability, which can provide a basis for determining whether other reforms are working; others vest greatest confidence in choice and competition. Still others see them as equally powerful and mutually reinforcing. All, however, believe that WSF is an essential element of these reform strategies.

[21] Marguerite Roza, "Strengthening Title I to Help High-Poverty Schools" Center on Reinventing Public Education August 18, 2005.

[22] K. H. Miles and M. Roza, *Understanding Student based Budgeting as a Means to Greater School Resource Equity.* Seattle: University of Washington, Center on Reinventing Public Education. 2004. Available online at: http://www.crpe.org/workingpapers/pdf/SBB_MilesRoza.pdf

[23] E-mail exchange with Karen Hawley Miles

[24] M. Roza, and P. Hill, *How Within-District Spending Inequities Help Some Schools to Fail.* Paper for the Brookings Conference on The Teachers We Need, May 2003.

[25] Jessica Levin, Jennifer Mulhern and Joan Schunk, *Unintended Consequences: The Case for Reforming the Staffing Rules in Urban Teachers Union Contracts.* The New Teacher Project, November 2005, p. 5.

[26] K.H. Miles, A. Odden, M. Fermanich, S. Archibald, and A. Gallagher, *Inside the black box of school district spending on professional development: Lessons from five urban districts.* Journal of Education Finance: Summer 2004, Vol. 30, Issue 1, pgs 1-26.

[27] Kevin Carey, "The Funding Gap." The Education Trust, Special Report: Washington, DC. Fall, 2004. Available online at: http://www2.edtrust.org/NR/rdonlyres/30B3C1B3-3DA6-4809-AFB9-2DAACF11CF88/0/funding2004.pdf

[28] Public School Forum of North Carolina, *Local School Finance Study, 2004.* Available online: http://www.ncforum.org/doclib/publications/lsf.html http://www.ncforum.org/doclib/publications/lsf.html

[29] Chester E. Finn, Jr., Bryan C. Hassel, Sheree Speakman, *Charter School Funding: Inequity's Next Frontier*, Thomas B. Fordham Institute, August 2005. Available online at: http://www.edexcellence.net/institute/charterfinance/

[30] Marguerite Roza, "Strengthening Title I to Help High-Poverty Schools" Center on Reinventing Public Education August 18, 2005.

[31] Ibid.

[32] Ibid.

[33] Ibid.

[34] W.G. Ouchi, *Making Schools Work: A Revolutionary Plan to Get Your Children the Education They Need.* Simon & Schuster, New York, 2003, p. 96.

[35] K. H. Miles and M. Roza, *Understanding Student based Budgeting as a Means to Greater School Resource Equity.* Seattle: University of Washington, Center on Reinventing Public Education. 2004. Available online at: http://www.crpe.org/workingpapers/pdf/SBB_MilesRoza.pdf

[36] Jerome G. Delaney, *The Development of School-Based Management in the Edmonton Public School District,* Fall 1995.

Available online: http://www.mun.ca/educ/faculty/mwatch/vol1/delaney.html.

[37] Marguerite Roza, "Strengthening Title I to Help High-Poverty Schools" Center on Reinventing Public Education August 18, 2005.

[38] See note 1.

[39] Ibid.

[40] See Timothy R. DeRoche, Bruce S. Cooper, William G. Ouchi and Lydia G. Segal. "Models of School-Site Funding: Analysis of Weighted Student Formula in Urban Schools" December 16, 2003; National Association of State Boards of Education. 2003. "School-Based Financing." Policy Update 11(7); and EdSource. "Weighted Student Formula, Concept Enlivens School Finance Debate." EdSource Brief. Palo Alto, CA: EdSource, May 2004.

[41] See note 1.

[42] M. Ucelli, E. Foley, T. Emdon and C. Bond, *First Steps to a Level Playing Field: an Introduction to Student-Based Budgeting*. Annenberg Institute for School Reform at Brown University, 2002.

[43] K. H. Miles and M. Roza, *Understanding Student based Budgeting as a Means to Greater School Resource Equity.* Seattle: University of Washington, Center on Reinventing Public Education. 2004. Available online at: http://www.crpe.org/working-papers/pdf/SBB_MilesRoza.pdf

[44] Timothy R. DeRoche, Bruce S. Cooper, William G. Ouchi and Lydia G. Segal. "Models of School-Site Funding: Analysis of Weighted Student Formula in Urban Schools" December 16, 2003.

[45] Ibid.

[46] W.G. Ouchi, *Making Schools Work: A Revolutionary Plan to Get Your Children the Education They Need.* Simon & Schuster, New York, 2003.

[47] Ibid.

[48] Edmonton Public Schools Website, "Budget Services: Allocating Funds", http://www.epsb.ca/budget/allocating.shtml

[49] Exchange with Kevin Carey. See: Kevin Carey, *The Funding Gap: Low-Income and Minority Students Still Receive Fewer Dollars in Many States,* Washington DC: The Education Trust, 2003, p. 12-13 for more details.

[50] Allan Odden and Carolyn Busch, *Financing Schools for High Performance*. San Francisco: Jossey Bass, 1998, p. 195.

[51] See note 1.

[52] K. H. Miles and M. Roza, *Understanding Student based Budgeting as a Means to Greater School Resource Equity.* Seattle: University of Washington, Center on Reinventing Public Education. 2004. Available online at: http://www.crpe.org/working-papers/pdf/SBB_MilesRoza.pdf

[53] The Thomas B. Fordham Institute and The Broad Foundation, *Better Leaders for America's Schools: A Manifesto*, May 2003. Available online at: www.edexcellence.net/institute.

[54] For several examples of the logic of central purchasing trumping good sense, see Michael Barzelay, *Breaking through Bureaucracy: A New Vision for Managing in Government* (Berkeley, CA: University of California, 1992), pp. 13-16.

[55] Timothy R. DeRoche, Bruce S. Cooper, William G. Ouchi and Lydia G. Segal. "Models of School-Site Funding: Analysis of Weighted Student Formula in Urban Schools" December 16, 2003, pg. 8.

[56] K. H. Miles and M. Roza, *Understanding Student based Budgeting as a Means to Greater School Resource Equity.* Seattle: University of Washington, Center on Reinventing Public Education. 2004. Available online at: http://www.crpe.org/working-papers/pdf/SBB_MilesRoza.pdf

[57] Ibid.

[58] From T.R. DeRoche, B.S. Cooper, W.G. Ouchi and L. Segal. "When Dollars Follow Students: The Political Viability, Equity, and Workability of Weighted Funding Formulas." *The School Administrator*, August 2004, 14-17.

[59] For one well-detailed model of market-based weight-setting, see Caroline M. Hoxby, "Ideal Vouchers," Harvard University type-script (online: www.economics.harvard.edu), 2001.

[60] Eric Hanushek, "Pseudo-Science and a Sound Basic Education," Education Next 5(4), p. 67-73, Fall 2005.

[61] Timothy R. DeRoche, Bruce S. Cooper, William G. Ouchi and Lydia G. Segal. "Models of School-Site Funding: Analysis of

Weighted Student Formula in Urban Schools" December 16, 2003.

[62] Ibid.

[63] See U.S. Department of Education (1996). *Urban schools: The challenge of location and poverty.* Executive summary (NCES 96-864, by L. Lippman, S. Burns, & E. McArthur, with contributions by R. Burton, T. M. Smith, & P. Kaufman). Washington, DC: National Center for Education Statistics, U.S. Government Printing Office. Also Mary E. Kennedy, Richard K Jung, and M.E. Orland (1986). *Poverty, achievement, and the distribution of compensatory education services: An interim report from the national assessment of Chapter 1.* Washington, DC: U.S. Department of Education Office of Educational Research and Improvement.

[64] Mary E. Kennedy, Richard K Jung, and M.E. Orland (1986). *Poverty, achievement, and the distribution of compensatory education services: An interim report from the national assessment of Chapter 1.* Washington, DC: U.S. Department of Education Office of Educational Research and Improvement.

[65] See U.S. General Accounting Office (1994). *Elementary school children: Many change schools frequently, harming their education.* Washington, DC: Author. Also Temple, J.A. & Reynolds, A.J. (1999). School mobility and achievement: Longitudinal findings from an urban cohort. *Journal of School Psychology*, 37(4), p. 355-377.

[66] Michael X. Mao, Maria D. Whitsett, Lynn T. Mellor, (1998). Student mobility, academic performance, and school accountability. *ERS Spectrum* 16(1) p. 3-15.

[67] Some signers have not studied charter funding issues sufficiently to endorse this specific proposal, but all agree with the principle that charter schools should receive equitable funding.

[68] Education Week School Finance Resource Center: http://www.edweek.org/rc/issues/school-finance/

[69] Ibid.

[70] W.G. Ouchi, *Making Schools Work: A Revolutionary Plan to Get Your Children the Education They Need.* Simon & Schuster, New York, 2003, p. 65.

[71] See W.G. Ouchi, *Making Schools Work: A Revolutionary Plan to Get Your Children the Education They Need.* Simon & Schuster, New York, 2003; and M. Ucelli, E. Foley, T. Emdon and C. Bond, *First Steps to a Level Playing Field: an Introduction to Student-Based Budgetting.* Annenberg Institute for School Reform at Brown University, 2002.

[72] Conversation with Susan Sclafani

[73] Allan Odden and Carolyn Busch, *Financing Schools for High Performance.* San Francisco: Jossey Bass, 1998, p. 38.

[74] Jerome G. Delaney, *The Development of School-Based Management in the Edmonton Public School District,* Fall 1995. Available online: http://www.mun.ca/educ/faculty/mwatch/vol1/delaney.html

[75] Allan Odden and Carolyn Busch, *Financing Schools for High Performance. San Francisco: Jossey Bass*, 1998, p. 188.

[76] Ibid.

[77] K. H. Miles and M. Roza, *Understanding Student based Budgeting as a Means to Greater School Resource Equity.* Seattle: University of Washington, Center on Reinventing Public Education. 2004. Available online at: http://www.crpe.org/workingpapers/pdf/SBB_MilesRoza.pdf

[78] Timothy R. DeRoche, Bruce S. Cooper, William G. Ouchi and Lydia G. Segal. "Models of School-Site Funding: Analysis of Weighted Student Formula in Urban Schools" December 16, 2003.

[79] Ibid.

[80] Exchange with Kevin Carey. See: Kevin Carey, *The Funding Gap: Low-Income and Minority Students Still Receive Fewer Dollars in Many States*, Washington DC: The Education Trust, 2003, p. 12-13 for more details.

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