

## Leveling the Playing Field: Creating Funding Equity Through Student-Based Budgeting

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*When the Cincinnati Public Schools devised a reform strategy for improving student performance, it became clear that the district's traditional budgeting system was inadequate. The authors trace the district's process of moving to a system of student-based budgeting: funding children rather than staff members and weighting the funding according to schools' and students' needs.*

**THE INCREASING local and national focus on accountability** has districts and states scrambling to develop ways to hold all schools to the same high standards. But demanding equivalent achievement levels across all of a district's schools makes no sense if the financial resources are unevenly allocated and the schools aren't given the flexibility to use those resources in ways that address their own academic priorities and the particular needs of their students.

Most discussion about funding equity has focused on differences in levels of funding between districts, and it is often assumed that funds are distributed evenly to schools within districts. But recent research highlights startling differences within districts, with some schools receiving as much as 60% more funding than others with similar categories and numbers of students.<sup>1</sup>

The role of the district in ensuring a high-quality education for all students is the principal focus of *School Communities That Work: A National Task Force on the Future of Urban Districts*.<sup>2</sup> This article was prepared in conjunction with the Task Force's efforts to understand, support, and develop the work of urban education systems that are seeking to level the educational playing field for all students in their jurisdictions.

### Seeking Resource Equity

Redistributing resources within a district can be a painful and controversial task and can result in the loss of cherished programs and staff. But the equitable distribution of funds creates the basis for real equality of opportunity for all students, and the process of creating such equity can bring a district to a much clearer sense of purpose and strategy.

The Cincinnati Public Schools (CPS) discovered the payoff -- and the pain -- when the district overhauled its inequitable school funding system in the midst of implementing an ambitious, long-range reform strategy that focused on accountability. Between 1998 and 2001, the district made the transition to a student-based budgeting formula that eliminated dramatic variation in funding levels between schools within the system. Beginning in 2002-03, the only differences in school funding were to be those driven by student need.

Cincinnati's process highlights the need for widespread community support and bold leadership from the administration and the school board. It also helps to clarify the idea of "resource equity" and its connection to other critical elements of a districtwide strategy

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<sup>1</sup> This research is analyzed in *School Communities That Work, First Steps to a Level Playing Field* (Providence: Annenberg Institute for School Reform, Brown University, 2002).

<sup>2</sup> Information on *School Communities That Work* is available at [www.schoolcommunities.org](http://www.schoolcommunities.org).

for improving student performance. In this article, we use the CPS experience with student-based budgeting to show how funding equity and flexibility are inextricably linked to accountability and excellence. Then we focus on the reasons some schools get more than others, not only in Cincinnati but in most school districts. We show how CPS used student-based budgeting to distribute dollars more fairly and to create more flexibility in their use. Finally, we include a set of questions to ask in your own districts and states.

### **Students First: Cincinnati's Reform Strategy**

Begun by Superintendent Michael Brandt and continued under the leadership of Superintendent Steven Adamowski, Cincinnati's strategic school reform plan, known as Students First, has been implemented over the past five years with the involvement of the entire community. A moral imperative for more equitable funding between schools and for more school-level flexibility in the use of funds gradually emerged from the interaction of the plan's four components:

- Establish standards for student performance.
- Decentralize resources and decision making to the school level.
- Hold schools accountable for results.
- Provide professional development and support for schools.

Cincinnati's reform strategy includes a powerful school accountability plan, which holds faculty members and schools responsible for student performance. Under the plan, the district rates schools annually according to gains in student performance. It then awards bonuses and other benefits to staff members in the highest-performing schools and provides intervention and support for those schools that perform poorly.

The Cincinnati strategy requires that all students meet the same standards, but it allows schools to choose the means of meeting those standards. An integral part of this strategy is the requirement that schools adopt a comprehensive school design from an approved list that fits with the district philosophy. Each of these designs combines research-based curriculum and instructional strategies into a schoolwide approach.

As principals and school instructional leadership teams set to work planning, hiring staff, purchasing materials, and grouping students to fit their school's chosen design, they began to demand more dollars and greater flexibility. They found they needed more resources to enable them to offer special design features, such as small seminars, extra foreign language classes, or increased social-service support for students. They also wanted the flexibility to change allocations so that they could, for example, fund an additional staff position with money earmarked for administrative costs or use funds for a librarian to hire a literacy specialist. These requests for flexibility were hard to accommodate within the traditional budgeting system, which allocated positions according to a standard staffing model.

In response to these demands, CPS developed a plan to allocate dollars to schools based on student enrollment rather than on staff positions, thereby freeing schools to craft their own staffing and budgeting models. In short, district leaders decided to fund children rather than staff members, and children with greater needs would be funded at a higher level.

### **Staff-Based Versus Student-Based Budgeting**

Understanding why schools within a district receive different levels of funding requires looking closely at how districts allocate resources. Most districts use a formula that starts by allocating staff positions and other resources to schools, based on the number of pupils in the school. But then districts add staff positions and dollars on top of the formula-driven resources, using criteria other than student enrollment. For example, a school with a special arts focus designed to attract students from all over the district might get additional funding to support its program.

These standard practices sometimes result in the allocation of very different per-student dollar amounts to schools. In some cases -- such as differing allocations to cover the heating bills in older or newer buildings -- the reasons are fully justifiable. In other cases, the inequities are simply products of mathematical formulas, political influence, history, or the special interest of a district administrator or school board member.

In a system of student-based budgeting, it is the students who are funded, not the schools. The concept is simple: each student receives a base "weighting" of 1.0, which represents a foundational dollar amount. Then, weights are established for groups of students who have specific educational needs. For example, it costs more to educate a student with a disability than a nondisabled peer. In Cincinnati, the cost of educating an orthopedically handicapped student, for example, is 236% more than the cost of educating the typical student. So the weight for an orthopedically handicapped student is  $1.0 + 2.36$ , or 3.36. This money follows the student to any district school he or she attends.

### **Phase 1: A Cautious Beginning to Student-Based Budgeting**

In 1999-2000, CPS implemented the first phase of its new student-based budgeting system. District leaders agree that equity was not the primary motivation during this first phase. Lynn Marmer, a veteran school board member and chair of the finance committee, recalled, "Really, we were as concerned with decentralizing control and making the system more understandable as we were about equity." The district administration realized that it could not hold schools accountable for results if it did not give them control over the processes of education, and that included control over the use of resources.

After a seemingly endless review of financial scenarios that played out the effects of implementing student-based budgeting, the district and the school board agreed to a first-phase formula that disturbed existing funding practices as little as possible. As Marmer noted, "This was the first time the board really understood the extent of the funding differences by school. It was a new idea for us, and we pretty much left it alone. We needed to chew on it for a while."

While many of the inequities in funding remained during the first round of the student-based budgeting, the differences across schools had been made explicit and public for all to see and discuss. With this information, the administration and school board could grapple with the reasons for the differences and debate whether they were justifiable.

Cincinnati's student-based budgeting system highlights four reasons why some schools get more than others: student needs, school operating costs, political needs, and strategic investment.

During Phase 1, extra funding (through added weighting) continued to be given for special education students. Neither the staff-based formula nor Phase 1 of the student-based formula provided extra dollars for other student needs, such as the needs of second-language learners or of students in poverty.

Phase 1 also maintained the differences in operating costs by keeping them separate from the student-weighted formula and by adding dollars on top to cover the special costs for each school. Differences in school size, in organization, and in such costs as utilities and maintenance accounted for most of these operating differences. The old staff-based allocation had favored smaller schools because such staff members as principals, secretaries, and librarians are assigned to all schools regardless of size. In small schools, these costs were spread over fewer students, thereby resulting in a higher per-pupil allocation. In a straight student-based budgeting system, in which all district dollars are included in the weighted formula, small schools find it more difficult than large schools to cover the same overhead costs of a principal, a plant operator, and contract-required clerical support.

To protect its small schools, CPS added in Phase 1 a fixed amount on top of the allocation for each student in these schools to cover such overhead costs. However, the funds drawn off for this protection lowered the basic allocation for students in larger schools, since the practice reduced the total amount of money on which the value of the 1.0 weighting was determined.

The student-based calculations highlighted dramatic differences in funding across CPS high schools. For example, Hughes High School received 38% -- nearly \$2,000 -- more per pupil than Walnut Hill High School. In fact, Walnut Hill students were shown to be receiving the same dollars as CPS elementary students, even though the traditional secondary school, with its subject-matter specialists and varied course offerings, costs more to operate than an elementary school. That funding level translated into core academic classes at Walnut Hill of 30 or more students. The Phase 1 funding levels did not change this inequity.

The third reason for inequitable funding -- political need -- can be difficult to justify. For example, Cincinnati funds magnet programs that attract middle- and upper-income parents to the system. Like most urban districts, CPS depends on middle-class support to sustain its tax base. CPS had worked hard to ensure that middle-class parents continued to send their children to district schools and actively supported the levying of taxes to pay for them. Magnet schools played a major role in keeping a diverse student body in Cincinnati's schools.

Eighteen of the district's 77 schools were designated "magnet schools." Each magnet school was organized around an educational philosophy and model, and, when first implemented, magnet schools received extra staff members who were funded by the state in an effort to promote desegregation. When that funding ended, the district continued to pay for extra staff members out of its general fund.

Students in magnet schools received additional weighting in Phase 1 of student-based budgeting. The district calculated these weights according to the costs of each particular program. For example, because Montessori elementary schools were costing the district 13% more than neighborhood schools, students who attended them were given a weight

of 1.13. Paideia elementary schools cost 25% more to operate, making the weight of their students 1.25. Weighting students by magnet status clearly violated the "money follows the student" principle of student-based budgeting.

In its ranking of schools by student performance, the accountability system in CPS highlighted the disturbing fact that many of the nonmagnet schools were doing poorly compared to the magnets. It didn't take long for the school board and the district administration to suspect that schools that were underperforming might have fewer resources. As Lynn Marmer noted, "We could move so much further along than we could have five years ago. Now, we had performance data by school and could see that nonmagnet schools were not doing as well and didn't get as much funding. How can you demand equal results with unequal resources?"

Finally, a district may choose to invest more in a certain school or group of students for strategic reasons. For example, based on research showing the student performance benefits of small class sizes in early grades, a district might weight students in kindergarten through third grade at higher levels. Though Superintendent Adamowski had hoped to do this in Phase 1, the funds were not available at that time without taking significant dollars away from secondary schools. This higher weighting for the early grades was not accomplished until Phase 2.

## **Phase 2: Biting the Bullet**

In December 2001, the school board approved a radical overhaul of the student-based-budgeting formula. Phase 2 eliminated extra funding for magnets and special programs, added a per-pupil weighting for poverty, and moved more dollars into the student-driven part of the formula by eliminating the fixed allocations to schools. The passage of a levy in November 2000 had allowed the district to increase funding to nonmagnet schools and to reduce the gap between magnets and others. The new funds also allowed the district to make a strategic investment in K-3 students by weighting them 20% higher.

Even with the levy, Phase 2 moved schools closer to equitable funding by taking significant funding from many schools. Sixteen schools lost more than 2% of their budgets -- in some cases, more than \$100,000 -- while others gained significantly. Naturally, supporters of many schools and programs losing dollars reacted swiftly and passionately. CPS leaders reviewed each school's funding and the reasons for the losses.

As supporters of schools and programs that were losing money lobbied hard, board members found it hard to hold the line. Lynn Marmer recalled, "We had to keep reminding each other that the amount of money in the pot did not change. We kept holding up a piece of paper and ripping it into pieces, to show that it was a fixed pie. When we give to one school, we take from another."

In each case in which schools lost significant dollars, the district created a transition fund to phase in the changes with as little student disruption as possible. In some cases, such as that of a special school serving former high school dropouts, the district determined that students with such needs and characteristics would receive an explicit extra weight that would follow them regardless of school or administrative decisions.

A school board resolution describing the principles behind the new funding scheme was a powerful outcome of Phase 2, and it fortified board members and district leaders as they

faced lobbying from those who were losing funding. The resolution established seven principles of funding that guide the new formula, each followed by an action statement (see "Principles of Student-Based Budgeting," below).

At that time, Lynn Marmer was in her last months on the school board. "As board members, we deal with so much that feels transitory," she recalled, summing up her last effort. "It felt so good to take on this powerful issue and leave something like this set of principles behind. Even as the details of funding change, district leaders can always go back to these fundamentals."

### **Questions to Ask About Equity and Flexibility**

As Cincinnati discovered, when districts push for greater school accountability, they must reassess their budget systems and be more explicit about school funding levels. We offer the following questions to help begin that process.

- Does the district allocate resources to schools using staffing formulas or does it use a student-based-budgeting approach, allocating dollars for each student?
- How much flexibility do schools have to use dollars or staff in different ways?
- In dollars, what is the average per-pupil cost overall and at each school level -- elementary, middle school, and high school?
- Does the district allocate more dollars to support students from impoverished homes or homes in which English is the second language spoken?
- Does the district have certain types of schools that cost significantly more to operate than others? Are there student performance data that support this higher cost?
- Does the district track the characteristics and quality of teachers in each school and adjust funding or support in response?

As board members and district leaders in Cincinnati hammered out the new funding formula, the work was hard, the controversy sometimes draining. When asked why she devoted so much energy to the change, board member Marmer reflected, "I saw this as an opportunity to really benefit the kids who are most dependent on public schools. Other kids have options, but the kids in neighborhood schools, being funded at the lowest levels, didn't. It really became a moral issue for all of us."

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## **Principles of Student-Based Budgeting**

*Principle* All budgeting will be easily understood, clearly comparable, open, and public.

*Action* Annually, the administration will report -- to the public and the board -- school budgets in a manner that is clear, comprehensive, and easy to understand.

*Principle* All schools will be treated fairly and equitably. All students are valued and equally entitled to resources.

*Action* All students receive a weight of 1.0.

*Principle* We recognize the intensive focus on grades K-3.

*Action* All K-3 students receive an additional 20% weighting to lower the pupil/teacher ratio and to support early literacy and numeracy.

*Principle* We acknowledge the importance of supporting students during a transition year.

*Action* For all ninth-graders, there is an additional 5% weighting. Schools must use these additional funds for orientation, for building study skills, for supporting transition, and for retention.

*Principle* We recognize the extra costs associated with students for whom English is a second language and for students from economically impoverished households.

*Action* Students who are learning English receive an additional 47% weighting, and students who qualify for federally subsidized lunches receive an additional 5% weighting.

*Principle* We use local money to supplement state funding for special education and vocational education.

*Action* Vocational students receive an additional 60% weighting; special education students receive an additional weighting based upon their individual disabilities.

*Principle* We promote special programming for gifted students.

*Action* Gifted students (identified by state standards) receive an additional 20% weighting wherever special programming is available and described in the school's educational plan.

*Source: Cincinnati Board of Education, Resolution passed 3 December 2001 (excerpt).*