ERS

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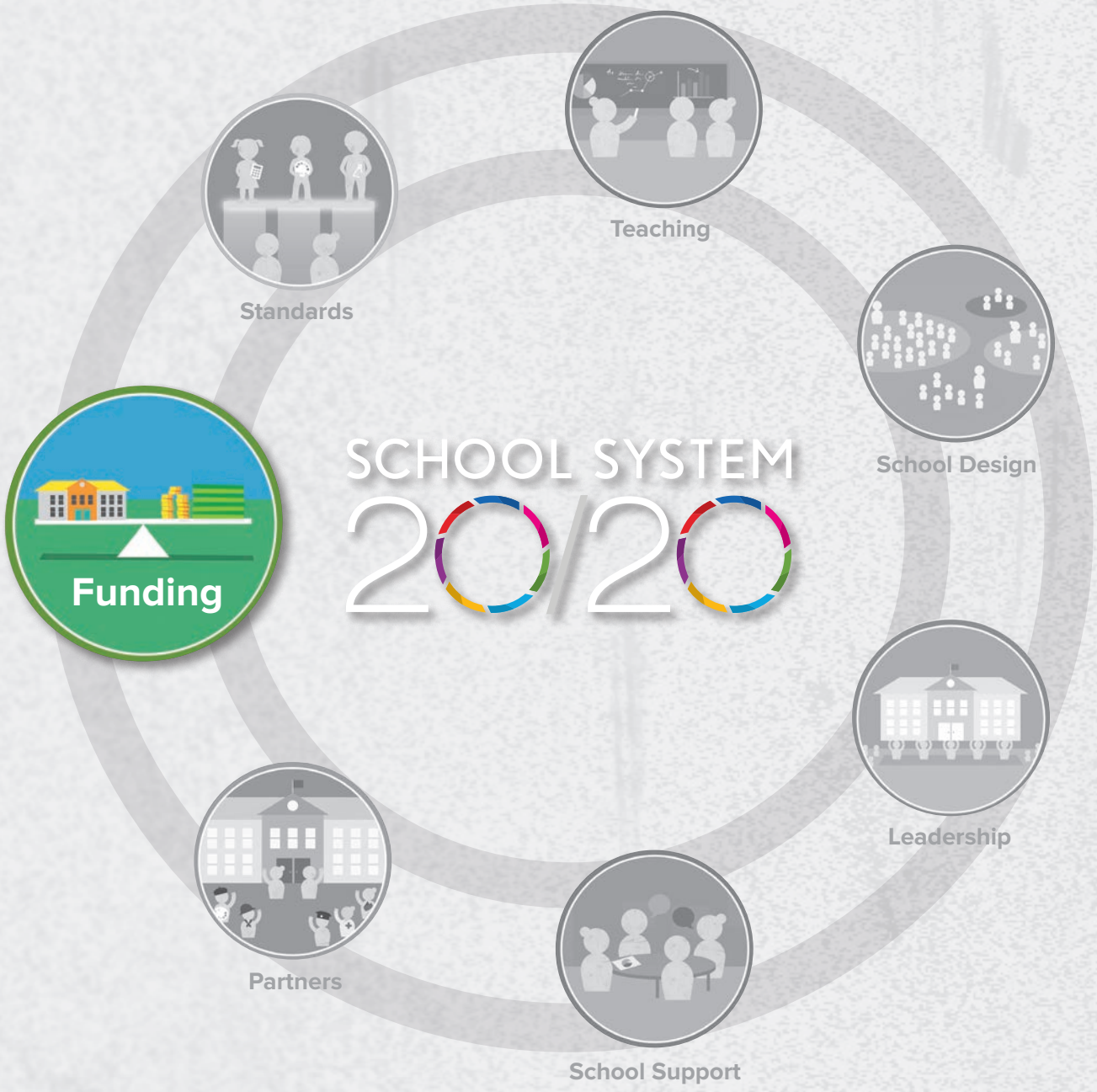
# Transforming School Funding

## A Guide to Implementing Student-Based Budgeting (SBB)

*Foreword by Karen Hawley Miles*



# IMPLEMENTING STUDENT-BASED BUDGETING (SBB)

## Taking the Plunge

- Is SBB Right for My District?
- What Kind of Team Do We Need?
- When and How Should We Roll Out SBB?

## Designing the System

- Define the Eligible Pool of Resources
- Unlock Resources
- Project the Size of the SBB Pool
- Build the Funding Formula
- Make Policy Decisions
- Choose Weight Values and Test Scenarios

## Implementing SBB

- Adjust Core Processes
- Rethink Principal and District Office Roles
- Design Training and Support
- Build and Sustain Investment

# CONTENTS

**Foreword and Introduction** ..... 4

**Student-Based Budgeting, Defined** ..... 6

**Taking the Plunge** ..... 8
- Is SBB Right for My District?
- What Kind of Team Do We Need?
- When and How Should We Roll Out SBB?

**Designing the System** ..... 13
- Define the Eligible Pool of Resources
- Unlock Resources
- Project the Size of the SBB Pool
- Build the Funding Formula
- Make Policy Decisions
- Choose Weight Values and Test Scenarios

**Implementing SBB** ..... 24
- Adjust Core Processes
- Rethink Principal and District Office Roles
- Design Training and Support
- Build and Sustain Investment

**In Closing: Keys to Success** ..... 33

## Foreword and Introduction
*by Karen Hawley Miles*

School district leaders face an array of challenges that affect how they allocate scarce resources to schools—stubborn achievement gaps, changing and complex demographics, and shrinking federal and state support. As the range of need grows more complex, schools are growing as diverse as the students they serve. In this context, many leaders are actively seeking ways to ensure that all schools have flexibility to organize resources to match student and school needs, while also ensuring equity across school types.

Education Resource Strategies (ERS) leverages more than 15 years of experience helping district leaders strategically reallocate their resources to improve student performance. As part of this work, we've collaborated with some of the leading districts that have made bold changes to their funding systems and worked through the results of these changes. Our work on funding is part of our broader School System 20/20 vision—an action-oriented framework for urban school districts to ensure that every school succeeds for every child.

Our work on school funding is based on seven principles for effective school budgeting. We believe that all school funding systems need to rest on this foundation:

### ERS Principles for Effective School Budgeting

| Principle | Description |
|---|---|
| Student-focused | Provides resources based on students, not on buildings, adults, or programs |
| Equitable | Allocates similar funding levels to students with similar characteristics, regardless of which school they attend |
| Transparent | Easily understood by all stakeholders |
| Differentiated | Allocates resources through a comprehensive framework that is based on student needs |
| Predictable | School allocation process is predictable and is structured to minimize school-level disruption |
| Empowering | Empowers school-based decision-making to effectively use resources |
| Aligned with district strategy | Supports the district's multiyear strategic plan |

An increasingly popular approach to achieve these ends is to explicitly tie dollars to specific student needs. These models go by many names: Weighted Student Funding, Fair Student Funding, and (our preference) Student-Based Budgeting, or SBB.[1] In our work supporting districts around the design and implementation of these models, ERS has identified a series of crucial design decisions, implementation tools, and change management strategies that are hallmarks of the most successful SBB efforts.

This paper codifies those practices into a process that can be adapted by district leaders who believe SBB is crucial to their broader district-improvement plan. We aim to empower these leaders and their teams with the context, knowledge, and strategies they'll need to design and implement an SBB approach that distributes resources more equitably and effectively across the district.

We hope this paper catalyzes dialogue and collaboration among district leaders and others who want to improve their approach to resource allocation to benefit the most important people in our education system—our students.

**Acknowledgements**

*This work resulted from the efforts of numerous ERS team members over time. We would like to particularly recognize lead authors David Rosenberg, Jeff Gordon, and Betty Hsu, as well as our School Funding Practice Area, led by Stephen Frank and including Chris Lewis and Laura Schick. In addition, we are indebted to leaders from several ERS partner districts, including Baltimore City, Boston, Denver, Rochester, Prince George's County, and Cleveland, who helped us develop and test these ideas through their own efforts to implement new funding systems. We are grateful to Carnegie Corporation of New York for providing funding for this report. ERS is solely responsible for any ideas presented in this paper, as well as any errors.*

[1] Many districts name the program to reflect its primary goals. For example, leaders in Rochester (NY) determined that their main objective with SBB was to create more equitable funding across the district; therefore, they called their program Equitable Student Funding. Engaging multiple players, including administrators, principals, and teachers, in the early decision on what to call your program is a common approach to ensure your effort to build consensus around the strategy gets off on the right foot.

## Student-Based Budgeting, Defined

"Student-Based Budgeting" describes any district funding model that:

- Allocates dollars (i.e., instead of staff);
- Is based on the number of students;
- Is weighted using objective, measurable facts about each individual student.

In short, with SBB, dollars follow the students based on student need.

SBB differs fundamentally from the traditional funding model still employed by most American school districts, which distributes resources to schools in the form of staff and dollars designated for specific purposes.

### Comparing Funding Systems

| | Traditional System | Student-Based Budgeting Systems |
|---|---|---|
| Schools receive funds based on… | Districtwide staffing and resourcing ratios | A formula that provides a base amount to each school, supplemented by student need–based funding |
| School budgets include… | Specific staff positions and a targeted set of prescribed resources | Funds to be spent on staff and other resources based on the school's instructional model, plus resources for categorical and centrally controlled funds |
| School leaders actively control… | As little as 1–5% of school budgets | 40–80% of school budgets |

Many districts that pursue Student-Based Budgeting seek the three foundations of high-performing funding systems—equity, flexibility, and transparency.

- **Equity.** The strongest funding models ensure that resources are distributed equitably based on student need. However, in districts we have studied, it's not uncommon for some schools with the highest-need students to receive as little as half as many resources compared to schools with the lowest-need students. SBB represents one way to remedy this inequity.

- **Flexibility.** Most allocation decisions—whether of people or dollars—are made at the district level. In focus groups that ERS has conducted across the country, principals commonly say their budget discretion or authority covers less than five percent of their school's total budget. They rarely have a formal say in, for example, how many teachers, aides, or noninstructional staff they receive, let alone who those people will be. Ideally, leaders in each school building have the opportunity to define or adjust the resources they need to drive student achievement, given their specific needs.
- **Transparency.** Commonly, the average principal doesn't know—and can't tell—how his or her overall resource allocation came about. The process is fragmented and as a result, exceedingly difficult to understand at a broad level. The optimal funding system has clear and easily understood rules for where, how, and why dollars flow.

It is possible for a traditional model to be equitable, flexible, and transparent; it's also possible that a Student-Based Budgeting model could be inequitable, inflexible, and opaque. This is why we believe, first and foremost, that a district must be clear on its overall improvement strategy, including implications for resource use and allocation, before settling on SBB as a means to achieve its goals.

## Key Takeaways

- With Student-Based Budgeting, dollars follow students based on student need.
- Student-Based Budgeting gives schools dollars, not fixed staff or programs.
- Student-Based Budgeting is almost never the *only* source of resource allocation in a district; categorical funds with "strings-attached" requirements typically supplement the more flexible SBB allocation.
- Districts that pursue SBB are commonly solving for a system with equity, flexibility and transparency.

## Questions for Reflection

- How does your district currently allocate resources and dollars to schools?
  - Is it equitable? How do you know?
  - Is it flexible? How do you know?
  - Is it transparent? How do you know?

## Taking the Plunge

Before you jump into Student-Based Budgeting, we recommend stepping back to do three things. First, make sure SBB is right for your district. Second, if it is, organize your team for success. Third, determine when and how to roll out SBB.

### Is SBB Right for My District?

To figure this out, start by asking some big-picture questions:

- **What role does SBB play in my broader strategy for improving student outcomes?** Many district leaders think of SBB as *the* strategy. In reality, SBB is best thought of as part of a broader approach to better utilizing resources, often by improving school design, giving more autonomy to principals, and intensifying leadership development at all levels. If you are thinking of SBB in the context of these or similar moves, great; if not, you may want to stop and put SBB in a bigger context. ERS' School System 20/20 provides a framework for aligning resources across all levels—district, school, and classroom.
- **How do I expect resources to shift as a result of SBB? Which schools may gain resources, and which lose resources?** If you're considering SBB, you probably think some schools are currently overfunded relative to need, while others are underfunded. Playing out a potential scenario of which schools will likely "win" and "lose" will help you quickly assess the implications of SBB so you can get ahead of any unexpected consequences.
- **When I imagine what my district will look like after SBB is implemented, what other changes are implicitly included in that vision? What does that imply for the magnitude of the effort?** SBB changes the dollars schools receive and the rules for spending them, but it does NOT by itself lead to more effective resource use and improved student performance. It's crucial to determine up front what else may need to change, and lay the groundwork for making it happen. For example, if SBB is paired with new autonomies for principals (as it commonly is), how prepared are your principals to manage their own budgets and exercise autonomy over resource use? What other support is needed to realize the full potential of your strategy?

Once you've considered the broader strategic issues, you're ready to evaluate several concrete decision factors. Of course, conditions can change over time. After a decade as a pioneer of the SBB movement, Seattle Public Schools elected to return to a more traditional, centralized approach. District leaders felt that due to low overall funding levels, as well as constraints associated with its collective bargaining agreements and state funding, the proportion of funds over which schools had true discretion with SBB wasn't large enough to materially impact school design. As a result, Seattle moved to a hybrid approach called Weighted Student Staffing, which takes the concept of SBB weights and applies them to the traditional ratio-based approach.

### Key Factors in the SBB Decision Process

| Decision Factor | SBB may be right for you if: | SBB may be wrong for you if: |
|---|---|---|
| Per-pupil funding levels | At or above national average for your set of peer districts | Below average vs. peer districts and/or falling to the point where even with added school-level flexibility, resources are so scarce that SBB is unlikely to be a transformational lever |
| Potential resource flexibility | Is significant, even if principals do not yet have access to it | Is constrained by collective bargaining agreements, state-level oversight, or other factors not addressed by SBB |
| School leadership capacity | Principals are motivated by and capable of making wise, fact-based decisions about resource use and school design | Principals and district leaders are cautious about change (e.g., committed to "doing things the way we've always done them") |
| Central office capacity | Leadership and managers have appetite and capacity for re-thinking their role in supporting schools and shifting mind-sets among school leaders | Leadership and managers are cautious about change, or focused solely on "putting out fires," and lack capacity or willingness to change compliance mind-set |
| Data infrastructure | Systems run smoothly and deliver accurate, timely data about students, teachers, and funds | Systems are fragmented, with teams pursuing "workarounds" to get and act on critical information |
| District leadership capacity | The district's leadership team has the vision, passion, and appetite to overcome any challenges identified in the issues above | The district's leadership team requires some "wind at their back" to facilitate the level of change SBB requires |

Amid all the factors necessary for SBB, the capacity of district leaders to drive change has the potential to outweigh the others. A strong-willed visionary leader with the energy, knowledge, passion, and team to break down barriers while building a strong culture could conceivably overcome some of the facts in the right-hand column.

**Case Study** **Driving a Change in Mindset from the Top**

Baltimore's SBB system is called Fair Student Funding due to its initial focus on improving funding equity, but another appropriate name for it would be the "Principal-as-CEO Funding System." Superintendent Andrés Alonso was clear about his vision of a successful principal, and his standards were high. Arriving in 2007, Alonso offered principals new flexibility in exchange for heightened accountability for results. According to his theory of action, principals could not disclaim responsibility for student outcomes if they controlled the majority of school budgets. The market, he believed, would deliver the most capable school leaders. As a result, though there were challenges along the way, the mind-sets of district and school leaders were necessarily and meaningfully shifted.

If SBB makes sense in the context of your vision, as well as your district's portfolio, capacity, and infrastructure, you're ready to focus on your team and program timing.

## What Kind of Team Do We Need?

SBB is not just about changing financial formulas; it requires policy and operational changes across many departments that must be coordinated and integrated districtwide. Therefore, ***a dedicated project manager*** with the ability to marshal support and inspire action across the district is crucial.

In nearly all of the districts where we've worked, even if the SBB process didn't start with a project manager, it ended up with one. SBB project managers commonly report directly to the superintendent with regular, direct interaction to ensure the superintendent has the opportunity to help guide the process. SBB project management is at minimum a half-time role, and possibly more, depending on your district's context and implementation timeline.

**The ideal project manager:**

- Is a relationship-builder, both within the district office and with school leaders;
- Has the ability to marshal resources from various departments in the district office;
- Is familiar with the current budgeting and staffing processes and the likely implications of SBB;
- Has excellent skills around organizing and managing work; does not let balls drop;
- Has strong analytic skills or passion for developing his or her analytic skill set;
- Is trusted by the superintendent and his or her leadership team.

Because the finance team will bear most of the responsibility for gathering data and modeling scenarios, we also recommend designating ***a finance team liaison*** to coordinate and ensure these needs are met in a timely and accurate fashion.

**The ideal finance team liaison:**

- Is deeply familiar with the district's budget across all funds and departments;
- Understands the vision and strategy behind the district's move to SBB and can provide contextually appropriate data;
- Has very strong analytic skills and a familiarity with building and using database models.

Finally, the most effective SBB development processes include ***a cross-functional design and implementation task force*** that meets regularly throughout the project. This task force might include representatives from academics, finance, operations, and HR, as well as principals from a range of schools in the district's portfolio; specific assignments will vary based on the district's structure and capacity. Each team member should be positioned as a true leader, with the authority and knowledge to represent his or her department effectively throughout design and implementation work. Ideally, you'll set up this team to make or review key decisions that will shape your SBB system, as well as share progress updates with peers and others across the district.

## When and How Should We Roll Out SBB?

Even before you begin designing your SBB system, we recommend that you consider your general approach for rolling out SBB. The simplest and most direct approach is to roll out SBB to all schools with those funding categories the district is able to unlock.[2] However, some districts prefer alternatives that limit the scope of SBB in year one to pilot the strategy and understand its potential impact in a controlled environment.

The most common alternative focuses SBB on a subset of schools. This approach often enables the district to offer more intensive support to principals who will have, for the first time, new flexibility around how they allocate resources within their school buildings. A challenge to this approach is that the schools commonly most interested in spearheading SBB are those that are underfunded, which makes this approach inherently more expensive for the district. Focusing on a subset of schools therefore requires careful selection, as well as a holding back of funds in advance to prepare for a net increase in funding to pilot schools.

A second alternative focuses SBB on a subset of resource buckets in year one. On the plus side, this enables the district and principals to deploy those resources where there is currently the most flexibility and potential for impact. However, this approach reduces total funds available for SBB.

The simplest alternative phased method is to give a pilot cohort flexibility over its resources without introducing weighted funds until all schools join in subsequent years.

### Case Studies — Variations on Rollout Strategy

**Cleveland: Pilot for High-Performing Schools**

For Cleveland, as a district operating under a portfolio mind-set, the most exciting aspect of Student-Based Budgeting was the opportunity to put schools in control of their dollars and designs. This was also the biggest challenge for a central office accustomed to control. Because school resource autonomy was such a radical change, Cleveland chose to ease in via a pilot year in which nine high-performing schools controlled their budgets. These schools did not receive dollars through a weighted formula, but rather the monetary equivalent of the same staff and programs they had traditionally received. The success of this pilot proved a valuable example for hesitant principals and administrators in the subsequent year.

**Denver: Expanding the System Over Time**

The rollout strategy in Denver Public Schools was balanced: The simple fundamentals came "all at once," while additional layers grew over time. Denver introduced SBB to all schools in 2007–08, but a transition adjustment ensured that no school saw less money than it had under the old budgeting system. Over each of the next three years, pieces of this adjustment were removed. Over each of the first six years, new weights were added and new resources unlocked. The gradual nature of this implementation allowed all schools to enter SBB at the same time and slowly grow accustomed to its newest features.

[2] More on this in the next section, Designing the System.

## Key Takeaways

- SBB works best as one tool amid a broader kit of strategies coordinated for district transformation.
- SBB works best when school leaders, central office administrators, and data systems are all equipped with a key set of capacities.
- A common mistake is to box in SBB as a "finance team initiative." Successful implementation requires a dedicated project manager who coordinates a cross-functional group of stakeholders (including school leaders) from throughout the district.
- While many districts roll out SBB in one step, others choose to phase in SBB by limiting the number of schools, resources affected, and/or the swing in funding equity experienced in the first year(s) of implementation.

## Questions for Reflection

- What role does SBB play in my broader strategy for improving student outcomes?
- How do I expect resources to shift as a result of SBB? Which schools may gain resources, and which may lose resources?
- When I imagine what my district will look like after SBB is implemented, what other changes are implicitly included in that vision? What does that imply for the magnitude of this effort?
- What conditions best position us for success with SBB? What conditions will be most challenging?

*"This is the first time in my 30 years in the district that we can really get what we need."*

*—Teacher in an SBB "Transformation Schools Pilot"*
*Cleveland Metropolitan School District*

## Designing the System

Building an effective Student-Based Budgeting system typically includes six steps—define the eligible pool of resources; unlock resources: project the size of the SBB pool; build the funding formula; make policy decisions; and choose weight values and test scenarios. Below we review each of these steps in detail.

### Define the Eligible Pool of Resources

Funds that are eligible for inclusion in your SBB model have two common characteristics. First, they are ***school-based,*** that is, used for services delivered in the school building. These are not just resources that appear on school budgets—in some districts, as little as one percent of all funds is included in school budgets. Rather, resources that are school-based are used to pay for all services that actually are delivered in schools, regardless of where they appear on department budgets.

For example, in some districts, custodial services may be budgeted centrally in the Custodial Services Department, even though most custodians work at schools. The portion of custodians actually working at schools should be considered in the universe of school-based resources—and therefore eligible to be considered for SBB. Other examples of resources commonly budgeted centrally but utilized at schools include special education or ELL itinerant services, maintenance staff, instructional materials, and textbooks.

Second, SBB-eligible funds are ***general, unrestricted funds.*** Because categorical funds like Title I or IDEA typically have their own rules on distribution and eligibility, they may not be eligible for your SBB model, even if those funds are distributed to schools on a dollar-per-pupil basis and/or weighted by student need.

### Unlock Resources

Not all SBB-eligible resources will be included in the actual SBB formula. We call the process of defining which resources are included "unlocking resources."

Unlocking a resource simply means that funds currently allotted for that resource are put into the pool of funds to be distributed through the SBB formula. Conversely, locked resources are *not* included in the pool of funds available for SBB; instead, these resources continue to be allocated with specific directions from the district.

The decision to lock or unlock happens through a set of filtering questions. A resource that passes through most of these filters (explained below) is a strong candidate for being unlocked.

The first filter is the extent to which school-based control of a resource fits your district's ***vision for the principal's role.*** For example, if your vision includes giving principals greater autonomy as instructional leaders, then you'll likely want to unlock instructional staff and resources. If your vision is that

principals serve as building leaders, operational resources are prime candidates for unlocking. If your vision for the principal's role includes both, then both instructional and operational resources will be considered for unlocking.

Second, does devolving control of a given resource to the school level potentially put ***student health and safety*** at risk? For example, a district might judge that every school needs a security officer and a nurse, with no exceptions. The district could choose to keep these resources locked and avoid potential risks in removing these resources, even if certain schools ostensibly have good reasons to do so.

Third, does the district have ***external accountability*** for the resource that makes it difficult to give schools control and/or creates legal risks in doing so? Special education resources typically deserve scrutiny on this point, as state and federal requirements accompany their use. Only if a district believes that principals can staff the special education teachers and provide the services necessary to serve their students' IEPs can those teachers safely be unlocked.

Fourth, is the resource more ***critical to district-level strategy*** than it is for individual schools? If so, the resource should probably be locked. Some districts choose to ensure access to preferred curricular materials or academic interventions at all schools in order to guarantee similar learning experiences across the district.

Fifth, does the resource ***require specialized skills*** to which a principal is unlikely to have access? Some districts would prefer not to burden principals with managing specialized maintenance and custodial operations, and therefore keep these staff positions locked.

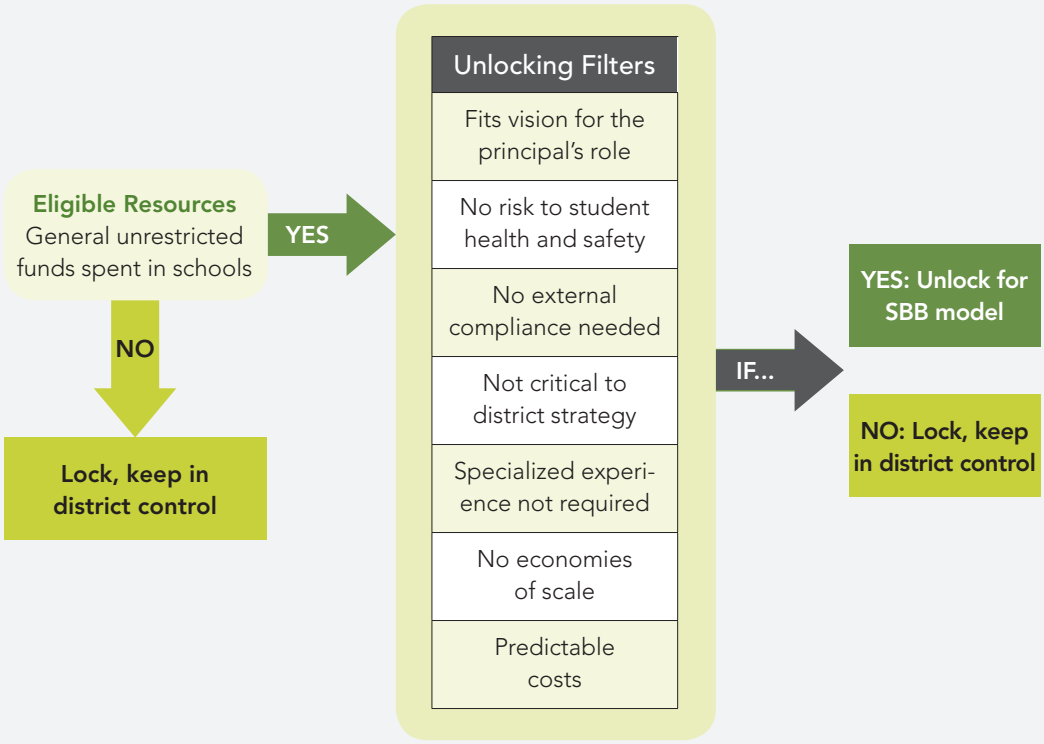
Sixth, are there ***economies of scale*** in spending resources at a district level? Districts typically use mass purchasing power to get better prices with textbook vendors; this could be a reason to lock the resource, or to unlock it but offer a menu of preferred vendors accompanied by better prices from which schools could choose.

Last, is the need for the resource ***predictable*** enough for principals to plan for its use? For example, large, occasional investments such as major facilities repairs are typically best left under district management.

*"My school's schedule is now centered on what students need instead of adults."*

*—Principal in an SBB "Transformation Schools Pilot"*
*Cleveland Metropolitan School District*

## To Lock or Unlock Eligible Resources?




| NO: Resources often locked for this reason | YES: Resources often unlocked |
|---|---|
| • School utilities | • General education teachers |
| • Nurses | • Textbooks |
| • Special education staff | • English language-learner staff |
| • District achievement gap initiative | • Instructional supplies and materials |
| • Security officers | • Secretaries and school office staff |
| • Summer school, if shared among multiple school sites | • Guidance counselors |
| • Substitutes for long-term absences | • Daily substitute teachers |

When considering whether a program or service should be unlocked, it's also important to consider the implications for other resources. For example, let's say your district employs a reading program widely considered to be a cornerstone of high-impact reading education in the district. You may decide to lock that program to ensure its continued use in the district. The reading program may require a specific textbook. Therefore, even if you unlock textbook spending in general, you'll want to lock the portion dedicated to purchasing textbooks for the locked high-value reading program.

## Project the Size of the SBB Pool

As we noted above, unlocked resources are put into the pool of funds to be distributed according to the SBB formula. Once you've determined which services and programs you'll unlock, you're able to determine how much funding is available for distribution to schools according to the SBB formula.

In our experience, districts end up unlocking anywhere from 50 to 70 percent of eligible resources (i.e., general, unrestricted funds spent in schools) for Student-Based Budgeting. There is no magic number or target for how much you should unlock; however, once you've determined which resources to unlock, it's worth a quick check to see if your decisions create a scenario that lines up with your vision for SBB.

For example, you may have entered the SBB process with a bias toward unlocking as many resources as possible to maximize the flexibility and autonomy of school principals. If you then find that you have unlocked only 20 percent of eligible resources, you may want to revisit your initial assumptions and ensure you're on the SBB path that is right for your district.

### Percent of Eligible Resources Distributed Through SBB Formula

| | Dollars unlocked for SBB as a % of… | |
|---|---|---|
| District | All PreK-12 operating funds | School-based funds |
| Denver | 55% | 65% |
| Baltimore | 43% | 64% |
| Cleveland | 40% | 51% |
| Prince George's County | 26% | 28% |

*Note: All PreK-12 operating funds includes all general and categorical funds used for operations.*

*School-based funds include only those dollars spent on school-based services, whether budgeted at the school level or centrally. (i.e. excluding leadership and management, and shared services)*

## Build the Funding Formula

### Components of the SBB Funding Formula

| Outside the formula | | Inside the formula | | |
|---|---|---|---|---|
| **Categorical funds** are district-based and distributed to schools based on preestablished requirements. A common example is Title I funding. | **Locked funds** for services and programs that remain controlled at the district level, based on your previous lock/unlock decisions. | **A foundation amount** for each school, or for the smallest schools, representing the minimum funding required to "keep the lights on." Some districts define this as the amount it takes to hire a principal and a secretary.[3] | **A base weight per student,** representing the lowest common denominator of per-student funding in the simplest possible scenario. | **A student-based adjustment,** allocated according to student need. |

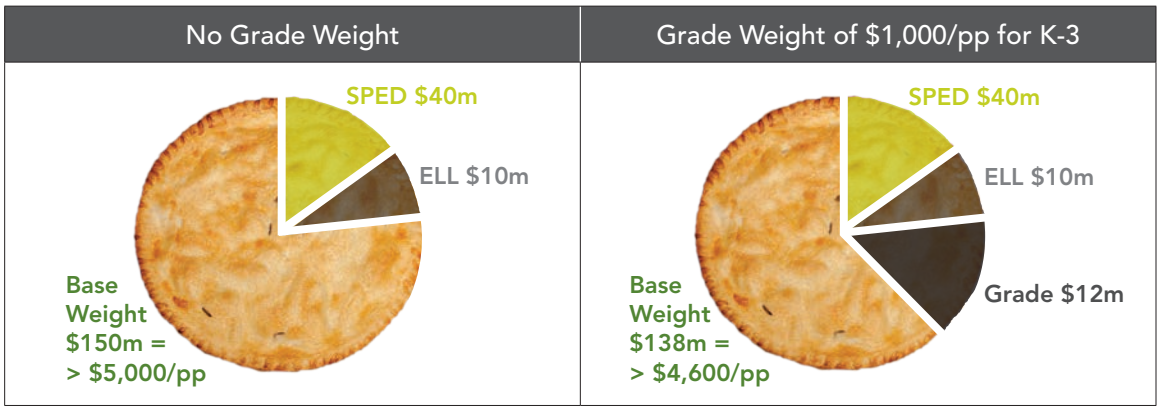
With SBB, you can think of each school's allocation in five portions. As the right side of the table indicates, your SBB formula will include three components—a foundation amount, a base weight, and a student-based adjustment. As one of those components increases, the others necessarily decrease. So the more you set aside for a foundation amount, the less will be available for allocation based on student need. No matter how much you've unlocked, the pool of resources for SBB is fixed. In other words, with SBB, "the pie is the pie."

This concept is crucial as you determine which student-based factors to weight. For most districts, the initial urge is to weight everything. However, weighting too many factors creates a formula that is overly complicated to manage and explain to others. Also, every time you choose to add an additional student characteristic weight, you reduce the base weight for all.

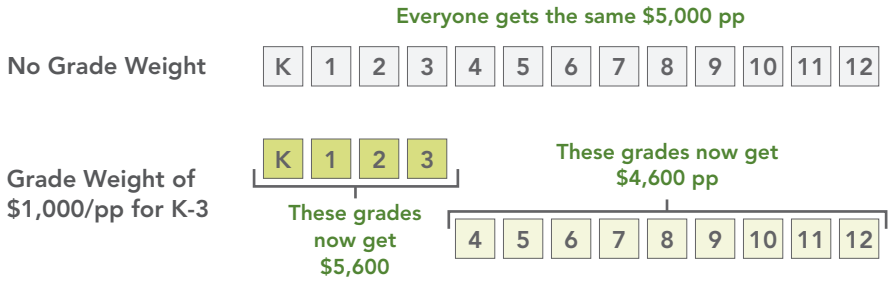
For example, let's imagine a district with 30,000 students, $200 million in unlocked funds and a formula that includes a base weight of $5,000 per pupil, with adjustments for students receiving special education or ELL services. Let's also imagine that the district's leadership is considering a proposal to provide an additional $1,000 per pupil for the 12,000 students in grades K-3—critical grades, where an increased investment has the potential to pay off in both short- and long-term student gains.

By including another student characteristic weight, the district is adding an "additional slice of the pie." Since "the pie is the pie," an increase in funding for students in targeted grade levels reduces the base weight significantly, from $5,000 to $4,600 per pupil. This may be a worthwhile trade-off for the district; the key is to ensure that these trade-offs and decisions are made transparently, and with consideration of the consequences, given a finite pool of resources.

[3] Some districts choose not to offer foundation amounts as a deliberate decision not to provide a premium for small schools. Foundation amounts are most consistent with funding equity when small schools have the opportunity to add students and "outgrow" their foundation over time.




Here's another way to represent this graphically. Whenever you choose to offer a student characteristic weight, you're implicitly deciding that the students without that characteristic will receive less.




In limiting the number of weights you choose, you'll also want to ensure that you choose weighting criteria that have several important characteristics. Each weight should be:

- **Relevant:** tied to a real student need that typically requires additional resources to be addressed effectively. For instance, many formulas use some measure of poverty status as a proxy for academic need. While the two are highly correlated, especially in the primary grades, the relationship weakens as students reach high school. Therefore, a poverty weight for high school students may be less relevant than other potential weights.
- **Measurable:** objectively and quantifiably.
- **Independent:** to avoid perverse incentives or punishing schools for achieving desired outcomes, schools should not have direct control or agency over the metric. For example, a weight for academic performance at a high school should be based on the academic performance of the students *when they were in 8th grade,* rather than their performance at the school they currently attend.
- **Significant:** present in at least three to five percent of the student population without applying to all students.
- **Diversified:** exist at more than one school and with significant variation across schools.

Finally, after a group of weights has met these criteria individually, ask: Is the complete set of weights concise? Fewer weights may be better, and redundant weights should be avoided.

### Student Weights Used in National Array of SBB Districts

| | Baltimore | Cincinnati | Denver | Hartford | Houston | New York City | Oakland | San Francisco | Cleveland |
|---|---|---|---|---|---|---|---|---|---|
| Foundation Amount | | | | ✓ | ✓ | ✓ | | ✓ | |
| Grade | | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Academic Performance: High | ✓ | ✓ | | ✓ | ✓ | | | | ✓ |
| Academic Performance: Low | ✓ | ✓ | | ✓ | | ✓ | | | ✓ |
| Poverty | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | |
| SPED | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ |
| ELL | | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ |
| Other | | ✓ | | | ✓ | ✓ | | | ✓ |

## Make Policy Decisions

By this point, you've identified the student characteristics you want to include in your SBB formula, which has allowed you to determine a base weight and to project estimated per-pupil funding levels. Before beginning to test scenarios for your funding model, we recommend making three important policy decisions:

1. **Enrollment projections and adjustments.** Because SBB allocations are initially delivered to schools before the school year begins, they are necessarily based on *projected* student enrollment. *Actual* enrollment, usually determined by October, typically differs from these projections. The district must decide if and how it will adjust the dollar amount that schools receive during the school year based on updated enrollment figures.

   Almost all districts make adjustments; the question is, how significant will those adjustments be? This is essentially a trade-off between equity across schools (how equitable will funding be once adjustments are made?) and stability for schools (how much change in funding can occur after the school year starts?).

   Districts typically pursue one of two options. Some districts adjust budgets upward only, in cases where actual school enrollment exceeds projections. This approach requires the district to hold back a small portion of the SBB pool (typically 2-4 percent) as a reserve to funnel into over-enrolled schools once actual enrollment figures are available. Schools where actual enrollment falls short of projections do not experience a resulting change in funding.

Other districts adjust school budgets both up *and* down. To protect against unsustainable swings in funding, these districts commonly cap, or limit, changes in funding in either direction (e.g., no more than a three percent change). With this approach, there's no need to hold back money; however, schools that are under-enrolled are forced to give back some of their initial allocation of resources midyear.

Nearly all districts that successfully implement SBB invest in improving the quality of enrollment projections. This can be challenging in districts with high mobility and school-choice policies, where enrollments are more likely to fluctuate after the school year begins. Still, even a modest improvement in the accuracy of spring projections has the potential to trump the best-designed fall adjustment policy, so this is an investment worth making.

2. **Actual or average salary.** When a school elects to add a new teacher, how much should its budget be charged? Should the school have to pay the teacher's actual salary (say, $70,000 for a more experienced teacher) or the district average for a teacher (say, $55,000)?

   This decision, known as "actual vs. average salary," has significant impact on the way schools go about building budgets. Average salary is simpler for principals, who are likely accustomed to all teachers counting equally toward the bottom line. However, average salary masks inequities in staff compensation across schools; a school with a highly tenured (and more expensive) teaching force would be treated just like a school with a less tenured (and less expensive) teaching force under this model.

   In contrast, using the actual salary holds principals accountable for the salary distribution of their staff. It also encourages them to create strategic staffing arrangements that, for example, balance more expensive master teachers with developing, novice teachers. Budgeting based on actual salary makes the most sense when compensation is tightly linked to performance and contribution. In a more traditional compensation system that scales pay with seniority, budgeting by actual salary may "penalize" schools with more experienced staff.

3. **Year-to-year rollover.** Do school budgets roll over surpluses and deficits from one year to the next? SBB provides the opportunity to make school planning a multiyear activity and school budgets a multiyear instrument.

   In Denver, school leaders may carry a surplus across multiple years to save for a large expense, such as a computer lab. It is less common for districts to permit year-end deficits, but Denver schools may run temporary deficits by taking out a loan from the budget office in anticipation of receiving an upward budget adjustment for the fall student count.

   The most common source of a potential budget surplus is the funding allocated for school positions that end up remaining vacant. Districts must set a clear policy on whether schools can reallocate salary dollars after it becomes clear that a position will not be filled, or whether salaries "lock" on a certain date and the district recovers those funds as savings.

## Choose Weight Values and Test Scenarios

With those key policy decisions resolved, you're ready to move into the quantitatively rigorous phase of scenario-testing to build your SBB formula. This typically requires robust modeling tools and appropriate expertise to test each element of the formula. You can think of this phase in six parts:

1. **Define baseline services.** Districts typically identify a set of baseline services that are the minimum required to run any school, regardless of student population. Ultimately, the cost of these baseline services should be covered by the combination of a foundation amount for each school, a base weight per student regardless of need, and any grade-level weights built into the SBB formula. Note that only resources in the "unlocked" SBB pool should be accounted for in identifying baseline services.

2. **Decide whether to set a foundation amount for some or all schools.** Small schools face many of the same fixed costs as large schools—possibly as little as a principal and secretary, but potentially also including an assistant principal, custodian, etc. When funded on a per-pupil basis, small schools face the danger of not being able to afford enough teachers and staff to keep the doors open. For this reason, districts often decide to give small schools a "foundation amount" to remain viable, regardless of how many students enroll. The key decisions here are: (a) how much the foundation amount will be, and (b) the size threshold below which schools would receive that amount. Keep in mind that any foundation amount will necessarily reduce equity across schools, because at a small school the same foundation amount will be split among fewer students. Some districts choose to offer a foundation amount only temporarily with the expectation that small schools should gain enrollment to prove their financial viability in the first few years of SBB.

3. **Choose values for grade weights and need weights.** Earlier, you identified an ideal set of student characteristics to weight. Now it's time to calculate an ideal value for each. For grade-based (e.g., high school) and need-based (e.g., special education inclusion) weights, this typically involves the district researching how much it currently spends to serve each student with a given attribute, and how much it would ideally like to spend. To set the latter benchmark, academic departments might design their ideal programmatic model for serving students with this need. These two yardsticks—current spending and ideal spending—are the benchmarks around which SBB weights are determined. Of course, even the ideal spending projection is not meant to define how schools must use their resources; rather, it is a sample of what it takes to serve particular students well.

4. **Back into the base weight.** Calculating the base weight that all students receive takes very little work: it's just the per-pupil amount remaining after the rest of the SBB pool has been spent on foundation amounts, grade weights, and need weights. Because a pool of resources is fixed, a design task force usually discovers its proposed base weight *after* setting proposals for the other elements.

5. **Test SBB scenarios.** This is a highly iterative process that will lead to adjustments to the base, grade-based, and need-based weights established above. Most districts choose to use a financial model to analyze multiple scenarios. When using a model, districts pay particular attention to two issues: underfunded schools and equity gains/losses.

   Underfunded schools are those for which the combination of a foundation amount, grade-level weights, and base weights would be insufficient to pay for their baseline services. A viable SBB formula should not leave any schools underfunded unless the district is intentionally setting a viability threshold to force small schools to gain enrollment, consolidate, or close.

   Equity gains and losses are the changes to funding that schools would experience between the district's traditional funding system and SBB. Radical shifts in funding associated with the transition to SBB might lead a district to establish mechanisms for smoothing the transition.

6. **Set "hold harmless" and other soft landings.** During the transition to SBB, most schools' staff and resource allocations will change from prior years. The general pattern of equity is such that previously "underfunded" schools will receive more resources, and previously "overfunded" schools will receive fewer. To soften the impact on schools that were previously overfunded, many districts devise a "hold harmless" or "soft landing" policy that limits the amount any school can lose or gain between the pre-transition year and the first year of SBB.

   For example, a school set to lose 10 percent of its budget might experience that loss as 5 percent per year, phased over two separate school years. Variations on this strategy include setting equal limits on losses and gains; setting a tighter limit on losses than on gains, which requires holding some money in reserve; or setting a tighter limit on gains than on losses, which results in savings that the district could funnel back into the base weight.

> *"Now I don't have to call central office to beg for money; I can just make decisions."*
>
> *—Principal in an SBB "Transformation Schools Pilot"*
> *Cleveland Metropolitan School District*

## Key Takeaways

- To define which resources will come to schools through the SBB formula, the district must go through a process of "unlocking" to decide which resources are appropriate and practical for school control.
- There is no magic number for determining how much to unlock; however, many districts unlock between 50 and 70 percent of school-based resources.
- "The pie is the pie," i.e., the more different factors you use to slice "the pie," the less money remains for other students. Therefore, choose a select few weights that are simple, measurable, and directly support investment in key district priorities.
- Projecting enrollment is fundamental to allocating money to your schools. Implementing SBB often leads districts to invest in improving enrollment projections, while also building a mechanism to move money when enrollment changes are identified in the fall.
- Budgeting on "actual salary" can dramatically enhance equity, while introducing a whole host of new incentives to school leaders. Think carefully about whether these incentives make sense given your compensation landscape.
- Creating an SBB formula is not "formulaic." Finalizing the formula requires iteration and careful deliberation.

## Questions for Reflection

- In your vision of the principal's role, what resources does he or she manage? What resources would you be likely to unlock?
- What types of students does your strategy suggest you should be investing in? Do these student characteristics translate neatly into potential weights, given the criteria for weight selection?
- How well do you currently project enrollment? To what extent does student mobility affect the accuracy of these projections? How might you improve projections?
- What would be the impact of using actual salary in your school budgets? Which schools would "gain?"
- Moving toward equity can entail a dramatic shift for some schools. How large a swing (up or down) are you comfortable with schools experiencing in year one? What does this imply for a possible "hold harmless" policy?

## Implementing SBB

In the previous section, we described the process of defining the mechanics of resource allocation. That is a big, but not the only, part of successfully implementing your SBB system. In addition, districts must:

- Adjust core annual planning processes, including budgeting, staffing, and school improvement planning;
- Re-think the role of principals and key district office staff, as well as how these teams interact;
- Train and support principals and district office staff in the context of new processes and expectations; and
- Engage a broad group of stakeholders to develop and maintain investment in your strategy.

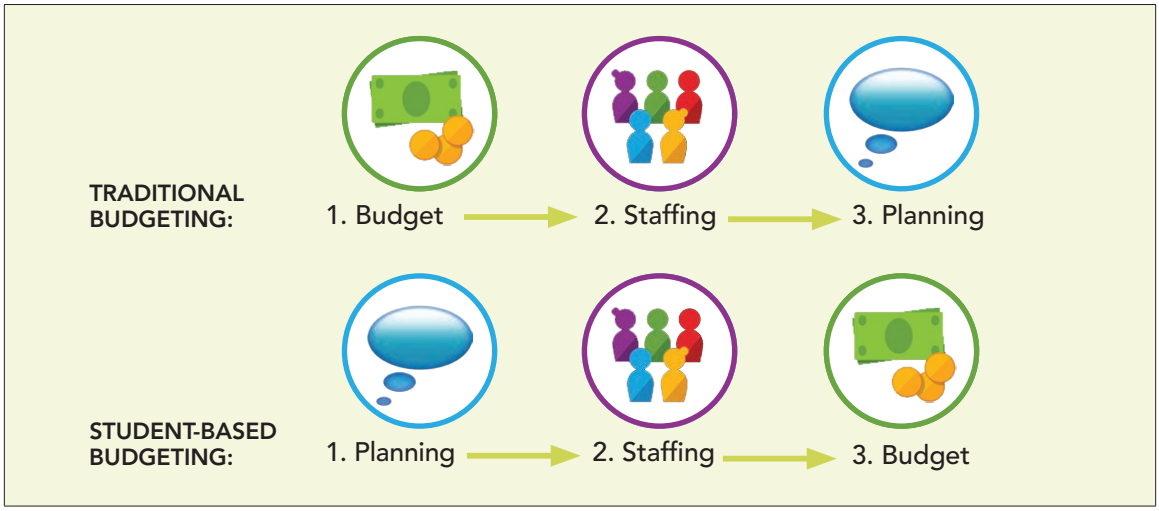
### Adjust Core Processes

Budgeting, staffing, and school-improvement planning are three of the most crucial processes that prepare a district for the upcoming school year. SBB impacts each one.

In a traditional funding model, these processes happen in tandem but don't always link. SBB requires that the district coordinate each step, so that school plans flow into hiring and firing decisions for staffing schools, then into an aggregate budget proposal. While preexisting timelines vary by district, this sequence often means that budget and staffing cycles need to be pushed later than they traditionally occur, while the planning process must happen earlier.

In many traditional districts, the budget team first sets a district budget, then the human resources team staffs schools, and only then do principals create academic plans. In an SBB district, school academic plans come first, creating a set of requests to guide HR in staffing schools, and then finally rolling up into an aggregate district budget based on the resources schools have chosen.

**The budgeting, staffing, and planning timeline in traditional and SBB districts**



Many districts submit tentative budgets to their boards in February of the preceding school year, which requires that individual schools create their own budgets as early as December. This presents two problems for planning: First, enrollment projections are likely not yet accurate enough to estimate resource needs by school, and second, the current school year has not progressed far enough for principals to incorporate lessons learned from their current resource use. This dynamic argues for strategic planning to occur as late as mid-spring.

But the candle burns at both ends. In an SBB system, the annual hiring timeline must respond to the specific positions and qualifications that schools are requesting in their strategic plans. If the planning process occurs too late, the HR department can't incorporate schools' plans into a hiring and firing strategy that customizes the workforce to schools' needs.

The most distinctive feature of the timeline in an SBB district is that school planning comes first: It sets the goals to which budgeting and staffing respond. In addition to shifting back its budgeting and hiring timelines to meet this priority, the transitioning district should map out all elements of the school planning process—such as plans for restricted grant funds, contractual waiver applications, etc.—and align them with the at-large budget-planning process.

## Rethink Principal and District Office Roles

At the center of an effective SBB system is a fundamental shift in the relationship between schools and the district. Traditionally, the district office exerts significant top-down control over not only how many resources are allocated to schools, but which and what kind of resources are delivered. Principals must work with what they're given.

SBB shifts the focus to a model that begins with each principal (and his or her team) setting a vision for the school that he or she believes will give students the best opportunities to succeed. This vision then shapes the principal's decisions about how to use the resources allocated to the school, based on student need. The district office's primary function becomes a service function: How can we help each principal realize his or her vision for the school? Specifically, effective district office teams ask: What does each school need? How can we provide it? What else can we do to streamline decision processes within the district office? Put another way, the district office must shift from a "yes/no" compliance mind-set to a solutions-oriented one of "yes, if…"

Additionally, in a traditional model, principals must often navigate a series of parallel bureaucracies responsible for various decisions about what resources each school gets and how those resources are to be used. In reimagining the role of the district office vis-à-vis principals, many districts create a district-level "single point of contact" for each principal who is responsible for coordinating district responses to principal needs and requests. This is a pivotal role that can have an outsized impact on the district's ability to make a smooth transition to SBB.

Overall, these shifts imply significant changes in mind-set and expectations for principals and their teams as well as district office teams, especially (but not solely) HR and finance. Districts that succeed at this culture change are far more likely to have success with SBB; those that don't may leave a lot of value on the table.

### *How Principals' Roles Change*

With SBB, principals are charged with managing a budget that is many times larger than any they managed before, with a view into a broader range of services than they typically think about. What's more, because SBB is usually paired with increased school-based autonomy over use of resources, school leaders may be empowered to make a range of new staffing and resourcing decisions. Even the most successful principals are unlikely to have had the opportunity to develop skills for these crucial strategic tasks.

#### The Principal's Role in SBB

| FROM… | TO… |
|---|---|
| Complying with district requirements | Articulating a clear vision for the school |
| Implementing a standard instruction and delivery model | Adjusting program, time, and staffing for student mastery |
| Executing system processes | Becoming an effective human capital manager/ strategist |
| Managing and protecting physical assets | Managing complex systems |
| Running a tight ship | Setting ambitious goals and holding teams accountable |
| Representing the district to local community | Developing and managing partnerships to extend time and instruction based on student need |

Principals in an SBB district may also find themselves with greater accountability for how resources are used, as well as for student results. In a traditional funding model, we often find a correlation between per-pupil funding and student performance—higher-performing schools receive more funding. (Note that this does not mean more funding generates greater gains, only that a correlation exists.) With SBB, strategic resource use and student gains become part of the principal's job-performance evaluation and/or broader school-performance framework.

Case Study **Creative School Design in Denver**

Denver, through its SBB system and tiered accountability structure, has been at the forefront of pushing for innovative school designs. In addition to giving schools the ability to decide *how much* to spend on various resources, the district's SBB system also pushes conventional boundaries to allow schools to decide on whom and what to spend their budgets: for example, allowing schools to contract out to nursing clinics instead of hiring a full-time nurse or piloting the option for schools to purchase social workers by the hour. The district says that SBB has put the entire district in a place where leaders can have truly meaningful conversations around the importance of the strategic use and management of resources.

### *How District Office Roles Change*

***Academic Superintendents and Other Principal Support.*** In a traditional system, the people who support and manage principals commonly focus on helping principals comply with state, district, and program policies, and navigate bureaucratic challenges with the district office. SBB generates a greater need for coaching and support around budget management, resource allocation, and other building-level decisions. Compliance is necessary, but not sufficient to take full advantage of SBB.

A foundational question here is how the academics department wants to offer guidance and support to schools around new instructional decisions they may be freed to make with SBB. For example, consider a district that has unlocked textbook spending. In a system with little to no school-level autonomy, the academics department decides what and how many textbooks each school gets. In a system where SBB is paired with increased school autonomy, the group might instead develop an "approved list" of textbooks from which a school leader could choose; offer schools wider freedom to choose, while requiring periodic reporting on titles, age, and number of textbooks; or simply advise principals and offer recommendations on which textbooks to purchase, with no specific requirements.

The district must also decide how it wants to handle situations when a school leader and his or her manager disagree on the best use of resources. Say a principal wants to cut a coaching position so he or she can fund two paraprofessionals to put into the classroom for reading intervention, but the school chief overseeing the principal disagrees. It's worth establishing ground rules and decision rights early on to avoid protracted and ultimately unproductive battles down the road.

Based on your vision for how the role of the academic team intersects with the principal's role, you may want to revisit the support structure that exists for principals. One district created full-time, cross-functional school-support teams, organized by geography and made up of four to five district office staff solely dedicated to on-call support of their zone's principals. Other districts created temporary SBB support teams dedicated to a small group of principals during budget season; at other times, principals would call a designated SBB liaison in each department for support. Ultimately, the principal-support system you create depends on your district's needs, capabilities, and vision.

***Human Resources.*** Because the majority of school-based resources are typically devoted to paying the adults whose job it is to educate and create a positive learning environment for children, any shift in how resources are allocated and spent will necessarily have a big impact on your HR team.

In a traditional model, the HR group is typically shaping how Full-Time Equivalents are assigned—to which schools, in which grades and subjects, and in what nonacademic functions. However, in an SBB model that includes school-based decision-making about resource use, HR's role shifts to facilitating the human resource strategy developed by each school leader. Tactically, this implies several big shifts for the HR team:

- As outlined above, HR is likely to receive information about staffing requirements later in the year than has typically been the case, necessitating a reconsideration of how staffing needs are fulfilled.

- The team also may be asked to staff roles that didn't exist in the district previously. For example, in one SBB district, half the principals opted to budget for a new "business manager" position that had rarely been employed in schools.
- HR may be asked to identify candidates who meet a new set of hiring criteria based on each school's evolving instructional model.
- In a district with many small schools, which typically receive less funding in an SBB system, HR will be tasked with identifying more part-time and dual-certified teachers. This helps schools and the overall district maintain maximum flexibility around staffing to ensure the most efficient use of available resources.

In light of these and other potential changes, the district's Human Resources team should be involved with all aspects of the SBB planning process from the earliest days, with a particular mandate to identify how SBB will affect existing systems and how the HR group plans to evolve to meet the needs of the new strategy. In the first year with SBB, HR may also want to set guidelines around staffing changes to ensure that the group can effectively adapt to changing requests from school leaders. This could give the team more time to understand school staffing behavior under SBB and revise processes and policies accordingly.

**Case Study** **School-Support Teams in Baltimore**

In Baltimore, school-support teams operate full time for the entire school year. These teams are organized by zone and made up of four to five district office staff across a variety of disciplines that include academics, finance, operations, and special education. A "team lead" is responsible for supervising, coordinating, and managing the work of the team. This structure was introduced after the first year of "Fair Student Funding," when central office staff realized that principals needed more support to be successful. Team members are solely dedicated to the on-call support of their zone's principals—they have no responsibility to direct or evaluate the principals, though they naturally act as a conduit of information to and from central office about what's working.

***Finance.*** Of course, much of the work we have discussed thus far involves the finance team leading the way. With SBB, the finance team shifts from focusing on how much each school gets to how well each school is using available resources. This speaks to the broader issue of mind-set and culture change within the district office. The finance team must align the school-budgeting process with the school-improvement and annual planning processes, as described above. Many budgeting software programs enable schools to make these links.

Finally, the finance team is responsible for maintaining and adapting the SBB model to ensure it continues to enable the levels of equity, transparency, and flexibility it was designed to enable. This involves developing and managing a set of resource-allocation and budget-development tools that offer a window into the SBB process for district leadership, district office staff, and school leaders, and adjusting the SBB model over time.

## Design Training and Support

Rolling out SBB requires an investment in training and support for principals and district-level staff who will be asked to adjust how they plan and manage resources. This investment commonly takes three forms—an introductory training, a staff support structure, and tools and documentation.

### *Introductory Training*

Building capacity around financial management and strategic resource use is the linchpin of any successful SBB implementation. You can have the perfect system designed and in place, but if schools don't know how to use the additional flexibility given to them—and if district-level staff continue to operate as decision *arbiters* rather than decision *enablers*—much of the value of localized decision-making has been lost. In order to drive home the message that SBB should represent a significant shift in the mode of doing business and not just a new budgeting formula, we suggest that academics staff, not only finance staff, should lead trainings on SBB.

Districts that have had successful SBB implementations have all invested in high-quality and relevant trainings for principals and district-level staff to set expectations, build capabilities, and introduce new processes. Building this capacity takes time. In the first year of SBB, the majority of schools will submit school budgets that are more or less the same as they were in previous years. As schools become more comfortable with the new system, they will be more creative and adjust school designs to take advantage of the flexibility and autonomy SBB offers.

For this reason, it often makes sense to start by training principals and key district staff around strategic school design, which we define as the deliberate organization of a school's people, time, technology, and money to optimize student outcomes. Then SBB becomes a tool to help them realize their vision. For instance, when ERS leads training, we typically structure the material through three stages. First, we introduce principals and district staff to the process of using data to pinpoint student need and teacher capacity at schools. Second, we help them narrow in on the priorities for change. Finally, we introduce them to the technical tools through which they will manage their budgets, and help them practice reallocating resources in anticipation of their final plans. For schools where teacher contracts and the SBB model afford principals wide autonomy over hiring and firing, the district may want to invest in further supports to help principals make—and district staff support—wise hiring and staff-development decisions.

### *Support Tools and Guidance Documents*

In order to efficiently and clearly convey school design plans to the district office, school leaders typically need a budgeting interface through which they can track dollars that have been allocated, as well as staffing and resource requests they have made. Like any data-driven system, SBB relies on accurate, timely data to inform decision-making at the school and district office levels. This includes up-to-date information on student performance, past financial decisions, teacher effectiveness, class size and other school design factors, and current financials. To the extent possible, these data should flow into the budgeting interface.

Many districts have found it tremendously helpful to create written and online support materials—from guidance documents for school-controlled resources to school design templates to spur creative ideas for principals, to clarification of key SBB facts and myths—and make them available to principals in one central location. We've seen districts offer an internal SharePoint site, create a wiki page that can be revised and edited by principals, or even print SBB information binders for every school. In many cases, these materials have been created, but they need to be organized and compiled into a usable and searchable format.

## Build and Sustain Investment

Student-Based Budgeting affects everyone in your district, from the most senior administrator to the newest teacher, and from the staff member deeply embedded in the district office to the child entering kindergarten. To truly gain traction with SBB, it's crucial that you develop a clear and proactive strategy for sharing what SBB is about and how it will affect the lives of people who are deeply invested in your schools.

### *Creating a Common Language*

Especially in times of declining budgets—and in some districts, layoffs and school closures—any reform that adjusts how scarce resources are distributed may be seen as a threat by some stakeholders. For that reason, it's worth creating a common language around which you can build your SBB communications strategy. This might include:

- Clarity about your objectives:
  - "We want a system where resources go where they are needed most, not to the person who knows where to look for them."
  - "We want to distribute resources equitably across schools to create a level playing field for all students."
  - "We want to ensure that everyone can see clearly how and where resources are being spent."
  - "We believe that principals and their teams should be empowered to make decisions about how to use resources in their schools."
- Outlining the basic concepts associated with SBB:
  - "Money follows students based on need."
  - "We identified X student characteristics that define how we distribute funds to schools."
- Describing the expected impact of SBB:
  - "Over the next three years, we expect that some of our most underfunded schools will see increases in resources, while some schools that have been artificially advantaged in the old system may be asked to operate with a bit less."
  - "Schools will be able to more effectively adjust their strategy to best meet the needs of their students."

### *Considering Your Stakeholders*

The best public spokespeople for SBB are frequently school principals. They are well known and often beloved in their communities and among parents, and are rightfully at the center of SBB.

In conjunction with training on school design and budgeting, some districts offer principals communications training and support to help them share important information with their staff and community. With district-wide initiatives, principals are often the unofficial spokespeople, so it is critical to prepare them as soon as possible.

School leadership doesn't just come from the principal's office. It can also be helpful for principals to develop an SBB team—made up of teachers and other staff at their school—to reach consensus around school design and budget decisions. In one district where we worked, principals were specifically asked to include their school's union rep on the design team as well.

Many unions have a long-held distrust of SBB, grounded in a concern that with localized decision-making, union contracts and requirements will no longer be upheld. It's important to note that SBB itself does not change the parameters around which schools are designed or how budgets and staffing decisions are made. Open communication and inclusion of union reps on school-based design teams can help clear the air on this and other potentially contentious topics.

As discussed above, SBB has a direct and significant impact on how the district office operates. Therefore, effective transitions to SBB typically involved clear internal communication and a change-management strategy for district staff.

Finally, it's worth considering the impact of SBB on students, parents, and the broader community and to develop a communications strategy—potentially including direct parent communications, discussions with local partners, and local media outlets—that helps all parties develop a common understanding of the rationale behind the new SBB system, how it will work, how it fits into the broader district context, and anticipated outcomes.

**Case Study** **Engaging the Community in Boston**

Boston Public Schools focused on two core messages as it rolled out a new budgeting system. First, after years of budget cuts, the district emphasized that "weighted student funding is about spending limited dollars much more wisely." Second, anticipating the questions and concern from parents and staff in schools that were 'losing' money through the new formula, BPS reiterated that "Dollars Follow Students," not buildings or programs. The district also used soft landings to cushion these losses, a strategy that succeeded in calming public concern because it was applied consistently and fairly across all schools. In the second year of implementation, families and schools still argued that they should receive more resources, but they did so within the language of weights and equity.[4]

[4] Boston Public Schools, "Weighted Student Funding," National School Boards Association, April 20, 2012

## Key Takeaways

- Moving to SBB can upend a district's traditional timeline (or at least its sequence) of allocating staff and building a budget. School planning must typically occur much sooner than before.
- SBB is an opportunity to expand and deepen the principal's role. If it just seems like "more work" for principals, something has gone wrong.
- SBB requires a new "service-provider" mindset from many central functions. Central employees need training and support so they can become strategic advisors to school leaders. Some districts choose to revamp their structure of school support to fit the needs of a principal under SBB.
- Significant training for school leaders is essential, not only on the technical details of how to budget, but also on the broader question of how to allocate resources for student success.
- When resources are scarce, it's easy to blame the new system. It's essential for district leaders to clearly communicate the objectives and guiding principles of SBB, considering the perspectives of all who have an interest in the system.

## Questions for Reflection

- When do school planning, staffing, and district budgeting currently occur? Would that sequence work in an SBB world?
- What will SBB add to your principals' plates? Should anything be taken off to compensate?
- What structure of support would your principals need to make strategic resource decisions in addition to their other responsibilities?
- To what extent do your central functions currently operate with a service provider mindset? What would be most difficult for them in a transition to SBB?
- Imagine the first SBB training for your principals: what are the top three things you would want them to emerge believing, understanding, or knowing how to do?
- How would you communicate the purpose of your move to SBB? If a parent or employee asked why the new system was taking resources away from their school, what would you say?

## In Closing: Keys to Success

Throughout this document we've identified key takeaways to help you most effectively develop and pursue your vision for SBB. In closing, we want to highlight five themes that carry across the entire process and, at a macro level, often make the difference between success and struggle in implementing Student-Based Budgeting.

- **Have a clear vision**—both about the district's strategy overall and the role of Student-Based Budgeting within it. An unclear vision is the surest way to engender fundamental concerns about your direction with SBB, but a clear and compelling vision will motivate others to "get on the bus" as the process unfolds.
- **Understand the district's capacity for change.** As much as any other potentially transformative initiative, SBB requires significant change to mindsets and behaviors at all levels of the organization, from top district leaders to the newest principals and teachers. Make a clear-eyed assessment up front of where your team is and is not ready to take on the changes you envision, and develop a strategy that leverages their strengths in embracing and driving change while acknowledging and providing additional support where change is going to be hardest.
- **Run a transparent process.** Just as an effective financial system is transparent as well as equitable and flexible, so should the process through which you develop and implement SBB be transparent to all stakeholders. At its best, SBB creates clarity in an otherwise murky process, helping everyone understand and embrace a system where dollars follow student need.
- **Engage key players in a true collaboration.** Like many new systems, if SBB is designed in a silo, its impact is likely to remain in a silo. Actively engaged principals, teachers and district staff have the knowledge and experience to make your SBB system stronger while also serving as crucial champions for the new system across the district.
- **Adjust course.** It should be clear by now that developing and running SBB is not a one-step process. In each phase, there will be adjustments—from which resources to unlock to how to support principals to how the formula might need to shift over time. Embrace these adjustments in pursuit of the most effective Student-Based Budgeting system to support your district's goals.

# SCHOOL SYSTEM 20/20

**Standards**
Rigorous, information-age standards and curricula to support them.

**Teaching**
A new way we hire, assign, support, pay and promote teachers.

**School Design**
A re-imagined school day with new schedules and dynamic groupings.

**Partners**
Partnering to create innovative and cost-effective ways to serve students better.

**Leadership**
Leadership roles with clear goals, accountability and career paths, and the flexibility and support to achieve results.

**Funding**
Systems that allocate resources equitably and flexibly across schools.

**School Support**
A central office that is a service and strategy partner instead of a compliance watchdog.

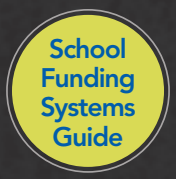
**Education Resource Strategies (ERS)** is a non-profit organization dedicated to transforming how urban school systems organize resources—people, time, and money—so that every school succeeds for every student.

ERS provides innovative tools to help districts achieve their transformation goals. The School System 20/20 assessment tools help district leaders understand whether their district policies, structures, and practices create the conditions for improving student performance at scale—and how well their resources are aligned with the areas most critical to improving student outcomes. Based on our experience working with districts, on our extensive district database, and on published research, the tools use qualitative and quantitative metrics to evaluate two key areas of district performance:

- **System Conditions Evaluation**—Assess how well system conditions and structures support strategic practice and resource use, across the seven School System 20/20 transformation areas.
- **District Practice and Resource Use**—Evaluate actual practice and resource use, across all seven School System 20/20 transformation areas.

**Learn More at ERStrategies.org**

**One Vision, 7 Strategies**
Learn how the seven strategies support the creation of high-performing schools.




**Practical Tools for District Transformation**
Assess your funding system for equity, transparency, and flexibility

**Resource Check**
Understand how well your district is using its resources.

**Hold'em**
Learn how you can invest in kids and still meet the bottom line.

**DREAM**
Create budget scenarios and envision change.

**Get our email updates at www.ERStrategies.org/signup**

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