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Awarding Dollars Based on Student Need

A Recommendation to Implement Weighted Student Funding in Georgia

Executive Summary

As the state of Georgia considers revising its K-12 funding formula, ERS recommends the state implement a weighted student-funding formula (WSF) system in order to create resource use flexibility for districts and to remove the marginal inequity found in its current funding system. Additionally, such a change would enhance Georgia's ongoing strategic efforts to create local education-agency accountability for success or failure in improving student outcomes and to dismantle the state's legacy system of input mandates that is viewed as a barrier to that overall strategic direction.

Our analysis of Georgia's current funding mechanism, the Quality Basic Education (QBE) Act, through our Race to the Top-funded partnership with the state¹, showed that Georgia's funding system is comparatively equitable (92 percent of districts fall within 20 percent of the state's median dollar per pupil), but there are opportunities to improve the minor inequity we found as well as to significantly enhance districts' resource use flexibility.

The QBE has certain inflexibilities and inequities built into it because it:

1. Awards dollars based on specific staff allotment or presumed models of service,
2. Does not account for concentration of poverty, and

¹ Throughout 2012 and 2013, Education Resource Strategies, Inc. (ERS) partnered with the Georgia Department of Education (GaDOE) on a project designed to help GaDOE examine and improve the use of public education resources throughout the state and especially in local schools and districts. The overall purpose was to identify and quantify opportunities wherein resources (defined as people, time, and money) could be strategically reallocated to attain a high impact on student achievement. To do this, we worked at both state and district levels, conducting resource use analysis, state and district interviews, and strategy sessions.

3. Funds a state salary schedule that rewards teachers for experience and education, which research suggests have little to no impact on student performance.

Implementing WSF would alleviate or eliminate these inflexibilities and inequities because it would:

1. Award districts dollars based solely on student and district need, allowing districts to use resources more flexibly,
2. Accommodate the needs of the state’s highest-poverty districts better if a poverty-concentration weight were added, and
3. Create an opportunity to redesign the state salary schedule to reward teachers for effectiveness, contribution, and differentiated roles.

Description of Current System and Recommendation to Change

Georgia currently allocates more than 90 percent of the state’s portion of education funding to local school districts using formulas in the QBE. The QBE is a series of inputs-based formulas that allocate dollars based on student segment assignment and then layer on additional funding to be used for specific purposes or apportions based on specific requirements (see Table 1² below for QBE allocation in FY1011 and Appendix A for full description of QBE formulas).

Table 1: QBE Dollar and Percent Allocation in FY2011.

	Dollars Allocated	% QBE Allocation
Step 1 - Direct Instructional Costs (Segment Funding)	\$ 5,146,470,554	73.86%
Step 2 - Indirect Costs	\$ 1,193,199,117	17.12%
Step 3 - Training & Experience	\$ 2,686,000,893	38.55%
Step 4 - Categorical Grants		
Sparsity-Regular	\$ 2,983,306	0.04%
Equalization	\$ 436,158,583	6.26%
All Other	\$ 283,857,914	4.07%
Step 5 - Deductions		
Local Fair Share	\$ (1,697,504,739)	-24.36%
Austerity		0.00%
Other Adjustments	\$ (1,083,337,770)	-15.55%
Total	\$ 6,967,827,858	100.00%

By most accounts, Georgia’s funding system results in a high degree of equity across districts. When we compare spending based upon dollars from all funding sources, 92 percent of districts are within 20 percent of the state median \$9.1K per pupil. However, there are opportunities to improve. The

² Data sources: http://app3.doe.k12.ga.us/ows-bin/owa/qbe_reports.public_menu?p_fy=2000 and QBE004 State Allotment Sheet and QBE006 State Salary and Operations Detail

segment-funding mechanism in the formula, based on teacher allotments and service models, impinges on districts' flexibilities, and the funding system does not currently account for poverty, particularly the concentration of poverty, which is driving the minimal inequities we did observe. Implementing Weighted Student Funding (WSF) as the state's funding mechanism would alleviate or eliminate these inflexibilities and inequities.

Awarding Dollars Based on Student Need, Not Staff Allocations

One of the strongest arguments for changing the state's current funding formula to WSF is that the QBE—particularly the segment-funding mechanism, which places students in academic programs according to need and provides weighted funding according to segment—has the potential to skew the use of resources, impinging on resource flexibility. Essentially dollars are allocated based on a specific teacher allotment (model of service or student-teacher ratio) and must be used for this purpose unless the district is granted a waiver. This system has two primary effects that limit districts' abilities to be flexible and strategic with resource use: 1) it reinforces non-strategic, one-size-fits-all classroom paradigms based on the specified teacher-student ratios, and 2) it locks in a specific model of service and may have further influence on the way resources are used.

For example, our analysis showed that special education student-teacher ratios were richer in Georgia than in other districts we have studied. Upon closer examination, we determined that this was largely due to the student-teacher ratios for students who receive special education services but who spend most of their time in general education settings (sometimes called resource, inclusion, or mainstreamed students). In trying to understand this pattern, we discovered that these resource and inclusion students spend significantly more time receiving special education services in Georgia districts (48 percent) than in non-Georgia comparison districts (26 percent). While higher staffing or more services are not intrinsically bad things, and there are many factors that probably help explain these additional staff and student time allocations for resource/inclusion students, it is also clear that QBE segment funding awards schools more staff whenever the identified students spend more time receiving special education services. It seems unlikely that the funding formula has no impact on the overall special education allocation level.

In implementing WSF, Georgia would award dollars based on student need and not on staff allotments or models of service, i.e., the state would move away from program-based allocations and toward dollars strictly following students to meet their needs. Freeing districts and schools from service models or non-strategic teacher-student ratios would allow districts greater flexibility in determining how resources are used. This change would also create accountability over student outcomes instead of resource inputs: with increased flexibility over how resources are used to meet student needs, districts would be more accountable to the allocation methods they use to drive student outcomes. The state would also have to remove real and perceived barriers to flexibility so districts could fully leverage the flexibility inherent in a WSF system. For example, the state could remove mandates that foster non-strategic resource use, emphasize use of the state's various resources to foster differentiated instruction in all classrooms such as learning guides and state-provided training and support to ensure strategies meet district needs and context, and capture and disseminate templates for innovative classroom models that show strong student performance results.

Weighting for Concentration of Student Poverty

While the QBE formula accounts for many of the variations in student need through the segmented formula, it does not account for student poverty and, in particular, for concentration of student poverty. Accounting for concentration of poverty is important because poverty is one of the predominant factors associated with lower student achievement, while the *concentration* of poverty is even more closely associated with low school and district performance³. Additionally, research⁴ suggests that it can take as much as 30 percent more resources to ensure that students in poverty can reach the same standards as their wealthier peers.

To estimate whether or not districts with high concentrations of poverty in Georgia receive sufficient resources to meet the needs of their students, we adjusted funding levels for concentration of poverty. When we adjust for concentration of poverty⁵, the resulting ERS analysis shows that high-poverty urban districts in Georgia are funded at a lower dollar per weighted pupil than urban districts without high poverty concentrations: \$8.1K per weighted pupil versus \$9.6K per weighted pupil median of all other categories, respectively.⁶

While we acknowledge that using different poverty concentration weights may not necessarily yield the same degree of funding difference⁷, ERS believes that by implementing a WSF formula that includes concentration of poverty as part of its weight factors, Georgia could improve upon what is already a largely equitable funding system in ways that help address the educational challenges of the state's neediest children. Additionally, the state should leverage and differentiate state and RESA support to help high poverty districts with resource-use decisions as they get the funding that meets their needs.

It should be noted that the sparsity and equalization grants in the QBE do attempt to “equalize” funding levels among small and large, and wealthy and non-wealthy districts. Without the existing equalization grant, which accounts for ~6.3 percent of QBE funding, we would have found the need for significant reallocation of resources to address inequities, which currently account for only ~1 percent of education dollars for the highest-poverty districts. While the state could eliminate the sparsity grant because there is a high correlation between the districts that receive those funds and those that would be covered with a concentration of poverty weight, the state would need to conduct additional analysis and research to determine whether and how to keep the equalization grant as part of the evolved funding formula to help maintain equity across districts.

Reforming the State Salary Schedule

Currently the QBE awards dollars for a teacher's Training and Experience (T&E), to help districts compensate according to the state salary schedule. As a function of this salary schedule, the state spends \$1.7 billion annually, or 21 percent of its total investment in teacher compensation⁸, on

³ Loeb, S., Bryk, A., and Hanushek, E. (2008), “Getting Down to Facts: School Finance and Governance in California.” Stanford University: American Education Finance Association.

⁴ Odden, A. (2007). “Redesigning School Finance Systems: Lessons from CPRE Research.” CPRE Policy Briefs. Consortium for Policy Research in Education: University of Pennsylvania.

⁵ Weights were assigned by poverty bucket (1.05= 0–25% FRL; 1.1= 26–50% FRL; 1.2= 51–75% FRL; 1.3= 76–100% FRL.)

⁶ ERS Financial and Course Schedule Analysis (data from 2010–2011).

⁷ It is ultimately a Georgia policy decision to determine at what levels to have the weights.

⁸ ERS Financial and Course Schedule Analysis (data from 2010–2011).

education and experience (steps and lanes), which research⁹ suggests have little to no impact on student performance. This allocation constrains districts from spending these dollars on more strategic compensation elements that research indicates are more closely tied to higher student learning.

While moving to a WSF system does not require the state to reform the compensation system, it does provide an opportunity to do so and would greatly further the state's efforts to be less prescriptive over how resources are used. There are four sustainable ways for the state to improve compensation and reward top contributors with current revenue streams:

1. Work first to make sure the effectiveness measures can sustain a productive compensation reform:
 - a. Ensure the evaluation system is consistently applied, rigorous, and trusted by teachers before tying it to high-stakes outcomes related to their career and compensation.
 - b. Ensure that the effectiveness measures identify meaningful numbers of teachers at all effectiveness levels, including ineffective and developing teachers as well as effective and highly effective teachers. These percentages should be comparable for teachers in tested and non-tested subjects.
 - c. Invest in vetting the teacher-effectiveness data in practical application by using it to support school and district management decisions for a couple of years to better understand the validity and reliability of this data.
2. When ready to use the evaluations to inform compensation or career decisions, adopt effectiveness bands that align with the Professional Standards Commission's (PSC) tiered certification levels that allow for teachers to earn more compensation by taking on more significant roles as they move up the certification scale.
3. Create effectiveness steps by tying traditional experience pay to effectiveness and not providing raises to teachers who are deemed ineffective or developing, using the difference to pay for enhanced development and support for these teachers or to award additional steps to the most effective teachers.
4. Replace education pay with tuition reimbursement, creating opportunity for districts to fund roles and career paths that expand the impact of effective and highly teachers.

In the long term, the state can:

1. Adjust compensation to reward increased effectiveness among the teaching staff,
2. Accelerate the timeline for reaching top salary levels, to motivate teachers to improve performance and achieve a higher wage as soon as possible ,
3. Further differentiate and customize roles to help teachers teach to their strengths, and

⁹ Ozdemir, M. and Stevenson, W. (2010). "The Impact of Teachers' Advanced Degrees on Student Learning." *Human Capital in Boston Public Schools: Rethinking How to Attract, Develop and Retain Effective Teachers*. Washington, D C: National Council on Teaching Quality.

4. Provide districts with more discretion over the allocation of teacher compensation, as well as the potential to determine the number of teachers needed to meet their individual needs.

Additionally, the state can encourage districts to reform how they compensate educators by providing incentives for those that do so. The state could provide grants, technical assistance, and political support for districts that are willing to emphasize compensation reform efforts that:

- Improve student achievement and profession attractiveness
- Provide more promotion opportunities for teachers to build career pathways with increased pay in ways that extend the reach of effective teachers
- Offer faster increase in pay in earlier years for effective teachers
- Offer base salaries for effective teachers that are competitive with other professions in the local labor market
- Provide tuition reimbursements in target subjects in lieu of permanent increases for degree attainment
- Offer rewards to attract qualified teachers to high-need schools, subjects, and certifications

Even if reforming the state salary schedule is a more long-term proposition, providing incentives for districts to adopt the compensation policies described above would move districts in the state closer to rewarding teachers for the factors that matter most in student performance.

Conclusion

The recommendation to move to a WSF formula is *not* because Georgia's current funding system is inequitable, but because it would create resource-use flexibility for districts. In fact, our analysis showed that the state is relatively equitable, and the minor inequality we found would be addressed by a very modest reallocation of ~1 percent (\$170M) of K-12 expenditures. The resource-use flexibilities that WSF supports and that would be most beneficial for Georgia districts are those that free districts from programmatic allocation of resources that may not be in line with student needs and schools' instructional models, and those that allow the district to use resources to focus on the factors that drive student performance versus those that research currently suggest have little effect.

In concert with the move to WSF, ERS recommends that the state remove real and perceived barriers to flexibility that would limit districts' ability to fully leverage WSF. Mandates and policies that foster inflexibility should be eliminated, and the state should seek to provide support and incentives for efforts that increase district flexibility and strategic resource use. The state should also conduct further analysis and research into whether and how various components of the QBE formula would need to be adjusted to maintain the state's relatively high degree of equity.