Fair Student Funding in Baltimore City: A Lever for Transformation

Fair Student Funding (FSF) and Related Reforms in Baltimore City Public Schools

When Dr. Andrés A. Alonso became superintendent of Baltimore City Public Schools (City Schools) in 2007, he faced a district with major challenges. Student enrollment had declined 17% since 2001, poor academic performance had generated federal and state intervention, and other indicators such as the graduation rate and dropout rate were trending unfavorably. City Schools also faced a $76.9 million budget gap, and Dr. Alonso perceived the district office to be expansive but lacking in purpose. In this context, Dr. Alonso and the Baltimore City Board of School Commissioners implemented a series of reforms aimed at empowering schools and creating accountability for student learning. The reform’s major elements included efforts to:

- Create school choice and manage the portfolio of schools
- Improve parent and community engagement, and
- Revise the funding system to push more resources to schools, more flexibly and equitably.

Dr. Alonso describes his theory of action as:

“... very simple: the action is in the schools. The resources should be in the schools, and the community should be involved in decisions at the school level. With guidance and support from the district, our expectation is that schools are going to make better decisions about teaching and learning.”

Under Fair Student Funding (FSF) and related reforms in Baltimore, schools would receive more resources, and principals would be granted more flexibility to organize their schools to meet the individualized educational needs of their students. Whereas many districts try to push more resources to schools, Dr. Alonso insisted that the dollars already belonged to schools. The district office should only take resources back from schools when there was a compelling reason to do so. In keeping with this philosophy, the district office was to be reorganized, downsized, and refocused to support the newly empowered school principals. In return for this new flexibility and control, school principals would be held accountable for student performance. Failing schools would be closed, and those students would be shifted to higher-performing schools.

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To tackle the deficit, Dr. Alonso and the Baltimore City Board of School Commissioners agreed to cut $40 million from the district office, which was perceived as bloated and inefficient. They also agreed to change the district’s student funding system away from a staffing model, where schools are allocated positions based on enrollment, toward a student-based budgeting (SBB)-type model where “dollars” are assigned to schools based on student enrollment. Under such a student funding system, every student is assigned a base amount of funding, with additional funding generated based on student need as defined through indicators such as academic performance, poverty status, or other special educational needs.²

In the first year of the reform, FY09, the district enacted weights for students based on Dr. Alonso’s belief that weights should be based on academic, not financial, need. Therefore, City Schools established large weights of 0.45 of the base weight both for students who struggle academically and for gifted students. City Schools also allocated an additional $900 for every low-income student in high school as a dropout prevention weight. Although City Schools retained control over special education dollars in FY09 (due to complex spending requirements), by FY10 special education dollars were included in the formula, and many of them were “unlocked” (allowed to be used in whatever form school leaders chose) in an attempt to give school principals more flexibility to structure their special education programs. See Figure 1.

**Figure 1. City Schools Fair Student Funding Allocations and Weights, FY10**

<table>
<thead>
<tr>
<th></th>
<th>Dollars</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Weight</td>
<td>$4,785</td>
<td>1</td>
</tr>
<tr>
<td>Achievement: Advanced</td>
<td>$2,200</td>
<td>0.45</td>
</tr>
<tr>
<td>Achievement: Basic</td>
<td>$2,200</td>
<td>0.45</td>
</tr>
<tr>
<td>Poverty</td>
<td>$900</td>
<td>0.18</td>
</tr>
<tr>
<td><strong>Special Education</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LRE A (mainstreamed)</td>
<td>$4,737</td>
<td>0.99</td>
</tr>
<tr>
<td>LRE B (mainstreamed)</td>
<td>$8,709</td>
<td>1.82</td>
</tr>
<tr>
<td>LRE C (self-contained)</td>
<td>$6,603-$7,794</td>
<td>1.38-1.66</td>
</tr>
</tbody>
</table>

Figure 1 describes the weights used during the FY10 school year, the second year of FSF and the first year that special education dollars flowed through the formula. The weight for special education students served in self-contained settings (LRE-C) was deliberately set lower than the funding for those served in general education (LRE B) to reflect a desire to shift these students to less restrictive

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² Districts that have implemented or explored the option of a student-based (dollarized) funding formula include Boston, Cincinnati, Denver, Hartford, Houston, Los Angeles, New York City, Oakland, Philadelphia, Prince George’s County, Rochester, San Francisco, Seattle, and Stockton.
environments. The special education director’s belief that it can be more expensive to serve students with disabilities in less restrictive environments was also a factor.

Since the FSF funding changes in City Schools were made in a very short timeframe (i.e., less than one year), “hold harmless caps” were initially put in place to protect schools from radical shifts in funding during the first year of implementation. The caps were set so that no school experienced more than a 10% change in its previous year funding due to the formula change. These caps are being phased out. In FY11, they affected nine schools who were awarded nearly $1.8 million.

The table below compares the FSF formula in Baltimore to that of other districts.

**Figure 2. The Fair Student Funding Formula in Baltimore in Comparison to Other Per-pupil Funding Formulas**

<table>
<thead>
<tr>
<th></th>
<th>Baltimore '12</th>
<th>Denver '12</th>
<th>Hartford '08</th>
<th>NYC '09</th>
<th>SF '09</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General Fund</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grade Level</td>
<td>None</td>
<td>None</td>
<td>Yes</td>
<td>Yes</td>
<td>None</td>
</tr>
<tr>
<td>Poverty</td>
<td>0.15 (HS only)</td>
<td>0.12</td>
<td>None</td>
<td>0.24 (ES only)</td>
<td>0.09</td>
</tr>
<tr>
<td>Student Performance</td>
<td>Low: 0.20</td>
<td>Low: 0.02</td>
<td>Low: 0.23-0.26</td>
<td>Low: 0.25-0.50</td>
<td>Low: None</td>
</tr>
<tr>
<td></td>
<td>High: 0.20</td>
<td>High: 0.02</td>
<td>High: 0.1</td>
<td>High: None</td>
<td>High: None</td>
</tr>
<tr>
<td>Small School Subsidy</td>
<td>None</td>
<td>None</td>
<td>Enrollment &lt;260</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Foundation Amount</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>Foundation to all schools</td>
<td>Foundation to all schools</td>
</tr>
<tr>
<td><strong>Restricted/Special Fund</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SWD</td>
<td>0.89-1.96</td>
<td>Locked</td>
<td>0.80-4.07</td>
<td>0.56-2.52</td>
<td>Locked</td>
</tr>
<tr>
<td>ELL</td>
<td>Locked</td>
<td>Locked</td>
<td>0.12-0.39 (by months)</td>
<td>0.40-0.50 (by grade)</td>
<td>0.10-0.90 (by grade/proficiency)</td>
</tr>
</tbody>
</table>

Grade level does not factor into Baltimore’s FSF formula. Students get the same amount regardless of their grade level or the level of their school. This contrasts with other districts such as NYC or Hartford, which give different funding weights to students in different grades. The City Schools formula also awards additional funding to low-income HS students (0.15 x base weight) to fund dropout prevention measures.

Dollarized funding formulas tend to award less money to small schools than do staffing formulas. Awarding fewer dollars makes it less expensive for the district to run small schools but can create challenges for very small schools, especially when overall funding levels are low. To mitigate this, some districts add small-school subsidies (often expressed in per-pupil amounts) or “foundation amounts.” A foundation amount is a flat amount of dollars that goes to all schools and is often sized to cover the cost of a principal and one secretary for every school. Baltimore did not include a small school subsidy or a

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3 LRE A – refers to students who are served in general education settings for 80% or more of the day, LRE B = 40-79% and LRE C is less than 40% in general education settings. City Schools does not use the term "mainstreamed" to refer to students with disabilities who spend most of the day in general education settings.
foundation amount in its formula. This maximized the per-pupil equity created by the reform but did cause some hardship among very small schools. In interviews, principals of very small K-8 schools, in particular, complained that, unless they combined grades, they struggled to stay in compliance with the law. Too, principals of start-up schools wished that they had some mechanism to provide them with additional dollars for the first years, when student populations were not fully established.

Under the FSF reform in Baltimore, in FY09, $70 million was devolved from district offices to schools. This represented a significant shift of resources to schools. Before FSF implementation, 60% ($584 million) of the district operating budget was at schools. By FY09, the first year of FSF implementation, 67% ($655 million) was at schools, a level which remained stable despite significant budget cuts. Also of importance, of the dollars that went to schools, 65% were characterized as “unlocked.” By converting staff to dollars and “unlocking” these positions, school leaders gained discretion over how to use their school budgets. City Schools’ principals could now decide, for example, whether or not they preferred to hire an assistant principal or to fund an after-school program, something they could not easily do under the staffing formula.

To support principals in effectively using their newfound budget freedom, City Schools created guidance documents to set the basic expectations for principals. City Schools also created a system of 14 network teams, each with five members with different roles. Each network team would support up to 15 schools and would “assist principals with the managerial and operational aspects of their work so that the principals could focus on instructional leadership.”

In addition to providing support for principals, Dr. Alonso also stepped up efforts to hold them accountable for student performance, with the removal of principals and closing of failing schools being key mechanisms in enforcing this accountability. By the end of FY09, approximately 40% of the district’s principals had been replaced. In FY11, new principal and teacher contracts that tie compensation in large part to student performance outcomes were ratified, further increasing accountability.

**Key Questions and Methods**

In 2010, the Carnegie Corporation of New York funded ERS to study the impact that the FSF reform had on the Baltimore City Public Schools’ resource-use patterns (i.e., time, people, and money) and the extent to which the reform accomplished its key objectives, as well as to see if there were early lessons that could be shared with other districts considering a student-based budgeting system. ERS’ analysis focused on the following key questions that related to the theory of action of City Schools’ FSF reforms:

- Regarding equity:
  - Did more students have access to high-performing schools?

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Did resource allocation levels shift across groups of students with different needs?
Were resources allocated more equitably across schools?

- Regarding changes in resource use:
  - How much more did schools receive, and were these resources made more flexible?
  - Did the reforms empower principals to use resources in keeping with their vision for their schools?
  - What resource tradeoffs did principals make, and were the changes in keeping with research on effective resource use?
  - How has the district reinvented itself to grow school capacity and create support and accountability for improved school performance?

To compare the district’s resource use patterns before and after FSF implementation, ERS analyzed quantitative data regarding finance, human resources, and school and student performance for the years FY08 and FY11. ERS also conducted interviews with data managers and other district office personnel, as well as with school leaders, including focus groups and individual interviews with 18 school principals. Additional details about the qualitative and quantitative analyses were made available to City Schools.

**Key findings regarding how FSF and related reforms changed equity, school resource use, and district measures to provide support and accountability**

Equity in City Schools improved in several key areas:

- City Schools closed failing and under-enrolled schools, shifting 8,600 students (11% of total students) into higher-performing schools.
- School-to-school funding equity improved to the point that over 80% of the district’s schools fall within 10% of the median-funded school, the highest percentage among comparison districts.
- The relative dollars spent on students remained roughly constant for students in poverty, English Language learners, and those served in general education settings. It rose for students with disabilities.
- City Schools was able to use the funding formula to shift students with disabilities into less restricted environments. The cost and effectiveness of the resulting model of service needs additional evaluation.

School resource use changed as dollars were pushed to schools and made more flexible, but the most significant trends were defined by budget cuts:

- City Schools pushed significantly more resources to schools and “unlocked” positions, increasing flexibility greatly.
Principals did not gain complete staffing authority even over “unlocked” positions, but the flexibility they did receive compares favorably with that of other districts engaged in similar reform.

Many City Schools principals made specific resource changes to support a school need. They also shifted toward temporary positions and contracted services to gain flexibility around hiring and exiting.

The district office must continue to reinvent itself to build and retain school leadership, provide better support for schools, and create a context of system-wide accountability for student performance.

City Schools closed failing and under-enrolled schools and moved 8,600 students (11% of total students) into higher-performing schools.

One of the explicit goals of the FSF and related reforms was to create more equitable educational opportunities for students, fostering a portfolio of innovative schools that offer access and options for higher-quality schools to all students. To facilitate this, City Schools systematically closed underperforming and under-enrolled schools while opening new, choice-based schools, such as charter schools and "transformation schools."

Since FSF was implemented, City Schools strategically closed 26 (13%) of its lowest-performing and under-enrolled schools. All of the 26 schools that closed were traditional neighborhood schools, 16 of which were middle schools. ERS analysis shows that the schools that closed had lower average attendance rates, utilization rates, and proficiency levels than the schools that remained open. Figure 3 below compares these ratings for the 168 schools that remained open from FY08 to FY11 versus those that closed.

**Figure 3. FY07 Attendance Rates and MSA/HSA Performance**

<table>
<thead>
<tr>
<th>School Status</th>
<th># of schools</th>
<th>% of total schools</th>
<th>Avg. Attendance Rate</th>
<th>Utilization Rate</th>
<th>% Advanced or Proficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Closed</td>
<td>26</td>
<td>13%</td>
<td>82%</td>
<td>61%</td>
<td>18% 31%</td>
</tr>
<tr>
<td>Remained Open</td>
<td>168</td>
<td>87%</td>
<td>92%</td>
<td>77%</td>
<td>54% 61%</td>
</tr>
<tr>
<td>Gained Enrollment</td>
<td>104</td>
<td>54%</td>
<td>93%</td>
<td>75%</td>
<td>59% 64%</td>
</tr>
</tbody>
</table>

Meanwhile, schools that gained enrollment had higher proficiency scores in reading and math than the closed schools or the average of all the district’s schools.
In addition to closing 26 district schools, City Schools also opened 23 new schools: eight charter schools, 13 transformation schools, and two schools targeted to students with disabilities or who needed alternative learning settings. These schools are schools of choice and have varying degrees of autonomy when it comes to selecting their curriculum and/or theme. Parents now have more academic options when considering which schools their children should attend.

Since FSF was implemented, district enrollment increased 3%. This is significant given that enrollment had been trending downward for the past seven years (a 17% decrease from 2001 to 2008). Nearly all of the increase in enrollment was at the charter and contract schools, which had grown by 41%.

City Schools was also “deliberate in not being deliberate” about managing school size under FSF. Schools were no longer constrained by district mandates around student assignments but rather were empowered to determine what their optimal size should be given their funding constraints. In ERS focus groups, principals discussed how they actively (and somewhat competitively) recruited students to their school. Also under FSF, schools had a financial incentive to get larger. The result was that small schools (i.e., less than 350 students) got slightly bigger under FSF without the need for district-imposed size mandates.

**Figure 4. Distribution of Schools by Size, FY08 and FY11**

School-to-school funding equity improved to the point that over 80% of the district’s schools fall within 10% of the median-funded school, the highest percentage among comparison districts.

Under a fair student funding system, students with the same needs should get the same level of resources regardless of which school they attend. So, in theory, two schools that have the same composition of students (in terms of demographics and academic need) should be funded at the same level. In reality, however, there will still be acceptable variations in school funding due to other factors, such as school size or school designation, for example. Under FSF, these funding differences should be transparent and explainable.
ERS measures school-to-school equity by comparing per-pupil funding after adjusting for student needs (in Baltimore, by using the student weights from the district’s formula) and then calculating the percent of schools that are within 10% of the median dollar per pupil. The dollars per adjusted pupil is thus an explicit attempt to measure equity: schools with similar needs and similar funding will show up with the same dollar per adjusted pupil. ERS analysis shows that, by this measure, equity across City Schools improved markedly since the implementation of FSF. In FY08, 52% of the schools were within 10% of the median dollar per adjusted pupil. By FY11, the number of schools close to the median school increased to 81%, which was the highest (most equitable) among the districts available for comparison.

**Figure 5. Percent of District Schools Within 10% of the Median $/pupil, FY08 and FY11**

This equity shift had the greatest impact on the smallest schools (i.e., less than 200 students). Prior to FSF, small schools were funded an average of $6,700 more per pupil than schools with more than 1,000 students. These very small schools cost significantly more to operate, and there is little evidence to suggest that they were managing their resources any differently than their larger counterparts. Higher per-pupil funding appeared to be driven by a funding allocation system that allocated staff positions based on the number of students rather than student needs and that reduced economies of scale when

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6 ERS calculates a separate median dollars per adjusted pupil for ES/K-8, MS, and HS. Schools must be within 10% of the appropriate median. The student adjustment is determined by the district’s funding formula or historical spending patterns on various types of students.

7 Comparison districts for this metric included Duval County, 54%; Washington DC, 59%; Newark, 46%; Prince George's County, 48%; and Denver, 75%. The choice of comparison districts was limited to districts where ERS had conducted similar, detailed analysis.
spreading administrative costs over fewer students. After FSF was implemented, small school funding was much more in line with that of the larger schools. City Schools did not include a small-school subsidy because they wanted schools to self-regulate their size. The effect was that small schools got bigger.

Figure 6. Per-Pupil Funding by School Size, FY08 and FY11

Differences in teacher compensation levels are usually another variable that drives disparities in funding across schools. When creating policy for FSF in Baltimore, district leaders needed to decide how they were going to charge schools for staff: actual salary cost for each person or average district cost for that position. Charging schools the actual cost of staff would have the advantage of being more transparent (e.g., the true cost of operating a school would be known) and more equitable to students (e.g., schools with lower-paid teachers would have more money left over to fund other initiatives). Alternatively, charging schools the average cost of staff would be more predictable and give more stability to schools during the early phases of FSF implementation, particularly for those schools with lots of senior teachers. In part because the system had no systematic way to evaluate the relative quality of experienced teachers, City Schools decided to charge schools the average cost for school staff to avoid creating an incentive to eliminate experienced, high-quality teachers.

The result of this policy is that the FSF reform deliberately chose not to address the differences that exist among schools with the highest average teacher compensation and schools with the lowest average teacher compensation. While the difference in teacher compensation is an important issue, in City Schools it was not highly correlated with overall school funding levels before or after FSF because teacher seniority is distributed relatively evenly.
It is important to note that, in contrast to how they established the other weights, when the district added special education teachers to the formula, they defined the weight as a percentage of actual salaries rather than using the average salaries that are used for general education teachers. District officials believe that this may have exacerbated the increase in funding of special education students relative to general education students. City Schools should further explore the impact of using average salaries for some employees and actual salaries for others.

**The relative dollars spent on students remained roughly constant for students in poverty, English Language Learners, and those served in general education settings; they rose for students with disabilities.**

The premise of a student-based school funding system is to allow money to follow the students based on their academic or other needs. An explicit “funding” weight forces district leaders to be deliberate about what their priorities are and to fund those priorities. To evaluate whether or not the funding system honors the stated priorities, we must examine not only “funding” but “spending.” How did the dollars sent to schools get spent? To this end, ERS conducted a cost-allocation study of City Schools spending in FY08 and FY11 that combined financial and employee data to construct a detailed picture of how resources were actually used. This allowed ERS to estimate the actual dollars spent on students of various types before and after the FSF reform.\(^8\) We then compared our cost estimate “weights” to the funding system weights to see whether dollars shifted across student groups before and after FSF and whether the funding weights found in the FSF formula were indicative of actual spending patterns.

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\(^8\) This type of cost allocation study is extremely rare, but we see it as essential to an effective evaluation of school-funding formulas.
Figure 8 shows that there is a reasonable level of correlation between the formula weights and the actual spending patterns in City Schools, the exception being that spending on special education students was higher than the funded weights in the formula, in particular for students served in self-contained settings. When we use the same table to compare pre- and post-reform spending patterns, we see that general education dollars declined slightly, as did poverty dollars, while ELL dollars increased slightly both in dollar terms and as a ratio to general education spending. The increase in special education spending is discussed more fully in the next section.

City Schools was able to use the funding formula to shift students with disabilities into less restricted environments. The cost and effectiveness of the resulting model of service needs careful evaluation.

In contrast to spending on general-education and other students, spending on students with disabilities (SWD) increased from 5% to 50%, depending on the service model. This increased spending was the result of a deliberate strategy by the district to create incentives to place students in less restrictive environments. This measure is both consistent with federal law and sound educational practice, so in that important sense, it can be seen as a success. Too, it can be (but is not always) more expensive to serve students with disabilities in a less restrictive setting. That said, while the increased spending is not in itself a problem, it does pose a strategic challenge for City Schools because a spending increase in special education establishes a new baseline that must be maintained thereafter. Thus, the district has essentially established a new definition of what a fair and appropriate education is for these students and must honor that higher spending level in the face of additional budget cuts.
In City Schools, the additional spending on special education was driven by higher teacher-compensation costs (the teachers-per-pupil ratio remained roughly constant in special education), as well as the increased costs of providing pupil support services. The district needs to examine the nature of this expenditure closely to determine whether the resulting model of service is likely to improve student performance in ways that justify the additional expenditure.

City Schools pushed significantly more resources to schools and unlocked positions, increasing principal authority greatly.

As part of its efforts to empower principals, in the first year of FSF implementation, City Schools devolved $70 million from the district office to school budgets. Also, 65% of overall school dollars were “unlocked,” giving school leaders much more discretion over their school budgets, while 35% of the these dollars stayed “locked,” meaning that the district recognized that the use of those dollars was predetermined by either law, contract, or district regulation.

Figure 9. Unlocked vs. Locked Dollars

Principals did not gain complete staffing authority even over “unlocked” positions, but the flexibility they did receive compares favorably with other districts engaged in similar reform.

Simply unlocking dollars doesn’t necessarily translate into complete flexibility for principals in how they use their resources. Even the “unlocked” dollars in City Schools were in some ways constrained by a variety of legal, contractual, and regulatory factors. For instance, custodians became an immediate challenge in Baltimore, where custodians not selected by schools ended up being employed by the district and held on the district budget. Similar issues occurred with other positions. City Schools

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9 The higher teacher compensation costs in special education were driven by the Baltimore City Board of School Commissioners’ decision to raise teacher compensation and were mirrored in the overall teacher population.
continues to invest millions of dollars annually to provide jobs for staff that were not selected by schools.  

Given the difficulty of using the district’s “locked” or “unlocked” designation as a way to measure true flexibility, ERS attempted to create a more systematic way to study this issue by creating a framework that describes resource flexibility in schools and applying it both to Baltimore and to another district engaged in a similar reform. The comparative framework attempts to characterize the degree (tight versus loose) of flexibility that school principals have along four different dimensions:

- Spending flexibility over the target or the amount of spending
- Service model flexibility over how to provide a service
- Service provider flexibility over who/what is used to provide a service
- Scheduling flexibility over how to structure student and teacher time

Figure 10. Dimensions of Resource Flexibility

For each of these four dimensions, we attempted to ascribe two degrees of flexibility: tight and loose. “Tight” indicates that the district office is more prescriptive about how much, how, or who is used to provide a service, while “loose” indicates that schools have complete autonomy over these dimensions. The chart below outlines some of the guiding principles for whether resources should be kept tight or loose.

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When ERS compared City Schools to the chosen comparison district, City Schools offered a much higher degree of flexibility on all four dimensions when it came to professional development and school programs. For some other types of services, City Schools appeared to offer less flexibility.

Another way to study the amount and the success of flexibility given to principals is to ask the principals themselves. There was a near consensus among principals that they had significantly more discretion over their resources now than they did in the pre-FSF period. But not all flexibility was equal or equally valued. There were some resources that principals wished they had more control over, while there are other resources that they’d happily relinquish back to the district office. While there was not agreement as to what types of resources principals did or did not want responsibility for, some examples given by principals during ERS focus groups included:

- More control over who fills some “locked” positions, such as food service workers and school police officers: Principals said they don’t necessarily want to manage how much of an allocation
they get for these positions, but they would like to be able to control who fills a particular position. In particular, they had difficulty terminating underperforming employees.

- More control over special education and ESOL allocations: This control would give principals more flexibility to leverage resources when providing services to these students.
- Less control over “unlocked” custodian positions and responsibility for purchasing cleaning supplies: This was particularly an issue for elementary school principals who had a large number of pre-K students; under FSF, pre-K students do not get a per-pupil funding allocation, so schools had to absorb the non-instructional costs of these students.

Many City Schools principals made specific resource changes to support a school need; they also shifted toward temporary positions and contracted services to gain flexibility around hiring and exiting.

Many of the district’s principals made specific resource changes to support a school need. For instance, in interviews, principals of technology-themed schools described how they used increased dollars to update and better maintain their computer equipment. Other principals hired specific staff related to an instructional or professional development need. A few schools crafted a comprehensive pedagogical and curricular strategy for the school and adjusted staff to increase time spent in English and math and to align the professional development offerings with the new model.

Looking over the system as a whole, however, (see Figure 12) most school staff positions (except special education paraprofessionals) declined due to the overall district budget constraints. The most noticeable declines were for general education paraprofessionals and for specific professional development positions.

**Figure 13. Net Change in Unlocked Positions**

<table>
<thead>
<tr>
<th>Selected Position</th>
<th>FY08 FTE</th>
<th>FY11 FTE</th>
<th>Difference</th>
<th>Pct Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Manager</td>
<td>0</td>
<td>14</td>
<td>14</td>
<td>-</td>
</tr>
<tr>
<td>General Ed. Teacher</td>
<td>3585</td>
<td>3241</td>
<td>-344</td>
<td>-10%</td>
</tr>
<tr>
<td>Special Ed. Teacher</td>
<td>749</td>
<td>743</td>
<td>-6</td>
<td>-1%</td>
</tr>
<tr>
<td>General Ed. Para</td>
<td>436</td>
<td>234</td>
<td>-202</td>
<td>-46%</td>
</tr>
<tr>
<td>Special Ed. Para</td>
<td>390</td>
<td>457</td>
<td>67</td>
<td>17%</td>
</tr>
<tr>
<td>Librarian</td>
<td>88</td>
<td>86</td>
<td>-2</td>
<td>-3%</td>
</tr>
<tr>
<td>School Lead Coach/Mentor</td>
<td>494</td>
<td>249</td>
<td>-245</td>
<td>-50%</td>
</tr>
<tr>
<td>Department Head/Academic Dean</td>
<td>60</td>
<td>46</td>
<td>-14</td>
<td>-23%</td>
</tr>
<tr>
<td>IEP Team Associate</td>
<td>109</td>
<td>96</td>
<td>-13</td>
<td>-12%</td>
</tr>
<tr>
<td>Assistant Principal</td>
<td>197</td>
<td>181</td>
<td>-16</td>
<td>-8%</td>
</tr>
<tr>
<td>Secretary/Assistant</td>
<td>498</td>
<td>409</td>
<td>-89</td>
<td>-18%</td>
</tr>
<tr>
<td>Guidance Counselor</td>
<td>119</td>
<td>103</td>
<td>-16</td>
<td>-14%</td>
</tr>
<tr>
<td>Other Position</td>
<td>14</td>
<td>0</td>
<td>-14</td>
<td>-100%</td>
</tr>
</tbody>
</table>

One other trend worthy of mention is that there was also a dramatic and widespread increase in the use of temporary positions and contracted services after the implementation of FSF. (See Figure 14) As one principal explained, “I hire temps for clerical support because I can hire and fire them at will. They are
also cheaper because I don’t have to pay their benefits.” In this way, FSF has allowed these schools to bypass certain regulatory and contractual conditions that school districts across the country complain about. The long-term impacts of this trend seem unclear, but the trend is worthy of continued scrutiny.

Figure 14. Change in Funding for Temporary Positions and Contracted Services, FY08 and FY11

The district office must continue to reinvent itself to build and retain school leadership, provide better support for schools, and create a context of system-wide accountability for student performance.

Despite district efforts to streamline and redesign the district office, City Schools has room to continue to push additional resources down to schools and to reinvent itself to support school leaders and to build their capacity to be innovative and creative. The challenges include both the size and the functioning of the district office. Regarding size, even after the decentralization in Baltimore, Baltimore’s district office accounted for 11% of district spending as compared with an average of 8% in a group of four comparison districts. ERS analysis shows that City Schools’ higher district office spending was attributed to business-services functions, such as data processing and information technology, as well as special population program management. Regarding function, the district is aiming toward an eventual streamlined design under which school leaders can choose support services from a variety of internal and external providers. Despite a recent district office reorganization, such efforts are still in their early stages.

Improved direct support to principals is also an essential ingredient for the success of the FSF reforms. As one principal said during the ERS Fair Student Funding Summit in March 2010:
“It’s one thing to expect principals to be instructional leaders, and it’s another thing to expect them to be really savvy in terms of how to allocate resources.”

To support principals in their budget decision-making process without mandating or allowing district offices to dictate structures and practices, City Schools created guidance documents to set the basic expectations for principals as they developed their budgets. City Schools also created a network support system to assist principals with the managerial and operational aspects of their school. Feedback from principals during ERS focus groups indicated that these types of supports were generally helpful, but they could be improved. Specifically, principals wanted the guidance documents to be more specific and current, and they wanted network teams to be more responsive.

Principals also expressed a desire for City Schools to remove some of the barriers that prevent them from being as effective as they can be. For example, the district’s requirements for teacher hiring, firing, and evaluations make it difficult for some principals to staff their schools with whomever they like. Many worry, in particular, that the policy of not allowing poorly evaluated teachers to transfer schools creates a disincentive for principals to identify and manage them out of the system. Instead, many principals transfer out underperformers without giving them a poor evaluation. Further, budget adjustments made after the official enrollment count were also a source of anxiety. Principals did not like the uncertainty regarding how their budget would be adjusted and believed that some principals were able to “game” the system to gain additional resources. Finally, principals expressed frustration about the current budget tools, stating primarily that they were clumsy and inefficient.

Implications for the Field

Several aspects of the City Schools FSF and related reforms seem particularly instructive for systems considering the adoption of a per-pupil funding formula as a way to improve system-wide student performance. We close by highlighting several. These include innovative features of the funding reform itself as well as ways that City Schools has attempted to leverage the funding reform to support an overall district strategy of holding adults accountable for student learning, starting with principals and teachers.

City Schools weighted directly for student academic needs (prior performance levels) rather than relying on demographically based proxies of need such as poverty status. City Schools explicitly “weighted” for academic needs, which contrasted with many of the early adopters of weighted student formulas. Many formulas rely entirely on proxies for academic need, such as the socio-economic status of students. While there is a high correlation between these indicators and academic performance in the pre-K through primary grades, over time other factors (including elementary school success) become more important. To prevent creating an incentive for poor performance, the City Schools “weight” for

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academic need was tied to the scores of students as they entered the school. This would be particularly important to implement in secondary schools.

City Schools did not include a small-school subsidy but allowed schools to self-regulate their size. Weighted student formula improves per-pupil equity across schools largely by awarding less to small schools than typical staffing formulas allow. This can create challenges for the smallest schools in a system. And, in fact, small school funding challenges were cited among the primary reasons that school systems in Seattle and Cincinnati moved away from weighted per-pupil formulas. In cash-poor districts such as Oakland, which used a student formula to fund and operate very small schools of less than 300 students, the dollars spent on instruction shrank noticeably, and schools struggled constantly to operate within funding constraints. Other systems, such as Chicago, handled the small-school issue both by giving a modest subsidy to small schools and by setting floors for school size. City Schools adopted a more market-driven approach, allowing schools to determine their own size by recruiting students displaced by closed schools. Over the three-year period of the study, the smallest schools increased in size by about 28% without the need for school-size mandates.

City Schools included special education dollars in the formula by the second year of the reform and used the funding incentive to attempt to shift students into less restrictive environments. It was agreed by general consensus that the reform was happening so quickly that trying to include dollars for students with disabilities in the reform for the first year was unwise. By FY10, however, City Schools was able to include many of the dollars that go for students with disabilities. Moreover, the district was able to use the formula weights to encourage schools to shift students to less restrictive service categories. The mechanics of using a formula to encourage reclassification, however, are that it will always increase the costs of serving students with disabilities. So districts should carefully consider their options before seeking to replicate the specifics of the Baltimore model.

City Schools’ systematic approach to “unlocking” positions was a key to creating flexibility for principals. As stated earlier, awarding “dollars” instead of “staff” is seldom in itself sufficient to create a significant degree of flexibility. Baltimore’s continuous work to overcome barriers and to push decisions closer to schools has been instrumental in leveraging the funding-system change to help principals experience the increase in autonomy. Dr. Alonso’s insistence that dollars belong to schools by default and should only be “taken away” by the district when there was clear justification that it helped drive the increase in flexibility for school principals. Guidance documents and standards were also carefully worded to avoid creating mandates for particular structures wherever possible. Dr. Alonso readily admits that the reality does not yet match his vision, and that district offices still prescribe solutions to schools too frequently.

City Schools closed failing schools and in doing so, shifted students to higher-performing school situations. Small changes in how much money a school receives are unlikely of themselves to drive system transformation. City Schools explicitly paired the funding reform with a dedication to closing failing schools. Through aggressive school closings that shifted students to higher-performing situations, City Schools created a type of principal accountability and improved educational opportunities for
thousands of students. Starting out by awarding each school the “fair” amount of the district resources was clearly an essential part of setting the context for holding principals and schools equally accountable, and in that way the funding reform can be seen as the enabling centerpiece of the school closings.

While it is important not to downplay the market-style accountability of closing failing schools and removing the principals, it is also important to emphasize that shifting students to higher-performing school situations might be even more important to Baltimore’s recent success. The authors strongly recommend that City Schools engage in a more detailed study of how well these transferred students performed relative to performance expectations had they not transferred.

City Schools continues to face challenges with managing employee performance but has recently linked performance to compensation for teachers. Working with school districts, one often hears complaints about the difficulty of managing out underperforming staff. Whether the issue is teacher tenure or custodial contracts, there are numerous barriers to effective personnel management. Like many districts, Baltimore is currently carrying millions of dollars of overhead each year, paying for positions that schools did choose. The FSF reform has not solved this issue, though it has made it more transparent and quantifiable.

FSF has also given principals additional options. It seems no coincidence that one of the most noticeable discretionary changes that City Schools principals made was to increase hiring of temporary and part-time staff, in large part (according to interviews) to give themselves a better way to manage out underperforming staff. The issue of performance management came up in interviews, when principals complained that the City Schools teacher-transfer policy prohibiting underperforming teachers from being transferred had provided an enormous disincentive for them to give a teacher an unsatisfactory evaluation and may have the opposite of its intended effect. On the other hand, Baltimore’s recent teacher contract links performance to compensation and requires (as does the state of Maryland) a more systemic evaluation of teacher performance that is rooted in student learning.

**Conclusion: Holding Adults Accountable for Student Learning**

Across the country, districts struggle to transform themselves from institutions that teach curriculum into institutions that ensure students learn. To the question, “how can we create whole systems of schools that excel?” many answer, "by creating accountability for student learning." Many of the largest reform movements of our generation, from charter schools, No Child Left Behind, national testing standards, and the common core can be interpreted as explicit efforts to transform school systems by creating accountability for student learning. City Schools’ FSF reforms have established themselves at the forefront of this movement by establishing real career incentives for teachers and principals. The reforms established a baseline level of equity of funding from which principals can be held accountable for school success. The school closings have helped City Schools realize immediate improvement both by creating a type of accountability and by shifting students to higher-performing situations. Similarly, the most recent teacher contract represents an important next step that attempts to create accountability
for student learning among teachers. Together, these efforts place Baltimore ahead of the crowd when it comes to accountability reform. With Maryland having recently mandated the measurement of teacher effectiveness across the state, it seems likely that other Maryland districts will be watching the Baltimore reform carefully.

Next steps for City Schools will include increased efforts to provide more effective support for schools and to grow system-wide leadership capacity. Early efforts to restructure the district offices to support school success have yielded mixed success and have prompted the district leadership team to engage in a systematic effort to clarify roles and establish performance standards for school support personnel. Success in these efforts will go a long way toward determining the overall effectiveness of the FSF and related reforms.
References

Baltimore City Public Schools. *Fair Student Funding: The First Steps to a System of Great Schools*


