DOCUMENT RESUME

ED 465 842 UD 035 100

AUTHOR	Siegel, Dorothy; Fruchter, Norm
TITLE	Evaluation of the Performance Driven Budgeting Initiative of the New York City Board of Education (1997-2000). Final Report [and] Executive Summary.
INSTITUTION	New York Univ., NY. Inst. for Education and Social Policy.
SPONS AGENCY	Pew Charitable Trusts, Philadelphia, PA.
PUB DATE	2002-02-00
NOTE	99p.
AVAILABLE FROM	Institute for Education & Social Policy, Steinhardt School of Education, New York University, 726 Broadway, 5th Floor, New York, NY 10003. Tel: 202-998-5880; e-mail: isep@nyu.edu. For full text: http://www.nyu.edu/iesp.
PUB TYPE	Information Analyses (070) -- Numerical/Quantitative Data (110)
EDRS PRICE	MF01/PC04 Plus Postage.
DESCRIPTORS	*Academic Achievement; Accountability; *Budgeting; *Educational Finance; Educational Planning; Elementary Secondary Education; Program Effectiveness; Program Evaluation; Public Schools; School Based Management; *Urban Schools
IDENTIFIERS	New York City Board of Education; *New York (New York)

ABSTRACT

This report reviews implementation of Phase 1 of the New York City Board of Education's Performance Driven Budgeting (PDB) initiative from 1997-00. This initiative generated a new element in school-based planning for instructional improvement, explicitly linking school-level budgeting and efforts to improve student and school performance. The evaluation examined PDB's underlying theory: schools will improve student academic performance if they control all the components of their instructional planning, particularly budgeting. Researchers conducted structured interviews with senior staff at the central, district, and school levels; observed participant meetings at all three levels; conducted focus groups and informal interviews; analyzed documents; and surveyed planning team members in 23 of the 61 pilot schools. The study assessed the impact of PDB on student academic performance. Results indicated that the PDB produced a new budgeting system in which school-level decision making was driving change upward through the district and central fiscal systems. On the instructional side, the central administration Comprehensive Educational Plan contributed to improved instructional planning in all the system's schools. There was initial indication that academic outcomes in PDB schools improved relative to non-PDB schools. Appendixes contain research materials and data on principal turnover in PDB districts. (SM)

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Dorothy Siegel
Norm Fruchter

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Final Report

Evaluation of the

Performance Driven Budgeting Initiative

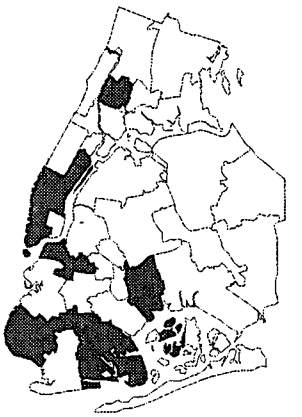
of the

New York City Board of Education

(1997-2000)

February, 2002

Dorothy Siegel
Norm Fruchter



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Steinhardt School of Education
New York University

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ACKNOWLEDGEMENTS

This report reviews the implementation of Phase I of the New York City Board of Education's Performance Driven Budgeting (PDB) initiative from 1997 through 2000.

The personnel at all levels of the school system whom we interviewed, observed and surveyed, and who helped us understand the context as well as the implementation of PDB, are too numerous to thank individually. We are indebted to all of them and deeply appreciate the time they took from their very busy schedules to assist us and to help us understand their realities.

We would be remiss if we did not acknowledge the assistance of the Board's Chief Financial Officer Beverly Donohue, her former Senior Assistant Stacy Martin, former Deputy Chancellor for Operations Harry Spence and his former Senior Assistant Ann Horowitz. We deeply appreciate their support, guidance and cooperation.

We are grateful to Robert Berne, the Institute's founding co-director and now the university's Vice President for Academic and Health Affairs, who helped develop the evaluation proposal and played a key role in its initial stages.

At the Institute, thanks are due to a cadre of committed staff members and consultants: Zvia Naphtali and Lynne Weikart, who helped plan and guide the evaluation implementation; Jay Leslie, the project's information coordinator; Jacqui Bratton, Jean Kouremetis, Julie Ting and Erica Zurer, research assistants; and Beverly Crumley, Jeffrey Metzler, Penelope Pi-Sunyer and Stephanie Twin, field researchers. We also appreciate the assistance and support of Carol Ascher, Patrice Iatarola, Dana Lockwood, Deinya Phenix, Geraldine Pompey, Cathy Waldo-Elliot and Nathalis Wamba, our Institute colleagues.

We thank Professors Amy Ellen Schwartz and Leanna Stiefel and doctoral candidates Dae Yeop Kim and Carole Portas of NYU's Wagner School of Public Service for the companion study assessing the impact of PDB on student academic performance.

We would also like to thank Ken Lubetsky of the United Federation of Teachers for organizing annual teacher focus groups.

Finally, we are grateful to the Pew Charitable Trusts and an anonymous funder for their support of this research.

Final Report:
Evaluation of the Performance Driven Budgeting Initiative
of the New York City Board of Education (1997-2000)

February, 2002

Dorothy Siegel, Norm Fruchter

Table of Contents

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EXECUTIVE SUMMARY

School-based planning for instructional improvement has been a major national education reform focus for more than two decades. During the '70s and '80s, various school-based management efforts proposed to put schools in charge of some of their own instructional operations. But this effort delivered increased discretion rather than real autonomy; most school-based management schools received only a modicum of power over issues marginal to instructional improvement, and were rarely granted any autonomy in budgeting.

During the '90s, districts across the country began experiments in school-based budgeting. As the research of the Cross City Campaign for Urban School Reform suggests,[1] districts developed a variety of schemes to decentralize budgeting to their schools. Again, what resulted was increased discretion over mostly marginal expenditures.

New York City's Performance-Driven Budgeting (PDB) initiative, introduced in 1997, generated a new element in school-based planning for instructional improvement, the explicit link between school-level budgeting and efforts to improve student and school performance. This evaluation examines the implementation of that initiative from its inception in 1997 through most of 2000.

THE INITIATIVE

Then-Chancellor Crew defined the goal of PDB as "provid[ing] local educators with increased control and flexibility over the use of resources so that they [can] engage in more creative program development, more effective problem solving, and more efficient use of resources to improve student performance."[2] To Crew, PDB was a key component of a performance-driven school system that:

- defines clear standards for student learning;
- identifies educational strategies for all students to meet these standards;
- aligns all resources, policies and practices to carry out these strategies;
- tracks results; and
- uses the data to drive continuous improvement and holds the entire system accountable for student performance.

To achieve the PDB goal, the entire system must focus on improving classroom instruction. Decisions about improving instruction must be made at the school level, involve all school constituencies, and be supported by the community school district (hereafter "district") and by the Central administration (hereafter "Central"). Furthermore, making decisions at the school level necessitates a redefinition of "relationships and decision-making authority so that decisions about the use of resources are directly linked to effective instructional strategies and improved student achievement."[3] Consequently, the hierarchical relationships and top-down authority that characterized the tri-level New York City school system[4] had to change.

In February 1997, Central announced the selection of the six New York City community school districts (Districts 2, 9, 13, 19, 20 and 22) that had volunteered to pilot the first phase of a projected three- to five-year PDB implementation process.[5]

THE EVALUATION

Later that year, a committee of PDB participants selected New York University's Institute for Education and Social Policy (IESP) to conduct an independent evaluation of the first, or pilot, phase of the PDB initiative, through Fall, 2000.

The evaluation identified the underlying theory at the core of PDB: schools will improve student academic performance if they control all the components of their instructional planning, particularly budgeting.

In our analysis, we employed both qualitative and quantitative methods. The qualitative component included structured interviews with a variety of senior staff at the Central and district levels and in six PDB schools; observations of meetings of participants at all three levels; focus groups and informal interviews; and analyses of documents from all three levels.[6] In each year of the study, IESP also conducted a structured survey of planning team members in 23 of the 61 pilot schools from the four early-implementing districts, and, in the last year, in twelve schools in the remaining two districts.

We also assessed the impact of PDB on student academic performance. The impact study compared change in

student performance in the PDB pilot elementary schools with change in student performance in the non-PDB New York City elementary schools.

FINDINGS

Prior to implementation of PDB, most school planning and budgeting decisions were made by the district or by Central. Schools were rarely responsible for making their own key instructional and budgeting decisions. However, once PDB was initiated, the hierarchical command-and-control style of instructional planning and budgeting began to shift. Our first year evaluation reported that participants throughout the school system defined three transformations as essential for successful PDB implementation:

- Central had to move control over resource allocation and instructional planning decisions to the districts and schools, and transform itself into a comprehensive internal service organization.
- Districts had to move considerable control over budgeting, staffing and instructional planning to schools, while developing their role as facilitator, trainer and supporter of school-based planning and budgeting.
- Schools had to take on the multiple challenges of self-management, while embracing and carrying out their new powers.

Our broad conclusion is that Central succeeded in operationalizing PDB in a number of ways. Specifically, Central:

- transferred primary authority for planning and budgeting decisions to the schools;
- established the school planning team as the key planning and budgeting unit;
- created and implemented a framework for school instructional planning;
- developed and implemented a school budgeting system (Galaxy) built on school planning decisions; and
- took initial steps to develop the capacity to make this new approach work.

These successes involved major shifts in policies and practices. The following sections summarize our findings about how considerably policies, procedures and practices at Central, the districts and schools have shifted to allow, and support, school-based instructional planning and budgeting.

Changes in accountability and decision-making authority

Major changes in school accountability and decision-making authority aided the implementation of PDB. Under pressure from Chancellor Crew and Mayor Giuliani, the state legislature passed a school governance law in late 1996 that virtually eliminated the role of the community school boards, strengthened the line of authority from chancellor to superintendent to principal, gave Central the authority to impose uniform standards on districts and schools, mandated school-level budgeting and school planning teams, enhanced Central's ability to hold school and district personnel accountable for school performance, and established the principal as the formal educational and administrative leader of the school.

One result of the legislative mandate for planning teams in every school was the establishment of the school team as the key systemic planning and budgeting unit of the system. The School Leadership Team (SLT) Plan, promulgated by Chancellor Crew in late 1998, gave school teams the authority to make instructional planning and budgeting decisions, and formalized and standardized the planning process throughout all city schools.

Our findings indicate that the PDB pilot schools established SLTs from existing school planning teams, and, on average, doubled their parent membership so that team composition was fairly well balanced between parents and staff. These SLTs often made important instructional decisions for their schools. But because, under the new accountability arrangement, principals alone were held responsible for student outcomes, principals were clearly the key school-level decision-makers, while SLTs played, at best, an influential supporting role.

Additionally, Central strengthened public accountability by compiling, analyzing and widely disseminating comprehensive performance and financial data for every school and district and for the system as a whole, in its annual issuance of Annual School Reports and School Based Expenditure Reports.

Changes in planning for instructional planning

Central established a new framework for school instructional planning. The CEP planning system, mandated for all schools and districts, included a broad set of instructional planning tools – a Comprehensive Educational Plan (CEP) for schools, a District Comprehensive Educational

Plan (DCEP) for districts, a school self-assessment tool (PASS) and an early childhood literacy assessment system (ECLAS). The CEP and the other elements of this system were designed to help SLTs focus on analyzing school needs and recognizing instructional problems. Central also provided schools with considerable student demographic and outcome data, in a variety of disaggregated formats, to help them understand their students' needs and plan instructional interventions that would improve student outcomes.

When schools managed to use the CEP planning system effectively, they helped create a "conversation about how to reach children with different needs," as one teacher put it. Our research also indicated that the CEP system can become a compliance-driven, mechanical process that fails to investigate core instructional problems or propose meaningful improvements.

Interventions and accountability measures imposed on schools by districts and Central also limited schools' ability to plan for instructional improvement. When their planning efforts were not too constrained by these interventions — or by late state budgets or significant staff turnover — many PDB pilot schools seemed able to use the CEP planning system to improve instruction and student outcomes.

Changes in school budgeting

Central substantially increased district and school control and flexibility over budgeting and spending by improving the Central budget allocation process, and by issuing timely allocations two years in a row in spite of chronically late state budgets. Central also decentralized fiscal responsibility to the districts, using a differentiated approach to determine which districts were capable of more autonomous operation, and which districts needed monitoring and assistance to carry out their new budgeting authority. In addition, Central decentralized some of its functions and increased districts' and schools' control over system resources by more than 8%. Finally, Central developed Galaxy, a powerful school-based budgeting tool that is forcing fundamental changes in the system's centralized operations.

Central first tried to create a new budgeting system through a traditional centralized planning approach. After sharp protest from district-level personnel, Central shifted its planning model to what became known as the Core Group strategy. This Core Group of field-based experts defined its primary task as the design and development of a budgeting system that would allow schools to manage their money in support of their instructional plans.

In order to carry out the many complicated fiscal, operational and administrative changes that the Galaxy system required, Central created a high-level task force called the Galaxy Steering Committee, chaired by the Chief Financial Officer. Thorny technology issues that might have been lost in turf battles were resolved fairly quickly because the Core Group Leader, the Galaxy Project Manager, and the system's Chief Financial Officer and Chief Technology Officer all sat on the committee.

The Galaxy Steering Committee's most arduous task was managing the difficult transition from the original (June 1999) Sketchpad version of Galaxy, which had no direct link to Central's financial and personnel systems, to a fully-linked and fully-functional Galaxy system. Establishing these linkages was extraordinarily complex and contentious in large part because a new accounting system was introduced at the same time that Galaxy was scheduled for linkage to the old accounting system. The collision resulting from the simultaneous introduction of these two new systems caused huge problems, including delays in establishing linkage between Galaxy and other Central systems, such as payroll and personnel.

The chaos and confusion that ensued frustrated principals and SLT members, as well as district personnel, across all PDB pilot schools and districts. Eventually, the Galaxy Steering Committee resolved the most significant systemic conflicts between traditional Central procedures and the requirements of bottom-up budgeting. But it was not able to prevent the schools and districts piloting Galaxy from severe buffeting during the conversion to the new budgeting system. Still, after a very trying year, by mid-2000 the Galaxy system was functioning well, and 192 schools in five of the six pilot districts were able to manage their budgets.[7]

The changes that Galaxy generated in the PDB pilot districts were even more dramatic than the changes the Galaxy Steering Committee pushed through Central. When combined with the effect of Central's improved budget allocation and purchasing processes and its devolution of greater fiscal responsibility to the districts, Galaxy greatly

increased district control and flexibility over its resources. District administrators could more effectively shape their allocations to reflect district priorities and programmatic strategies. Districts could determine the degree of autonomy granted their schools, on a school-by-school basis. Faced with the challenges and the opportunities Galaxy offered, many district staffs began to shift their role from rule-enforcer to problem-solver – for problems that had traditionally prevented schools from matching their resources to their plans.

The changes Galaxy generated in the pilot schools were equally dramatic. Using Galaxy, schools were able to see their entire allocation and could budget and spend their money flexibly, "matching [our] dollars to our needs," as one principal told us. Under Galaxy, schools get dollars, not budget lines or positions. These school dollars represent almost all funds — tax levy and reimbursable, general education and special education, personnel and non-personnel – that districts control. School planners are able to combine multiple funding sources to split-fund staff; hire people full-time, part-time or on a per-session or per diem basis; and move money between and among personnel and non-personnel categories, activities and programs. Complicated funding source rules and efficiency measures are built into the Galaxy system, as is district-level oversight. Budget modifications can be approved in a day, not weeks or months. Galaxy enabled many pilot schools to become effective financial managers.

Under the guidance of the Core Group, Galaxy implementation expanded during 2000-01 from five Phase I districts to an additional fifteen districts. In the summer of 2001, these twenty districts aggregated the budgets of their 580 schools[8] into district budgets totaling $2.9 billion. As the 2001-02 school year began, two-thirds of New York City's elementary and middle schools, educating half a million children, had their own budgets to manage.

IMPLICATIONS

Even before resolution of Galaxy's implementation problems, most school planners in the PDB pilot schools defined the effect of PDB on student learning positively.[9] Moreover, our impact assessment found a slight, but statistically significant, increase in student test scores in the PDB pilot schools, when compared to schools in the non-PDB districts.[10] This suggests that the instructional planning and budgeting in which these pilot PDB schools engaged may have been effective in improving student outcomes.

The shift from a top-down, hierarchical planning and budgeting system to one in which schools increasingly drive instructional planning and operational budgeting, signals the possible emergence of a new budgeting paradigm in the New York City school system. Whether it becomes a permanent change — to a new bottom-up, performance-driven budgeting system — depends on the extent to which system leadership supports the institutionalization of PDB, and particularly of Galaxy, and provides the support and resources necessary to keep it vital.

Concerns about capacity

One major concern is about districts and schools developing the capacities needed by a performance-driven system. Some PDB districts clearly developed the capacity to continually assess their schools' performance and academic outcomes, and have taken steps to encourage and support their schools' improvement efforts. Yet many districts – PDB and non-PDB alike – that house the bulk of the city's low-performing schools have not yet developed the capacity to assess school performance and to help their low performing schools improve.

Of particular concern, especially for low performing schools, is that the school system's chronic resource deprivation will become much more severe, given recession-reduced city and state budgets and a local economic crisis generated by the events of September 11th.

But even before the current crippling economic reality, the city's low performing schools bore the brunt of the school system's endemic failure to recruit, train and retain a sufficient supply of effective teachers and principals. Low performing schools that cannot hire teachers and principals with the knowledge and experience to guide school planning efforts have little capacity to implement PDB.[11] Moreover, many low performing schools have very high staff turnover, which forces them into a repetitive cycle of constant staff training without the ability to establish the core of experience necessary for effective planning and budgeting.

These problems, especially acute in low performing schools throughout the city, reach epidemic proportions in

high-needs districts.[12] What we fear is that in many, if not most, of the system's low performing schools, current teacher and principal capacity issues will render PDB ineffective.

Concerns about the political context

At the macro political level, the consistent attacks on the school system and its personnel[13] by much of the city's political leadership resulted in systemic leadership instability, defensiveness and a lack of sufficient educational resources. It also intensified the growing personnel crisis.

Chronically late budgets exacerbate these problems. Schools cannot plan effectively without knowing what their next-year's budget will be. The practice of producing consistently late state budgets violates this most essential pre-condition for successful PDB implementation. While Central cannot control how late the state budget will be, it can take that hazard into consideration, as happened when Central issued two timely budgets in June 1998 and June 1999. It is technically possible for Central to issue preliminary district allocations, recalibrating them once the state budget is passed. However, a stable and non-destructive political climate is a precondition for such fiscal forecasting to have an acceptable range of risk.

There is also concern, suggested in our first year evaluation report, that a new chancellor committed to differing notions of reform could reverse the important changes Central had initiated under Chancellor Crew. PDB was conceived as an effort to transform the systemic functions of instruction and finance by lodging planning and budgeting at the school level. If system leadership does not support this transformation, PDB may be reduced to a tool schools use to mechanically budget what districts and Central have decided they should do.

CONCLUSION

The effort to conceptualize, define and implement PDB represents an effort to replace a command-and-control, hierarchical instruction and budgeting system with a school-level decision-making system that integrates schools, districts and central administrations through reciprocal mechanisms.

PDB's theory of change hypothesized that student achievement would improve if schools were given significant control over their resources and their instructional planning. Our evaluation found that the Performance Driven Budgeting initiative produced a new budgeting system in which school-level decision-making is driving change upward through the district and Central fiscal systems. Moreover, on the instructional side, Central's CEP planning system is contributing to improving instructional planning in all the system's schools.

This study also found initial indications that confirm the PDB hypothesis — academic outcomes in the PDB schools have improved relative to schools in non-PDB districts. Given only five years since its inception, that is indeed a remarkable achievement.

Endnotes

1 Lauber, D. and Warden, C. (1995). *Reinventing Central Office: A Primer for Successful Schools*. Chicago, Il: Cross City Campaign for Urban School Reform.

2 Crew, R. (1996, August 23). *An Invitation to Partnership in the Design and Implementation of Performance Driven Budgeting*. New York City: Board of Education.

3 *Ibid*.

4 The top level of the New York City school system consisted of a central administrative structure (Central). The middle level consisted of 32 geographically delimited community school districts, six high school superintendencies, and District 75, a citywide special education district. A Chancellor's District for low-performing schools was added in 1996. The quasi-independent community school districts, which operated the elementary and middle schools, were run by superintendents who reported to local elected community school boards. The high school superintendencies were run by superintendents with little power, who reported to Central's Division of High Schools. The third level consisted of 1100-1200 schools.

5 Two of the six districts (Districts 9 and 20) were not expected to begin implementing PDB until the 1998-99 school year.

6 Documents included memoranda, internal correspondence, publications and archival materials from Central; annual district and school instructional improvement plans; and system-wide student demographic and budgeting documents for the 1996-97 through 1999-00 school years. This study

analyzed a total of 203 interviews, 136 observations and 272 surveys over three years.

7 The sixth district, District 22, decided to continue to use its own well-developed school budgeting system and dropped out of Phase I Galaxy implementation in September 1999.

8 These schools operated a total of 728 "Galaxy organizations" – sub-schools, houses and academies that districts set up as separate budgeting entities.

9 More than 60% of the 89 PDB team members who responded to our 2000 survey indicated that, after three years of participation in the initiative, their school was "a better place for student learning"; only 5% said it was "a worse place for student learning."

10 To obtain a copy of the study, contact IESP at 212-998-5880 or iesp@nyu.edu.

11 These critical staff capacity problems in low-performing schools have led to solutions that impose scripted instructional programs on low-performing schools.

12 Iatarola, P. (2001, Spring). *Distributing Teacher Quality Equitably: The Case of New York City*. New York City: Institute for Education & Social Policy.

13 The city administration's failure to negotiate timely contracts with the principals' and teachers' unions, combined with its propensity to make the school system and its practitioners into constant targets of attack, created a bunker mentality that diminished morale throughout the city's schools.

INTRODUCTION

School-based planning for instructional improvement has been a major national education reform focus for more than two decades. During the '70s and '80s, various school-based management efforts proposed to put schools in charge of some of their own instructional operations. But this effort delivered increased discretion rather than real autonomy; most school-based management schools received only a modicum of power over issues marginal to instructional improvement, and were rarely granted any autonomy in budgeting.

During the '90s, districts across the country began experiments in school-based budgeting. As the research of the Cross City Campaign for Urban School Reform suggests,[1] districts developed a variety of schemes to decentralize budgeting to their schools. Again, what resulted was increased discretion over mostly marginal expenditures.

New York City's Performance Driven Budgeting (PDB) initiative, now in its fifth year, introduced a new element to school-based planning for instructional improvement, an explicit link between budgeting and efforts to improve student and school performance. This evaluation examines the implementation of the first phase of PDB from its inception in 1997 through early fall, 2000.

PDB CONCEPT

In 1996, then-Chancellor Rudolph Crew articulated a vision of a performance-driven system that "focuses its energies on the sole goal of improving performance in teaching and learning."[2] According to Crew, a performance-driven school system is one that:

- defines clear standards for student learning;
- identifies educational strategies for all students to meet these standards;
- aligns all resources, policies and practices to carry out these strategies;
- tracks results; and
- uses the data to drive continuous improvement and holds the entire system accountable for student performance.

Performance Driven Budgeting, a key component of this performance-driven school system, was conceptualized during Summer 1996 by a PDB planning team[3] consisting of Central administrators, representatives of community school districts and high schools, education researchers, school reformers and officials of the United Federation of Teachers. According to the planning team,

> *The goal of PDB is to "provide local educators with increased control and flexibility over the use of resources so that they {can} engage in more creative program development, more effective problem solving, and more efficient use of resources to improve student performance."*[4]

The PDB principles *(see below)* articulated by the planning team declare that achieving this goal requires a systemic focus on improving classroom instruction. Decisions about improving instruction must be made at the school level, involve all school constituencies and be supported by the community school district (hereafter "district") and by the Central administration (hereafter "Central"). Further, making decisions at the school level necessitates "redefin[ing] relationships and decision-making authority so that decisions about the use of resources are directly linked to effective instructional strategies and improved student achievement."[5] Consequently, the hierarchical relationships and top-down authority that characterized the tri-level New York City school system[6] had to change.

PDB INITIATIVE

The PDB planning process began in the summer of 1996 and continued through the following fall and winter. Six districts and three high school superintendencies submitted proposals indicating how they and their volunteer schools would implement PDB.

In February 1997, upon the recommendation of the PDB planning team, the Chancellor announced the selection of all six community school districts (Districts 2, 9, 13, 19, 20 and 22) and three high school superintendencies (Queens, Brooklyn and Alternative) to pilot the first phase of a three- to five-year PDB implementation process, to be overseen by Deputy Chancellor Harry Spence.[7] Two of the six districts (Districts 9 and 20) were not expected to begin implementing PDB until the 1998-99 school year, although all were considered to be part of Phase I implementation. There were 61 pilot schools in the four early-implementing PDB districts (Districts 2, 13, 19 and 22), and 13 pilot high schools.

The PDB planning team outlined two discrete tasks. First, the four early-implementing PDB districts and the three high school superintendencies were to design and develop innovative district models of PDB implementation. The planning team expected that "variation among these [district] models [would provide] more opportunities for the development of innovative strategies and teach us more about the kinds of approaches that are likely to be successful."[8] Eventual system-wide implementation would be based on one or more of the models developed by the Phase I districts.

Second, all Phase I participants were to work together to identify "legal, contractual, accepted practice, or other constraints which limit local flexibility and discretion over the use of resources."[9] The Phase I participants identified five areas for prompt attention: earlier allocations to schools; personnel hiring and flexibility issues; school-based budgeting and expenditure issues; strategies to change city, state and federal regulations and laws that impede PDB implementation; and selection of an evaluator.

In March 1998, Deputy Chancellor Spence announced a major change in PDB implementation – the creation of a new field-based approach. "While many [districts] made strides in linking instructional goals and resource use in participating schools, we have been less successful over the past year in removing the Central institutional and regulatory barriers to local discretion,"[10] Mr. Spence explained. The task of implementing the new approach was given to a newly formed Core Group, consisting of the six directors of operations from the Phase I districts and two other directors of operations.[11] The primary focus of the Core Group was development and implementation of the Galaxy school budgeting system. The Core Group was to provide "field-driven leadership" for the PDB initiative, said Mr. Spence. Accordingly, his own role was to "concur in this project. But I no longer drive it. The driver's seat is now in the districts."[12]

Beverly Donohue, the school system's Chief Financial Officer (CFO), became responsible for coordinating PDB activities. She formed the Galaxy Steering Committee, a high-level task force of Central executives and managers, to coordinate and remove roadblocks to Galaxy implementation. Liz Gewirtzman, District 2's Director of Operations, became the PDB Project Director and Core Group Leader. Mitch Klein, a technology consultant for Central, became the PDB Project Manager.

In the following years, several changes in leadership occurred, including the departure of PDB Project Director Gewirtzman in 1999, and Chancellor Crew and Deputy Chancellor Spence in 2000. The Core Group and CFO Donohue continued to develop and implement Galaxy and coordinate PDB activities. Mark Gullo, Director of Operations of District 20, became the Core Group Leader in July 1999. Deputy Budget Director Judy Solomon became the PDB Project Director in March 2000.

By the beginning of the 2001-02 school year, when Galaxy had been phased into 15 additional (Phase II) districts, the Galaxy school budgeting system was in use in twenty community school districts that comprised 580 schools serving one-half million students.[13] Plans were in place to phase Galaxy into the remaining districts, the high school superintendencies, District 75 (Citywide Special Education) and the Chancellor's District.

NYU EVALUATION

In the fall of 1997, an advisory committee of PDB participants selected New York University's Institute for Education and Social Policy (IESP) to conduct a three and a half year evaluation of the first, or pilot, phase of the PDB initiative. To ensure its independence, two outside funders, the Pew Charitable Trusts and an anonymous benefactor, funded the evaluation. New Visions for Public Schools was the fiscal administrator.

We identified the theory of change at the core of PDB: schools will become academically more effective if they control all the components of their instructional planning, most particularly budgeting. Therefore, our evaluation set out to discover, first, whether the administrative and governance levels above the schools – the districts and Central – had begun to create the conditions that make school-based instructional planning and budgeting possible; and second, whether and to what extent the schools themselves were carrying out that planning and budgeting.

We used both qualitative and quantitative research methods. The qualitative component included structured interviews with senior staff at the Central and district levels and in six PDB schools. In addition, we observed meetings of participants at all three levels, including numerous school

Table 1: Data Collection

	Interviews	Observations	Surveys *
1997-98	60	39	87 (66%)
1998-99	58	52	95 (66%)
1999-00	85	45	89 (60%)
Total	203	136	271

*Number (percent) of returned surveys of planning team members in 23 pilot schools in Districts 2, 13, 19 and 22. In 1999-00, an additional 48 surveys were returned from Districts 9 and 20.

planning team meetings, and conducted focus groups and informal interviews.

We analyzed documents from all three levels, including memoranda, internal correspondence, publications and archival materials from Central; annual district and school plans and budgets; and such system-wide budgeting documents for the 1996-97 through 1999-00 school years as allocation memoranda, Annual School Reports, School-Based Budgeting Reports, School-Based Expenditure Reports and Chancellor's Budget Requests.

In each of the three years of the study (1998, 1999, 2000), we conducted a structured survey of planning team members in 23 of the 61 pilot schools from the four early-implementing districts. Districts 2, 13, 19 and 22, and, in the third year, twelve schools in the remaining two districts.

Within the sample of 23 schools, we surveyed principals, teachers and parents serving on the school planning team. In 1998 and 1999, we asked schools to complete a School Information Form which provided us with the names and constituent groups of all planning team members. In 2000, we obtained the names and constituent groups of planning team members from a questionnaire Central administered to the School Leadership Teams. *(See Appendix A.)*

The self-administered surveys were mailed to the principal, teacher's union representative, and PA/PTA president, as well as to additional, randomly selected parents (one) and teachers (three) on the planning teams of the 23 schools in the sample.

We created two databases from data collected in the field. From the information we collected about planning team members and their constituent groups, we created a three-year database on school planning teams. We analyzed these data for team size, composition and stability. From information we collected from the six PDB district directors of operations about their schools and principals, we created a three-year database on principal turnover rates in the PDB districts from June 1999 through September 2000, presented in Appendix B.

For the first two years of the study, we also conducted interviews, observations, document collection and surveys in the thirteen pilot high schools and three high school superintendencies, as well as in four comparison schools in two non-PDB districts.[14]

Finally, we assessed the impact of PDB on student academic performance. This study[15] compared change in student performance in the PDB pilot elementary schools with change in student performance in the non-PDB New York City elementary schools.

Our evaluation of PDB traced a fluid effort, across three and a half years and three levels of the school system, to operationalize the PDB concept. Because implementation of PDB did not follow a detailed work plan, the evaluation design had to adapt as implementation plans evolved. For example, one major shift — to the Core Group approach — required an equally major shift in the evaluation's emphasis. The inclusion of Districts 9 and 20, and the exclusion of high schools from the Galaxy effort required another shift. The development of universal school instructional planning and mandated school planning teams, efforts that paralleled and interconnected with the PDB initiative, presented a compelling argument for incorporating those efforts into the evaluation.

FIRST AND SECOND YEAR FINDINGS

In the first year of our study, covering the period from PDB's inception through August 1998, we examined the development of the PDB concept at Central. We also asked individuals at all levels what PDB would look like if it were operating successfully, and what changes in policies and practices they thought necessary for successful implementation. We examined how and to what extent Central and the PDB districts and high schools superintendencies were instituting the changes that would make PDB possible.

We found near-universal agreement that three transformations were essential for successful PDB implementation:

- Central had to move control over resource allocation and instructional planning decisions to the districts and schools, and transform itself into a comprehensive internal service organization;
- Districts had to move considerable control over budgeting, staffing and instructional planning to schools, while developing their role as facilitator, trainer and supporter of school-based planning and budgeting; and
- Schools had to take on the multiple challenges of self-management, while embracing and carrying out their new powers.

Our first year study found that the changes Central introduced seemed to reflect an understanding of what schools require to make effective instructional decisions and configure their budgets to support those decisions, as well as which Central-level administrative and operational structures needed to be transformed.

In the instructional domain, Central introduced system-wide content and performance standards; a universal requirement to create school (CEP) and district (DCEP) instructional improvement plans based on analysis of student outcomes data; a school assessment instrument (PASS); and a set of accountability tools, including principal evaluation reviews and superintendent contracts, all focused on student achievement. In the operations domain, Central produced earlier district budget allocations and comprehensive school-by-school budget and expenditure reports. Central also introduced more efficient business practices, especially in purchasing, as well as a service-oriented approach to the Budget Office's fiscal oversight.

These changes suggested the beginning of a shift from traditional forms of hierarchically-mandated allocations, procedures and operations to a more flexible, user-friendly, response-driven support and provision system. Supporting evidence for such a shift came from surveys of schools participating in the PDB initiative, compared to non-participating schools, as well as observations and interviews in the PDB and non-PDB districts and schools.

Our *First Annual Report: Evaluation of the Performance Driven Budgeting Initiative of the New York City Board of Education* warned that two forces could reverse the many important changes Central had begun to initiate: the appointment of a new chancellor committed to differing notions of reform, and obdurate resistance to change by Central's middle management.

In the second year of our study, covering the period from September 1998 through August 1999, we documented and analyzed PDB implementation at the Central, district and school levels. We found that PDB pilot schools and districts were operating with greater responsibility, flexibility and support to budget and plan for instructional improvement. Central improved its instructional planning toolkit, technology and data systems, as well as its student data reporting. Central also began to implement its School Leadership Team plan that assigned responsibility for planning and budgeting to school planning teams. Finally, Central began development of Galaxy, a radically different computerized school-based budgeting tool designed to ultimately create district and system budgets from performance-driven school-developed budgets. These changes suggested continued movement toward the more flexible, user-friendly, response-driven support and provision system whose outlines we saw emerging the previous year.

In our *Second Annual Report*, we expressed several additional concerns: lack of sufficient district and school capacity to plan for improved instructional outcomes; uncertain and inadequate state and federal funding streams; a high turnover rate of teachers and principals; and an increasingly unstable political climate, all complicating school instructional planning efforts, especially in the districts in which high poverty rates and low outcomes were the norm.

FINAL REPORT

The third and final year of our study ended in October 2000. This final report covers PDB implementation in the Phase I districts and schools over the entire evaluation period, from February, 1997 through October 2000.

Chapter 1 establishes a baseline description of accountability, instructional planning and budgeting in the school system prior to PDB implementation.

Chapter 2 profiles the Phase I districts and schools piloting the PDB initiative.

Chapter 3 examines changes in accountability and decision-making authority, primarily initiated by Central, over the first three and half years of the initiative; the extent to

which primary responsibility for improving student performance moved to the schools; and the extent to which key school constituencies were involved in making decisions about instructional planning and budgeting.

Chapter 4 delineates the major policies and processes Central put in place to operationalize school-level instructional planning, and explores how the districts and schools implemented that planning.

Chapter 5 describes how school-based budgeting was operationalized and implemented at the Central, district and school levels.

Chapter 6 summarizes our findings detailing the extent to which policies, procedures and practices at Central, the districts and schools have shifted to support school-based instructional planning and budgeting, and raises concerns about the future of school planning and budgeting in the New York City school system.

Endnotes

1 Lauber, D. and Warden, C. (1995). *Reinventing Central Office: A Primer for Successful Schools.* Chicago, Il: Cross City Campaign for Urban School Reform.

2 Crew, R. (1996, August 23). *Memorandum to District Superintendents.* New York City: Board of Education.

3 Prior to their work on the PDB planning team, many of the PDB Planning Team members were part of a multi-city group that traveled in May 1996 to Edmonton, Alberta for a conference on school-based budgeting sponsored by the Cross City Campaign for Urban School Reform, a national school reform organization. Presented with the example of a decentralized school system that seemed to be working for its students, parents, teachers and administrators, the New Yorkers formed an ad hoc lobbying group, the "Edmonton Ten," committed to developing school-based budgeting in New York City. As PDB implementation progressed, the Edmonton public school system continued to host and enlighten groups of visiting New York educators. The Edmonton Ten included: Robert Berne, Allen Dichter, Beverly Donohue, John Ferrandino, Norm Fruchter, Liz Gewirtzman, Ann Horowitz, Heather Lewis and David Sherman.

4 Crew, R. (1996, August 23). *An Invitation to Partnership in the Design and Implementation of Performance Driven Budgeting.* New York City: Board of Education.

5 *Ibid.*

6 The top level of the New York City school system consisted of a central administrative structure we refer to as Central. The middle level consisted of 32 geographically delimited community school districts, six high school superintendencies, and District 75, a citywide special education district. The quasi-independent community school districts were run by superintendents who reported to local elected community school boards. The high school superintendencies were run by superintendents who had little power and who reported to Central's Division of High Schools. The third level consisted of 1100-1200 schools.

7 Mr. Spence and Ann Horowitz, his Senior Assistant, were the key players in the development and early implementation of the PDB initiative.

8 Crew. R. (1996, August 23). *An Invitation to Partnership in the Design and Implementation of Performance Driven Budgeting.* New York City: Board of Education.

9 *Ibid.*

10 Spence, L. H. (1998, March 2). *Memorandum to district superintendents.* New York City: Board of Education.

11 The Core Group members were Liz Gewirtzman, Robert Wilson (District 2), Vincent Clark (District 9), Rosendo Abreu (District 10), Efrain Villafane (District 13), Magda Dekki (District 19), Mark Gullo (District 20), Jerry Schondorf (District 22) and Sandy Brewer (District 27).

12 Spence, L. H. (1998, July 10). Meeting with Phase II superintendents. Field notes by Dorothy Siegel.

13 Implementation in the three pilot high school superintendencies differed considerably from the processes in the community school districts, largely because high schools had been administered centrally for more than two decades. By mid-1998, however, Central no longer included high schools in the PDB implementation effort.

14 See Siegel, D. et al. (1998, November). *First Annual Report: Evaluation of the Performance Driven Budgeting Initiative of the New York City Board of Education.* New York City: NYU Institute for Education & Social Policy; and Siegel, D. et al (2000, May). *Second Annual Report: Evaluation of the Performance Driven Budgeting Initiative of the New York City Board of Education.* New York City: NYU Institute for Education & Social Policy.

15 To obtain a copy of the impact study, contact IESP: 212-998-5880 or via email at: iesp@nyu.edu.

PDB Principles

1. The ultimate measure of the effectiveness of this initiative is its impact on teaching and learning.
2. The principalship is the most crucial leadership position in the system.
3. The most crucial work in the system is done by teachers in the classroom.
4. With greater authority to manage resources comes greater responsibility and accountability for achieving results.
5. Instructional strategies are most effective when resources and actions are aligned to improve teaching and learning.
6. The best alignment of resources and actions takes place when decisions are made closest to where teaching and learning take place.
7. This alignment can occur only when authority is delegated to schools to make decisions within a framework of goals and priorities established by the Central Board and districts.
8. Teachers, support staff, administration, and parents are involved in key decisions that affect schools.
9. The role of the central and district offices is to provide services to support teachers, principals, superintendents, and parents.

Chapter 1:

ACCOUNTABILITY, INSTRUCTIONAL PLANNING AND BUDGETING IN THE NEW YORK CITY SCHOOL SYSTEM

In this chapter, we set the context for the introduction of Performance Driven Budgeting by describing the school system's traditional modes of decision-making and accountability, instructional planning and resource allocation. We also consider the system's capacity for school-level planning and budgeting before the introduction of Performance Driven Budgeting in 1997.

DECISION-MAKING AND ACCOUNTABILITY

The governance and administrative structures of the New York City school system traditionally emphasized hierarchical, command-and-control decision-making processes and top-down modes of accountability.

The New York City school district, referred to here as Central, is the entity legally responsible for 1.1 million schoolchildren in more than 1,100 schools; both the federal and state governments treat New York City as a single school district. The system is governed by a seven-member Board of Education whose members are appointed by the mayor and the five borough presidents. The Board in turn appoints a Schools Chancellor, who is the chief administrative officer of the New York City Public Schools.

In 1968, widespread dissatisfaction with the quality of the public schools, especially in poor communities of color, generated a call for greater community control of local schools. After a bitter dispute, in 1969 the state legislature established a quasi-decentralized system of elected community school boards that were given responsibility for operating the city's elementary and middle schools in 32 geographically-defined districts. Each local board was to manage its own budget and appoint a district superintendent, school principals and other staff.

The 1969 decentralization law left Central with responsibility for several major domains – transportation, food, school construction and renovation, building maintenance, special education[1], high schools[2] and collective bargaining. Rather than developing and reinforcing district fiscal autonomy, Central maintained tight control over district budgeting, spending, purchasing and other financial operations. Although the local community boards were responsible for operating their district's schools, they did so within Central's restrictive parameters.

From 1969 on, frustration increased throughout the city because of a pervasive inability to hold school officials at any level accountable for poor student performance. Principals had limited control over their school buildings, resources and staff. Superintendents served at the pleasure of community school boards, which were unable to hold Central accountable for failure to respond to local needs. Ineffective teachers and principals were rarely removed from schools; local and Central school board members, as well as district and Central officials, were often seen as remote political or bureaucratic functionaries, rather than as educators committed to the needs of the city's students. Relationships within the system, and between system personnel and the community at large, were often conflictual and mistrustful because it was unclear who was primarily responsible for student performance — the principal, district superintendent, community school board, chancellor or Central Board of Education.

Public reporting of student and school performance data by the city and state was neither timely, nor easy to understand nor widely disseminated. Information about how money was spent in each school and district was not available.

In the '80s and '90s, the concept of school improvement teams that involved parents, teachers and principals in school decision-making was introduced into the school system. In the '80s, Central required low-performing schools to have Comprehensive School Improvement Plan (CSIP) planning teams. In the early '90s, Chancellor Joseph Fernandez encouraged creation of school-based management and shared decision-making (SBM/SDM) teams in self-selected schools throughout the city. In 1994, the state required all schools and districts to create formal decision-making teams (Part 100.11 committees). Concurrently,

changes in federal Title I law encouraged Title I schools to join the School Wide Program (SWP) which required teams of parents and staff to decide how to use their school's Title I funds. Some districts and schools independently developed other approaches to school-level planning.

The roles and responsibilities of school teams were often unclear, and teams usually lacked the authority to make significant decisions. While most schools were employing some form of planning, management or advisory team by the mid '90s,[3] a 1998 examination of school leadership teams in New York City found[4] that teams typically had no real decision-making authority over their school's curriculum, budget or personnel. Further, budgeting was so centralized, and so constrained by funding mandates, that schools and districts had little real discretion over resources.

While these reform efforts recognized the value of local decision-making involving major school constituencies and the community, the net effect was to make accountability relationships more complicated without extending significant autonomy to schools.

Beginning in the early '90s, both the federal and state governments increased their accountability demands on districts and schools. Compliance with technical mandates to provide inputs — seats and teachers and supplies — was no longer adequate to gain regulators' approval. Under the new accountability schemes, schools would actually have to demonstrate that students were performing at acceptable levels, as measured by standardized tests.

The New York City school system was obliged to respond to these increasingly demanding federal and state accountability requirements. However, in part because instruction in the elementary and middle schools was the province of 32 semi-independent community school districts, it was difficult to impose system-wide standards-based curricula. Central began to develop curriculum frameworks to provide guidance to schools and districts about standards-based curricula; however, the frameworks were not mandatory for the city's decentralized schools and districts.

The city and state mandated student skills assessments that measured student performance against national norms, but not against content standards like those on which the curriculum frameworks were based. Therefore[5], at least at the elementary and middle school levels, there was little alignment between the curricula that Central encouraged and the tests the city and state administered to assess student performance.

INSTRUCTIONAL PLANNING

Prior to 1997, there was no mandate for universal comprehensive school-level instructional planning in the New York City school system.

Some high-needs schools chose to become School Wide Program (SWP) schools under the federal Title I legislation reauthorized in 1994. SWP status enabled schools to use their entire Title I allocation to fund their whole-school improvement plan, which was to be drawn up by a school planning committee composed of school staff and parents.[6] Most of the city's elementary and middle schools were Title I schools and thus eligible to become SWP schools.

Non-SWP schools, on the other hand, were able to engage in planning and budgeting only if their local boards and districts supported it. Historically, local boards and superintendents did not yield autonomy to school planning teams, especially when those teams were comprised predominantly of parents.

While Title I schools could *choose* to participate in the SWP planning process, very low performing schools were *required* to develop instructional improvement plans, along with their districts. Starting in 1985,[7] the State developed a variety of strategies to help low performing schools improve student outcomes. A key element of the state strategy is to require development of an instructional improvement plan (the Comprehensive Education Plan, or CEP) by the school and a supporting plan (the Corrective Action Plan, or CAP) by the district. The twin, often competing purposes of the CEP and the CAP are to help build capacity for improvement, while serving as the basis for compliance monitoring by the state and Central. Schools that fail to improve are subject to de-registration and closure.[8]

Just as there was no comprehensive universal planning requirement for schools, there was also no comprehensive universal planning requirement for districts. District-level plans were required only for state and federal programs,

which called for budgets detailing how specific funds were being spent for students eligible for those programs. Districts did not have to include schools in the development of these plans.

In sum, until 1997, school instructional programs were shaped more by district and Central policies and practices than by school-level instructional planning activities. When schools did engage in planning, they rarely had sufficient authority, flexibility, data[9] and control over resources to make significant changes in their instructional program.

RESOURCE ALLOCATION

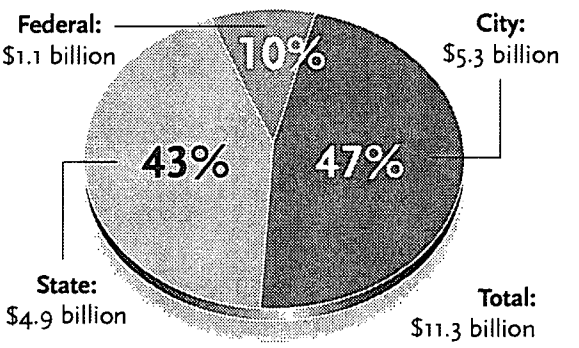
Until 1997, most schools, even those that were engaged in instructional planning, were unable to align resources with their plans because they lacked the necessary control and flexibility. Below we outline the most significant structural barriers — both from Central and from higher levels of government — that impeded alignment of resources with school plans.

Federal, state and city policies and practices

The city and state provide about 90% of the school system's funding, with the remaining 10% provided by the federal government. *(See Figure 1)* Most funds appropriated by the federal and state governments are categorical[10] and consist of dozens of separate funding categories, each with very specific spending restrictions.

- The federal government's 10% share of the school system's budget was earmarked for specific instructional (Title I) and feeding programs for children from high-poverty neighborhoods and for children with disabilities. In 1999-00, for example, there were 17 categorical federal programs[11] that contributed to Central's budget.
- The state's 43% share of Central's 1999-00 budget consisted of operating aid and categorical funds. State operating aid, in combination with local funds, is used to meet schools' basic instructional needs — such as classroom teacher salaries — and can generally be used fairly flexibly. State categorical funds are provided to public schools for specified purposes. Some categorical funds are provided to both public and private schools – mostly for transportation, school construction and textbooks. In 1999-00, almost half of the funding Central received from the state was in the form of operating aid; the remainder was categorical aid, in 43 separate categories.[12]

Figure 1: NYC School System Funding Sources (1999-00)



Source: NYC Board of Education October 2000 Financial Status Report

- Many categorical funds cannot be merged with other funds, which complicates planning and makes it more inefficient.
- Even though Central often receives funds after the school year begins, many funds must be used before the end of the year, or they are lost.
- The city's 47% share of Central's budget — called "tax levy funding" — comes from the city budget, not from a separate local school tax. State operating aid and city tax levy funds are combined to meet schools' basic instructional needs and can usually be spent flexibly. Sometimes, however, these funds are earmarked for specific purposes. For example, Project Arts funds are tax levy funds that can be used only for arts programs, Project Read funds can be used only for early childhood reading programs and city textbook funds can be used only for textbooks, not other books. When Project Read was introduced in 1997, the use of these funds was governed by strict guidelines mandating exactly how and for which students schools were required to spend this money.

New York State's non-transparent, unpredictable and extremely complicated single-year budgeting process almost invariably provides school funds too late for effective planning, usually arriving well after the fiscal and school years have begun.

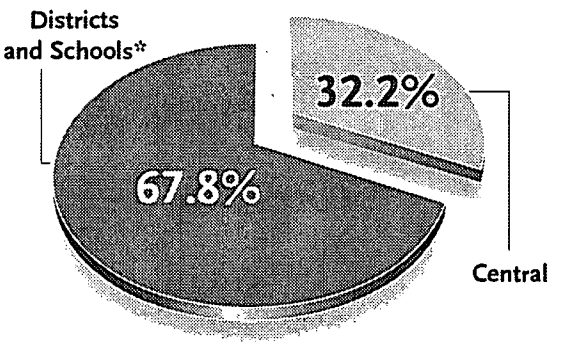
Contractual arrangements with unionized employees also limit fiscal flexibility by helping shape decisions about class size, and about hiring, firing and assigning personnel.

Central policies and practices

Central's practices also imposed significant limitations on local use of system resources.

One limitation was that almost one-third of the system's spending on districts and schools was controlled by Central. In 1996-97, for example, community school districts and schools controlled 67.8% of the money spent on the city's elementary and middle schools, mostly for instruction, supervision and support services. Central used the remaining 32.2% for centralized services to the schools, including transportation, food services, purchasing and some special education costs. *(See Figure 2)*

Figure 2: Control over spending (1996-97)



* Elementary and middle schools in the community school districts
Source: NYC Board of Education 1996-97 School Based Expenditure Report

Central's fiscal policies and practices were highly restrictive as well. A 1993 report of the Educational Priorities Panel, "Equity in the Funding of Public Elementary and Middle Schools in New York City," concluded that "although the budget choices available to the Central Board and the Chancellor are limited by many restrictions, the Central Board enjoys a wider range of policy options than has been delegated to the individual community school districts."[13]

- Central's allocations to districts consisted of dozens of discrete formula-driven sub-allocations. The programmatic mandates of Central and of city, state and federal funding sources played a very large role in determining the shape of school programs.
- District budgets had to be scheduled[14] by the district and approved by Central in a cumbersome, top-down process. Without Central approval, districts did not have the authority to hire people or spend money. When schools needed to adjust their instructional programs, as was often the case, their districts submitted budget modifications on the schools' behalf to Central. That process forced schools to wait weeks or months for approvals.
- District and school ability to make staffing decisions depended on the size, shape and timing of their initial allocation from Central, which, unfortunately, usually arrived in July or August because the state budget was almost always very late. Therefore, in late spring, the optimal time to do fall planning, schools had only sketchy information about their staffing levels. Schools usually ended the school year knowing neither the makeup of their staff, nor the exact organization of their classes.

Central and the districts established the critical financial relationships that determined how school resources should be spent. Central's school spending plan[15] mechanism let districts allocate and track expenditures by school. However, districts, not schools, were responsible for creating these plans. Many schools never saw their complete spending plan.[16] Some did not know they existed. The plans reflected district, not necessarily school, decisions about how money would be spent for school programs. Furthermore, districts usually provided centralized services for their schools (e.g., business functions, purchasing of supplies and furniture, and staff development), instead of giving their schools control over the resources for these services.

Schools received position allocations, not dollar allocations. A position allocation is not a budget, and allows schools only limited opportunities to create innovative programs or to use resources most efficiently. Each district determins the number of positions allocated to its schools in a non-transparent process that took into account student register projections, the programmatic and eligibility requirements of categorical funding sources, Central and district policies and formulas, and conversations with the principal about school needs.

In the period prior to the introduction of Performance Driven Budgeting, the structural impediments described above made it extremely difficult for local educators in New York City's elementary and middle schools[17] to

exercise the control and flexibility necessary to align school resources with school-level instructional planning.

CAPACITY FOR SCHOOL-LEVEL INSTRUCTIONAL PLANNING AND BUDGETING

The school system's traditional top-down decision-making policies allowed little room for school input, and little opportunity for staff and parents to develop the skills, knowledge and experience needed to become effective planners. In instances where school-level planning teams were mandated, Central mounted sporadic, largely ineffective efforts to train team members on how to plan for instructional improvement. For example, the training Central provided for both CSIP and SIP teams was largely process-focused, and provided more help with group decision-making than with understanding and improving the core processes of instruction.

Efforts to build school capacity were very limited, and did little to reduce the huge gap between the skills and knowledge necessary to do school planning, and the capacity of team members to carry it out.[18] Thus, the school system's top-down approach to decision-making was matched, on the instructional side, by a top-down approach to instructional planning.

The infrastructure necessary to support school-based budgeting was not well developed in New York City's public schools. Schools did not control their own business operations, and lacked the necessary resources, organization and trained personnel. School secretaries handled attendance and payroll functions by accessing a centralized computer system from a terminal in the school's main office. To the extent that secretaries performed any other business functions, they did so on paper, not electronically. Antiquated office technology and communication methods were the norm. When schools were wired for Internet access — rare prior to 1996 – the wiring was done to connect classrooms and computer labs, not school offices.

In sum, when PDB was introduced in 1997, schools were largely unprepared for the responsibility of planning and budgeting for instructional improvement, in large part because Central was not committed to developing school-level capacity to plan and budget.

External factors

While the school system's modes of operation in decision-making, instructional planning and resource allocation severely limited its capacity for school-level planning and budgeting, it was also vulnerable to severe external stresses that affected every aspect of school planning activity.

The first stress was a system-wide resource shortage that was exacerbated by severe budget cuts in the mid '70s and again in the early '90s;[19] a significant increase in student enrollment;[20] and continuing neglect of its antiquated, overcrowded, crumbling infrastructure. The system's resources were inadequate to meet the great needs of the city's public school students, who, like their counterparts in other urban areas, were more likely to be poor, immigrant and not yet proficient in English.[21]

The second, equally pressing, external stress was a growing personnel crisis that involved both the quality and quantity of teachers and supervisors in the New York City labor pool.[22]

The combined effect of these stresses, which were magnified in the poorer neighborhoods of the city, often overwhelmed educators' best efforts to restructure and realign the system.

Endnotes

1 Central's Division of Special Education was responsible for the evaluation, placement and instruction of children identified as disabled. In 1986, Central devolved responsibility for the instruction of children identified as "mildly or moderately disabled" to the community school districts; responsibility for the instruction of children with "severe disabilities" remained with a Citywide Special Education district, known as District 75. The evaluation and placement of all school-age (ages 5-21) children remained the responsibility of Central, and was carried out by a system of 32 Committees on Special Education (CSEs), one for each of the 32 community school districts.

2 New York City high schools were centrally administered. The six high school superintendents – Manhattan, Queens, the Bronx, Brooklyn, BASIS (western Brooklyn and Staten Island), and the Alternative schools – reported directly to Central's Division of High Schools. High school principals routinely bypassed their superintendents to interact directly with Central regarding a wide range of issues, including funding.

3 By the 1990s, most schools had one or more planning teams: SBM/SDM teams, SWP teams, Part 100.11 committees, grade-level planning teams and/or another form of advisory/planning team developed by individual district or school.

4 Northeast and Islands Regional Educational Laboratory. (1998, August). *Consultation about School Leadership Teams in New York City.* Executive Report. Providence, RI: Brown University. p.4.

5 At the high school level, state-mandated assessments were aligned with state curricula and standards. Students passing the Regents exams in specific disciplines such as English, math and other subjects were eligible for a Regents diploma, and students passing the Regents Competency Tests were eligible for a local diploma.

6 SWP permits merging Title I and other funds to leverage whole-school improvement, instead of using Title I funds to serve only targeted Title I-eligible children in traditional pullout programs.

7 In 1985 the State Education Department (SED) promulgated a Comprehensive Assessment Report (CAR) list of low-performing schools. In 1989, the SED began to list low-performing schools on its list of Schools Under Registration Review (SURR).

8 The number of SURR schools in New York City has varied from year to year, but is roughly one-tenth of New York City's 1100-1200 schools.

9 From 1990 through 1993, Central published School Profiles for every school, with a wealth of demographic and performance data about the school, its staff and students. In 1994, the city began to publish Annual School Reports with less extensive data. The state published reports that indicated the number of students meeting minimum math and reading standards in third, sixth and eighth grades, as measured by norm-referenced assessments. The state used this data to determine which schools to place on the SURR list. Both city and state reports usually arrived in the schools and districts about one year after the tests were administered, too late to inform instructional planning for that school year.

10 "Categorical" state funds are those appropriated by the state to school districts for specific purposes, such as for programs for children with disabilities, children who fail to meet state standards, children who do not speak English as their first language, or children attending pre-kindergarten.

11 Categorical state and federal funds are known as "reimbursable" funds.

12 Often, federal and state regulations require districts to provide services for which there is no dedicated funding stream – a so-called unfunded mandate. Provision of federally-mandated special education services is an important example. The total cost of federally mandated special education services far exceeds federal funding, and is borne largely by states and local districts.

13 Educational Priorities Panel. (1993). *Equity in the Funding of Public Elementary and Middle Schools in New York City.* Executive Summary. New York City: Author, p.i.

14 "Scheduling" a budget means entering all personnel positions and non-personnel items into Central's budgeting system with the appropriate codes that specify spending categories, function, etc. All allocations that Central makes to districts must be scheduled. A modification process is required to transfer money, once scheduled, to a different spending category.

15 Districts generated school spending plans by scheduling, and then charging, personnel and non-personnel expenditures to the schools.

16 Central bases its School Based Budget and Expenditure Reports on the school spending plans.

17 The budgeting process for high schools involved greater interaction between Central's Division of High Schools and individual schools, with a much smaller role for the high school superintendencies. Individual high schools received fairly comprehensive allocations under a unit allocation system that provided some opportunity for schools to align resources with their instructional plans.

18 An important exception was the Office of School Improvement, the Central unit that facilitated development of School Wide Program teams in hundreds of Title I schools.

19 "Measured in constant 2000 dollars, Central's per pupil spending from its operating budget declined from $9,727 in 1990 to $8,362 in 1997." Independent Budget Office (2001, January 31). City Spending on Schools Rising: Where the Funding Comes From, and Where it Goes. *Inside the Budget.* No.76. New York City: Independent Budget Office, p.2.

20 During the same period (1990 – 1997), enrollment in the public schools increased 15%, from 938,645 to 1,074,330 students. These data are from the table, "Board of Education Funding, Fiscal Years 1990-2000," on the IBO website (www.ibo.nyc.ny.us).

21 Campaign for Fiscal Equity, Inc. vs. The State of New York. *Plaintiffs' Memorandum of Law.* Supreme Court of the State of New York, County of New York: IAS Part 25.

22 During the same period (1990-1997) that the number of students increased 15%, the number of pedagogic staff increased by only 4%, from 77,780 to 80,906. These data are from the table, "Board of Education Funding, Fiscal Years 1990-2000," on the IBO website (www.ibo.nyc.ny.us).

Chapter 2:
THE PDB DISTRICTS AND SCHOOLS

THE PDB DISTRICTS

Five of the six community school districts piloting PDB had some significant experience in school-based budgeting and/or school-based planning. Each district's decision to participate in PDB was an expression of its interest in advancing these efforts.

The initiators of the PDB concept reasoned that encouraging districts with differing school-based planning experiences to pilot PDB would produce different implementation models, and that this diversity would yield a higher likelihood of success as Central scaled up the PDB initiative to the rest of the districts and schools. For example, a district with a large, highly mobile, non-English speaking population might develop different strategies for engaging parents in school planning than a district with relatively few English Language Learners. A district that consists mostly of small schools might develop different approaches to team collaboration than a district with very large schools. And a district that loses a high percentage of its teaching staff every year might develop a different approach to increasing school capacity for planning and budgeting than a district with much lower teacher turnover.

The six PDB districts are in Brooklyn (four), Manhattan (one) and the Bronx (one), and span a wide range of neighborhoods and populations. As Table 2 demonstrates, school and district size vary significantly, as do leadership, student and staff characteristics. Each district developed a unique perspective on how to help its schools improve teaching and learning, and each is shaping PDB implementation within a framework defined by its own prior perspective.

District 2 encompasses most of central and lower Manhattan. In 1999-00, District 2 had 42 schools: 23 Pre-K through grade 5 schools, five Pre-K through grade 8 schools, nine middle schools (grades 6-8) and five secondary schools (grades 6-12). Twelve of the district's schools were Title I schools. On average, schools in District 2 had 513 students, very small by New York City standards.[1] All schools in District 2 are PDB pilot schools. Anthony Alvarado, who had been the district superintendent for eleven years, was succeeded for the 1998-99 and 1999-00 school years by Deputy Superintendent Elaine Fink. Shelley Harwayne is the current superintendent.

District 2 focuses the district's energy and resources relentlessly on instructional improvement. The strategy the district employs involves extensive professional development and the development of principals as instructional leaders. The district's goal is to achieve and maintain high quality teaching and learning, explicitly coupled with standards of student performance, for every student in every content area. Assessment of student work, using the New Standards performance standards, determines the pedagogical and professional development strategies needed to reach district goals.

District 2's intense focus on instructional improvement, professional development and small school size shapes its school and district budgets. The district's budget for professional development is three and half times greater than the average for non-PDB districts, with a correspondingly smaller proportion budgeted for school staff.[2] District 2 developed, and its schools used, an automated school-based budgeting system that was the prototype for the Galaxy budgeting system.

District 9 is located in the southwest Bronx, in the poorest Congressional district in the country. In 1999-00, District 9 had 36 schools, 25 elementary and 11 middle, all of which were Title I schools. Maria Santory-Guasp was the Superintendent from 1996 through mid-2001. Although District 9 was included in Phase I of the PDB initiative, it was not expected to begin implementing PDB until 1998-99. Accordingly, our study was more limited in District 9.

The district's PDB efforts were built upon a well-developed school-based budgeting system that, along with Title I School Wide Programs (SWP), had long given the district's schools some measure of control over budgeting and spending. With the advent of PDB, the district began to link its budgeting process to improving student performance. The district emphasizes improving literacy and the

provision of extensive school- and district-level professional development.

District 13 is located in northwest Brooklyn. In 1999-00, District 13 had 23 schools: 18 elementary schools, four middle schools and one high school, of which 20 were Title I schools. Seven District 13 schools are pilot schools in the Performance Driven Budgeting initiative: PS 3, 8, 11, 44, 282 and 287, as well as JHS 113. Dr. Lester Young, Jr. has been the district superintendent since 1993.

Dr. Young introduced the School Development Model to District 13 in 1993. Developed by Dr. James Comer of Yale University, this model uses child development and relationship theories to make school policies and practices more child-centered and to strengthen home-school-community relationships. The district uses the model as a way to organize, coordinate and integrate school and district activities, and to provide a framework for communication and planning. Collaborative school teams are a key feature of the Comer Model.

The district trains its principals, staff and parents in the Comer philosophy and methodology. Annual district-wide and school-level planning retreats involve parents, teachers, administrators, support staff and community and business liaisons. A District Steering Committee helps the district and its schools implement the Comer School Development Program. A Business Advisory Committee links the business community to the schools.

District 13 has four primary goals that flow from its involvement with the Comer program: to increase student academic outcomes, to enhance student social development, to strengthen parent effectiveness in improving student outcomes, and to improve organizational and staff effectiveness.

District 19 is located in eastern Brooklyn. In 1999-00, District 19 had 30 schools: 21 elementary schools, 6 middle schools, two alternative schools and one collaborative school (jointly governed with the Alternative High School superintendency). All thirty schools are Title I schools and participate in the School Wide Program. Four schools have been participating as pilot schools in the PDB initiative: PS 7, PS 345, IS 292 and the East New York Academy. Robert Riccobono was the Superintendent of District 19 from 1996 through June 1999, when he was removed by Chancellor Crew.[3] Joan Mahon-Powell was the acting superintendent for 1999-00. Victor R. Rodriguez is the current superintendent.

Former Superintendent Riccobono involved District 19 in PDB to help schools integrate a consistent focus on learning, combined with the ability to budget flexibly. "Schools are too often organized for control of children and convenience of teachers," he said. Under PDB, "schools make their choices built on instructional goals. The school has to be developed as a player in the budget process, which it never was." With the school budget in the hands of the schools, one District 19 principal reported, "for the first time, the school has the ability to make itself into a good school." The district established a formal mentoring relationship with District 2 and, like District 2, budgeted twice as much money for professional development activities as non-PDB districts.[4]

District 19 has participated in the Breakthrough for Learning initiative, a collaboration between the New York City Partnership and Chamber of Commerce and the Board of Education, since 1998-99. Breakthrough employs a combination of monetary incentives, professional development, recruitment and other forms of strategic support to "spark the systemic change necessary to transform entire public school districts."[5]

District 20 is located in southwest Brooklyn. In 1999-00, District 20 had 30 schools — 22 elementary and eight middle schools. Seventeen of the schools were Title I schools, but only one participated in the School Wide Program. Vincent Grippo has been the Superintendent since 1995. Although District 20 was included in Phase I of the PDB initiative, it was not expected to begin implementing PDB until 1998-99. Accordingly, our study was more limited in District 20.

Providing strong early childhood, prevention, and intervention programs are part of District 20's core philosophy, said Mr. Grippo, adding that District 20 is committed to reducing inappropriate referrals to special education. The superintendent wanted the district to join the PDB initiative at an early point in its implementation because he wanted the district to have the maximum time to prepare for the kinds of changes necessary in both the district office and the schools. District 20 schools, an official pointed out, are "very traditional and top down, and shy away from

committees and change." Prior to PDB, District 20 schools had little involvement in collaborative decision-making and school-based budgeting.

District 22 is located in southeast Brooklyn. In 1999-00, the district had 32 schools: 26 elementary and six middle schools. Eighteen were Title I schools, of which 13 participated in the School Wide Program. Ten of the district's schools were pilot schools in the first year of the PDB initiative: PS 52, 119, 193, 206, 217, 222, 236 and 312, and IS 234 and 278. Ten more schools joined the initiative in 1998-99. The rest joined in 1999-00. John T. Comer has been the district's superintendent since 1986.

District 22's leadership believes that each school community should have the power to collaboratively create its own vision, establish its own goals and design its own strategies to improve student performance. For more than a decade, District 22 has been developing an approach to collaborative school decision-making that increasingly decentralized responsibility for student outcomes to its schools. "School-based management has become a place where people talk very honestly about how to improve the school," said school board member Anne MacKinnon.

The district provides two primary training courses, an in-depth six-session series on district and school finance, and a parallel six-session course for school teams on planning for instructional improvement. Training sessions are open to all who wish to enroll, and are held at various times to ensure that all members of the planning teams are trained to fully participate in planning and budgeting. The hundreds of parents and teachers who have successfully completed the training courses bring a high level of expertise and sophistication to their planning teams. Because of the district's long-time commitment to collaborative decision-making, school-based planning and budgeting are deeply embedded in the culture of District 22 and its schools.

THE CASE STUDY SCHOOLS

Below are thumbnail descriptions of the six schools — one in each PDB district — in which we conducted case studies. All six schools are Title I schools in which at least 75% of the students are Latino or African-American and at least 75% qualify for free or reduced-price lunch.

Middle School A is a medium sized intermediate school, organized around thematic sub schools. Its charismatic, long-time principal is a strong instructional leader. The school is divided into sub-schools, but has a common approach to learning. Students are involved in school instructional planning.

Middle School B is a small intermediate school, organized around thematic academies. After the departure of the school's long-time principal, the energetic new principal collaborated with the entire school community to reconceptualize the school's CEP and budget.

Middle School C is a large intermediate school with several thematic sub-schools. Each sub-school team is responsible for developing and continually updating its own CEP. The long-time principal brings in many outside collaborators, including a significant partnership with a major private institution.

Elementary School A is a large, crowded elementary school consisting of a main building and a distant annex. Its stable, proactive school-based team has been responsible for the school's major planning and budgeting decisions for many years. The team's knowledge about planning issues was invaluable in helping the new principal make a speedy transition.

Elementary School B is a small elementary school with a strong, long-time principal who has managed to achieve considerable control over the school's budget. The broad-based school planning team participates in shaping the school's CEP but has little input in budget decisions.

Elementary School C is a larger-than-average, crowded elementary school with a principal who is a strong leader dedicated to overcoming the numerous challenges the school faced during the period of PDB implementation. While the school planning team has considerable control over the budget, the school's and team's high turnover rates significantly limit the team's effectiveness.

Table 2: Characteristics of the PDB Districts (1999-00)

	CSD2	CSD9	CSD13	CSD19	CSD20	CSD22	Average of all NYC CSDs
Number of students	21,559	28,984	14,539	23,915	27,998	28,656	22,945
Average number of students per school	513	805	632	797	933	896	800
Number of schools	42	36	23	30	30	32	918
Number of Title I schools**	12	36	20	30	17	18	
Principal turnover: June 1999 to Sept 2000*	41%	45%	30%	60%	10%	20%	
Teachers							
Percent fully licensed	85%	65%	70%	74%	88%	88%	85%
Percent more than 5 years' experience	58%	53%	54%	56%	63%	55%	62%
Average days absent	9.9	9.6	7.7	9.8	11.9	9.2	9.8
Average salary**	$44,082	$42,393	$41,405	$43,123	$46,306	$44,268	$44,544
Students							
Eligible for free lunch	60%	89%	83%	92%	67%	62%	74%
English Language Learners	14%	23%	5%	13%	24%	10%	15%
Days attended	93.7%	89.3%	89.7%	89.5%	93.1%	92.3%	91.2%
Students met the reading standard (elementary)	65.4%	23.8%	37.0%	28.4%	54.9%	53.2%	42.2%
Students met the math standard (elementary)	65.1%	23.0%	28.6%	25.1%	61.4%	53.1%	39.4%
Students met the reading standard (middle school)	68.4%	18.7%	22.7%	23.4%	46.1%	51.2%	37.0%
Students met the math standard (middle school)	57.9%	10.6%	14.9%	11.9%	35.4%	37.8%	25.7%
Student race/ethnicity							
White	32%	1%	2%	1%	39%	29%	15%
Black	14%	35%	79%	54%	6%	49%	34%
Hispanic	20%	63%	17%	40%	26%	12%	39%
Asian/other	34%	2%	2%	5%	29%	10%	12%

Sources: Except as noted otherwise, all data are from the NYC Board of Education 1999-00 Annual School Report.
* See Appendix B ** NYC Board of Education 1998-99 School Based Expenditure Reports

Endnotes

1 Only Districts 1, 3 and 4 have a smaller average school size.

2 The 1998-99 School-Based Budget Reports indicate that 7.6% of District 2's budget was earmarked for professional development vs. an average of 2.1% in the non-PDB districts. Correspond-ingly, 67.8% of the district's budget was earmarked for teachers and school support staff, vs. an average of 73.2% of non-PDB districts' budgets.

3 Mr. Riccobono's dismissal was reversed by State Education Commissioner Richard Mills; the reversal was upheld on appeal.

4 The 1998-99 School-Based Budget Reports indicate that District 19 set aside 4.5% of its budget for professional development in 1998-99, vs. an average of 2.1% in the non-PDB districts.

5 www.breakthroughforlearning.org.

Chapter 3:

CHANGES IN ACCOUNTABILITY AND DECISION-MAKING AUTHORITY

Before the implementation of Performance Driven Budgeting, decision-making and accountability in the New York City school system were quite centralized, at both the Central administration and the community school district levels. Schools had relatively little independent decision-making authority. They were held accountable for outcomes over which they had limited control, and had no capacity to hold the levels above them accountable.

In this chapter we examine the changes in accountability and decision-making authority at the Central, district and school levels across the three and a half years of the PDB initiative covered by our study. We also explore the extent to which primary responsibility for improving student performance has moved to the schools, and the roles of parents, teachers and principals in making critical decisions about planning and budgeting.

CENTRAL

New standards and assessments

Chancellor Crew's vision of a performance-driven system called for Central to establish "a common understanding of expectations and desired outcomes" within a "context of accountability for the performance of its students."[1]

In the mid to late '90s, both New York State and the New York City Board of Education articulated academic standards that defined what all students should know and be able to do. Both also revised their assessment systems to be more closely aligned with the standards.

In order to graduate from a New York State high school, students must now pass five rigorous Regents examinations (English, math, global studies, U.S. history and government, and science). In grades 4 and 8, New York State's students must demonstrate proficiency in both math and English; testing in other subjects is being phased in. The state aggregates test scores for every school and district in the state and reports them to the public. Schools with low scores are threatened with placement on the state's list of Schools Under Registration Review (SURR), with mandatory reorganization and possible deregistration and closure if they fail to improve.

At the same time, Central[2] phased in academic standards for grades K through 8,[3] which were designed to align with state academic standards. As a result, there are now common academic expectations – and somewhat complementary testing in grades 3 through 8 – for all New York City students in kindergarten through grade 8, including students enrolled in special education and alternative programs.[4] Also, students who are English Language Learners now have no more than three years to meet the same academic standards, and take the same tests, as their English-speaking peers.

Central's testing program was overhauled so that tests administered in grades 3 through 8 would be criterion-referenced – assessing what students should know – and better aligned with the city and state academic standards. Further, the city tests, administered in grades 3, 5, 6 and 7, are aligned with the state tests administered in grades 4 and 8, so that student and school performance can be compared over time.

Central took control of some schools whose students consistently failed to demonstrate minimum proficiency in language arts and math. The Chancellor's District, a virtual district that operates these schools, employs uniform strategies to help them improve.

In 1999, Central also adopted promotional standards mandating that students be retained on grade if they fail to demonstrate minimum proficiency in math or language arts. Students at risk of retention are to be provided with advance notice of their at-risk status,[5] as well as academic assistance, and an opportunity to attend summer school and to retake the tests they failed.

1996 New York State School Governance Law

In December 1996, under pressure from Mayor Rudolph Giuliani and Chancellor Rudolph Crew, the state legislature and the governor passed a law that made major changes in decision-making authority in the New York City school system.[6] The law:

- Removed the authority of the community school boards to manage and operate district schools and programs; to hire and assign personnel; to run instructional, social,

recreational and other programs; to determine instructional matters, including selection of textbooks; and to submit capital proposals. The law transferred these responsibilities to the community superintendents. Boards were henceforth responsible only for employing a community superintendent, who was selected by the Chancellor, after a publicly inclusive process; promoting achievement of educational standards; and holding meetings with parent association officers to report on school and district performance.

- Authorized community superintendents to appoint principals and other supervisors after screening by committees of parents and school personnel; to transfer or remove principals for persistent educational failure;[7] to evaluate principal performance at least once a year "with respect to educational effectiveness and school performance, including effectiveness of promoting student achievement and parental involvement";[8] to review, modify and approve school-based budgets; and to intervene in low performing schools, pursuant to the Chancellor's authority.
- Confirmed the principal as the administrative and instructional leader of the school, responsible for its day-to-day operations. In consultation with parents and staff, the principal is authorized to engage in school-based budgeting; make staff selection recommendations; develop school-based curricula; participate in selecting texts and instructional materials; manage and operate the school building; make minor repairs; and purchase supplies.
- Gave the Chancellor authority to select community superintendents; to supersede or remove community school board members and superintendents; to reject principal candidates selected by community superintendents; to transfer or remove principals for persistent educational failure, ethics violations and conflicts of interest; to intervene in, supersede or take control of any school or district that is persistently failing; and to develop training programs for employees.
- Required the Chancellor to develop a school-based planning process, involving parents, teachers, school staff and, where appropriate, students.
- Required the Chancellor to establish a comprehensive system of school-based budgeting and public budget reporting.

Thus, the law made two major changes that transformed systemic decision-making and authority.

- The first change clarified and strengthened the line of authority from chancellor to superintendent to principal, gave Central the authority to impose uniform standards and assessments on the districts and schools, and enhanced Central's ability to hold school and district personnel accountable for student performance.
- The second change established the school planning team as the key systemic planning and budgeting unit, and the principal as the acknowledged educational and administrative leader of the school.

Strengthened Central authority

As a result of the school governance law, for the first time in more than twenty-five years Central had control over all schools in the New York City school system.

To evaluate superintendent performance, Central developed a superintendent's contract that defined the expectations and responsibilities for the position. Superintendents were required to supervise their district's principals and help them develop effective educational strategies and interventions that would improve their schools. Central used the district's performance data to determine whether superintendents were meeting the goals outlined in the district's instructional improvement plan, the DCEP.

Just as the Chancellor could hold superintendents accountable for district performance, superintendents were able to hold principals accountable for school performance. Central developed a formal principal evaluation process that used a Principal Performance Review, to be conducted at least annually by each superintendent. Superintendents use school performance data to determine if principals are meeting the goals outlined in their school's instructional improvement plan, the CEP.

Increased school authority

The governance law made principals the acknowledged educational and administrative leaders of their schools, with greater authority to run their buildings, determine curricula, and develop and carry out educational plans. The law also required the Chancellor to develop regulations to increase school-level authority for planning and budgeting.

Chancellor Crew envisioned a performance-driven school system "in which every school provides a high-quality education to every child under its care. At its core, such a system must be based on constant attention to improving student performance. This can only happen when the efforts of all members of the school community – parents, teachers, administrators, and others at all levels of the organization – focus their efforts relentlessly and effectively on enabling all students to meet high standards."[9]

Therefore, in Chancellor Crew's view, each school must "have significant discretion to create its own educational strategies within a context of accountability for the performance of its students,"[10] because "a top down, rule-driven approach cannot create such a [performance driven] system . . . Our challenge is to replace central control with local autonomy, while establishing a common understanding of expectations and desired outcomes."[11] The centerpiece of that "effort to bring decision making to the local level is the development of a school leadership team in every school dedicated to a performance driven system."[12]

The challenge in creating a performance-driven system is to balance the need for a common standards-driven framework with sufficient school-level autonomy and flexibility so that schools develop strategies appropriate for their local conditions. The Chancellor's School Leadership Plan was Chancellor Crew's attempt to achieve that balance.

In November 1998, the New York City Board of Education adopted the Chancellor's School Leadership Team Plan, which gave planning and budgeting authority to newly formed school planning teams, called school leadership teams (SLTs). SLTs were conceived as a school-level decision-making mechanism to focus the efforts of parents, teachers and administrators on continuously improving student performance.

Former Deputy Chancellor Spence led a broad-based collaborative consultation process in Spring, 1998 that involved over 7,000 parents, teachers, administrators and other interested parties in dozens of meetings in every community school district and high school superintendency in the city.[13] The goal of the consultation was to incorporate "the best thinking of the many people engaged in school-based management" into the final SLT plan. These consultations led Mr. Spence to the conclusion that:

- school-based management had a solid but uneven foundation in New York's schools;
- teachers, parents and principals wanted greater authority and accountability – and also greater support – to be placed at the school level; and
- the SLT Plan had to establish a firm but flexible framework for school decision-making teams.[14]

The Chancellor's SLT Plan (the Green Book) that emerged from the consultation process set October 1999 as the date by which SLTs were to be established in every school in all districts and high school superintendencies in the city, with full implementation phased in over the next two school years.

The Plan "lays out a flexible framework,"[15] for school planning teams as the "primary vehicles for developing school-based educational strategies," with responsibility for aligning school resources with these strategies. SLTs "are responsible for evaluating the quality of the school's educational program and its effect on student achievement, and they maintain the school community's focus on developing educational strategies that lead to continuous improvement." This is accomplished in the process of developing the school's Comprehensive Educational Plan (CEP). SLTs are also "the communication link within the school and to the larger school community."[16]

The SLT Plan sets out the roles, responsibilities and operational guidelines for all schools and districts. It "articulates a clear vision, defines an organizational structure that enables meaningful local autonomy, and delegates specific authority for educational planning and budgeting to school leadership teams."[17]

On the school level:

- School Leadership Teams are required to develop bylaws delineating team composition and operations.
- Parent and staff constituencies elect their own SLT representatives, with a minimum of 50% of the seats allotted to parents. Student representation on the SLT is optional at the elementary and middle school level and mandatory at the high school level.
- Community organizations may be offered a seat on the school leadership team, by consensus of the team's core constituencies.
- The SLT must have between ten and eighteen members.

- School leadership teams are also expected "to develop methods for engaging in collaborative problem solving and solution seeking that will lead to consensus-based decisions and, when necessary, effective conflict resolution strategies."[18] However, to resolve conflicts that might arise between the principal and the team, the SLT Plan offers different methods for the team to resolve disputes.
- Team meetings must be held regularly..preferably at least once a month, at times convenient to all team members. "Particular attention should be given to scheduling meetings at times that encourage parent participation."[19]
- Team members may receive compensation for their time. Central provides money for this purpose as well as for team member training and support.

On the district level:

- Districts are responsible for determining "the boundaries of school-level discretion" and for establishing the "balance between local autonomy and district guidance."[20]
- Districts must determine the "range of instructional/ curriculum and professional development choices available to schools in the district"; establish "guidelines for budget decision-making, including the flexibility schools will have in transferring funds across budget categories and developing their own staffing structures"; and review, approve and/or modify school CEPs.
- Districts must submit a District Comprehensive Educational Plan (DCEP) that identifies the district's educational vision and focus, and provides an action plan for improving instruction in all schools in the district.
- Districts must establish an advisory district-level team of parents, staff and administrators to develop a district Part 100.11 Plan, in fulfillment of state school-based decision-making regulations, that incorporates "district-level practices related to school leadership teams."[21] The district's 100.11 Plan must address a variety of the elements of SLT composition and operations.

The SLT Plan also articulates a performance-driven accountability framework designed to create "a system that supports the development of authentic and responsible local leadership."[22] For Central, this consists of

- a Central advisory team that includes representatives of all major citywide constituency groups and oversees efforts to design strategies to support effective SLT operations;
- a set of management reports with indicators that measure the quality and timeliness of services provided by Central to districts and schools;
- customer satisfaction surveys, administered to parents, teachers, supervisors and administrators, to provide feedback about how effectively Central, the districts and schools are supporting student achievement; and
- development of field-driven initiatives, such as PDB and the Galaxy budgeting system, that are designed by field-based staff in collaboration with Central.

These four strategies were envisioned as a way to "send a clear signal that a performance-driven system values the opinions of all concerned adults, while also demonstrating to Central and district staff that the delivery of effective instruction to students is the only goal of every individual at every level of that system." Chancellor Crew underscored the importance of the SLT Plan by assigning it to his Deputy Chancellor for Operations as a high-priority initiative.[23]

The SLT Plan's flexible framework was designed to move the system from what Chancellor Crew called its "top-down, rule-driven approach" toward an organizational structure and culture that supports meaningful local autonomy and system-wide accountability.

Central provided districts with training, assistance and financial support to strengthen district capacity to assist schools in their planning and budgeting. Budget and Business Office staff offered districts enhanced training on business and budgeting procedures, while outside vendors provided district staff with Galaxy and management training. Central provided every district with an annual $65,000 allocation to support SLT activities.

Central provided support services and training for districts and schools to augment the work of the teams. In addition, SLTs receive annual grants of approximately $10,000[24] for team and individual capacity building, while team members are entitled to $300 in annual reimbursement. Central developed and published a list of pre-approved individuals and organizations offering training services to districts and schools, and contracted for a $9 million 3-year citywide parent outreach and training effort. Schools implementing Galaxy received individual, on-site training and support.

Public accountability

The 1996 school governance law called for public reporting of both school performance data and system finance data.

Central's Division of Assessment and Accountability produces and disseminates – on paper, via the ATS terminal in every school, and over the Internet – numerous analyses of school-level student performance that schools, districts and the public can use to understand how well schools and students are meeting academic standards. Central also provides parent brochures describing what students are expected to learn in every academic subject and every grade.

Central produces and disseminates School-Based Budget Reports (SBBR) and School-Based Expenditure Reports (SBER), for every school and district and for the system as a whole. The SBBRs and SBERs categorize all $11 billion of school system spending by purpose or function; report on spending by location; and detail resources supporting services to students. These reports constitute a comprehensive, transparent budget accountability system that is unprecedented for any major school system in the country.

THE PDB DISTRICTS

The passage of the 1996 school governance law had a dramatic effect on community school districts. Because the law eliminated virtually all the power of the community school boards, the community school districts changed, literally overnight, from semi-autonomous districts into intermediaries between Central and their schools.

For the first time, district superintendents became directly accountable to the Chancellor for district performance and could, also for the first time, hold principals accountable for school performance. The new accountability relationships resulted in significant district and school leadership changes.

- In June 1999, Chancellor Crew dismissed five district superintendents,[25] allegedly for poor district performance. One of these was the superintendent of a PDB district. A Central official stated that the dismissals demonstrated "a dramatic difference [in accountability] . . . We saw some results. When did you ever see this number of superintendents leave as the result of a Chancellor's action? It's a different world now. There's something now that was never seen before: a level of acceptance that this is a system that was meant to work with checks and balances and a role for the Chancellor." Chancellor Crew's dismissal of the five superintendents was intended to make clear to superintendents that their jobs depended on holding principals accountable for school performance.
- From the end of the 1998-99 school year to the beginning of the 2000-01 school year, one-third of the PDB schools had new principals; in Districts 9 and 19,[26] the two highest-need PDB districts, approximatley half the schools had new principals. The new climate of accountability for school performance was an important factor in this unprecedented turnover.

Additional decentralization efforts

In addition to these major changes that flowed from the 1996 state legislation, Central transferred additional authority to the districts – control over some minor personnel functions, and control over special education evaluations. Central also began a short-lived experiment to grant selected districts greater autonomy.

- *Decentralization of personnel functions:* Most superintendents commented positively on the decentralization of some personnel-related functions, primarily local processing of newly hired teachers.[27] One superintendent said that local processing, which gave schools the ability to make final hiring decisions, had a positive impact on the school's selection of teachers. Superintendents reported that local processing was important for filling hard-to-staff positions, especially in districts geographically distant from Central. Central's implementation of local job fairs was another oft-mentioned improvement in this area.
- *Decentralization of the Central special education evaluation and placement system:* Superintendents had differing responses to Central's decentralization of the evaluation and placement system[28] for students referred for special education. Half the superintendents saw it in a very positive light. One superintendent said that decentralization of the Committees on Special Education (CSE) "significantly impacted PDB in a positive way. Decentralization has played a very critical role by putting accountability back into the school districts." A second said that this transfer of authority resulted in "improved communications, interventions and services for children." A third district, which had a long history of

successful district-CSE collaboration. also welcomed the CSE decentralization.

The other three superintendents questioned whether district (and school) authority actually increased as a result of the transfer because "there's no accountability for how [CSE and SBST] actions transfer into children's learning." said one superintendent. "Their internal organization and culture resist change," said another. The third superintendent asked, "How can principals hold the SBSTs accountable? How do the SBSTs move from focusing on testing to working with children? They can't become effective classroom support personnel overnight. But because training was left to the district, it will take years to transform the skills of most SBSTs."

- *Charter Districts:* In winter 1999, Chancellor Crew invited Districts 13 and 22 to develop charter district models that would have greater district control and flexibility over Central-controlled functions and resources. and greater ability to opt out of policies the districts saw as obstacles to educational reform. Later that year. Central signed a Memorandum of Understanding with Districts 13 and 22, formally designating each as a Model District.

  District 13 involved its school communities in developing its Model District plan, and hoped to receive $9,000,000 over three years. But the two districts received only $500,000 each for the 1999-00 school year.[29] Superintendent Lester Young said the district used its $500,000 allotment "to reduce class size, provide increased training for teachers, and provide an extended day program." At the end of the year, when the district experienced higher-than-average test score gains, the superintendent attributed those gains, in part, to the targeted support that additional Model District funding provided.

  District 22 used its $500,000 allocation to hire a Deputy Superintendent for School Reform and Restructuring who further developed the district's instructional model. The district also hired an attorney who expedited personnel issues and contract issuance; and reduced class size in grades 1 and 2. After almost a year as a Model District, Superintendent John Comer of District 22 said, "We are still subject to the Chancellor. We have some freedom, but we are NOT a Model District. In the future, we would like to explore handling school facilities, busing, food services, and maintenance."

  Shortly afterwards. Chancellor Levy terminated the Model District experiment because Central was developing a set of different models for sharing best practices.

These three Central efforts to transfer more authority to the community school districts were somewhat limited. The budgeting and instructional planning initiatives that comprise the core of the PDB effort were much more important interventions.

Moving authority to the schools

While there was considerable variety in the extent of school decision-making authority across the four early-implementing PDB districts we studied most closely,[30] our research shows that the pilot schools in those districts did perceive themselves as gaining decision-making authority with the passage of the 1996 governance legislation and the implementation of the SLT Plan.

We probed this issue in several ways. For example, one of our survey questions explored the devolution of authority to schools, by hypothesizing that. if authority was being devolved to schools, SLT members would perceive that their district trusted schools to make important decisions.

Fully 71% of the respondents to our 2000 survey of SLT members in the four early-implementing PDB districts agreed that their *district* trusted its schools to make really important decisions. (Interestingly, only half of the respondents agreed with the statement that *Central* trusted districts and schools to make important decisions.)

Because the SLT Plan allowed for district variation, districts could shape both the nature and extent of the decision-making authority they gave their schools, as well as how they ensured staff and parent involvement in decision-making. What follows are capsule descriptions of decision-making practices in the six PDB districts.

District 2's existing planning model vests a great deal of authority in its principals as instructional leaders and school decision-makers.[31] When Central's SLT Plan was mandated for all schools in the city, the district assigned its principals the responsibility of complying with the mandate. For former Superintendent Elaine Fink, SLTs were a major problem, "a new governance form superimposed on pre-existing forms." Ms. Fink said that SLTs were "just another compliance mandate" that encroached on the power of principals and forced them to spend

time "unproductively, essentially managing complex interpersonal relationships." With the district's history of high student achievement, she questioned why should "successful schools be forced to implement SLTs? Why impose a cookie cutter compliance approach? Why not differentiate for success?"

In *District 9*, almost all schools have long been School Wide Program (SWP) schools, accustomed to working collaboratively on school planning and budgeting. District 9 has increased the authority it grants to its schools. "The schools determine the majority of non-mandated positions," said Director of Operations Vincent Clark. At a July 2000 District 9 principal's conference at which the 2000-01 school allocations were distributed, Superintendent Guasp told principals to "not make all decisions on your own. These are discussions with your team. Any time you allocate money for something, these are decisions you make collaboratively with your SLTs."

District 13 trains its principals, staff and parents in the philosophy and methodology of the Comer School Development Model, which uses child development and relationship theories to make school policies and practices more child-centered, and to strengthen home-school-community relationships. Every school in District 13 is a Comer school, operating with collaborative Comer teams. These teams became SLTs when the SLT Plan was mandated; all District 13 principals were instructed to work collaboratively with their teams. Deputy Superintendent Yvette Douglass said that she tells principals "to get people working 'with you,' not 'for you'" which she acknowledged could be difficult. "It takes a gifted person to be a strong leader and to collaborate." The district had a differentiated approach to granting schools decision-making authority, allowing higher-performing schools with stable leadership and well-functioning teams greater autonomy. The highest performing group of schools became PDB pilot schools and did PDB planning and implementation. Ms. Douglass said that schools found the School Wide Program (SWP) collaborative planning experience helpful. "Going from SWP to PDB and Galaxy is good, but going straight to PDB and Galaxy is putting the cart before the horse."

In *District 19*, almost all schools have long been School Wide Program schools, accustomed to working collaboratively on school planning and budgeting. The district converted its SWP planning teams into School Leadership Teams with little difficulty, said former Director of Operations Magda Dekki, because "the concepts of PDB, school budgets and school teams are known throughout the district." District 19 expected every school to convert its SWP team into a fully functioning SLT. At the end of the year, each school principal, UFT chapter chair and PTA president – representing the SLT – meets with the director of operations to sign a contract signifying the SLT's agreement on the instructional plan and budget for the school.

District 20 and its schools are, according to a district official, "very traditional and top down, and shy away from committees and change." About half the schools are Title I schools, although none had opted to become School Wide Program schools prior to PDB implementation. While the "goal is for every one of these schools to function independently," said Superintendent Vincent Grippo, collaborative plan-ning and budgeting are not a part of the district culture. He said it would take a lot of time and effort before the district's SLTs were ready to exercise greater authority. In preparation, he said, "we've made a strong effort to teach parents how to understand information and function assertively in teams."

In *District 22*, collaborative school decision-making had evolved over a dozen years to a model very similar to that codified in Central's SLT Plan. The SLTs in District 22 have extensive authority to develop individualized school improvement strategies and budgets. Superintendent John Comer said that all his schools have the autonomy of charter schools. "Only when a school's scores decline for two consecutive years will I take its charter away," he added. The district provides all SLT members with the comprehensive training and support needed to be able to participate effectively on teams. Mr. Comer said that the inherent tension between knowledgeable, trained SLT members and the principal is "necessary if we're going to change the culture of an organization."

THE PDB PILOT SCHOOLS

The new authority principals gained under the school governance legislation made them responsible for providing the educational and administrative leadership for their schools. This new responsibility, and the power that came with it, transformed the principal's role.

Before the 1996 law took effect, principals had very limited control over school instructional organization and the resources necessary to make instructional organization work. After 1996, principals had the authority necessary to transform instruction at the school level, and the control over the school budget necessary to implement their instructional plans. But principals did not gain sole authority through the 1996 governance change. Instead, they had to lead a team-based instructional planning and budgeting process in which parents and school staff gained a formal role.

The SLT mechanism was designed to focus the effort of parents, teachers and administrators on continuously improving student performance. "The development of a school leadership team in every school dedicated to a performance driven system"[32] was the centerpiece of Chancellor Crew's effort to replace Central control with local autonomy. Every school must "have significant discretion to create its own educational strategies within a context of accountability for the performance of its students."[33]

While the SLTs are not part of the system's chain of command, they are a significant new factor in the relationship between districts and their schools throughout the city. By the 1999-00 school year, approximately 90% of all city schools indicated that they had SLTs, and three-fourths reported that their SLTs had at least 50% parent membership.[34]

Development of School Leadership Teams

Creating school planning teams that satisfied the requirements of the SLT Plan posed several challenges for the PDB pilot schools. One area of difficulty was establishing teams with adequate parent and staff representation.

Some teams, especially in schools with a high percentage of new staff members, found it difficult to recruit staff members with the time to serve on an SLT. Teachers' extra time was used for courses needed for certification and for other professional development activities, for helping children in before- and after-school remedial programs, for classroom preparation activities, and for second jobs to supplement their income. Child care and family responsibilities also limited staff time available for SLT involvement.

Most schools had difficulty identifying a sufficient number of parents to serve on teams. In many schools, the PTA, a traditional source of active parents, was itself struggling to survive; wholesale turnover of PTA leadership and parent SLT membership was not uncommon, especially in the middle schools. In one school we studied, the entire parent membership of the PTA and of the planning team became unavailable to serve the following year when parents took employment in the city's workfare program or as school aides.

Parents often found it difficult to juggle work, family, personal and team obligations. Some families struggled with survival issues such as inadequate housing, health care and nutrition. Inability to communicate well in English and lack of formal education were additional barriers to team participation, as was lack of knowledge about how schools and teams function.

Many SLT members said that time was also a major problem. Responding to a survey question about what would help their planning team improve its instructional decision-making, two-thirds of the respondents indicated "more time for planning." School planning and budgeting requires team members to spend a great deal of time learning to understand the school's programs and needs, developing strategies to address them, writing the CEP and aligning the school's resources with the CEP.

Parents and staff in many schools reported that family, work and other personal obligations made the scheduling of common blocks of time a very contentious issue for the SLTs "because teachers prefer day times and most parents prefer evenings."

The SLT Plan requires teams to use consensus-based decision-making, which takes skill, training, commitment and time to implement effectively. It also requires some degree of team member continuity.

- Consensus is especially difficult, said one district official, when the different constituent groups "speak different languages." Said another, "we can teach Galaxy and CEPs, but human relations is difficult." An official in a third district said that consensus decision-making was not worth the time, effort and specialized knowledge required.
- Principals were sometimes resistant to decision-making by consensus. As one principal put it, "in the end, consensus won't work if it's something I am held accountable for." A teacher in a PDB school told us, "My principal

dominates the process. [The principal] attempts to be in complete control. In reality, this is not true 'shared decision-making.' It is dominated by the power on high! Most staff don't have the inner strength to go against the administration."

- Some staff and parents reported being discouraged by the top-down leadership style of their school and/or district. In these cases, parents and staff were reluctant to spend time serving on SLTs when principals and superintendents had not welcomed their input in the past. A parent reported that the "principal is late or cancels SLT meetings. It sends a message that this is not important."

Finally, communicating with the rest of the school community about the team's work is essential for effective planning. In order for the team to engage the whole school in its work, team members needed to inform, and be informed, by their constituencies. With few formal mechanisms in place, teams had to develop their own communication strategies.

School Leadership Teams in the PDB Pilot Schools:

In 1997, when the pilot schools and districts were chosen to join the PDB initiative, that selection was based, in part, on schools' involvement in planning, usually through planning teams. These teams typically included parents and staff, and employed a wide variety of collaborative planning processes. When SLTs were introduced two years later, the overwhelming majority of survey respondents from the 23 PDB pilot schools in our study sample indicated that they had transformed their existing planning teams into SLTs.[35]

To achieve the "balance" of parents and staff mandated by the SLT Plan, the planning teams increased their size and parent membership. Over the three-year period of PDB implementation, the size of the average school planning team increased by 26%, to more than 13 members, and the average number of parent members on the team doubled, to more than six parents. *(See Table 3)*

As the planning teams expanded over the three years of our study, they retained a very experienced core of members.

- Analysis of team membership data for all 23 schools indicates that half the SLT members in 1999-00 had been on their team for at least two years. One-quarter – an average of 3.3 members – had been on their team for at least three years.

Table 3: Size and composition of planning teams

	1997-98	1998-99	1999-00
Average number of parents on team	3.2	5.0	6.4
Average number of teachers on team	4.5	5.4	4.7
Average number of principals/others	3.1	3.0	2.5
Average team size	**10.7**	**13.5**	**13.5**

Source: IESP field-collected data

- Analysis of survey responses from the same 23 teams confirmed that these teams had a stable, experienced core of members. Survey respondents were very likely to be long-time team members – approximately two-thirds were members of their planning team for at least three years.[36]
- Team members were likely to have had long-term involvement with their school, either as staff members or parents.[37]

Planning teams developed a variety of meeting strategies to create the time and space they needed to accomplish their planning and budgeting tasks.

- Teams usually met once or twice per month, with much more frequent meetings in the spring (when the CEP and budget were being prepared). Often members worked between meetings, individually or on subcommittees.
- Most teams established regular meeting times and places. However, in the late spring, emergency meetings necessitated by late Central budgets tended to supersede or supplement scheduled meeting times.
- Some teams scheduled meetings on alternating days of the week and/or times of day to accommodate members' schedules.
- Several schools held planning retreats. In some cases, attendance was limited to team members; in others, it was open to the entire school community. Some schools met for a long Saturday or Sunday session; others met off-site for one or two days.
- Consensus-based decision-making became the norm in the pilot schools by the third year of PDB implementation. Eighty-nine percent of the respondents to our 2000

survey agreed that "reaching decisions by consensus works well on my school's planning team."

Many SLTs undertook a variety of outreach efforts to encourage parent participation on the teams, in part to replace parents who left the team through normal attrition processes.

- Some teams created opportunities for parents to become involved in school activities and adult education courses, as strategies to identify parents who might be interested in serving on the team.
- One middle school team developed a relationship with SLTs in its feeder elementary schools, to identify parents likely to continue their SLT involvement once their child moved on to middle school.

School planning teams devised ways to overcome obstacles to staff, parent and student members' participation on the team.

- Teams made efforts to accommodate parents and staff whose family responsibilities might otherwise preclude their participation by providing babysitting and transportation, and by arranging creative meeting sites and times.
- Member compensation and allocations for team planning helped foster a climate of respect for the team's work and its members.

Engaging the entire school in the planning process was an important goal for many pilot schools.

- Teams solicited input from parents, staff, students and even members of community-based organizations, although they were most likely to use traditional methods of communication, such as staff and PTA meetings and posted notices, to inform parents and staff about team decisions.[38]
- One well-established planning team solicited input about the school's program through extensive parent and staff surveys, as well as from grade and subject area meetings with the principal. Parent survey responses were used to guide redesign of the after-school program and to reshape parent involvement programs.
- A pilot middle school held an annual school-wide retreat that engaged students and parents in an extensive focused dialog about students' academic and non-academic needs. This discussion became the starting point for the school's CEP.
- In a school with a history of top-down leadership, the new principal worked closely with the school's new planning team. The team reached out to staff members and community groups for help in developing a CEP that reflected their view of school needs.

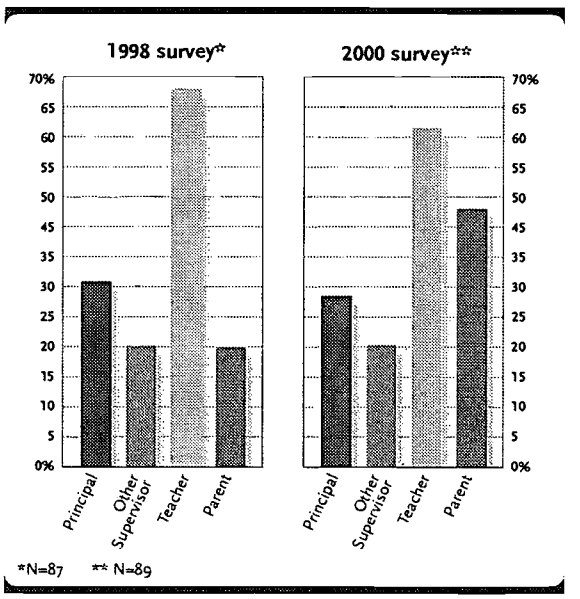
INVOLVEMENT OF TEAMS, STAFF AND PARENTS IN SCHOOL DECISION-MAKING

Almost all survey respondents indicated that they were personally involved in planning and budgeting for their school.[39] Furthermore, a majority of survey respondents indicated that their team's deliberations always have a "direct impact on actual decisions at the school level."[40] These responses suggest that SLTs *do* participate in school planning and budgeting, and *do* have an impact on school decisions.

We also explored the relative influence of different constituencies in the school – principals, teachers, parents and students.

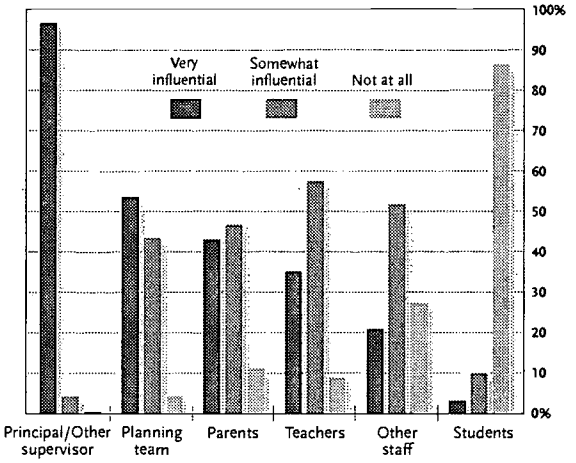
One survey question asked SLT members to identify the constituent group of their team's chair(s). *(See Figure 3)* Teachers were most often identified as SLT chairs or co-chairs. But by the third year of PDB implementation, parents were almost as likely as teachers to be identified as chairs or co-chairs of their planning teams.

Figure 3: Who chaired the planning team this year?



Another survey question asked team members about the relative influence of the different constituencies on the team.

Figure 4: How influential were each of the following people within your school in deciding how money is budgeted?*



*2000 Survey, N=89

In 2000, the third year of our study, almost all survey respondents indicated that their principal was "very influential" in deciding how money is budgeted in their school. But a majority also indicated that the team itself was "very influential" in deciding how their school's money is budgeted.[41] Still influential, but less so, were the school's parents and teachers.

The responses to these two survey questions suggest that school parents and staff, but especially the team itself, had become fairly influential in school decision-making.

The principal's role

During this same period, principals became accountable for the first time for student performance. While they shared responsibility with the SLT for school planning decisions.[42] principals were solely accountable for student outcomes. As one teacher explained, "The team doesn't get called into the superintendent's office, the principal does."

The fact that principals shared responsibility for school decision-making with their SLTs created a tension that could help or hinder school planning. One of the pilot school principals we interviewed cautioned that the principal "is the sole member of the team who is accountable for student performance, yet decisions are made by consensus. ... Unless there is a cohesive, reasonable, intelligent group of team members, with the best interest of the school and its students as its main priority, the team can be a deterrent to progress in the school."

On the other hand, a team that works well and collaborates constructively with the principal can be an important asset. In one pilot school, for example, the SLT helped ease the transition for a new principal. "Everything here works," this principal reported. "I could rely on the team for past information and ask them what they do."

Some PDB districts required their principals to work collaboratively with their school planning teams. One parent reported that her "district is committed to collaboration and SLTs. That is the reason why it works." Other PDB districts did not press their principals to collaborate with school planning teams, leaving some parents and teachers frustrated and disillusioned with the SLT initiative.

While district-to-district and school-to-school variation in the extent of parent and staff involvement in school planning was considerable, our study of 23 schools piloting PDB found that principals made the key school planning and budgeting decisions, with varying involvement from their planning teams. The next chapter explores, in more detail, the nature of the changes in instructional planning developed by Central, the districts and the schools.

Endnotes

1 Cre 998): *The Chancellor's Plan for School Leadership Teams.* New York City: Board of Education, pp.6-7.

2 These efforts were begun by Chancellor Crew's predecessor, Ramon Cortines.

3 New York City's standards are based on those developed by the New Standards Project, a partnership of states and school districts led by the Learning Research and Development Center of the University of Pittsburgh and the National Center for Education and the Economy.

4 Previously, students who were not in general education were not expected to meet the same academic standards and were therefore not included in the testing program.

5 Approximately one-third of the city's elementary and middle school students were "at risk" of being retained in their grade in the 1999-00 school year.

6 The 1996 school governance law was passed during the period in which the PDB pilot districts and schools were being selected.

7 "Persistent educational failure" is defined as a pattern of poor or declining achievement; a pattern of poor or declining attendance; disruption or violence; and continuing failure to meet the Chancellor's standards.

8 New York City Community School District Decentralization Laws, Section 2590-f.1.(f).

8 Crew, R. (1998). *The Chancellor's Plan for School Leadership Teams.* New York City: Board of Education, p.6.

9 *Ibid,* p.7.

10 *Ibid,* p.6.

11 Crew, R. (1998). *The Chancellor's Budget Request, 1998-99.* New York City: Board of Education, p.15.

12 The consultation process was conducted in partnership with the Northeast and Islands Regional Educational Laboratory at Brown University.

13 Crew, R. *The Chancellor's Plan for School Leadership Teams.* New York City: Board of Education, pp.2-4.

14 *Ibid.,* p.7.

15 *Ibid.,* p.12.

16 *Ibid.,* p.43.

17 *Ibid.,* p.27.

18 *Ibid.,* p.29.

19 *Ibid.,* p.35.

20 *Ibid.,* p.37.

21 *Ibid.,* p.45.

22 *Ibid.,* p.46.

23 Two years later, Chancellor Crew's successor, Chancellor Levy, moved responsibility for supervising and supporting SLTs from the Office of the Deputy Chancellor for Operations to the Office of Parent Advocacy and Engagement.

24 The amount varies according to school and team size.

25 District 19 Superintendent Robert Riccobono was one of the five superintendents. On appeal, State Education Commissioner Richard Mills overruled Chancellor Crew's dismissal of Mr. Riccobono, and an Appellate Court upheld the Commissioner's decision.

26 These statistics were based on interviews with the six PDB Directors of Operations in Summer 1999 and Summer 2000. In general, higher-need districts replaced twice as many principals as lower-need districts. *(See Appendix B.)*

27 The Board of Education's personnel and payroll systems are entirely centralized. Local processing of teachers allowed districts to process the paperwork for newly hired staff on site, thus avoiding the need for applicants to appear in person at the central office in Downtown Brooklyn.

28 Central transferred control over the 32 Committees on Special Education (CSE) to the district superintendents and control over the School Based Support Teams(SBST) to the principals.

29 The $500,000 Model District grant equalled approximately one-half of one percent of each district's budget.

30 The early-implementing districts were Districts 2, 13, 19 and 22.

31 See Chapter 4.

32 Crew, R. (1998) *The Chancellor's Budget Request, 1998-99.* New York City: Board of Education, p.15.

33 Crew, R. (1998). *The Chancellor's Plan for School Leadership Teams.* New York City: Board of Education, p.7.

34 Spence, L.H. (2000, March 7). *Memo: Preliminary Results of School Leadership Team Survey #1.* New York City: Board of Education. Central asked all schools to complete a survey indicating whether they had an SLT, and if so, the number of people on the team and the names and constituencies of the team members. Central's preliminary analysis of the Fall 1999 survey indicated that 91% of all public schools returned Central's survey form; 98% of the schools that returned Central's survey had SLTs; and 75% of these SLTs had at least 50% parent membership.

35 Our annual survey of SLT members in these 23 schools asked what type of formal planning process was employed in the respondent's school. Respondents could indicate as many

processes as they felt were applicable. In the third year survey (2000), almost all respondents in Districts 13, 19 and 22 indicated that the planning process they used was an SLT. However, no respondents from District 2 did so. District 2 respondents indicated that grade level and subject area planning teams were the type of planning process employed by their school. A large majority of respondents from Districts 13 and 19 also indicated that their planning process was also a School Wide Program.

36 Sixty percent of the parents, 68% of the teachers and 73% of the principals who responded to the 2000 survey indicated that they had been serving on their school's planning team for three or more years.

37 Fifty-seven percent of the parents, 85% of the teachers and 40% of the principals who responded to the survey indicated that they had been in their school, in that capacity, for six or more years.

38 A survey question asked respondents to identify how their team "shared its instructional planning and budgeting decisions with the rest of the school." In the 2000 survey, roughly 80% of the respondents indicated using staff and PTA meetings; 60% indicated posting of notices in the school and informal discussions; about half indicated that notices were sent home with parents or put in teacher mailboxes; and 42% indicated they used newsletters or school meetings such as retreats.

39 In response to a question about their individual involvement "in school instructional planning and budgeting," 100% of the principal respondents from the pilot schools indicated "yes," as did 94% of the teachers, and 85% of the parents.

40 Fifty-five percent of the respondents indicated "always," 44% indicated "sometimes," and 1% indicated they "never" have a direct impact on actual decisions at the school level.

41 Virtually identical results were obtained for all three years of the survey.

42 The five pilot school principals we interviewed in 2000 all agreed with the statement that they were "held accountable for student outcomes, but must share responsibility for planning and budgeting." This view was widely held by PDB district officials we interviewed as well.

Chapter 4:

CHANGES IN PLANNING FOR INSTRUCTIONAL IMPROVEMENT

Prior to implementation of Performance Driven Budgeting and the governance changes described in the preceding chapter, only the city's lowest performing schools were required to develop instructional improvement plans. When schools did engage in planning, they lacked the authority, flexibility, data and control over resources to make significant changes in their instructional program.

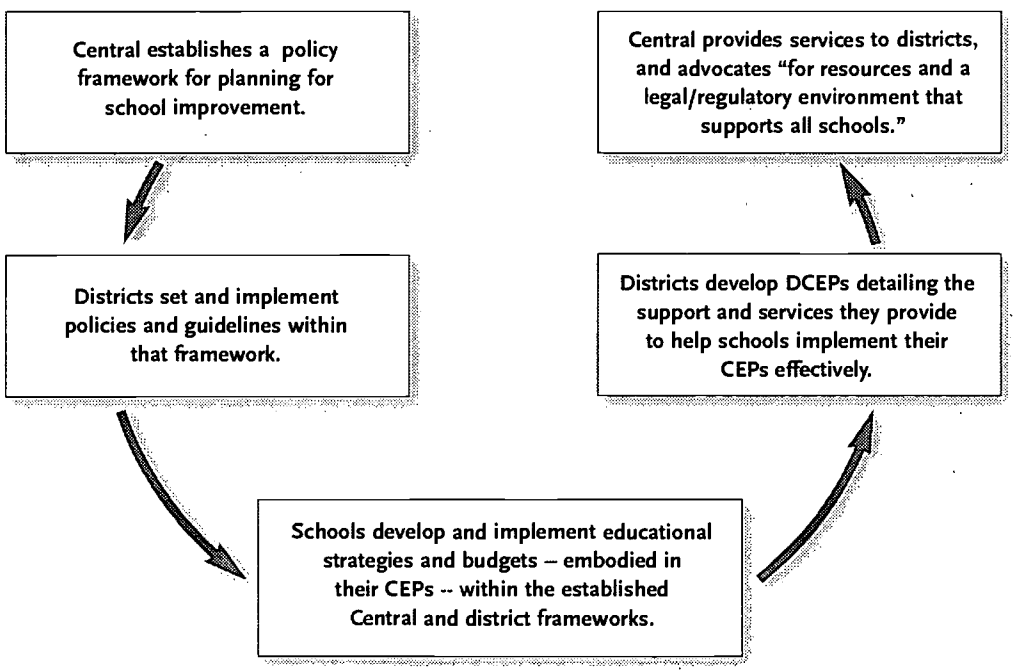
In this chapter, we describe the planning system Central put in place to operationalize school-level instructional planning. We then examine how the pilot districts and schools implemented the new planning system, and explore its effectiveness.

CENTRAL

In a major policy change, Central mandated implementation of school-level planning in all schools by the end of the 1999-00 school year. Central required school leadership teams in all schools to complete and submit a comprehensive, standardized instructional planning instrument, the Comprehensive Educational Plan (CEP). The CEP was also the instructional planning document required for SURR schools, as well as Title I schools not making Adequate Yearly Progress, as defined by federal regulation. Thus the CEP became both the instrument through which schools conducted their annual instructional planning, and the reporting document through which all schools, and particularly those schools under Central and state surveillance because of poor performance, demonstrated their compliance with city and state mandates.

The analogous district document, the District Comprehensive Educational Plan (DCEP), analyzes data on school strengths and weaknesses, specifies how the district will support schools' implementation of their CEPs, and sets out the deployment of district resources to aid school

Figure 5: The CEP Planning System



improvement efforts. The DCEP also serves as a unified state compliance document detailing district use of most categorical, reimbursable funds.

The CEP and DCEP are the primary components of a policy framework[1] for school instructional planning that we call the CEP planning system.

The CEP – the primary instrument in this planning system – is a highly structured, comprehensive planning tool with seven elements:

- *School mission/vision statement:* "reflects the school's intent as to how change will occur to achieve the school's vision."[2]
- *Narrative description:* includes information about the school's instructional programs, academic intervention services, communities and populations served, school-wide educational initiatives, achievement trends, strengths, resources and collaborations.
- *Specific school concerns:* identifies specific challenges impacting development and implementation of the CEP, and the efforts being made to overcome the challenges.
- *School demographic/achievement data:* includes data on students and staff for Central's Division of Assessment and Accountability.
- *Needs assessment:* describes how the needs assessment was conducted and what data was reviewed for improvement of instruction in all areas; identifies students targeted for academic intervention services; describes major findings and identifies priorities in each area and how they were reported to the school community; lists implications for the instructional program.
- *School goals and objectives:* includes the school goals resulting from the needs assessment, and the specific objectives the team develops in all areas.
- *Action plans:* describes the strategic objectives and activities to be undertaken, including the targeted population, implementation timeline, specific tasks and activities, resources to be used, and indicators of success that can provide rapid feedback to allow schools to modify their CEPs during the course of the year.

Data is supposed to drive the CEP planning system. Central provides student performance data as well as instructional planning instruments such as ECLAS[3] and PASS,[4] to help schools analyze student and school needs:

- Central provides a huge volume of demographic and performance data on each school, its students and staff[5] through Annual School Reports, Title I Annual Analyses and a variety of reports and analyses available through the ATS computer system[6] and/or over the Internet.
- For more fine-grained diagnostic purposes, Central developed the ECLAS system, which schools and districts use to assess student and school literacy needs in the early childhood grades.
- Central developed and refined the PASS system and PASS guide to help schools conduct independent, collaborative self-assessments of their instructional practices and school organization. PASS was initially used by Central's Office of Monitoring and School Improvement to assess low-performing schools, and by districts to assess the effectiveness of district programs. However, to avoid the possibility of PASS becoming an assessment instrument, Central discontinued the practice of using it to monitor low-performing schools.

Central reviews the DCEPs and holds superintendents accountable for implementing them. Central also reviews most schools' CEPs to ensure compliance with federal, state and Board of Education regulations.[7] Moreover, Central's instructional support units work to refine and improve the data going to schools, and to develop instruments and training programs that help schools build their capacity for instructional improvement.

THE PDB DISTRICTS

Most superintendents in the PDB districts reported that they had been moving authority for instructional planning to their schools for a number of years prior to the PDB initiative. The school-based instructional planning models the PDB districts were using had been developed from the school-based management initiatives introduced in the '80s and '90s.

The PDB superintendents expected PDB to increase the authority and flexibility districts and schools needed to move more control over instructional planning to the school level. All but one superintendent[8] reported that their district and schools did gain the increased authority and flexibility needed to do instructional planning, because the CEP system incorporated the major elements of a performance-driven accountability system.

One superintendent said, "with the advent of accountability, everyone has to have authority over instructional planning. People are held accountable as to what they put on paper [on the CEP and DCEP]." A second superintendent said that Central's definition of performance standards provided a means by "which to measure progress. The District decides how to achieve that standard. There is a great amount of increased flexibility."

The PDB superintendents expected school-level instructional planning to expand and deepen during the course of PDB implementation, and reported that their expectations were realized.

One PDB superintendent indicated that the CEP and PASS "make you aware of what you need to do to improve, no matter how good you are or think you are. They force you to take a holistic view." Another reported that "all constituencies" were "talking about what we can do to do things better for children. The CEP works well for this." A third noted that schools were taking their CEPs "more seriously because what they say in the plan they can actually implement through PDB. Before, it was like a wish list."

Data

There was universal praise from the superintendents for Central's efforts to provide data to inform the planning process. Central's Division of Assessment and Accountability (DAA) does a "wonderful job," was a typical comment; the data "keeps getting better and better" was another. Superintendents found DAA's disaggregation of the data into a variety of groupings particularly useful. "We have separate tables for students in self-contained special education classes, bilingual classes, etc," commented one superintendent, while another reported that the disaggregated data spotlighted small school populations that were getting left behind. Analyses of individual skills were also helpful to school planners because they highlighted relative areas of student need, aggregated to the class and grade level.

Most districts reported that they do their own analyses of the DAA data – or they filter the data that gets through to their schools – because "too much data distracts. It's what you do with data that counts, so I decide what to give my schools from all the data that reaches us." Several districts do their own testing and develop fine-grained analyses to help their schools diagnose student and school weaknesses.

PASS

The PASS process, developed to help schools conduct independent, collaborative self-assessments of school conditions and instructional practice, was defined as both useful and problematic.

Most superintendents found the PASS tool useful. "The schools do use PASS for self-assessment. Once they've gotten through it, they always say it was a very interesting experience that focused them on important issues. They see it as worthwhile. . . It forces them to be more reflective about what they do." Three of the PDB districts used PASS annually in most or all of their schools, employing some combination of school self-assessment, district oversight, or monitoring by Central. A fourth district used PASS as a principal assessment tool, in addition to employing it as a school self-assessment tool.[9]

Two districts found PASS to be of limited usefulness. One uses its own, more rigorous process for helping principals assess their school's instructional practices. The other found that Central's monitoring of its low-performing schools was not helpful because "the key issue is relative school capacity, and when there is little capacity at the school level for some of the PASS categories, identification of limited capacity is not enough to help."

The use of PASS as a monitoring tool by Central's Office of Monitoring and School Improvement (OMSI), while also being used as a self-assessment instrument by the districts, became problematic[10], several PDB superintendents explained. "People [in the schools] are not honest. They see it as a monitoring tool and want their report to be good."

CEP Planning System

As the CEP system was introduced into districts and schools, some PDB superintendents reported that their districts became more focused on supporting schools' efforts to become effective planners. One superintendent said that the district office had "become more instructional and less administrative," while another said that district staff had become "much more knowledgeable about our schools."

However, several PDB superintendents flagged a conflict inherent in the goal of the CEP Planning System – to create a comprehensive school planning document that is also responsive to the relevant federal, state and Central mandates. In their view, schools should create a strategic plan

with a multi-year timeframe rather than a comprehensive, compliance-driven plan with an annual timeframe.

The CEP, said one superintendent, is a "compliance requirement rather than a strategic plan . . . We should be providing schools a strategic framework for them to use to analyze what they're doing, what their outcomes are, who's responsible, how results should be evaluated, how feedback should be disseminated – all produced with three-year goals and plans." Another superintendent said the CEP is "another cookie-cutter compliance process. [This district has] always done complex school-based goals and objectives. The CEP is simply more paper." A third superintendent said, "A two or three year plan with annual modifications would be better. Annual strategic planning is a burden on staff."

Most superintendents also described a specific timing problem relating to the CEP Planning System. Said one superintendent: "The timing is screwy. I'm writing my DCEP at the same time as schools are writing their CEPs." Another explained that "the process is excellent, but the timing isn't, so it becomes an exercise in futility and a waste of time and paper. The school's CEP, due in mid-May, is supposed to be aligned with the DCEP, which is supposed to be aligned with Central's Goals and Objectives and with the state. But it doesn't work because we never get statistics back in time for the CEP due date, and we don't have a budget then, either. What is written in the CEP has to be thrown out in mid-June when the test results come in. The way things are, principals could just as well write a plan in the summer."

District approaches to school planning

Districts are responsible for creating the conditions that help schools become effective planners. But the ultimate test of effective planning is not whether schools are writing their CEP to comply with Central or state-level mandates, or whether the CEP is being implemented as written. School planning should result in improved instruction and improved student outcomes, because academic improvement is what districts must ultimately hold schools accountable for.

We examined individual PDB pilot districts' approaches to helping schools develop and implement effective school instructional plans. While the PDB districts varied in their emphasis and scope, they all provided their schools with an increasing array of planning supports. We also explored how districts held their schools and principals accountable for bringing about improved instruction and student outcomes.

District 2: Over the course of more than a decade, District 2 developed an instructional planning system, based on principals as instructional leaders, that works to continuously improve school capacity to teach children within a culture of learning and mutual dependency among staff at all levels.[11] Principals and their school communities conduct annual school-wide assessments, followed by development of school goals and objectives. The goals and objectives are the basis for numerous interactions between the principal and the superintendent, including formal superintendent "walk-throughs" of every classroom in the school, which guide school decisions about how to best meet the needs of the students and staff. District 2 provides extensive cross-school mentoring, professional development and intervisitation opportunities for school staff and leaders.

District 2 strives for a tight linkage between the development of each school's goals and objectives – its instructional improvement plan – and its implementation. The district requires schools to know and track the performance and progress of each student to ensure that all students are meeting language and math standards.

"Accountability is not just about student data," said former superintendent Fink. "It's about improving teacher performance through professional development. It's about creating a school community of learning with your entire staff. It's about creating teacher leaders in your school. It's about creating an environment of support for constant growth with the principal at the helm, leading it."

About 40% of District 2's schools received new principals in 1999-00 or 2000-01. About half of the new principals were, a district official said, "old hands from District 2" who were thoroughly familiar with district practices.

District 9:[12] Almost all District 9 schools are long-time participants in the Title I School Wide Program which requires collaborative school-wide planning. The district provides a variety of supports for schools, including an annual day-long CEP Planning Conference, attended by all school principals, UFT chapter chairs and PA presidents, as well as the district office support network. The district focuses on developing collaborative leaders and collaborative school and SLT cultures.

Because of the district's high percentage of new principals and low-performing schools, district staff are organized to ensure that all 35 schools have the technical assistance they need to develop their CEPs, and that the CEPs, as written and implemented, comply with all relevant mandates. Over time, the district has gradually granted its schools increased flexibility to develop instructional improvement plans. The superintendent meets with principals in the late spring, after district teams have reviewed their CEPs, as well as at the start of the school year, and monitors schools and their performance data on a continual basis.

About half the schools in District 9 had new leadership in the 1999-00 or 2000-01 school years. In addition, during this period a number of District 9 schools were closed, restructured, moved to the Chancellor's District or placed on the SURR list.

District 13: District 13 supports school planning within the context of the Comer School Development Model, which the district introduced in 1993. School Leadership Teams were developed from the Comer teams the district had previously established in each school. These teams develop CEPs with assistance from the school's Comer facilitator, district- and school-wide retreats and training sessions, other schools in their Comer cluster, and a district newsletter. The district also believes that the Title I School Wide Program is a good preparatory step for learning how to do collaborative school planning and budgeting, and has moved most of its schools into that program.

District 13 developed a differentiated approach to school autonomy and accountability, based on school performance. Poorly performing schools are subjected to much greater oversight and attention from the district in all aspects of school functioning, including developing and implementing their CEPs. The deputy superintendent is the point person for ensuring linkage between each school's CEP and its budget. The district closely monitors CEP implementation and pushes schools to revisit and adjust their CEPs throughout the year.

District 13 had a relatively low principal turnover rate – about 30% of its principals were newly appointed in the 1999-00 or 2000-01 school years.

District 19: There were two changes in leadership during the period of PDB implementation in District 19. Robert Riccobono, the superintendent from 1995 through June 1999, welcomed the new accountability system. He sought to shift schools' focus from compliance to instruction by establishing formal mentoring relationships for District 19 staff with District 2 staff, by providing greatly expanded professional development opportunities,[13] and by denying tenure to ineffective principals. After the removal of Superintendent Riccobono[14] and a year without a permanent superintendent, the district's new superintendent, Victor Rodriguez, focused on training and retaining the district's large group of new, uncertified teachers, principals and assistant principals.

Under Superintendent Riccobono, District 19 encouraged schools to develop CEPs that reflected their schools' needs. "The CEP used to be a mission statement, not a real plan," he said. After developing their CEP and budget, the school's principal, UFT chapter chair and PA president met every spring with the director of operations to review their budget and demonstrate how it was derived from the CEP. Because of the high percentage of new principals, district officials provided a high level of monitoring for a majority of its schools – e.g., seventeen out of thirty schools fell into the "close monitoring" category in 1999-00.

More than half the schools in District 19 had new principals in the 1999-00 or 2000-01 school years.

District 20:[15] At the time of its entry into the PDB initiative, District 20 had a top-down approach to instructional planning with no tradition of collaborative school planning. During the period of PDB implementation, the district began to move toward more collaborative planning and budgeting. Ten PDB schools created teams that participated in Central's school budget request process as well as other exercises in planning and budgeting. When the district began to implement the SLT plan in all its schools, it provided several large training symposia for all SLT members.

District 20 Superintendent Vincent Grippo meets with his principals three times a year to set goals, review mid-year progress and evaluate and plan for the following year. Mr. Grippo reported that the district helps schools implement alternative learning models proven to be effective, especially in the areas of early intervention and prevention.

District 20 had only two or three newly appointed principals in the 1999-00 or 2000-01 school years.

District 22: The District 22 approach is based on collaboration among school planning teams and across constituencies within the schools and the district. Equally important is the intensive and extensive, high-quality training and support the district provides for all SLT members in understanding team processes, developing effective CEPs and maximizing school budgets. The district provides opportunities for, and actively encourages, SLT members to investigate promising instructional improvement strategies through workshops, school intervisitations, a district newsletter and regularly scheduled, instructionally-focused conferences for principals, assistant principals, staff and parents.

District 22's superintendent and deputy superintendents work closely with all SLTs as the CEPs are being developed, and review all completed CEPs to ensure that school budgets reflect their instructional planning. Schools have considerable flexibility in designing their own programs. However, the District SLT Plan also gives the superintendent the authority to assume power over planning and budgeting in any school in which test scores have declined for two years in a row.

Only six of the district's 30 schools had new principals in the 1999-00 or 2000-01 school years.[16]

THE PDB PILOT SCHOOLS

Because selection of schools and districts for participation in the PDB initiative was predicated on experience with school-level planning, we expected to find that the pilot schools in the four early-implementing PDB districts were already experienced planners when our study began. Our observations and the responses to our first-year (1998) survey supported that expectation: most of the pilot schools had a formal planning process before they began to participate in PDB.

Although planning processes varied from district to district, there were common elements. Over 90% of the planning team members who responded to our 1998 survey indicated that their team had recommended changes in their school's instructional program in response to specific student needs; that those recommendations had been incorporated into the school's instructional improvement plan (CEP) and budget; and that they were implemented in their school. The responses to these questions in the 1999 and 2000 surveys were very similar.

We also expected that the pilot schools, as experienced planners, would adapt fairly smoothly to the new CEP Planning System. Indeed, during the three years of PDB implementation, the CEP *did* become the framework for instructional planning in the pilot schools.

Although there were numerous complaints from the schools about the length and complexity of the CEP and the difficulties involved in pulling it together in a short period of time, the CEP received high marks as a planning tool from all the pilot school principals we interviewed. "It helps us stay focused," said one experienced principal. "I make another document from it for my own use, as a checklist. It becomes a roadmap or blueprint." A second experienced principal said, "It's very good. We didn't like it originally. Now I like it. It keeps you grounded because it's a public document." A third told us that it provides "a sense of direction – how to meet your objectives, etc., and helps you focus and organize. It unites the school to think about what you have to do."

Below we describe the continuous planning cycle in which the pilot schools simultaneously implement and revise their CEP as they plan the following year's program. During the school year, planning teams review and modify the current CEP, revisit their vision and mission statements, evaluate the school's instructional programs and student needs, establish prioritized goals and objectives, and develop action plans (including budgets) for the following year's instructional program.

Reviewing the CEP

Because a great deal happens between the completion of a school's CEP in May or June and the beginning of school the following September, school planning teams usually have to modify their CEP in the fall to align it with schooling changes. A typical comment from a pilot school principal was, "You get [the CEP] all together, and then you get to school [in late August] and things have changed. You have to make the CEP a document that isn't carved in stone. It has to have flexibility."

Over the first two years of PDB implementation, reviewing and adjusting the CEP became a fairly routine operation, because system stability and timely budgets allowed districts and schools to plan and budget rationally. Adjustments to the CEP made in the summer and early fall to reflect student enrollment changes, late staffing deci-

sions and new last-minute initiatives (e.g., summer school) were handled routinely and relatively smoothly by the pilot schools and districts. School planners became accustomed to having much greater control over how they conducted their instructional program.

However, two external factors affected the schools' control over instructional planning in the 2000-01 school year. One was the May 2000 introduction of the concept of Academic Intervention Services (AIS), a new, more flexible way to plan (and budget) services for "at-risk" students. The other was the failure of the city, the state and Central to ensure that schools received their budget allocations in time for proper planning – no later than mid-June 2000.

Without a budget, but with a new mandate to use the new AIS system for at-risk students, school planners found it much more difficult to do effective planning for the 2000-01 year. When school allocations did arrive, in the middle of the summer, they were smaller than schools (and districts) had been led to expect.

As a result, principals were forced to make unilateral decisions in mid-summer, while their SLTs were unavailable for consultation. One principal said getting a budget in the summer meant that "there was no collaboration, other than the fact that we tried to implement our team's priorities." Another said, "I'm here by myself. No team, no support staff, no one to discuss it with. And we were in the dark about the final budget until mid-September. We just sort of kept going and were eventually able to execute our plans."

External factors caused some schools to discard their CEPs. For example, a dispute between the Chancellor and the State Education Commissioner had a disastrous effect on one pilot school, as described by its principal in November 2000:

> *We had a serious problem this year. We were not allowed to hire [the certified teachers the school had recruited the previous spring and summer.] They could only be hired by SURR schools. We had to fill 13 of our 40 classroom positions with . . . people who had no education courses and no classroom experience. Three quit after three days. We now have the burden of giving them the college courses they need because we're not allowed to hire [certified teachers] if there's any vacancy in a SURR school. And yet our school is low-performing, too! Every person I had to hire has noble intentions, but not a clue about teaching. The ones that remained after the first few days are terrible and they're in the testing grades [grades 3-5]! Why did they do this to my school? Maybe the SURR schools are doing well [with this hiring plan], but we're drowning!*

Vision and mission statements

School mission statements were very much in evidence in several pilot schools we visited. For example, one school posted its mission statement on the classroom doors, on banners over hall doorways and most prominently in the main office. In another school, with a new principal, creating the school's mission statement became an exercise that drew the rest of the school into the planning process. The principal distributed the draft mission statement developed by the planning team throughout the school, then brought it back to the team for reworking and redistribution.

Two of the middle schools were divided into thematic sub-schools, each with a different approach to sub-school planning. One (larger) school instructed the governance committees of its sub-schools to develop individual mission statements, as well as CEPs that the school's SLT would combine into one master CEP. The other middle school subsumed its sub-schools' missions and plans into a single common CEP that was developed from a unified school vision.

Program review and needs assessment

According to the CEP Guide, the CEP process requires that schools "conduct a comprehensive review and analysis of student achievement data" for all students in all major curriculum areas and "evaluate the effectiveness of professional development, pupil support services, the library, parent involvement and Academic Intervention Services in supporting student achievement."[17]

The pilot schools relied heavily on standardized tests and ECLAS assessments in conducting their "comprehensive review and analysis of student achievement data."

One SLT chairperson referred to the standardized tests and ECLAS assessments as "the meat of the SLT's data." But teams also used a wide variety of school- and district-developed sources of information, such as district-administered standardized tests for lower grades, the Project Read assessment, informal assessments of at-risk students, and benchmark tests that provided quicker and more individualized feedback than the citywide tests. One elementary

school planning team used a grant to "formalize our school assessments. Next year we'll have formal midterms and finals in every subject area."

Parent and staff feedback was sought in every school we observed. Typically, schools surveyed their staff members and parents. One school also surveyed paraprofessionals, secretaries and support personnel. Surveys asked which programs were going well, which were not, and what was needed. They also asked about staff development needs. Team members or the principal met with grade teams and/or with other staff groupings to solicit more specific input. In most schools, the previous year's CEP was posted to invite comment.

Responses from our most recent survey (2000) confirmed our observations and interviews in the pilot schools about the information that planning teams used to do their program review and needs assessment work. The survey asked planning team members how their team got information "to help determine your school's instructional needs." As Table 4 indicates, citywide tests and ECLAS assessments were used very widely, while school- and district-developed tests, parent and staff surveys and other forms of staff input were also commonly employed.

Table 4: How did your team get information to help determine your school's instructional needs?*

	positive response
Citywide tests	82%
ECLAS assessments	66%**
School-developed tests	65%
Grade-level staff discussions	63%
Staff surveys	57%
Other input from staff	54%
Parent surveys	52%
District-developed tests	49%
PA/PTA sponsored meetings	39%
PASS review	38%
Other	8%

* 2000 Survey, N=89

** Middle schools, which do not use the ECLAS system, were included in the sample.

Central and district personnel indicated that about one-third of the city's schools received formal PASS reviews. Table 4 seems to confirm that proportion, as does the response from another survey question.[18] Planning teams and principals reported using the PASS less formally to assist in their planning.

One principal we interviewed described the PASS review Central conducted as very helpful and said that the reviewers "came with constructive criticism . . . We have revamped several things. The previous year the district did an informal PASS review, which was also great." The other principal whose school had a Central PASS review said, "We did great! Everybody in the school was looking toward showing how hard we work, our dedication and our student-centered environment. We impressed the monitors."

Two other principals used the PASS instrument informally. One principal said the school's use of the PASS as a self-review "confirmed that we were on point." The other said it was useful "as a tool to make sure I was on the right track, because I'm a new principal."

In spite of the prescriptive nature of this phase of the CEP process, there was considerable variety from school to school:

- In the middle school described above in which sub-school planning teams create separate CEPs for each sub-school, there is further division into "families" that meet within subject areas across grades to review the sub-school's CEP. During the year, teachers make notes about what they think works or doesn't work, or has to change, directly onto the CEP, which is taped to their desks. Family representatives bring that knowledge to the sub-school governance committee, which draws up the sub-school's CEP. How each sub-school collects data for the needs assessment varies. For example, one of the sub-schools uses teacher, parent and student interviews, while the other three sub-schools rely more heavily on a PASS-type review.
- Another middle school's program review and needs assessment process includes active solicitation of parent and student input, especially at an annual retreat held every spring and attended by a large number of parents and students. One year, for example, a change in the school's instructional program came about after a student

participating in the retreat said that the school's graduates didn't have strong enough writing skills for success in high school.

- One elementary school's SLT used district-administered standardized test results to assess its early grade diagnostic/prescriptive reading approach, and decided to expand it to the upper grades. As part of its analysis of the entire school community, the SLT found that engaging parents in their children's education was very helpful. The team decided to: continue to work with an outside agency that helps families resolve specific problems children are experiencing; provide more parent workshops on techniques and curricula that parents can use with their children at home; continue the school's annual celebratory events such as science and technology fairs, choral concerts, talent shows and Black History Month's Inventors on Parade; and expand outreach to recruit parent SLT members into parts of the community not represented on the SLT.
- Planning at one school was complicated, a school official said, by a "huge mobility problem . . . In September and October, 40% of the school is in flux; therefore, many students who are tested haven't been here for the whole program." The team decided to purchase diagnostic math and reading tests to be given three times per year. The final test would be used in the needs assessment for planning for summer school and the fall semester.

Setting prioritized goals and objectives, and developing action plans

The CEP Guide instructs planning teams to derive school goals and objectives from the school's needs assessment and to develop an action plan for each objective. School goals must reflect district goals and be "prioritized based on an analysis of the data.[19] Teams must produce action plans for each goal and objective, identify the target population, define the major activities to be undertaken to meet the objective, specify the resources to be used, and detail the indicators the team will employ to measure success. An Academic Intervention Services (AIS) Summary Form itemizes the services the school will provide for different categories of at-risk students. Teams must also share the draft CEP with staff and parents and invite comment on it before it is finalized.

The inherent assumption is that planning teams, having identified and prioritized their school's goals and specific objectives, will have the knowledge to devise specific actions to meet the identified needs. Our research indicates that planning team members relied on their principal, the staff of the school and the district, and books, articles and conferences to provide them with useful information about instructional programs and strategies. One SLT chair said that her planning team budgeted money for staff to attend conferences. "They attend and then share," she said.

The pilot schools all complied with the requirements of this phase of the planning process, and that compliance was strictly monitored. School teams produced CEPs with goals, objectives and action plan sequences such as the one below developed by a PDB elementary school. An obvious priority that emerged from this school's needs assessment was to raise the stagnant third grade math scores – lower than those of similar NYC elementary schools.

- The team developed a math goal, to "implement an effective early intervention math program that will result in an increase in the number of third graders functioning at or above grade level in math by 3 to 5 points by June 2001." The strategic objectives for this goal were: professional development related to implementation of standards-based instruction; increased small group and individual instruction for the lowest-performing students; after-school and summer school programs for the same students; and "opportunities for all parents to learn more about our math program and how they can support

*Table 5: How did your team find out about instructional programs/strategies that might be useful to your school?**

Source of information	positive response
Principal	93%
District	85%
Staff	79%
Articles/books	70%
Conferences	70%
Parents	44%
Central	39%
College/graduate courses	35%
Other	9%

* 2000 Survey, N=89

their children's growth." The action plan supporting this last objective included math workshops to "familiarize parents with the constructivist approach to math instruction," presentations to parents of actual math lessons in their own child's classroom; and presentations to parents about the math curriculum for each grade.

One of the pilot middle schools provided another example of how schools targeted areas of student need and developed goals, objectives and action plans to meet those needs.

- The parents, students and staff of one middle school identified a pressing need for an extended school day. With the vast majority of students coming from low-income, highly mobile,[20] non-English speaking homes, and with parents often working at two jobs,[21] a safe, academic extended day program seemed a necessity. The planning team used surveys to determine what was needed, and what the staff wanted to teach. As a result, in 1999-00 the school implemented an early morning gym program that ran at the same time as its breakfast program, and a revamped after-school program that ran until 5:45 pm. It provided, in addition to the mandated remedial reading and math programs, a homework help program staffed by teachers from every sub-school, as well as enrichment programs in gardening, gym and critical thinking. Students also worked on science fair and social studies projects, used the library, and learned how to use computers.

Two of the pilot elementary schools recognized an intensified need for professional development because of a sharp increase in new teachers in the1999-00 school year, but had different responses.

- One school was able to bring in the new staff over the summer to orient them to the school's systems and instructional practices. During the school year, a reading specialist was redeployed, and another added, to work with new first and second grade teachers to help them develop strategies to help weaker students learn to read.
- In the second school, several key teachers – as well as teachers the principal had encouraged to retire – left the school shortly before the first day of school in September, leaving no time to plan for staff development. Their replacements, all inexperienced teachers, had no summer orientation and no cadre of experienced specialists to assist them. The principal felt there was no alternative but to adopt a scripted instructional program to ensure that students would be able to learn how to read from the school's new "instant teachers."

Our research indicates that the PDB pilot schools implemented the instructional planning processes the CEP planning system required, and used its components, such as ECLAS, PASS and the data DAA provided, to help them understand their needs, shape their goals and develop action plans to improve the quality and outcomes of their instruction. When schools' planning efforts were not constrained by late state budgets, significant staff turnover, or another limitation on their capacity to plan, many PDB pilot schools seemed to effectively use the CEP planning system to improve instruction and student outcomes.

BEYOND CEP IMPLEMENTATION: QUESTIONS OF EFFECTIVENESS

Did CEP-driven planning for instructional improvement increase the achievement of students in the PDB pilot schools?

Since the overall aim of PDB was to move instructional planning and budgeting to the school level to improve student achievement, the ultimate test of the CEP system is not ease of implementation, but the extent of results.

As our impact study analyzing student achievement data indicates, PDB pilot elementary schools did post a small, but significant positive gain in student achievement, when compared to schools across the New York City system.[22] Because the positive effect is small, we cannot attribute the gains to specific sub-components of the instructional planning system; nor can we calculate the contribution made by the Galaxy budgeting system. But we can explore some of the ways in which the instructional planning conducted by the pilot schools has contributed to the overall positive effect.

One of our hypotheses assumed that the more extensively the members of the SLT participated in defining the instructional problems they were trying to remedy and the new interventions they were designing, the more effective their interventions would be. Therefore, our survey explored the extent of team member participation in articulating their school's instructional problems and defining potential remedies.

Two survey questions explore the nature of parent and teacher participation in instructional planning. The first

question explores the relative influence of school constituencies and key external players. *(See Figure 6)*

Respondents indicated that principals where very influential, with teachers, parents and the district also seen as influential. The main difference in survey results, after three years of PDB implementation, is that fewer respondents in 2000 indicated that Central and the state where influential in the development of their school's CEP than did so in 1998.

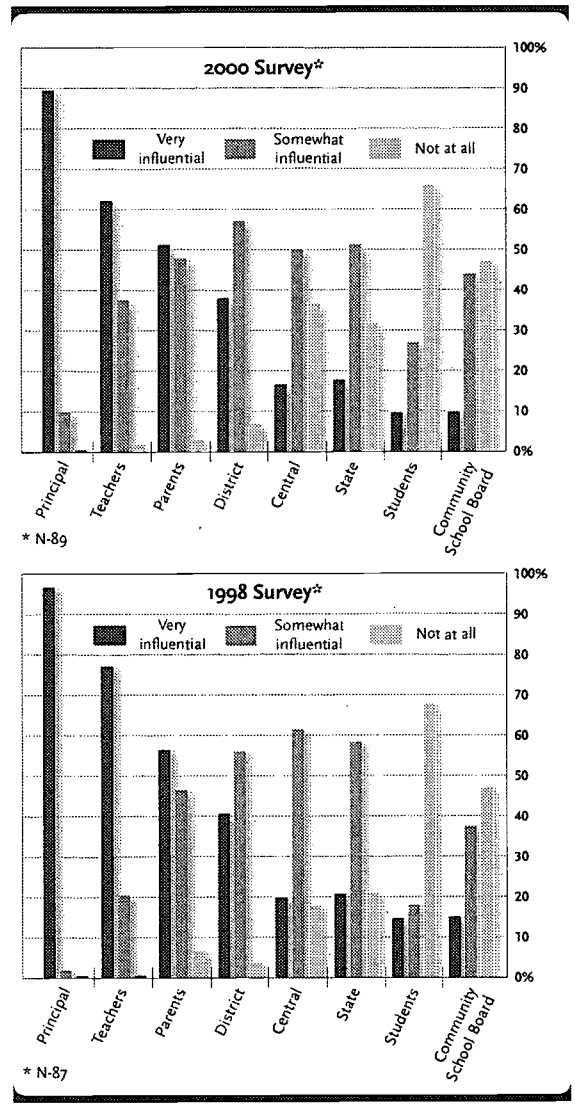
Another survey question asked how much influence the same constituencies wielded in deciding class organization. The results for this question on the 2000 survey showed a similar pattern to that for the survey question in Figure 6. About 85% of the respondents thought teachers were somewhat or very influential, about 75% thought their district was somewhat or very influential, and about half thought parents were. Only about 40% indicated that Central or the state were influential to any degree. However, few respondents indicated that any constituencies other than the principal – and to some extent teachers – were very influential in deciding class organization. The 1998 and 1999 surveys yielded similar results.

The responses to these survey questions show that parents and especially teachers were perceived to be influential in developing their school's instructional improvement plan – as were teachers in deciding class organization. Central and the state were perceived to be less influential than school constituencies and the district, and their perceived influence decreased somewhat from 1998 to 2000. Principals were perceived to be the most influential, by far.

These survey results, as well as our observations and interviews, strongly suggest that teachers often played a major role in shaping the instructional plan for their school. We found equally compelling evidence, however, that parents usually did not. The evidence suggests that parents on SLTs usually played a more passive, supportive role.

The CEP was often developed by the SLT's teachers and the principal, with parents having input only in areas relating to parent involvement. "Parents leave instruction to us," was a typical teacher comment. Another teacher said, "I don't think our parents want an equal voice. They want information shared. They don't expect to influence curriculum and instruction. They are there to learn." Another

Figure 6: How influential are each of the following in developing your school's CEP?



explained that "parents usually pick out things that don't impact on the school day. After-school issues, for example. They don't focus on instruction, on core issues."

Many parents agreed. Said one parent, "The CEP is written by a small group. A lot of us are not informed enough. I don't think we are influencing instruction as much as we should be." Another parent said that parents "don't have a good enough sense of what's going on in the classroom and

the options. We don't know how to translate information into what's needed." A pilot school principal reported that her school's SLT members do not "have the knowledge they need, especially the parents. Parents don't understand what we're trying."

Some parents said that they were knowledgeable about instructional issues but that they were allowed only a limited role. "The district feels education is the prerogative of educators, not parents. If we are critical they say we don't understand," said a parent in one district. A parent from another district said, "As we get more knowledgeable, it gets more difficult with the superintendent. We step too much into [the superintendent's] territory. We can step over the line."

While these findings indicating that parents were often subservient to, or marginalized by, the more powerful teacher and principal members of the SLTs might suggest that teachers played key roles in instructional planning, this was not necessarily the case.

Because of the accountability tension at the core of the SLT role, effective participation by teachers as well as by parents is potentially limited. As indicated in Chapter 3, formal ambiguity in the SLT design involves the locus of accountability. The SLT is given the responsibility to carry out instructional planning and budgeting, but the principal is held accountable for the results of that planning by the district superintendent, who is in turn held accountable by the Chancellor.

This tension appeared to be unresolved in many SLTs. Final instructional decisions were often made by the principal. Thus, writing the CEP could and sometimes did degenerate from a planning activity to a compliance activity, with teachers and parents having little input into the real instructional decisions. One superintendent described the situation succinctly: "The problem is that most principals believe that they know what it will take to make their school successful. They may be fearful that if a suggestion from someone else is piloted, and it doesn't work, that they're accountable. Principals are accountable for the end results of programs someone else has developed."

Teachers in our focus group agreed with this assessment. One teacher said, "The principal says, 'the buck stops with me. I welcome your input, but the final decision is mine.'" A teacher from a second district said, "Whatever has to be agreed to, signed on to, the principal still has the final say." A teacher from a third district said, "People are disillusioned because they don't have the influence they think they have. The SLT doesn't really run the school."

Ultimately, said one teacher, whether the planning team does real planning or not "depends on the principal not being afraid of the superintendent," which reveals a parallel accountability tension between districts and schools.

Several teachers said that their district imposed instructional approaches on their schools during or even after the planning process. "We are told," one teacher said, "'this is the approach we are going to use. However, if you are successful in your own way (i.e., you get high scores), you get more freedom.'" Another teacher reported, "I worked in a SURR school for summer school and it was all mandated." Whether the CEP is a real planning tool or a compliance document "all depends on performance," she said.

Some planning team members also reported that their districts could and did make unilateral changes in their school's CEP, as well as overturn school staffing decisions, without consulting the team or the principal.

Not all principals welcomed increased accountability. One superintendent said that some principals, especially newly appointed principals, were "afraid of their new responsibilities. [They] are not ready for the amount of accountability. They don't want it. [But] the more seasoned people welcome it."

Conclusion

Despite these findings about the ambiguities of the new accountability system, we collected considerable evidence that the CEP system, the PASS and ECLAS tools and Central's supporting data did help focus SLTs on recognizing their school's instructional needs, especially in the area of early childhood literacy. And, over time, SLTs refined their ability to analyze their school's needs. Some teachers indicated that the conversation in their school about how to reach children with different needs changed significantly. One teacher said:

> *Things have improved in the district for inner city kids and their issues. There is a recognition that kids' needs are different. There are more resources than ten years ago. Fifteen years ago, this was barely faced. About four or five*

years ago, it was recognized that it's harder to reach this child. The dialogue has changed. It used to be very much ignored. 'Somehow, you are still going to be able to succeed using standard curriculum.' Now, it's understood that it's different.

Similarly, we found evidence that principals and SLT members felt they had more freedom to do planning than ever before, which gave them a sense of ownership over the interventions their teams crafted. "We can use discretionary dollars any way we want," said one parent. A teacher said, "We use our money for intervention programs and they really work."

However, interventions imposed on schools by Central and the districts limited schools' freedom. There is a strong countervailing tendency at Central – perhaps in response to media and mayoral pressure to "do something" – to impose uniform instructional "fixes" on the schools and districts.

- For example, one district, many of whose schools had developed individualized summer school programs, was required to adopt Central's summer school model, which imposed uniform organizational and student selection parameters on all summer school programs citywide, regardless of individual school performance and instructional planning goals.
- Not enough flexibility was allowed to individual classroom teachers, some teachers reported. "We need to be treated as professionals," one said, "with more freedom to deal with particular children's problems instead of following an exact curriculum."
- Even when teachers did have flexibility, they worried that it was tied to cyclical system resource levels. One teacher feared that her school's newfound ability to respond to a variety of student needs would evaporate when resources became scarcer. "Now we're focusing on these children and using new assessment tools. When the [funding] pendulum swings the other way, we won't have as many extra programs."

Given the fierce and escalating political demands on the school system to demonstrate growth in student achievement, and the narrowness of the measures employed to demonstrate such growth, the impress of standardized testing – and the test preparation programs many schools feel forced to implement – threatens to engulf more variegated SLT planning to improve instructional outcomes. In a comment echoed by most of the teachers in our focus group, one teacher told us, "The CEP is a reflection of mandates. There are so many tests. They become the indicators of success."

Where conditions were right, where school capacity was well developed, where the SLTs were able to focus on interventions and remedies beyond test preparation, we observed pilot schools that seemed to identify the most critical areas needing improvement and to take actions that produced improvements in those areas. Year after year, these stable schools built upon their previous experiences, refined their planning processes and improved their teaching and their student outcomes. These schools were effectively engaged in planning for instructional improvement.

However, some pilot schools were not able to engage as effectively in this process. Schools with new principals and a large percentage of inexperienced staff had more difficulty engaging in school planning and were usually given less autonomy by their districts. In all likelihood, their SLT members were less experienced, less knowledgeable and less influential in defining needs and fashioning solutions, than their counterparts in schools that enjoyed more stable conditions.

We believe that these and other contextual factors disproportionately impacted schools in high-needs districts. In particular, we saw mounting evidence that an inadequate supply of qualified teachers and principals willing to work in New York City made it extremely difficult for high-needs schools to attract top quality staff, and to stabilize themselves sufficiently, to develop the capacity to engage in genuine instructional planning.

Endnotes

1 Crew, R. (1998). *The Chancellor's Plan for School Leadership Teams.* New York City: Board of Education, pp. 9-10.

2 NYC Board of Education, Division of Assessment and Accountability. *(2000, April 11). Guide to Completing the School Comprehensive Educational Plan 2000-2001.* New York City: NY State Education Department and NYC Board of Education, p.8.

3 Early Childhood Literacy Assessment System

4 Performance Assessment of Schools Systemwide

5 In 2000, Central's Division of Assessment and Accountability (DAA) provides sudent and school data for both accountability and instructional purposes. For example, to assist teachers in designing individual instructional programs, DAA uses the spring citywide testing data to provide summer school teachers with item skills analyses for their students. In 2000, DAA was able to provide very quick reporting of both the spring and summer school citywide test scores that teachers need to determine whether students met promotional criteria. However, the state testing calendar (4th and 8th grade) continued to be a problem, primarily because June testing results are not available until October, too late to be most useful for school planning.

6 ATS (Automatic the Schools) is a student information system with terminals in every school, tied to a Central computer.

7 These include SURR schools (jointly with the state) and Title I schools not making Adequate Yearly Progress.

8 That superintendent, District 2 Superintendent Fink, said, "We've always done our own instructional planning. Authority is not an issue."

9 This superintendent "used PASS as a principal assessment tool, both last year and this year. We hired our own PASS team of retired principals and special education supervisors. We looked at PASS and revised it to align with what we do in this district. We call the school the day before the review. The principal, AP and special ed supervisor or staff developer goes with the district monitors. We make the results known to the principal who can make it public to the school's staff."

10 As indicated above, Central's Office of Monitoring and School Improvement discontinued using PASS once the problematic aspects were identified.

11 Fink, E. and Resnick, L.B. (2001, April). Developing principals as instructional leaders. *Phi Delta Kappan*, 82(8), pp. 598-606.

12 District 9 was not expected to begin implementing PDB until 1998-99, the second year of the PDB initiative.

13 District 19 spent more than twice as much of its budget on professional development as did the non-PDB districts, according to the 1998-99 School-Based Budget Reports.

14 A January 25, 2000 New York Times article detailed the steps leading up to Dr. Crew's removal of Mr. Riccobono, who fired or disciplined a majority of the district's principals for "educational failure."

15 District 20 was not expected to begin implementing PDB until 1998-99, the second year of the PDB initiative.

16 District 22 also created two new school organizations in 1999-2000, thus adding two more new principals.

17 NYC Board of Education, Division of Assessment and Accountability. (2000, April 11). *Guide to Completing the School Comprehensive Educational Plan 2000-2001.* New York City: NY State Education Department and NYC Board of Education, p.15.

18 We asked planning team members if their school had had a PASS review that year. Approximately one third said yes, one-third said no and one third left the question blank or answered "don't know." The phrasing of this question might have led respondents to believe that we were referring to only the formal PASS review conducted by Central monitors or the districts.

19 NYC Board of Education, Division of Assessment and Accountability. (2000, April 11). *Guide to Completing the School Comprehensive Educational Plan 2000-2001.* New York City: New York State Education Department and New York City Board of Education, p.18.

20 The school reported that only 45% of the students who started sixth grade in that school were in its eighth grade two years later.

21 Explained the principal, "We have to reach out to people. Kids go home at 3 pm, but mothers are still working. And every kid in this school is a poor kid."

22 To obtain a copy of the impact study, contact IESP at: 212-998-5815 or via email: iesp@nyu.edu.

Chapter 5:
CHANGES IN SCHOOL BUDGETING

Prior to the introduction of PDB in 1997, significant structural impediments prevented schools from exercising the "increased control and flexibility over the use of resources [that would enable them] to engage in more creative program development, more effective problem solving, and more efficient use of resources to improve student performance."[1]

Traditionally, Federal, state and city appropriations were allocated in dozens of funding categories, well after the school year began. Use of these funds was often severely constrained by funding mandates, regulations and collective bargaining agreements.

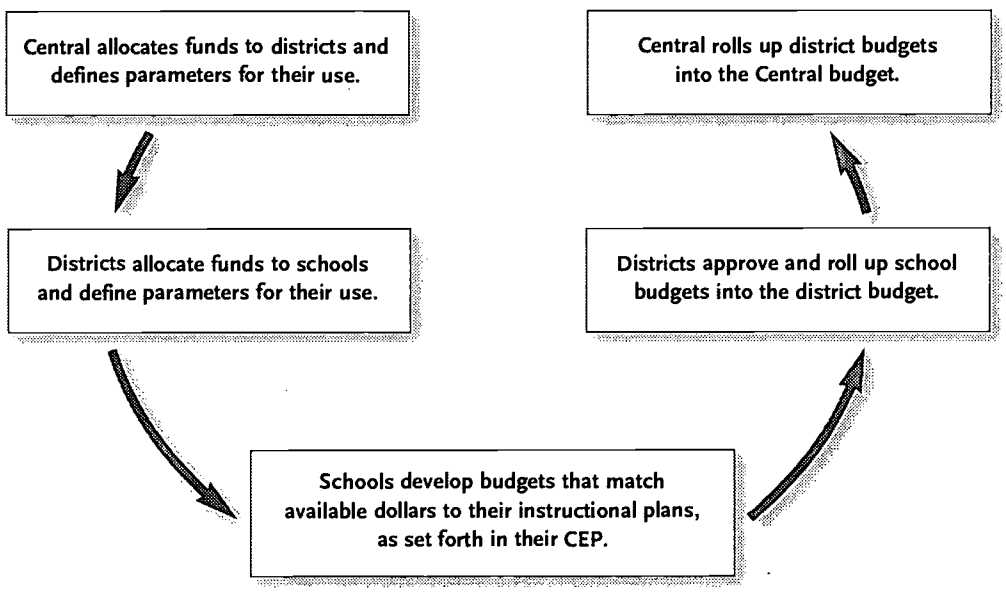
While districts had primary responsibility for the supervision of their elementary and middle schools, Central tightly controlled district financial operations. Central completely controlled many key system functions such as transportation, food services, purchasing, financial operations and human resources, as well as the operations of high schools and part of special education. The districts, in turn, tightly controlled all personnel and financial operations for their schools. Schools did not have their own budgets.

In this chapter, we describe how school-based budgeting was operationalized at the Central, district and school levels to give schools "increased control and flexibility over the use of resources."

CENTRAL

At an October 2000 meeting of the Core Group with the directors of operations of the Phase II districts, CFO[2] Beverly Donohue said that her 1996 visit to the Edmonton school system was the first time she had seen "real school level budgeting. That's when my thinking about PDB first crystallized. Last spring, Diana Lauber of the Cross City Campaign for Urban School Reform told me, 'Now everybody says they're doing school-based budgeting. But you are the only ones really doing it.' PDB is that revolutionary and that important."

Figure 7: School Budgeting in a Performance Driven System



School-based budgeting systems in other U.S. cities give schools limited discretion to budget and spend school funds, but leave their centralized structure and operations in place. Chancellor Crew recognized that the centralized budgeting process itself was a key impediment to genuine school-based budgeting; he was "convinced that the historic highly centralized budgeting processes of the Board [of Education] represent a fundamental impediment to realizing a performance driven system in NYC."[3] Crew envisioned replacing centralized budgeting with a system in which school-level budgeting decisions, based on school-level instructional decisions, determined district and Central budgets. Other centralized operations — personnel, accounting, payroll, purchasing and other business systems – would change as well.

PDB's growth from Dr. Crew's initial 1996 vision, into a full-blown school-based budgeting system in 2000 involved three major elements: an improved budget allocation process; decentralized fiscal responsibility along with greater district control over resources; and a powerful school-based budgeting tool – Galaxy — that would force fundamental changes in the system's centralized operations.

Budget Allocation Process

As discussed in Chapter 1, the Board of Education's traditional budget allocation process was a major obstacle to successful PDB implementation, in part because the state's education funding system is unnecessarily complex, opaque[4] and unpredictable. While the state did not improve its education funding practices during the period of PDB implementation, Central nevertheless improved the process by which districts and schools were able to budget and manage their money.

Timely allocations

Central's leadership knew that a crucial factor in successful PDB implementation was getting budget allocations to the schools in time for schools to plan and budget effectively. For both 1998-99 and 1999-00, Central made timely allocations to the districts by issuing its initial allocation document, BOR1,[5] in June, a full two months earlier than in past years. While the state budget was on time for 1998-99, it was once again late for 1999-00. With the size and shape of the state budget unknown, Central's on-time issuance of BOR1 for 1999-00 required complex fiscal forecasting and a nerve-wracking political gamble. Nevertheless, in June 1999, Central did issue BOR1. As a result, all 192 schools[6] in the six PDB districts received school budgets in time to plan for the school year.

Unfortunately, Central's timely issuance of allocations to districts lasted only two years. BOR1 for 2000-01 was not issued until July 2000.

Budgeting flexibility

Central's leadership also knew that providing increased flexibility to districts and schools to budget their allocations was another crucial element of successful PDB implementation. Central increased budgeting flexibility in a number of ways:

- Beginning in 1996, Central permitted districts to roll over unused tax levy funds from one year to the next, thus eliminating the frantic end-of-year scramble to spend unused funds that would otherwise be lost.
- Central made many categorical tax levy funds more flexible. For example, funds for the Project Read early childhood literacy program, which had been highly categorical, "could be used flexibly so long as it was used for literacy," said one PDB director of operations.
- Central provided most new tax levy funds as flexible allocations. For example, in 1998-99, approximately $100 million was provided as a totally flexible "standards allocation," to support the school-identified needs. Again, in 1999-00 Central provided two fairly flexible lump sum allocations, $30 million for the Middle School Ending Social Promotion program to serve at-risk students in grades 6 through 8, and $89 million to reduce class sizes in the early grades.
- Central created a unit to support Title I schools applying to become School Wide Program (SWP) schools. SWP designation allows schools to target their Title I funds for "whole school" initiatives – not just for individual Title I-eligible students — and to merge them with other school funds. As a result, most New York City Title I schools did become SWP schools and gained valuable budgeting experience.
- In 2000-01, Central undertook a major restructuring of the allocation process. Central created one flexible special needs category by blending funding for special education students with funding for supplemental services for students with special needs. A total of forty-five separate tax

levy and reimbursable allocations were collapsed into one "Special Needs/Academic Intervention Services" (SN/AIS) allocation category, that combined tax levy special education funds with federal special education funds (e.g., IDEA, or Individuals with Disabilities Education Act) and state categorical funds (e.g., PCEN) for "special needs" students.[7]

Budget Director Marjorie Blum said that "now, instead of schedules for general ed tax levy, special ed tax levy and reimbursable programs, Districts will schedule their funds as *education and reimbursable education*. Central expected that districts would, over time, change their approach to how students with special needs got help and how districts budgeted to meet those needs. In the past, said Chief Executive for Student Support Services Fran Goldstein, "not only were special education children put in boxes, the budget was allocated to perpetuate the placing of children into those boxes. I think the way we changed the budget is performance driven budgeting. We needed to marry PDB to the programmatic change."

That programmatic change is the new continuum of services for special education students – *Special Education Services as Part of a Unified Service Delivery System* – which Central developed in response to federal mandates to educate children with disabilities in general education classrooms, to the maximum extent possible. The SN/AIS allocation supports "the whole school approach and provides flexibility in using dollars from different funding sources to design programs that address the needs of all students . . . The funding permits districts and schools to meet the IEP mandates of disabled students, as well as provide an array of non-special education supports."[8]

While district funding levels and service mandates remained essentially the same, the allocation methodology changed with the new formula. The SN/AIS formula allocates teacher positions and a fixed dollar amount based on a virtual special needs register comprised of percentages of the total student population and percentages of students below certain academic criteria (PCEN-eligible), from low income families, with limited English proficiency, with high mobility and in self-contained special education classes. The number of uncertified teachers is also factored into the formula. For the 2000-01 SN/AIS allocation, the virtual special needs register consisted of 150,000 students, or 20% of the entire community school district pupil enrollment.

BOR1 outlined the rationale for the change in allocation methodology. "A dozen years ago the special education allocation formulas were developed to demonstrate that sufficient resources were provided to serve students appropriately. This resulted in an allocation structure that was prescriptive, inflexible and cumbersome. That allocation process is now an impediment to the successful implementation of special education reforms required by [federal] IDEA Reauthorization. Maintaining students in general education with supplemental services equates to lower special education enrollments and commensurate lower budget allocations. The Special Needs/Academic Intervention Services formula overcomes these obstacles."[9]

Budget Transparency

Transparency of budgets and expenditures was another critical area needing improvement. As noted earlier, Central began to issue detailed School-Based Budget Reports (SBBRs) and School-Based Expenditure Reports (SBERs) in 1996. Both sets of reports detail how all school system money was budgeted (SBBRs) and used (SBERs) by schools, districts and Central in four categorizations — function, location, level and type of student.

Central began to widely disseminate – and publish on its web site — all district and high school allocation memoranda, including the 289-page BOR1. The allocation memoranda contain all allocation formulas, programmatic descriptions and detailed district level allocations for all money allocated to the districts, by funding source.[10]

Fiscal Responsibility and Control over Resources

Prior to 1996, reported Deputy Budget Director Judith Solomon, the Budget Office's "efforts were concentrated on making sure the district budgets were balanced and financial management was sound." Districts had little discretion and played a passive role in the budget process. A 1993 Educational Priorities Panel report noted that "the budget process is viewed from the . . . district level as almost totally dependent on decisions made by others. At the district level, budgeting becomes a series of adjustments that respond to directives from [Central] and the rules and mandates that have been imposed over time by union contracts, state and federal regulations and judicial requirements."[11]

Beginning in 1996, Central began to decentralize fiscal responsibility as well as move control for some centralized functions to the districts. With the advent of Galaxy, a powerful financial management tool, Central's decentralization helped change district budgeting practices from a passive process of making a "series of adjustments," to an active one of helping schools budget and spend their money in response to instructional decisions.

Differentiated approach to district fiscal responsibility

The first step was to give districts the authority to manage their own financial affairs. In 1996-97, the Budget Office began to use what it called a differentiated approach to determining how much monitoring and assistance districts needed, and allowed many districts to exercise much greater fiscal responsibility. For the high functioning districts, explained Budget Director Marjorie Blum, Central assumes "that the district superintendents are fiscally responsible."

The high functioning districts manage their budgets independently; a middle group of districts receives some technical assistance; a third group is strictly monitored and controlled and receives intensive staff development from the budget office.[12]

The high functioning districts do not need to obtain preapproval for their budgets and budget modifications, and receive only routine auditing. The focus, said Deputy Budget Director Solomon, "is on empowering the districts to understand budgeting and forecasting and all related systems and activities sufficiently so that they can make wise choices and assist their schools."

The differentiated approach increased the number of districts with acceptable business practices, said Ms. Solomon, and therefore the number of districts capable of handling greater fiscal responsibility. "There have been changes in districts whose practices troubled me in the past . . . and expertise has expanded to new districts."

Greater district control over resources

- In late 1998, with the transfer of responsibility for the Committees on Special Education (CSEs) to the districts, and responsibility for the School Based Support Teams (SBSTs) to the schools, Central removed a significant barrier to local budgeting discretion. Districts and schools thus became fiscally responsible for these budgets that supported thousands of employees who had operated within the schools, evaluating and placing students in special education, but who had not been accountable to principals and superintendents.
- Central streamlined school purchasing operations, primarily by creating an on-line school purchasing system called Fast Track, which enables schools to order almost anything they need on-line. "With FastTrack, we created a good system. The control that's within the system is transparent. FastTrack is efficient, paperless and provides service in less than 30 days," said Director of Financial Operations Lou Benevento. His office is focused on making school purchasing and all other business operations more rational, speedy and efficient — by piloting credit cards for schools, exploring Internet-based purchasing systems, integrating school-level business functions and technologies, and helping district offices become more responsible for school business functions.
- Human Resources remained a centralized function. However, Central decentralized the teacher hiring process to the districts and schools, making it much easier for them to recruit and process new teachers.
- Because true district control means that Central must trust districts to manage their own money, Central gave Galaxy districts Additional Spending Authority (ASA), a mechanism that allows Galaxy districts to access funds that are not yet available. Central essentially fronts money to the districts that they can use when they are awaiting receipt of state or federal grants, for instance, or when they expect money to become available from other sources, such as accruals. Ms. Donohue explained that ASA allows districts to manage their own money better. "Traditionally only Central played this role. It's an appropriate way to move accountability nearer to the schools. Districts need ASA to keep their schools insulated from some of the harsher realities of budgeting."
- Galaxy districts are able to shape allocation categories to reflect district priorities, thus translating district policies and priorities into school allocations. For example, a district can create an allocation category for Early Childhood Class Size Reduction that contains funding from a variety of sources, not just the federal and state programs that earmark money for this purpose. To do planning, schools do not need to know funding sources, only the intended purposes of various pots of money – in this case, reducing early childhood class size. Some dis-

tricts earmark more money for this purpose than others, presumably a reflection of district priorities.

Tracking the total proportion of the system's budget under district and school control is one way to gauge how much Central has shifted control downward.[13] As Table 6 below illustrates, over the course of PDB implementation, the proportion of the school system's budget under district and school control increased by 5.7 percentage points, over one half billion dollars, from 67.8% in 1996-97 to 73.5% in 2000-01. Thus, the proportion of the total system budget controlled by districts and schools increased by 8.4% over four years.

Table 6: District and school control over system resources

	1996-97	1997-98	1998-99	1999-00	2000-01*
Total system budget (in millions)	$8,198	$9,029	$9,791	$10,716	$11,617
Percent under district/ school control	67.8%	69.4%	71.4%	70.0%	73.5%

Source: NYC Board of Education School Based Expenditure Reports, 1996-97 through 1999-00

* Although the 2000-01 school year was a post-evaluation year, expenditures for 2000-01 reflect the planning done in 1999-00, the last year of this evaluation.

Galaxy

Liz Gewirtzman, District 2's Director of Operations, also traveled to Edmonton in 1996 and served on the PDB Planning Committee that shaped the PDB initiative. In late 1997, she proposed that a field-based group of experts design a new budgeting system – Galaxy — for Central. The unusual intermediary structure she proposed to carry out this design task was a Core Group[14] of eight district directors of operations. The Core Group's function was to oversee Galaxy's design, development and implementation. In March 1998, Ms. Gewirtzman became the Core Group Leader and PDB Project Director, while Ms. Donohue assumed overall responsibility for the PDB initiative.[15]

Ms. Donohue established a high-level Central task force, the Galaxy Steering Committee, to change and/or coordinate Central's fiscal policies and practices, as well as other elements of Central's infrastructure, in response to the issues surfaced by Galaxy's developers.

When the Core Group began operation, its members believed that they would develop the new budgeting system by modifying an existing school-based budgeting program used by District 2. After a short while, reported Core Group Leader Mark Gullo, "it became evident that it was going to be a very big task. We [realized that we] wanted the school's program to drive the budget, and we wanted to know what the program is. This begins the link [of budget] to instruction . . . Galaxy aggregates up people and activities [in a school] into programs with budgets that schools can create."

Translating that concept – creating a budget from a school's instructional program — into reality is the primary challenge for the Core Group whose members "are the visionaries who decide where we need to go. They figure out how to explain to the technical people what a school needs to do every day," said Ms. Donohue. "Galaxy changes the question from 'Here's the money. What do we do with it?' to 'Here's the program we want. How do we pay for it?'"

One key issue the Core Group tackled was the tension between standardization and customization. This tension is inherent in the interplay between the system's accountability-driven need for standardization and uniformity, and a school's need for customization – or individualized budgeting — to best serve its unique mix of staff and students. At the same time that Galaxy must capture, aggregate and report the information required by the chart of accounts driving Central's financial systems, it must also capture, aggregate and report information about school programs and activities in sufficient detail for school planners to determine if programs are effective.

Galaxy Project Manager Mitch Klein said, "Detailed information is what the school-level system needs, and should be in Galaxy where the school can get it. Central should turn to the school-level system for information . . . The point is to keep the detail in the school's table of organization and to streamline things above." For example, "in the old accounting system, you were required to put something in an account code that was a bilingual account code. What real information were you able to get from that? Only how much was spent on a bilingual program. In Galaxy, with no extra work, you can know the specific language of instruction, in what setting service was delivered (e.g., "pull-out" or "push-in"), what the population is, by grade and by type

of student. In the old system, you couldn't find out this kind of information."

The Core Group also knew that Galaxy had to be user-friendly if it was to be used by typical school personnel and parents. Schools could not afford to have full-time budget managers.

Finally, to ensure appropriate checks and balances for school spending, the Core Group felt that budgets had to be transparent and public, because that's how Galaxy "verifies that its data are correct. It's the principal's job to make Galaxy conform to the school's reality. If Galaxy produces a table of organization from the data the school provides, and that table of organization is published for all to see, then you know the data will be accurate."

The Core Group incorporated these concerns and others into Galaxy's design specifications. Galaxy would increase school-level "control and flexibility over the use of resources" by:

- building a school's budget from its table of organization;
- supporting – and tracking — a wide range of district- and school-level instructional options;
- using terms familiar to school personnel, not budget codes and accounting jargon;
- building in information about funding sources, to maximize efficiency;
- allowing schools to merge funds from different sources;
- providing daily updates of school expenditures and balances;
- allowing schools to modify their own budgets at any time and have access to their money within one or two days of the modification request;
- providing one place for school planners to go for all financial information, by fully integrating Galaxy with Central's fiscal, personnel and information systems; and
- preventing impermissible spending.

Galaxy implementation

Galaxy was implemented in the Phase I districts over the course of more than a year in five stages, only some of which worked out as planned. "After all," said one Central official, "this was a laboratory environment. The purpose of starting with the five[16] PDB districts was to work out the glitches, as with any huge system."

Summer 1999

The first implementation step was the launch of Galaxy in the six PDB districts and 192 pilot schools.[16] The Core Group rolled out the Sketchpad version of Galaxy, a consolidated, high-level (not line-item) budget, with no direct link to Central's financial and personnel systems. The school budgets were aggregated up into a district budget that was submitted to Central. This early phase was intended to help schools become familiar with school-based budgeting. Schools were locked into their budgets until they submitted a so-called mega mod in the fall.

Fall 1999

In the second step, the mega mod, the schools created detailed line-item budgets, using all dollars allocated to them. The school budgets were aggregated up to district budgets that were submitted to Central as a one-time comprehensive district modification.

As expected, glitches cropped up. In the words of Project Manager Mitch Klein, the glitches forced the pilot schools to "create budgets in an aggressive timeframe with a new system, using sub-optimal technology." Connectivity, for example, was a problem because Central's federally-funded connectivity initiative was used only to wire instructional computers in classrooms, not administrative computers in school offices. Schools had to rely on quirky laptops and modems running at slow speeds. As a result, the time it took schools to put their tables of organization into Galaxy was underestimated. Nevertheless, the pilot schools all created line-item budgets that they based on their tables of organizations. The five Galaxy districts submitted their budgets to Central in December, 1999, five or six weeks behind schedule.

Winter 2000

The next implementation step was the enormous task of linking Galaxy to a Central fiscal infrastructure modified to support Galaxy. The Core Group, the pilot schools and the PDB districts anticipated that linkage to Central's financial and personnel systems would be established by mid-January. Linkage would allow the schools to see how much money they had, against what they had budgeted. Schools would then know how much money they had left to spend.

Two major complications seriously compromised Galaxy implementation at this point. The first was the upgrade of the city's accounting system (FMS), begun in July, 1999.

which caused a number of problems — such as failing to pay some vendors who had provided goods and services to the school system — that took many months to resolve.

The second was the introduction of FAMIS[17], a new Central accounting system, in January, 2000. Lou Benevento, Executive Director of the Division of Financial Operations, said, "one reason for upgrading to FAMIS was because we couldn't integrate with the functionality required for the Galaxy system. We had to be sure that there was adequate support for the programming changes that were necessary as a result of Galaxy implementation." Because only some districts were using Galaxy, he said, Central "in effect, will have to run two different accounting systems for a few years," with one set of districts using FAMIS, and the other using both FAMIS and Galaxy.

The introduction of FAMIS at this point created many problems for all districts and schools, but the Galaxy schools and districts were hit especially hard. Galaxy was designed to be a "superstructure around an accounting system," said one Central observer, to which it is integrally linked. Therefore, the introduction of a new accounting system was "like having a spinal transplant. Galaxy never had a chance." The complicated linkages required to link Galaxy and FAMIS could not be put in place before the bugs in both new systems were worked out.

An additional complication was Galaxy's interface with the personnel system, which was extraordinarily difficult to manage because of Central's complex labor agreements, and because of the "labyrinth of rules that don't make sense," said one Central participant.

For these and other reasons, during the winter of 2000 there were numerous collisions between Galaxy and Central's existing financial, budgeting and technological systems that had to be resolved in the Galaxy Steering Committee. Galaxy schools were locked out of there budgets and could not access them to make purchases or to transfer money until March, 2000. At that point, FAMIS began to provide schools and districts with fairly accurate information about their expenditures, and, to a limited extent, to allow normal transactions and modifications to take place. While the non-PDB districts had to struggle with a single unstable district budget, the PDB districts each had to manage up to 45 unstable school budgets. By the time schools were able to access their money, they had only two months in the fiscal year to spend what was left in their 1999-00 budgets.

Summer 2000

The fourth step was creating the 2000-01 budget. The PDB districts and schools thought this would be a fairly simple task, as they expected to simply roll over or modify personnel lines on their tables of organization, and to apply their budget dollars to the items specified in their school's CEP. But Central's delayed release of BOR1 in July, 2000 had the effect of forcing PDB schools and districts to put off decisions about the 2000-01 budget until Fall, 2000. By all accounts, the rollover went very smoothly, but the need for a fall clean up created more ill will in Galaxy districts and schools.

Fall 2000

Many Galaxy features that could not be implemented the previous winter were incorporated into the upgraded system. System intelligence was built in to support differential assignment of funding sources. For example, the system knows which source of funding, Title I or PCEN, is the best source for a particular teaching position so that Galaxy users don't have to learn and remember arcane rules. Faster and more reliable connections between the schools and Galaxy, and internal Galaxy programming changes, vastly improved severe problems with slow access speed and inefficient data entry processes. Interfaces with FAMIS gave schools overnight access to their account balance information. Linkages between Galaxy and the personnel and payroll systems allowed schools to access and spend their own accruals and to charge teacher per session and per diem costs and other expenditures to the programs schools wanted to track.

The implementation of Galaxy, and the general thrust of moving control of financial functions to the districts and schools, forced many changes in Central's operations. CFO Donohue said, "We're forcing the old system to improve. I believe that the pre-audit controls in place in the Board's financial system were really a function of inadequate systems. When we fix this problem, there will be less need for monitoring. The rules of the game are built in so you don't need waivers, or permission, to do your business."

Galaxy implementation in the Phase II districts,[18] which Central had expected to implement for the 2000-01 school year, was delayed until 2001-02 so that Central could incor-

porate the lessons learned from the Phase I experiment into Phase II implementation. That extra time was needed for the city's and Central's accounting systems to stabilize, for Galaxy's speed, access and functionality to be improved, and for other infrastructure issues to be addressed, because, one Central participant said, Central's "infrastructure is being built to support practice in the field."

Galaxy will drive real school-level decision-making, said a Core Group member, because "money and information are power. After a year or two of principals looking at their budgets and the services they are providing, they'll create alternatives to how their districts are telling them to do things. In good districts, even top-down districts, good principals are already engaged in discussions about alternatives."

One major implementation issue for PDB's planners is scaling up PDB from roughly two hundred schools to more than 1100 schools in all forty districts. The general thrust of Galaxy implementation, said Project Manager Klein, is to help each new Galaxy district understand its current reality and then decide how that reality will be implemented in Galaxy. Schools in the 15 Phase II districts do not have to enter their initial budgets from scratch, but instead update budgets created for them by their districts from existing school spending plans.

But scaling up PDB is not only about Galaxy implementation. "The pilot districts were self-selected," said CFO Donohue. "They were committed to school-level decision making, and the districts had real expertise. But now it's time for the Phase II district staffs to come up to speed. We need a more lengthy time line because we need staff and parents thinking about this stuff. Some schools have broken relationships. There are many for whom the notion of budgeting is new. Galaxy actually promotes site-based decision-making. It's transparent, sophisticated and provides lots of intricacies behind the scenes."

A second major implementation issue, said one Central participant, is embedding Galaxy's maintenance and ongoing development in the school system. "We must figure out how to move from a laboratory/pilot operation to a systemic initiative."

THE PDB DISTRICTS

Traditionally, community school districts began their annual budgeting exercise in the spring.[19] Superintendents and their staffs met with their principals to project class registers, school by school and grade by grade. The goal of this exercise was to stay within the anticipated district budget allocation without exceeding contractual class size limits. Then, in the summer, when they received their initial allocations from Central, districts adjusted the number of positions allotted to schools, and attempted to accommodate school and district priorities with their discretionary resources. Generally, districts had very little discretionary money remaining after budgeting for classroom teachers, mandated programs and a minimal number of supervisory and support staff. The district budget was usually submitted to Central in late August.

During the school year, Central distributed reimbursable allocations, and adjusted earlier allocations based on audited information about the number of students on register and the number eligible for various programs. When funding was finalized, districts added or removed positions at the schools, and purchased textbooks, supplies and services for their schools. With Central's close monitoring of district fiscal operations, and the requirement that district budget modifications be approved by Central, districts had little opportunity to deviate from Central's rules and policies that constrained their budgeting and spending. Detailed district budgets were never published,[20] so few understood how money moved from Central to the districts to the schools.

Our findings indicate that during the three years of PDB implementation, the PDB districts substantially increased their financial control and flexibility, and adapted to a new role.

Control over resources

By June 1999, at the end of the second year of PDB implementation,[21] the districts and schools in the PDB initiative had experienced a substantial increase in their budgeting authority, with district control over resources greatly enhanced by the increased fiscal responsibility Central's differentiated approach brought them.

By the end of the third year of the initiative, district and school control over resources was further increased because of a number of factors, primarily the implementation of Galaxy. Districts, not Central, had day-to-day control of their own money — budgeting, modifying and spending their allocations without Central involvement.

The Galaxy schools also gained day-to-day control of their own money — budgeting, modifying and spending their allocations — requiring only district approval.

The concept of a district budget underwent a radical change with the advent of Galaxy. A Galaxy district budget consists of the aggregated budgets of all its schools, plus the district office budget. Galaxy schools can and do modify their budgets as often as necessary to match their changing needs. "Districts now provide overnight approval of schools' budget modifications," said a district official. "Students are mobile. Needs are being discovered and plans to meet them made on a continual basis. So budgets need to be nimble to meet these student needs as they arise, and to make the most efficient use of scarce resources." Every time a school modifies its budget, the district budget is modified, too. Therefore, the budget is less a static, infrequently modified document than a continually changing financial condition. To capture that condition for reporting and auditing purposes, Central periodically takes a snapshot of the district budget as of a particular date.

Central moved the locus of key information from Central's accounting system to Galaxy — essential if control over resources is to be transferred to the districts. Explained a director of operations:

> *This is where the rubber meets the road. The trouble with the old Central method is that tracking is difficult. When information is owned by Central, the school or district has to ask Central to assign a quick code to track something. With Galaxy it's different. Galaxy is in the district's control, to be responsive to the needs of the district and its schools. A by-product of building from the ground up is that the school defines the programs. This is what drives the budget. Each school can define its own set of programs, and can track each program separately. It used to be that Central defined the set of programs.*

In addition, Central established the appropriate linkage between Galaxy and Central's financial and personnel systems so that schools and districts using Galaxy could gain day-to-day control over their resources. The Galaxy districts and schools expected this linkage to be accomplished by January 2000. But the linkage – and thus district control over resources — was not securely established until the beginning of the 2000-01 school year, primarily because of the collision of Galaxy with the new city (FMS) and Central (FAMIS) accounting systems.[22] From January through mid-March 2000, districts and schools could not access their account balances,[23] and therefore did not know how much money they could spend. For several months more, until FAMIS glitches were worked out and the linkages with Galaxy were firmly established, the information schools and districts received was not always reliable.

A second important way that Central moved control to districts and schools was to decentralize responsibility for centralized system functions.

In late 1998, districts were given responsibility for one of these centralized functions, the CSE/SBST system for evaluating and placing students with disabilities. When Galaxy became operational the following year, district officials indicated that Galaxy seemed to expedite absorption of the CSE system into district operations, perhaps because the CSE and SBST personnel were appearing on the district and school budgets for the first time. Reported one district official, the CSE system "is gradually being absorbed into the districts' and schools' Galaxy budgeting systems. This could and should happen with other Central functions, such as food services, transportation, utilities, etc."

The CSE/SBST function was the only major area for which responsibility was transferred to the districts and schools.[24]

Budgeting and spending flexibility

Central's improved budgeting process, the implementation of Galaxy, and increased district and school control over the budget gave districts "a tremendous amount of additional flexibility," said a district official.

In 1999 a PDB director of operations reported that Central was providing "far greater discretion in all areas except special education." In special education, the CSE/SBST decentralization provided some additional flexibility, but officials in the PDB districts felt it was not sufficient.

One year later, Central eliminated that lone exception when it combined the special education allocation with dozens of special needs allocations into a single flexible allocation called Special Needs/Academic Intervention Services (SN/AIS). Viewed as "a block grant with mandates," SN/AIS, a director of operations said, "will make it easier for districts and schools in the future. We won't have the problem of having to commingle funds, because all of

it now is a common funding source." "It's more than a paper change," said another.[25]

Reported another director of operations, "Central's [SN/AIS allocation] has given the districts much greater flexibility in addressing the needs of children functioning at all levels . . . It's 'mix and match funding.' Now we have the capability of addressing the needs of students outside of the requirements that existed for years." As one director of operations told us, the SN/AIS allocation "is what [our district] has recommended that Central do for the past five years."

Many Galaxy features were designed to increase district budgeting and spending flexibility. For example, the PDB directors of operations reported that Additional Spending Authority (ASA) adds significant flexibility. ASA permits districts to place teachers on the payroll before the system "knows" there is a vacancy; to spend accruals[26] before the system calculates them; and to spend money before a promised (usually reimbursable) allocation arrives.

Central's on-line school purchasing system, FastTrack, also gave districts and schools much-improved purchasing flexibility, compared to pre-PDB days. "They have really streamlined the process," said a director of operations, and put the ability to spend budgeted dollars into the hands of school officials.

However, in the winter and spring of 2000, districts and schools experienced numerous problems that impaired their ability to take full advantage of their increased flexibility. Most problems were related to the difficulty schools had accessing their money and learning how much was available because of the Galaxy-FAMIS collision. A concurrent problem was the failure of the city accounting system (FMS) to pay many vendors for several months. As a result, the PDB pilot schools had "unprecedented balances in OTPS" at the end of the 1999-00 year, said one director of operations. "We think it's because schools didn't have access to accurate information. They didn't know where they stood, so they trod carefully."

When doing their planning for 2000-01 in the late spring, the PDB districts were unable to capitalize fully on their enhanced budgeting flexibility because they did not receive their budget allocation until July 1, 2000. "Planning for any real change in strategies became difficult without knowledge of resources," explained one district official.

The late budget, plus the difficulties schools had with Galaxy and FAMIS implementation, made schools more cautious in changing how they budgeted their money, according to one director of operations. "I find that schools still use money for positions and expenditures the same as in the previous year. The only way for them to have real flexibility is over time. We'll have a better idea of the real flexibility of Galaxy after the second year."

Changed district role

The PDB districts communicated their priorities and programmatic strategies to their schools through district allocation categories. Some districts created broad allocation categories that gave schools considerable freedom to determine how to meet instructional goals. Others created more prescriptive allocation categories that allowed less leeway.

One of the more prescriptive PDB districts directed its schools to spend their money on specific positions and programs, and decided that all schools should expand the Project Read after-school remedial program to include at-risk students in fourth and fifth grade. This district used Title I and ERSSA[27] funds to increase the funding of its Project Read allocation category by the amount needed to cover the cost of the service, and then mandated schools to provide the service, using the money in that allocation category.

Most PDB districts had been publishing complete school-level allocations for three or four years prior to Galaxy implementation. But the unprecedented total transparency of the budget information produced by Galaxy was an entirely new experience. Said one director of operations, Galaxy "changed our lives. Now everyone in the district knows what everyone else has." Said another, "What was new to the principals [with the advent of Galaxy in June 1999] was that they had never seen on one page all the positions and dollars in their school. Last year [Spring 1998] we provided a spreadsheet for each type of service (e.g., ESL teachers) and indicated where the funds came from. There was one row per school for each spreadsheet. Principals knew only their own positions, and not the dollars."

All PDB directors of operations reported that the changes in district-level responsibility and the demands of school-

based budgeting on the district and schools heavily impacted all operations in their district offices, which they felt obliged to restructure. How that restructuring was done was "crucial," said one director of operations. "While 80% to 90% of the [Galaxy] transactions originate in the schools, 90% of the structure for those transactions comes from the district office." District offices need to be set up to function similarly to Central's Budget Office, another said.

The focus of district office staff shifted, the PDB directors of operations reported, from overseer and enforcer of rules and regulations, to problem solver and facilitator of school-based budgeting. "If we give allocations to schools that are programmatically focused, there are a lot of funding sources that can feed into those programs," said a director of operations. "Therefore, your district staff can't be specialists in just those individual funding sources [as in the past]. Staff have to be involved in everything."

Said another, "The way to support schools changed. You have to make time available to answer questions and work with them. Galaxy forces us to become more focused on our customers, the schools." Most districts established three or four point people, typically the director of operations, business manager, funded programs director and/or personnel manager, to be responsible for helping schools with any problems they encountered.

Problems limiting district implementation

Two serious problems hampered the ability of the PDB districts to support school budgeting. One was the high degree of uncertainty about the size, shape and timing of the school system's budget. The second was the difficult transition to Galaxy.

Late budgets mean that districts can not predict how much money they will be able to allocate to their schools before school planners leave for the summer. In 2000-01, for example, the new flexible SN/AIS formula removed expected funding from some districts, gave more money to others, and introduced new uncertainties about budgeting for unknown future needs.

Districts wrestle with uncertainties about funding for Central, city, state or federal initiatives – even about basic state and local school aid formulas — that come and go, increase or decrease. There is also uncertainty because Central makes adjustments to districts' previous year's budget many months after the school year ends.

"The allocations have to be produced far earlier," said one director of operations. "Central knows a lot. They could give us our budget far earlier – May 1st. If it's estimated and we're aware of it, fine. They don't want to take that risk."[28]

"Late budgets limit the opportunities for people other than directors of operations and superintendents to have input at the district level, and for people other than the principal at the school level. We can't continue to work this way," said one district official. Another elaborated:

> *The late issuance of BOR1, at the same time as the new principal's contract and the introduction of an extensive summer program, gave less time to principals and the district for good planning. The goal of Galaxy is to get budgets to schools no later than June 1st because, in a school based budgeting system, school budget development can only take place after schools get their allocations. If the districts didn't get BOR1 until July 1, and many principals weren't available, how are they supposed to do a budget?*

A district official in a low-needs district said that the uncertainty caused by the late budget cost the schools some of their ability to hire the personnel they needed and contract for the services they had planned. "It's a tough labor market for teachers. When we have team meetings [to decide on budgets] in September, you're simply scrounging around for teachers."

For the high-needs PDB districts, the effect of the late budget on the schools was even more severe, given their difficulty attracting qualified staff in *any* market. The late budget "made the opening very hard, very complicated, especially for the [lowest performing schools]" said a district official from a high-needs district. "In this district, there's a lot of pressure to improve instruction. There's no emphasis on anything else. The worst problem was the late budget. The second was that we have [a large number of] new principals who don't understand Galaxy. The third was the bitterness of the old principals [toward Galaxy]. They've given up."

As the previous remark demonstrates, the initial year of Galaxy implementation was extremely stressful. District ability to support school budgeting was hampered primarily by the collision of Galaxy with the new city and Central accounting systems. But district officials also cited the

enormity of the task — designing, developing and implementing a comprehensive budgeting system for an organization as complicated and vast as the New York City school system. "It's a very complex mechanical task" to "make all dollars green," said one Galaxy designer. A district official said it was a case of trying to "change too many things at one time." District offices, some said, were woefully understaffed to support the implementation of such a complicated new financial system by 25 to 45 non-technical school-based users, especially when the system itself was new and not yet working optimally.

Another cause of the stressful initial year of Galaxy implementation, said a district official, was that several key Central units "did not adjust to the new way of doing business," perhaps because these units were reluctant to cede control. "Some Central people are not supporting us," said a Core Group member who added, "People aren't willing to change the way they do business just for us. Partially, that's because people don't know what Galaxy is. So they resent it."

The superintendents of the five PDB districts implementing Galaxy in 1999-00 were universally displeased with their initial experience with Galaxy. The comments of one superintendent in June 2000 were typical:

> *Galaxy has created havoc. Principals hate it, can't figure out how to use it because of glitches in the system. Everyone thought it was a good idea, initially, and the introductory stages went well. I think it was introduced in too many districts simultaneously without the technical back-up and supports necessary. When the Galaxy-FAMIS linkage collapsed, all hell broke loose. The result was that principals couldn't call up their budgets. I'm very close to pulling out, and my principals have repeatedly urged me to drop Galaxy. It's a pity because it was such a good idea.*

By the fall of 2000, however, improvements in Central's infrastructure and in the Galaxy-FAMIS linkage put PDB implementation back on track. As one Central observer commented that fall, "We thought Galaxy could solve everything. It can't. It can also cause problems. Other technical systems have to change, and there are problems with that. We didn't pay enough attention to the fact that human communication is critical. FAMIS had to have a more intimate knowledge of Galaxy. Now everyone's on board in the financial world at Central. What wasn't there was an understanding in the technical, detailed aspects. We learned that the hard way."

The Galaxy program itself changed by the fall of 2000 as well. Reported a Galaxy developer, "Things are working better and faster. This is an experiment. We changed internally how we deal with some back office accounting issues and we refined our approach."

The directors of operations reported that, from an operational standpoint, things were very much improved by the fall of 2000. "Last year was hell," said one director of operations in October 2000, "but Galaxy is now 95-100% stable. Our schools are using it." Said another, "All five Galaxy districts got their [2000-01] budgets in on time. Galaxy is not just doing your old business a new way. It is doing different business."

District approaches to school budgeting

By the mid-'90s, the districts that would later join the PDB initiative were all committed to fostering greater responsibility for improving student and school performance in their schools. Each had begun to decentralize responsibility for planning and/or budgeting. In particular, at the time PDB implementation began, Districts 2 and 22 were already operating district-based school budgeting systems that gave their schools considerable financial control and flexibility. Therefore, in 1996 when Chancellor Crew issued an invitation to community school districts and high school superintendencies to "partner in the design and implementation of Performance Driven Budgeting," these districts were very interested in joining the initiative[29] and increasing their own and their schools' financial control and flexibility.

We examined each district's history of school-based budgeting and how they developed the capacity for budgeting within their schools.

District 2

The 2000-01 school year was the fifth year District 2 disseminated school allocations to all its schools. It was also the fourth year that every school in the district used Galaxy, beginning with a prototype Galaxy version that was first used in 1997-98.

District 2's policy is to give its schools the largest possible percentage of the district's allocation, and to provide

maximum budgeting flexibility. "The schools get everything, we hold back nothing," said former Superintendent Elaine Fink. Because the district holds little in reserve, schools are encouraged to be cautious about register projections and "organize classes conservatively to avoid disruption caused by class re-organization in the event that actual registers fall short of projections." Said Director of Operations Robert Wilson, "We shouldn't put aside money, because. . . we don't want to wind up with a surplus." What this means, he said, is that "if we get 'hit' with 'unknowable expenses,' the schools will have to give money back. We will share the pain."

District priorities, programmatic mandates and allocation formulas are clearly spelled out in the district's annual Preliminary School Allocations book. Schools are told that they may use their allocations at their own discretion, once mandates have been met. For example, schools can put unused funds from their various allocations — e.g., telephone, "flexible school based funds," teacher absence — toward any other school purpose. District 2's priorities — early literacy programs and professional development — are reflected in the structure of their allocation categories and their level of funding.

Because of their long history with school budgeting and their homegrown version of Galaxy, District 2's principals are knowledgeable about how to use their dollars. While the district does not differentiate among schools in the degree of budgeting discretion the district grants, about one third of District 2's schools are watched somewhat more closely. "We trust our principals. We don't hold back money because of lack of trust, but we review some [budgets] a little more closely," mostly in the case of new principals. New principals receive mentoring from senior principals who help with financial as well as instructional issues.

District 9[29]

Although District 9 joined the PDB initiative one year later than Districts 2, 13, 19 and 22, District 9's schools were used to having their own allocations and to having their allocations made public. The district publishes an annual planning book that spells out formulas and allocations for all its schools. Almost all District 9 schools participate in the School Wide Program and have had experience with the planning and budgeting associated with that program.

District 9's budgeting philosophy evolved with the changes in Galaxy and with Central's changes in its budgeting process. "My thinking has changed with experience," said Director of Operations Vincent Clark. For 2000-01, the district tried "to model the way we do allocations with the way Galaxy works and the new [SN/AIS] methodology." The district alerted principals in April and May, 2000 to the New Continuum and to the new flexible SN/AIS budgeting methodology. In a late July principals' conference, the implications of the SN/AIS allocation were spelled out. Mr. Clark said, "Special ed doesn't exist any more as an allocation category. . . All children with special needs should get the same services as children in general ed.. . Make sure IEP-mandated services are delivered first. [After that,] you can use this allocation to service children without referral" to special education.

The district is able to provide considerable flexibility, said Mr. Clark, because it gets "lots of reimbursable funds," and tries to pass on the flexibility of that funding to its schools. Superintendent Guasp told the principals, "You have the flexibility to contract with people for the programs you want in your school."

District 9 does not differentiate in the degree of budgeting discretion it grants schools. All schools are treated equally, said Mr. Clark, although he personally monitors most school budgets, because more than half the district's principals were new.

School-based budgeting is much more complicated in District 9 because of the large number of mandated programs and students eligible for mandated services. Effective budgeting and Galaxy implementation were particularly difficult in District 9, because so many of the principals struggling with the demands of their high-needs schools, as well as with Galaxy implementation, were new in their positions.

District 13

District 13 has made school allocations and school budgets public for several years. The 1999-00 school year was the first year of Galaxy implementation in District 13.

District 13 determines individual school allocations by formula and distributes the allocations to its schools with instructions for budgeting their allocations. The superintendent and his senior staff meet with each school's principal to discuss and understand individual school needs and

review school plans. Then, after receiving the initial allocation from Central, the district disseminates all school allocations along with a Galaxy scheduling book to help schools schedule their funds. Training is provided as well.

The district's differentiated approach to budgeting granted some schools more budgeting discretion than others, with the seven PDB pilot schools having the most discretion for the longest period of time, followed by the district's School Wide Program schools. However, during the three years of PDB implementation, as schools became more comfortable with budgeting concepts and budgeting, and as they struggled with Galaxy implementation, the district increased the number of schools granted greater budgeting flexibility. "Differentiation among schools is not as pronounced as it was before," said a district official.

District 19

The 2000-01 school year was the fifth year that District 19 published school allocations for all its schools. A few District 19 schools – primarily the four in the PDB pilot — were already familiar with Galaxy because they used District 2's prototype Galaxy program in 1998-99.

The district publishes all allocations, formulas and instructions in an annual school allocation book that clearly reflects district priorities and programmatic mandates. Over the years, District 19 policy has moved toward creating greater budgeting flexibility for its schools, providing a substantial portion of each school's allocation in flexible funding categories. For example, in 2000-01 the district created an allocation category called "educational services" for the salaries of the school's principal, classroom and cluster teachers, certain guidance counselors and library teachers, kindergarten paraprofessionals and resource room teachers. Money in this category was based on class size and other formulas and on audited school registers, and could be combined with other allocation categories.

School-based budgeting is more complicated in a high-needs district like District 19, in part because of the larger number of mandated programs – e.g., the SURR program — with stringent requirements, as well as the larger number of at-risk students who are eligible for mandated services, e.g., summer school and Project Read. High-needs districts must usually provide more mandated services, and then track and report them to demonstrate compliance with city, state and federal requirements.

District 19 does not differentiate among its schools, preferring to pair new principals with more experienced ones. However, high principal, teacher and district staff turnover made effective budgeting and Galaxy implementation very difficult. Not only were more than half of District 19's principals new during the 1999-00 and 2000-01 school years, but many were new to the New York City school system as well. Primarily for this reason, more than half the schools' budgets were closely monitored in 2000-01.

District 20[29]

District 20 began the PDB initiative one year after Districts 2, 13, 19 and 22. In contrast to the other districts, however, no District 20 schools were School Wide Program schools, and none had experience with school budgeting. In preparation for PDB, starting in 1997-98, ten of District 20's thirty schools participated in Central's budget request process, which allowed them to plan and budget a small discretionary tax levy allocation. These schools were also allowed to plan and budget other small, discrete general education tax levy funds. In 1998-99, all thirty District 20 schools were given small mid-year allocations and asked to make recommendations to the district on how to use the money.

District 20 principals never saw an allocation for their entire school until June 1999, when they received their 1999-00 school allocations. The allocation categories District 20 created reflected its focus on early intervention and prevention. For example, to match the priorities the superintendent and principals had agreed upon, the district added discretionary funds to its allocation categories for the Reading Recovery program, Resource Room classes, related services, programs for newly decertified students, and after-school programs.

In 1999-00, the first year of school-based budgeting for District 20's schools, the district decided to grant very little discretion to schools in determining their school budgets. As District 20's 1999-00 allocation memorandum stated, in most cases, schools do "not have the latitude to vary from scheduling the position indicated in a program for your school." However, after a year that included having to create a line-item budget in Galaxy, and learning how to use the new Galaxy-FAMIS system, District 20's principals were much more knowledgeable about financial issues, their school's budget, and how to think about budgeting

and spending. Because schools can "see their money and move it around," said Superintendent Vincent Grippo at the end of this initial Galaxy year, they "feel they have more autonomy."

For the second year of school-based budgeting with Galaxy (2000-01), the district again used a fairly prescriptive approach, converting existing school positions into dollar all cations that schools were told how to budget. However. there was some discretion in selected parts of each school's allocation.

District 22

The 2001-02 school year was the fourth year of District 22's annual PDB Allocation Issuance Conference, attended, as usual, by the three or four key members of every school's SLT. The district had phased in PDB, beginning with ten schools, in 1997-98.

Since the early to mid '90s the district has provided increasing funding and support for alternative programs for at-risk students; programs that integrate special education and general education students; and programs that address students' gifts and special needs, for every District 22 school.[30] The district also developed a decentralized approach to school planning and budgeting that gave schools the flexibility to design their own strategies within a framework shaped by these and other district priorities. Therefore, the flexibility of the new SN/AIS allocation for students with special needs did not have much impact on District 22's schools, "as the district has [been giving] schools this greater flexibility to utilize their dollars over the past three years."[31]

District 22's schools are told that, after meeting mandated programmatic requirements. they may use their funds as they see fit, as long as schools "do not violate labor contracts and existing legislative, judicial and administrative guidelines and regulations."[32] Hundreds of SLT members in District 22 have participated in the district's multi-year history of training and support for all school constituencies in the finer points of school budgeting and team collaboration. With all that expertise in its SLTs, the district does not need to differentiate in the degree of budgeting autonomy it grants schools.

District 22's District Leadership Team, principals and Presidents Council members participate in decisions about school allocations, including district initiatives such as alternative programs for at-risk students, inclusion programs for students with disabilities, intensive literacy programs for both younger and older students, and staff development to help make these programs work.

In September 1999, after participating in early Galaxy development and after implementing the early "Sketchpad" version, District 22 stopped using Galaxy. In District 22's view, the cost of enduring Galaxy's growing pains did not justify the benefits to be gained, since the district's school budgeting system was very advanced and was already functioning well in its schools.

THE PDB PILOT SCHOOLS

Prior to Galaxy implementation in June 1999, PDB pilot school principals and team members were reporting that their schools had considerable control and flexibility over school resources. "We have total ability to plan and spend every dollar," said the principal of one of the pilot schools we observed.

As noted in last year's evaluation report, most team members responding to our 1999 survey, in contrast to team members from four non-PDB comparison schools. indicated that their school was very influential in determining its budget – at least as influential as their district. Central, and the city. state and federal governments.[33] Most also indicated, again in contrast to non-PDB schools, that their school had helped decide how to budget both basic (tax levy) and supplemental (Title I/PCEN) funds. and how to budget most school positions. In addition, they indicated that they had considerable discretion in making purchasing decisions. The survey findings were supported by our interviews and observations in both PDB and non-PDB schools.

As we also noted last year, by August 1999 the school budget had become a reality in the PDB pilot schools. The budgets the pilot schools developed were the core building blocks of a new budgeting system, one that automatically builds district – and ultimately Central — budgets by aggregating school budgets.

Unfortunately, the remainder of the 1999-00 school year was quite difficult for the pilot schools, especially those using Galaxy, because, as one principal reported,

> *Galaxy immobilized the school. We had no access for months. We couldn't spend money, and we didn't know if*

Table 7: How influential are each of the following in determining the budget for your school?

Percent indicating "very influential":		
	1999*	2000**
The school's leadership and staff	67%	62%
District	66%	44%
Central	66%	44%
State & federal governments	61%	48%
City government	60%	47%
The school's parents	37%	38%
Community School Board	34%	38%
UFT & CSA	21%	26%
Community groups	8%	0%

* 1999 survey, N=87 ** 2000 survey, N=89

we had it or where it went. If we needed something, we couldn't buy it. We didn't even know if we had money to hire a substitute teacher. We had to call the district office to find out if we had money. It caused a lot of confusion. Then we had to spend it all in a short time frame.

The principals of the Galaxy pilot schools were extremely frustrated. Some were in the "give up mode," said one director of operations, "but most kept plugging away. At the end of the year, frustration was still there." A pilot school principal described his colleagues' frustration:

Galaxy has its problems, but I see the potential. My fellow principals think Galaxy is a disaster. They think all of their problems with school budgets were because the district piloted Galaxy. They're wrong. The biggest problems were because of FAMIS. They're also unfamiliar with Galaxy, so it's fear of the unknown. Most principals don't do the accounting themselves. Galaxy is the scapegoat. I hope Galaxy does not disappear. It's a step in the right direction.

At the end of the 1999-00 school year, in spite of the ongoing struggles with the Galaxy-FAMIS issues described above, about two-thirds of the planning team members who responded to our Spring 2000 survey still indicated that their school had considerable control over budgeting and spending. This same proportion of respondents also indicated that their school helped decide how to budget both basic and supplemental funds and most school positions. And they still indicated that their school had considerable discretion in making purchasing decisions.

The percentage of survey respondents who indicated that their school's leadership and staff were very influential in determining their school's budget remained about the same from 1999 to 2000. *(See Table 7)* For the same time period, however, there was a decline in the percentage of respondents who indicated that their district, Central and the various levels of government were very influential. This suggests that SLT members in the pilot schools believed that their school played a major role in determining its budget, while the district, Central and others outside the school had a less significant and declining role.

Implementation of Galaxy was one factor in the increased flexibility schools had over their resources. Planning team members in schools using Galaxy[34] almost universally indicated in the Spring 2000 survey that their use of Galaxy increased budgeting and spending flexibility in their school,[35] even though Galaxy was not used during planning team meetings.[36]

That spring and summer (2000), school financial control and flexibility were negatively impacted by the unexpectedly late arrival of the 2000-01 budget. By the time Central's budget allocation arrived — after the 1999-00 school year had ended — the school planning teams had been effectively excluded from meaningful participation in the budgeting process, participation supposedly mandated by the Chancellor's SLT Plan. A pilot school principal told us, "there was no collaboration, other than the fact that we tried to implement our team's priorities." In some schools, SLT members understood "that it wasn't [the principal] or the district that was causing the late budget." In others, the late budget caused planning team members to suspect that "the principals were playing with them." A district official told us, "Planning should have taken place at the school level, but schools never saw their allocation. Central totally excluded SLTs from any meaningful discussion regarding new funding."

The principals of the pilot schools we observed said that, because they were unable to discuss their budget with their team, they had to formulate it over the summer according

to the priorities their team set forth in their CEP. In the fall, when school resumed, the principals met with their teams and told them what had taken place over the summer. The schools then adjusted their CEPs and their budgets.

The pilot school principals we interviewed said that their budget is always aligned with their school's CEP. One said that the school's budget is "very reflective" of the CEP and added, "The principal's job is to realize the CEP with the school's dollars." Once the school year begins, said a second principal, "we constantly go back to the CEP, to see what the CEP says. As money comes in, we match it to what the CEP says we should do."

Receiving a budget that is late prevents optimum school planning in a number of ways, said a district official. Most significantly, schools "don't know how it could have been done, if they had the money on May 1st and did a budget as a team. [When schools plan without knowing their money,] they're only dealing with the position-driven part of the budget because they don't have the dollars."

In some schools the effect of late budgets on school planning was not as consequential as in others. "It was a little bit of a headache, but we managed," said one principal. "But it's better when we can do it in the spring." A planning team member in another school complained that the school didn't learn until mid-summer about a decrease in the money it had expected to roll over to the new school year, which meant the school had to make painful last-minute changes in the fall, changes that were inefficient, frustrating, time-consuming and trust-busting.

In other schools, however, the inability to move plans into action before the summer severely compromised major parts of their instructional program. An administrator in a struggling high-needs school said that the school "wasn't able to implement certain key programs. For example, we have a computer lab, but no computers. We desperately need computers. But, because the budget was late, we couldn't purchase them until we had our budget. We still [as of December 2000] don't have the computers, yet the state will test our eighth graders in technology this year."

Nevertheless, by the middle of Fall 2000, when our observations ended, the PDB pilot schools were able to manage their own money with much greater flexibility and control than ever before.

Budgeting flexibility

Budgeting flexibility was markedly improved for both the Galaxy and non-Galaxy pilot schools. While school budgeting flexibility can be undermined by prescriptive district budgeting practices, Galaxy's design puts the potential for greater flexibility in the hands of all schools.

When we asked the principals in the schools we observed if they felt they had "enough flexibility to budget [their] school's money," almost all responded very positively. "The budget is entirely in our hands. The district doesn't interfere," said one principal. Another told us, "I couldn't envision being in a district where the school can't set the budget as we do now. We know exactly what our needs are and what we want. We earmark all our money." A third principal, in a district with a more prescriptive approach to school budgeting, said that school budgeting "hasn't gone far enough. They've got to give us true freedom – all our dollars. We've got to be like a business."

Schools discovered they could match available dollars to their instructional programs, even when staffing needs were temporary or part time. One principal said, "Our gym teacher went out on maternity leave. She's also a talented math teacher. We hired her for the year [part time] to come in to work with children in math. But we also hired her for a few weeks to give one period of help to her replacement, as an aid in the transition, before she left on maternity leave." These types of arrangements would have been extremely difficult, if not impossible, before PDB.

Galaxy enhanced schools' ability to do comprehensive budgeting. In districts that had not previously developed a comprehensive school budgeting system, the introduction of Galaxy transformed the budgeting process, making it both transparent and comprehensive. Schools were able to see their allocations, with all dollars they were eligible to receive at any point in time. One principal said, "I can look at things in a comprehensive manner. Previously, our school dealt only with Title I and PCEN funds. Allocations came in one at a time, and were fragmented. Now I can see everything I have and where I can use the money for different instructional initiatives." Once again, comprehensive, transparent budgeting was not the norm before Galaxy.

Moreover, the allocations were much more fungible because Galaxy schools receive dollars, not positions. A

school planner said, "Rather than being allocated ten school aide positions, which means we have to hire ten school aides, now we are given money to support ten aides. However, we use it as we see fit. We don't get budget lines. We get dollars. We might decide to use it to hire a paraprofessional or a teacher or a staff developer."

Another important Galaxy feature gives schools the ability to pool funds from multiple sources. Split-funding, combined with budget transparency, was a powerful tool for matching money to needs. Explained one principal, "We can match dollars to our needs. For example, we didn't need our ESL teacher for an entire day, so we had her do cluster coverage as well. We were able to split-fund the position very easily between ESL and basic tax levy money. We were able to maximize our money because we can see all our funding sources and create the positions we need from multiple funding sources."

Spending flexibility

Galaxy increased school spending flexibility as well, making it possible for schools to manage their fiscal and human resources more efficiently.

Galaxy schools can spend their money quickly. Even when they have to move money around, it is available to be spent within a day or two after submitting a budget modification. Budget modifications "used to be done by paper, periodically, maybe three or four times a year," said a principal. "With Galaxy, I can put a [budget modification] in at any time and the turnaround time is usually a day or two. If I need to put more money into buses for school trips, I don't have to wait months." A second school planner said, "We [used to] have to wait weeks or even months to change the budget. Now it's overnight." A Galaxy user told us that the quick availability of money is "the best thing about Galaxy."

Because schools can see how much money is available at any given moment, and because money can be moved around so easily and accessed so quickly, schools are able to make better use of their limited resources. A principal said, "Galaxy is excellent. It's continually updated, automatically, to bring the balances up to date . . . I'm able to see each allocation, how much is committed and how much is available. It's very clear." A second principal said, "Before Galaxy, we'd spend money in categories because it had to be spent. Not so with Galaxy. With contracted services, I can't get my budget projection to the penny. But when I get a better idea of the cost, I can remove the excess money from that category and put it into something else."

Individual schools can make use of Galaxy's advanced activity code feature to track expenditures for any activity they want to track. "For example, Fit for Life [a physical education program] and Project Arts can be tracked separately, for each of our sub-schools," said one school planner. "This [feature] gives you better control over your dollars."

Changed school role

With the introduction of Performance Driven Budgeting and Galaxy, the role of the school and its staff underwent a dramatic change. Busy school secretaries who were used to handling pupil records and inputting staff payroll data had to learn how to handle new financial responsibilities associated with a multi-million dollar budget. Principals who were trained to administer and supervise instructional programs and personnel had to learn how to manage financial and business matters previously handled by the district office. School technology and office procedures, previously focused on running off mimeographs, making photocopies and sending faxes, now had to be upgraded to incorporate email, the Internet and word processing, as well as the new budgeting and purchasing systems.

Central and the districts provided support and training for these changes, but questions of capacity loomed large in the PDB pilot schools. Upgrading the technology, equipment and skills of office personnel was extremely difficult in a resource-starved school system that had never before attempted to increase school level capacity to help schools handle business functions. For example, rather than wait months or years for all schools to come up to speed technologically, Central purchased laptop computers for the pilot schools and equipped them with Galaxy software and modems. This enabled school principals to work on their budgets and connect to Galaxy headquarters before their schools acquired the technology capable of handling both standard office operations and sophisticated student information systems.

Changing the role of the principal was equally challenging. All principals in the schools we observed agreed with the statement, "Principals have too many non-instructional responsibilities with too little support." While principals were pleased with their ability to control their school's money, and some principals took well to the task, others

were angry about having to handle what they perceived to be district office functions. A principal in the first category told us, "Galaxy was vague to me initially. Now that I see it, it's a tremendous tool . . . Principals should become knowledgeable [about Galaxy]." A principal in the second category said, "I do the budget. I used to just give the numbers to the district. Now I have to put that into Galaxy. The school is doing what the district did in the past."

Some principals relied on savvy teachers, parents, assistant principals or secretaries to become their school's expert Galaxy user, while others dug into the details themselves. But many principals and planning teams seemed reluctant to use money that could be spent on instructional programs for what some saw as clerical work. Galaxy "would be a good tool if someone else were doing the clerical work," said one principal. "I don't want to take money from the instructional program for someone else to do [this work]."

Conclusion

Thus, in spite of the severe school-level difficulties accompanying Galaxy's introduction, PDB and Galaxy have significantly advanced school-level control over the resources necessary to improve instructional programs. Although districts with a history of stringent fiscal control may continue to constrain their schools' budgeting flexibility, Galaxy makes possible school control of resources in a way that is both unprecedented and potentially powerful for the New York City school system.

Endnotes

1 Crew, R. (1996, August 23). *An Invitation to Partnership in the Design and Implementation of Performance Driven Budgeting.* New York City: Board of Education.

2 In early 1996 Chancellor Crew consolidated all budgeting and financial functions under the newly-created position of Chief Financial Officer (CFO), and appointed Beverly Donohue the school system's first CFO. The purpose of the reorganization, she said, was to "prepare us for the changes required by the [1996] governance legislation, promote our desire to better serve the field, and permit us to be more proactive with respect to state budget allocations, aid and legislation." (3/13/98 memo)

3 Crew, R. (1996, August 23). *Memo to district superintendents.* New York City: Board of Education.

4 The January 2001 New York State Supreme Court's decision in *Campaign for Fiscal Equity, Inc. vs. New York State* stated that "The evidence demonstrates that the State aid distribution system is unnecessarily complex and opaque," (p.137) and relates to neither the needs of its students nor the actual costs required to provide students with the "sound basic education" guaranteed by the State constitution.

5 "BOR1" is Allocation Memorandum #1 of the Division of Budget Operations and Review. BOR1 details the allocations districts receive from Central, by funding source.

6 Because some PDB districts divided some schools (e.g., schools with annexes) into two or more schools for the purpose of budgeting, the number of schools counted as administrative units in the six districts is not the same as the number of schools for Galaxy budgeting purposes.

7 These included funds for PCEN (Pupils with Compensatory Education Needs), ERSSA (Educational Related Support Services Act), SIG/IPP (State Incentive Grant-Improving Pupil Performance), Chapter 53 Reading and AI/DP (Attendance Improvement/Dropout Prevention).

8 Office of Budget Operations and Review. (2000, June). *BOR Allocation Memorandum No.1, FY 2001,* New York City: Board of Education. p.124.

9 *Ibid.* p.123.

10 In 2000-01, district and high school allocations totaled $4.4 billion.

11 Educational Priorities Panel. (1993). *Equity in the Funding of Public Elementary and Middle Schools in New York City.* New York City: Author, p.4.

12 By 1999-00, of the 33 districts (including the Chancellor's District) 13 were in the top group, 15 in the middle group and 5 in the bottom group.

13 Shifting control over the system's budget to the districts and schools, while key to successful implementation of PDB, was not always supported by the city's political leaders. The New York Times reported that $88 million of the 2000-01 budget had been transferred from the district budgets to Central's budget. "Rather than going toward ordinary teaching and regular classrooms, according to a list provided by the city's budget office, the $88 million was being directed toward several programs, including some of the mayor's and the chancellor's recent high-profile initiatives," the article stated. City Council Finance Chair Herbert E. Berman "said the money had been redirected to spe-

cific programs because the *Council had feared that it would simply go toward district budgets*." *(emphasis added)*. Hartocollis, A. (2001, March 9). School official says budget imperiled jobs. *The New York Times*.

14 The Core Group consisted of the directors of operations of the six PDB districts – Robert Wilson (District 2), Vincent Clark (District 9), Efrain Villafane (District 13), Magda Dekki (District 19), Mark Gullo (District 20), Jerry Schondorf (District 22), plus Sandy Brewer (District 27) and Rosendo Abreu (District 10) and the Core Group Leader Liz Gewirtzman. Collectively, the individual members had many years of experience with the inner workings of Central's financial and personnel systems and with the interface between those systems and district budgets. As managers of district budgets that ranged from $100 to $250 million, they were experts in the needs of their own districts and schools. Most members also brought experience with some form of school-based budgeting to their work on the Core Group.

15 Mark Gullo, the District 20 Director of Operations, became the Core Group Leader in July 1999 when Ms. Gewirtzman retired from the Board of Education. Deputy Budget Director Judith Solomon became the PDB Project Director in March 2000. Mitch Klein has been the Galaxy Project Manager since the inception of the project. The appointment of Ms. Solomon, an experienced and highly sophisticated Central budgeting official as the PDB Project Director, symbolized the institutionalization of a field-developed initiative within Central's financial systems.

16 District 22 dropped out of Galaxy implementation in September, 1999.

17 External pressures led to the unfortunate concurrent introduction of FMS, FAMIS, and Galaxy. FMS and FAMIS were needed to ensure that the city's and Central's accounting systems were Y2K compliant. Galaxy's timing was forced by the 1996 governance legislation which had a timetable for the introduction of school based budgeting.

18 Galaxy implementation in 2000-01 was accomplished in 14 Phase II districts – Districts 3, 7, 10, 11, 14, 17, 21, 23, 24, 26, 27, 28, 29 and 30 – as well as in District 22 (Phase I). An additional district, District 15, is implementing Galaxy during the 2001-02 school year.

19 See Chapter 1 for a more detailed description of this process.

20 One exception was District 15 in Brooklyn, which published school-based allocation charts, detailing every position, by funding source, for every school in the district, beginning in 1990.

21 See Siegel, D. et al. (2000, May) *Second Annual Report: Evaluation of the Performance Driven Budgeting Initiative of the New York City Board of Education*. New York City: NYU Institute for Education & Social Policy, p.vi.

22 See previous section.

24 All districts experienced difficulty with FAMIS during its early implementation. But the Galaxy districts had additional difficulties because the Galaxy-FAMIS linkage took additional time to develop.

24 The budget for CSE/SBST operations is 2.6% of the total system budget.

25 He continued, "Now we don't have to do the kind of maneuvering we had to do in the past. For example, you couldn't roll over special education money [to the following school year], so at the end of the year, you had to use up your special education OTPS money for not necessarily special education items."

26 An accrual is the money left unspent when a budgeted line is not filled for the entire budgeted period. For example, teacher lines are usually budgeted to begin on September 1st, but newly hired teachers usually begin work a few days later. The money not spent for these few days in early September is an accrual. Districts get back hundreds of thousands of dollars in accruals each year. Several Galaxy districts allow their schools to keep and manage their own accruals.

27 A state reimbursable funding source for at-risk students.

28 The city's governance structure and the state's chronically late budgets lock Central into a late time frame. The city's charter mandates that the mayor's proposed Executive Budget be produced on April 26th for action by the City Council.

29 Districts 9 and 20 did not begin implementing PDB until 1998-99, the second year of the PDB initiative.

30 District 22 "subscribes 100% to Howard Gardner's multiple intelligences theory," said Superintendent John Comer. "Students can be gifted in various areas. . . There are also different styles of learning. We looked at the learning styles research. Students can perform. Segregating them is not the way to go. Our district's statistics agree with this research. We saw lack of achievement in children in self-contained special ed classes. We were wasting money and those children's lives. . . We decided that the time had come to do something about it," based on the district's experience with a number of highly successful prevention and alternative initiatives in the early and mid '90s. Beginning in 1997-98, District 22 became one of two districts to implement the Least Restrictive Environment (LRE) initiative, the goal of which was to reduce initial referrals to special education and to move the majority of children from self-contained special education classes into general education classes or inclusion classes. District 22's philosophy about multiple intelligences and learning styles, and the need to provide for the special needs of every child in the least restrictive environment, dovetailed with the PDB initiative's budgeting flexibility.

31 NYC Community School District 22. (2000, August 28). *Performance Driven Budgeting: Fourth Annual Allocation Issuance*. New York City: Author, p.1.

32 *Ibid.*, p.1.

33 Siegel, D. et al. (2000, May). *Second Annual Report: Evaluation of the Performance Driven Budgeting Initiative of the New York City*

Board of Education. New York City: NYU Institute for Education & Social Policy, pp.63-71.

34 Responses to questions about Galaxy include those of planning team members in Districts 9 and 20.

35 When asked, "How much budgeting flexibility has Galaxy given your school, 39% indicated that their school had gained "a lot" of budgeting flexibility from Galaxy, and 49% indicated that their school had gained "some" budgeting flexibility. Only 12% indicated "none." There was a similar response to the question, "How much spending flexibility has Galaxy given your school?" Note: 35% to 39% of the respondents to these two questions left it blank or answered "don't know."

36 According to 77% of the survey respondents, Galaxy was not used during planning team meetings.

Chapter 6:
SUMMARY

The initiators of PDB sought to establish a performance-driven system "which genuinely focuses its energies on the sole goal of improving performance in teaching and learning."[1] Former Chancellor Crew wanted to hold schools and districts accountable for the effectiveness of their improvement efforts. But because he understood that they needed the authority, resources and capacity to plan and budget effectively, he defined PDB as the mechanism to define, and drive, the necessary transformations.

The goal of PDB – to "provide local educators with increased control and flexibility over the use of resources so that they [can] engage in more creative program development, more effective problem solving, and more efficient use of resources to improve student performance"[2] — explicitly links school-level budgeting with efforts to improve student and school performance. Therefore, this evaluation has focused on the operationalization of PDB. and on the overarching question of whether PDB implementation provided schools with the authority, resources and capacity they need to plan and budget effectively.

As Chapter 1's sketch of instructional planning and budgeting before 1997 indicated, prior to the initiation of PDB, schools were given little opportunity to make planning and budgeting decisions. Instead, these decisions were made by their district or by Central. Schools with established planning teams were rarely responsible for making key instructional and budgeting decisions.

Once PDB was initiated, in February 1997, the hierarchical command-and-control style of instructional planning and budgeting began to shift.

Our first year evaluation report found that participants throughout the school system defined three transformations as essential for successful PDB implementation:

- Central had to move control over resource allocation and instructional planning decisions to the districts and schools, and transform itself into a comprehensive internal service organization.
- Districts had to move considerable control over budgeting, staffing and instructional planning to schools, while developing the district's role as facilitator, trainer and supporter of school-based planning and budgeting.
- Schools had to take on the multiple challenges of self-management, while embracing and carrying out their new powers.

After three years tracking the implementation of Performance Driven Budgeting, our broad conclusion is that Central succeeded in meeting the PDB mandate in a number of ways. Specifically, Central:

- transferred primary authority for planning and budgeting decisions to the schools;
- established the school planning team as the key planning and budgeting unit;
- created and implemented a framework for school instructional planning;
- developed and implemented a school budgeting system (Galaxy) built on school planning decisions; and
- took initial steps to develop the capacity to make this new approach work.

These successes involved major shifts in policies and practices. Many traditional Central allocation, budgeting, accounting and other fiscal policies and practices, for example, had to change in order to transform a top-down, Central-driven fiscal system into a school-driven fiscal system. District procedures and practices had to change to help prepare schools for their new planning and budgeting roles, and to provide the ongoing support and assistance schools need to carry out those roles. Principals and school planning teams not only had to learn about and implement instructional planning and budgeting practices, but also how to use their new powers to bring about improvement in student outcomes.

The following sections summarize the findings from previous chapters that detail how considerably policies, procedures and practices at Central, the districts and schools have shifted to allow, and support, school-based instructional planning and budgeting.

CHANGES IN ACCOUNTABILITY AND DECISION-MAKING AUTHORITY

Major changes in school accountability and decision-making authority aided the implementation of PDB. The 1996 school governance law virtually eliminated the role of the community school boards, strengthened the line of authority from chancellor to superintendent to principal, gave Central the authority to impose uniform standards on districts and schools, mandated school-level budgeting and school planning teams, enhanced Central's ability to hold school and district personnel accountable for school performance, and established the principal as the formal educational and administrative leader of the school.

One result of the legislative mandate for planning teams in every school was the establishment of the school team as the key systemic planning and budgeting unit of the system. The School Leadership Team (SLT) Plan, promulgated by Chancellor Crew in late 1998, gave school teams the authority to make instructional planning and budgeting decisions, and formalized and standardized the planning process throughout all city schools.

Some devolution of instructional planning and budgeting authority was already underway in many districts before PDB was implemented, and was particularly evident in the four original PDB districts. Our evaluation documented a continuing devolution of authority to individual schools in these districts, as well as an increase in how consistently and effectively many pilot schools exercised their new authority to make key school-level decisions.

Our findings indicate that the PDB pilot schools established SLTs from existing school planning teams, and, on average, doubled their parent membership so that team composition was fairly well balanced between parents and staff. These SLTs often made important instructional decisions for their schools. But because, under the new accountability arrangement, principals alone were held responsible for student outcomes, principals were clearly the key school-level decision-makers, while SLTs played, at best, an influential supporting role.

Additionally, Central strengthened public accountability by compiling, analyzing and widely disseminating comprehensive performance and financial data for every school and district and for the system as a whole, in its annual issuance of Annual School Reports and School Based Expenditure Reports.

CHANGES IN PLANNING FOR INSTRUCTIONAL IMPROVEMENT

Central established a new framework for school instructional planning. The CEP planning system, mandated for all schools and districts, included a broad set of instructional planning tools – a Comprehensive Educational Plan (CEP) for schools, a District Comprehensive Educational Plan (DCEP) for districts, a school self-assessment tool (PASS) and an early childhood literacy assessment system (ECLAS). The CEP and the other elements of the CEP system were designed to help SLTs focus on analyzing school needs and recognizing instructional problems. Central also provided schools with considerable student demographic and outcome data, in a variety of disaggregated formats, to help them understand their students' needs and plan instructional interventions that would improve student outcomes.

All the PDB districts assimilated the CEP system into their prevailing culture, policies and practices, as they extended and deepened instructional planning in their schools. Each district's unique development of school-level planning formed the context for its implementation of PDB. One district, for example, developed a collaborative school-based management model, while another instituted an instructional planning model. A third employed a model focused on child development and strengthening home-school-community relationships.

Because most of the pilot schools were already experienced planners when the PDB initiative began, many simply adapted the CEP framework to their existing instructional planning practices. When schools managed to use the CEP system effectively, they helped create a "conversation about how to reach children with different needs," as one teacher put it. Our research also indicated that the CEP system can become a compliance-driven, mechanical process that fails to investigate core instructional problems or propose meaningful improvements.

Interventions and accountability measures imposed on schools by districts and Central limited schools' ability to plan for instructional improvement. When their planning efforts were not too constrained by these interventions – or by late state budgets or significant staff turnover – many

PDB pilot schools seemed able to use the CEP planning system to improve instruction and student outcomes.

CHANGES IN SCHOOL BUDGETING

Central substantially increased district and school control and flexibility over budgeting and spending by improving the Central budget allocation process, and by issuing timely allocations two years in a row in spite of chronically late state budgets. Central also decentralized fiscal responsibility to the districts, using a differentiated approach to determine which districts were capable of more autonomous operations, and which districts needed monitoring and assistance to carry out their new budgeting authority. In addition, Central decentralized some of its functions and increased districts' and schools' control over system resources by more than 8%. Finally, Central developed .Galaxy, a powerful school-based budgeting tool that is forcing fundamental changes in the system's centralized operations.

Central first tried to create a new budgeting system through a traditional centralized planning approach. After sharp protest from district-level personnel, Central shifted its planning model to what became known as the Core Group strategy. This Core Group of field-based experts defined their primary task as the design and development of a budgeting system that would allow schools to manage their money in support of their instructional plans. As they developed the Galaxy budgeting system, the Core Group identified the many complex system-level issues that needed to be addressed to make Galaxy operational at the school level, and make the school budget the core building block of district and Central budgets.

For example, one major issue the Core Group identified was the need for more extensive school technology and connectivity to support school business functions. Prior to PDB, when districts performed most business and financial transactions for their schools, operational functions at the school level had been fairly simple, and the technology to perform those functions consisted of a fax machine, an electric typewriter and a terminal to access information from Central. But Galaxy implementation forced Central to give schools the same technological support and connectivity that a comparably sized modern business would require, as well as to help school personnel develop business and technical know-how. And it also forced Central, in June 1999, to provide all PDB schools with laptop computers while awaiting the upgrading of their systems.

To carry out the many complicated fiscal, operational and administrative changes that the Galaxy system required, Central created a high-level task force called the Galaxy Steering Committee, chaired by the Chief Financial Officer. Thorny technology issues, for example, that might have been lost in turf battles were resolved fairly quickly because the Core Group Leader, the Galaxy Project Manager, and the system's Chief Financial Officer and Chief Technology Officer all sat on the committee. As a result, PDB school and district offices were wired with high speed phone lines to provide Galaxy users with faster, more stable connections and internet access; principals in all schools received computers capable of analyzing performance data as well as operating Galaxy and performing standard office functions; and system responsiveness was enhanced with improved connections between Galaxy and Central operational units.

The Galaxy Steering Committee's most arduous task was managing the difficult transition from the original (June 1999) Sketchpad version of Galaxy, which had no direct link to Central's financial and personnel systems, to a fully-linked and fully-functional Galaxy system. Establishing these linkages was extraordinarily complex and contentious because a new accounting system (FAMIS) was introduced at the same time that Galaxy was scheduled for linkage to the old accounting system. The collision resulting from the simultaneous introduction of these two new systems caused huge problems, including delays in establishing linkages between Galaxy and other Central systems, such as payroll and personnel.

The chaos and confusion that ensued stymied and frustrated principals and SLT members, as well as district personnel, across all PDB pilot schools and districts. Resistance by some Central managers to the loss of control over money and information that Galaxy implementation implied resulted in further conflict. Some managers were concerned that abandonment of Central's tight controls wouldn't adequately safeguard the public's money.

Eventually, the Galaxy Steering Committee resolved the most significant systemic conflicts between traditional Central procedures and the requirements of bottom-up budgeting. But it was not able to prevent the schools and

districts piloting Galaxy from severe buffeting during the conversion to the new budgeting system. Still, after a very trying year, by mid-2000 the Galaxy system was functioning well, and 192 schools in five of the six pilot districts were able to manage their budgets.[3]

The changes that Galaxy generated in the PDB districts were even more dramatic than the changes the Galaxy Steering Committee pushed through Central. When combined with the effect of Central's improved budget allocation and purchasing processes and its devolution of greater fiscal responsibility to the districts, Galaxy greatly increased district control and flexibility over its resources.

District administrators could more effectively shape their allocations to reflect district priorities and programmatic strategies. Districts could determine the degree of autonomy granted their schools, on a school-by-school basis. Faced with the challenges and the opportunities Galaxy offered, many district staffs began to shift their role from rule-enforcer to problem-solver – for problems that had traditionally prevented schools from matching their resources to their plans.

The changes Galaxy generated in the pilot schools were equally dramatic. Using Galaxy, schools were able to see their entire allocation and could budget and spend their money very flexibly, "matching [our] dollars to our needs," as one principal told us.

Under Galaxy, schools get dollars, not budget lines or positions. These school dollars represent almost *all* funds – tax levy and reimbursable, general education and special education, personnel and non-personnel – that districts control. School planners are able to combine multiple funding sources to split-fund staff; hire people full-time, part-time or on a per-session or per diem basis; and move money between and among personnel and non-personnel categories, activities and programs. Complicated funding source rules and efficiency measures are built into the Galaxy system, as is district-level oversight. Budget modifications can be approved in a day, not weeks or months. Galaxy enabled many pilot schools to become effective financial managers.

Under the guidance of the Core Group, Galaxy implementation expanded during 2000-01 from five Phase I districts to an additional fifteen districts. In the summer of 2001, these twenty districts aggregated the budgets of their 580 schools[4] into district budgets totaling $2.9 billion. As the 2001-02 school year began, two-thirds of New York City's elementary and middle schools, educating half a million children, had their own budgets to manage.

IMPLICATIONS

Even before resolution of Galaxy's implementation problems, most school planners in the PDB schools defined the effect of PDB on student learning positively.[5] Moreover, our impact assessment found a slight but significant increase in student test scores in the PDB schools, when compared to schools in the non-PDB districts.[6] This suggests that the instructional planning and budgeting in which these schools engaged may have been effective in improving student outcomes.

The shift from a top-down, hierarchical planning and budgeting system, to one in which schools increasingly drive instructional planning and operational budgeting, signals the possible emergence of a new budgeting paradigm in the New York City school system. Whether it becomes a permanent change to a new bottom-up, performance-driven budgeting system depends on the extent to which system leadership supports the institutionalization of PDB, and particularly of Galaxy, and provides the support and resources necessary to keep it vital.

As Galaxy is implemented universally throughout the school system, it will prove increasingly difficult to dislodge. But if, through inattention or lack of support, PDB and Galaxy are allowed to atrophy into a set of school-level compliance mechanisms, the potential of Galaxy would be subverted.

Concerns about capacity

Last year's evaluation report detailed Central's and the PDB districts' efforts to develop the capacities needed by a performance-driven system. The report also raised specific concerns about district- and school-level capacity.

Some PDB districts clearly developed the capacity to continually assess their schools' performance and academic outcomes, and have taken steps to encourage and support their schools' improvement efforts. Yet many districts – PDB and non-PDB alike – that house the bulk of the city's low-performing schools have not yet developed the capacity to assess school performance and to help their low performing schools improve.

Central has begun to develop some methods to build the capacity of districts, and particularly low performing districts, to develop the assessments, incentives and interventions necessary to help their failing schools improve. While intermediary organizations such as school reform groups and universities can play key roles in this process, the major institutional responsibility is clearly Central's. However, the PDB goal – that Central should become a support center for districts and schools – requires more consistent and effective development of district and school capacity for instructional improvement.

An example of Central's effort to become a performance driven system is the CEP planning system developed to help schools improve their academic outcomes, consisting of a mix of assessments and planning instruments.

- One problem involves the simultaneous use of the CEP and DCEP as both a planning tool and a compliance document, in response to federal and state mandates. Central is working to resolve this potential conflict. A related problem, the use of PASS for both self-assessment and monitoring, has been resolved by Central's discontinuance of the use of PASS by its monitoring unit.
- Another set of problems involves timing. The results of the assessments given by the state – as well as the state budgets that define the shape and size of school funds – arrive after schools have completed their planning and their CEPs. Furthermore, districts write their DCEPs at the same time that schools write their CEPs, limiting district ability to define support for school-initiated instructional plans.
- A third problem is the modest level of Central and district fiscal support to districts and schools embarking on school-level planning. Low performing schools need major incentives to launch planning processes sufficiently powerful to improve their poor academic outcomes. Without significant incentives and supports, many schools, and particularly low performing ones, are tempted to game the system and finesse the planning elements of the SLT process, producing compliance behavior rather than significant efforts at instructional transformation. It is doubtful that traditional Central monitoring procedures will prove effective against such compliance behavior, because schools with long histories of poor performance are often controlled by defensive adult cultures very resistant to confronting poor outcomes or examining new instructional arrangements to improve those outcomes.

Last year's report recommended that Central and the districts develop a process, akin to the way the Core Group functions, to improve district capacity to monitor, assess and improve school performance. Our report also suggested that some combination of incentives, based on a mix of team and school performance, and sanctions, based on failure to function well as a team and failure to improve school performance, might prove effective, if standards for how to assess effective team performance could be developed.

What we envisaged last year was the necessity for district-level instructional experts to be as intensively involved in designing new school-level instructional improvement processes as district operations personnel were in designing Galaxy. We reiterate this recommendation because we are even more concerned by the problem of limited capacity, particularly in low performing schools.

The city school system's chronic resource deprivation will become much more severe in successive years, given recession-reduced city and state budgets and a local economic crisis generated by the events of September 11th.

But even before the current crippling economic reality, the city's low performing schools bore the brunt of the school system's endemic failure to recruit, train and retain a sufficient supply of effective teachers and principals. Low performing schools that cannot hire teachers and principals with the knowledge and experience to guide school planning efforts have little capacity to implement PDB.[7] Without well-trained, experienced and effective teachers at the core of the SLTs, instructional planning and budgeting processes will have too little capacity to be effective. Without experienced principals as instructional leaders, planning and budgeting processes can easily drift into confusion, irresolution or compliance behavior.

Moreover, many low performing schools have very high staff turnover, which forces them into a repetitive cycle of constant staff training without the ability to establish the core of experience necessary for effective planning and budgeting.

These problems, especially acute in low performing schools throughout the city, reach epidemic proportions in

high-needs districts.[8] Without a sea-change in the system's current ability to recruit, train and retain an adequate supply of teachers and principals, low performing schools, particularly in high-needs districts such as PDB Districts 9 and 19, will be unable to develop the capacity necessary to support effective instructional planning and implement Galaxy to budget the resources necessary to support that planning.[9]

What we fear is that in many, if not most, of the system's low performing schools, current teacher and principal capacity issues will render PDB ineffective.

Concerns about the political context

At the macro political level, the consistent attacks on the school system and its personnel[10] by much of the city's political leadership resulted in systemic leadership instability, defensiveness and a lack of sufficient educational resources. It also intensified the growing personnel crisis.

Chronically late budgets exacerbate these problems. Schools cannot plan effectively without knowing what their next-year's budget will be. The state's practice of producing consistently late budgets violates this most essential pre-condition for successful PDB implementation. While Central can not control how late the state budget will be, it can take that hazard into consideration, as happened when Central issued two timely budgets in June 1998 and June 1999. It is technically possible for Central to issue preliminary district allocations, recalibrating them once the state budget is passed. However, a stable and non-destructive political climate is a precondition for such fiscal forecasting to have an acceptable range of risk.

We are also concerned about the possibility, suggested in the first year evaluation report, that a new chancellor committed to differing notions of reform could reverse the important changes Central had initiated under Chancellor Crew. PDB was conceived as an effort to transform the systemic functions of instruction and finance by lodging planning and budgeting at the school level. If system leadership does not support this transformation, PDB may be reduced to a tool schools use to mechanically budget what districts and Central have decided they should do.

CONCLUSION

The effort to conceptualize, define and implement PDB represents an effort to replace a command-and-control, hierarchical instruction and budgeting system with a school-level decision-making system that integrates schools, districts and the central administration through reciprocal mechanisms.

PDB's theory of change hypothesized that student achievement would improve if schools were given significant control over their resources and their instructional planning. Our evaluation found that the Performance Driven Budgeting initiative produced a new budgeting system in which school-level decision-making is driving change upward through the district and Central fiscal systems. Moreover, on the instructional side, Central's CEP planning system is contributing to improving instructional planning in all the system's schools.

Our study also found initial indications that confirm the PDB hypothesis – academic outcomes in the PDB schools *have* improved relative to schools in non-PDB districts. Given only five years since its inception, that is indeed a remarkable achievement.

Endnotes

1 Crew, R. (1998, August 28). *Letter to Community School District Superintendents*. New York City: Board of Education

2 Crew, R. (1996, August 23). *An Invitation to Partnership in the Design and Implementation of Performance Driven Budgeting*. New York City: Board of Education

3 The sixth district, District 22, decided to continue to use its own well-developed school budgeting system and dropped out of Phase I Galaxy implementation in September 1999.

4 These schools operated a total of 728 "Galaxy organizations" – sub-schools, houses and academies that districts set up as separate budgeting entities.

5 More than 60% of the PDB team members who responded to the 2000 survey indicated that, after three years of participation in the initiative, their school was "a better place for student learning"; only 5% said it was "a worse place for student learning."

6 To obtain a copy of this study, contact IESP at: 212-998-5880 or via email: iesp@nyu.edu.

7 These critical staff capacity problems in low-performing schools have led to solutions that impose scripted instructional programs on low-performing schools.

8 Iatarola, P. (2001, Spring). *Distributing Teacher Quality Equitably: The Case of New York City*. New York City: Institute for Education & Social Policy.

9 Although Central's differentiated approach to district fiscal management improved many districts' capacity to handle their fiscal responsibilities, it is not clear how Central will intervene to help districts that remain fiscally ineffective.

10 The city administration's failure to negotiate timely contracts with the principals' and teachers' unions, combined with its propensity to make the school system and its practitioners into constant targets of attack, created a bunker mentality that diminished morale throughout the city's public schools.

Appendix A:

THE PDB PILOT, SURVEY SAMPLE AND CASE STUDY SCHOOLS

Sixty-one schools in Districts 2, 13, 19 and 22 volunteered to pilot PDB and began implementation in February 1997 *(Table A1)*. Twenty-three of these pilot schools were selected for our survey sample: all seven pilot schools in District 13, all four in District 19, plus six schools each from Districts 2 and 22. IESP selected the Districts 2 and 22 schools by stratifying their pilot schools on the basis of reading scores. The 23 pilot schools in the sample were surveyed in April-May of 1998, 1999 and 2000. Each district also selected one pilot school for our case study.

In the third year of the study, twelve schools that were selected by their district– six from District 9 and six from District 20 – were added to the survey pool. Districts 9 and 20 also selected one school each for the last year of our case study.

Table A1: PDB pilot, survey sample and case study schools

	PDB Pilot schools	Schools in the survey sample	Schools in the case study	Years in the study
Districts implementing PDB in February 1997:				
District 2	40	6	1	3
District 13	7	7	1	3
District 19	4	4	1	3
District 22	10	6	1	3
Sub total	61	23		
Districts implementing PDB in 1998-99:				
District 9	0	6	1	1
District 20	0	6	1	1
Sub total	0	12		
Total	61	35	6	

Table A2: Survey of planning team members

1998 survey	Number mailed	Number returned	Percent returned
parents	40	19	48%
teachers	69	51	74%
principals	23	17	74%
total	132	87	66%

1999 survey	Number mailed	Number returned	Percent returned
parents	43	21	49%
teachers	77	54	70%
principals	23	20	87%
total	143	95	66%

2000 survey	Number mailed	Number returned	Percent returned
parents	45	21	47%
teachers	81	53	65%
principals	23	15	65%
total	149	89	60%

In addition, we constructed a three-year database of all team members in the 23 pilot schools in the survey sample. The source for the first two years of data was an IESP-developed school information form completed by every school. The source for the third year was Central's 1999-00 SLT Survey #1.

Pilot Schools beginning PDB implementation in February 1997:

District 2

PS 1, The Alfred E. Smith School
PS 2, The London Meyer School
PS 3, The John Melser Charrette School
PS 6, Lillie Deveraux Blake School
PS 11, The William J. Harris School
PS 33, The Chelsea School
PS 40, The Augustus St. Gaudens School
PS 41, Greenwich Village School
PS 42, The Benjamin Altman School
PS 51, The Elias Howe Elementary School
PS 59, The Beekman Hill International School
IS 70, The O'Henry School
M 104, Simon Baruch Middle School
PS/IS 111, The Adolph S. Ochs Elementary School
PS 116, The Mary Lindley Murray School
PS 124, The Yung Wing School
PS/IS 126, The Jacob Riis Community School
PS 130, The Desoto School
IS 131, Dr. Sun Yet Sen School
PS 151, The Eleanor Roosevelt School
PS 158, The Bayard Taylor Elementary School
MS 167, Robert F. Wagner School
PS 183, The School of Discovery
PS 198, Isador & Ida Straus School
PS/IS 217, The Roosevelt Island School
PS 234, The Independence School
PS 290, Manhattan New School
M 871, Lower Lab School
M 874, Midtown West School
M 875, Early Childhood Center
M 877, Upper Lab School
M 878, School of the Future
IS 881, Clinton School
M 882, East Side Middle School
M 889, The Museum School
M 890, The Bridges School
M 891, Salk School of Science
M 894, Ballet Tech
M 896, Greenwich Village Middle School
M 897, Manhattan Academy of Technology

District 13

PS 3, Bedford Village School
PS 8, The Robert Fulton School
PS 11, Purvis J. Behan School
PS 44, Marcus Garvey School
IS 113, Ronald Edmond Learning Center
PS 282, Park Slope Elementary School
PS 287, Dr. Bailey K. Ashford School

District 19

PS 7, Abraham Lincoln School
IS 292, Margaret S. Douglas Intermediate School
PS 345, Robert Bolden School
PS 409, East New York Family Academy

District 22

PS 52, The Sheepshead Bay Elementary School
PS 119, The Amersfort School
PS 193, The Gil Hodges School
PS 206, Joseph F. Lamb Elementary School
PS 217, Colonel David M. Marcus Elementary School
PS 222, Katherine R. Snyder Elementary School
IS 234, W.A. Cunningham Intermediate School
PS 236, Millbasin School
IS 278, Marine Park Intermediate School
PS 312, Bergen Beach School

Appendix B:

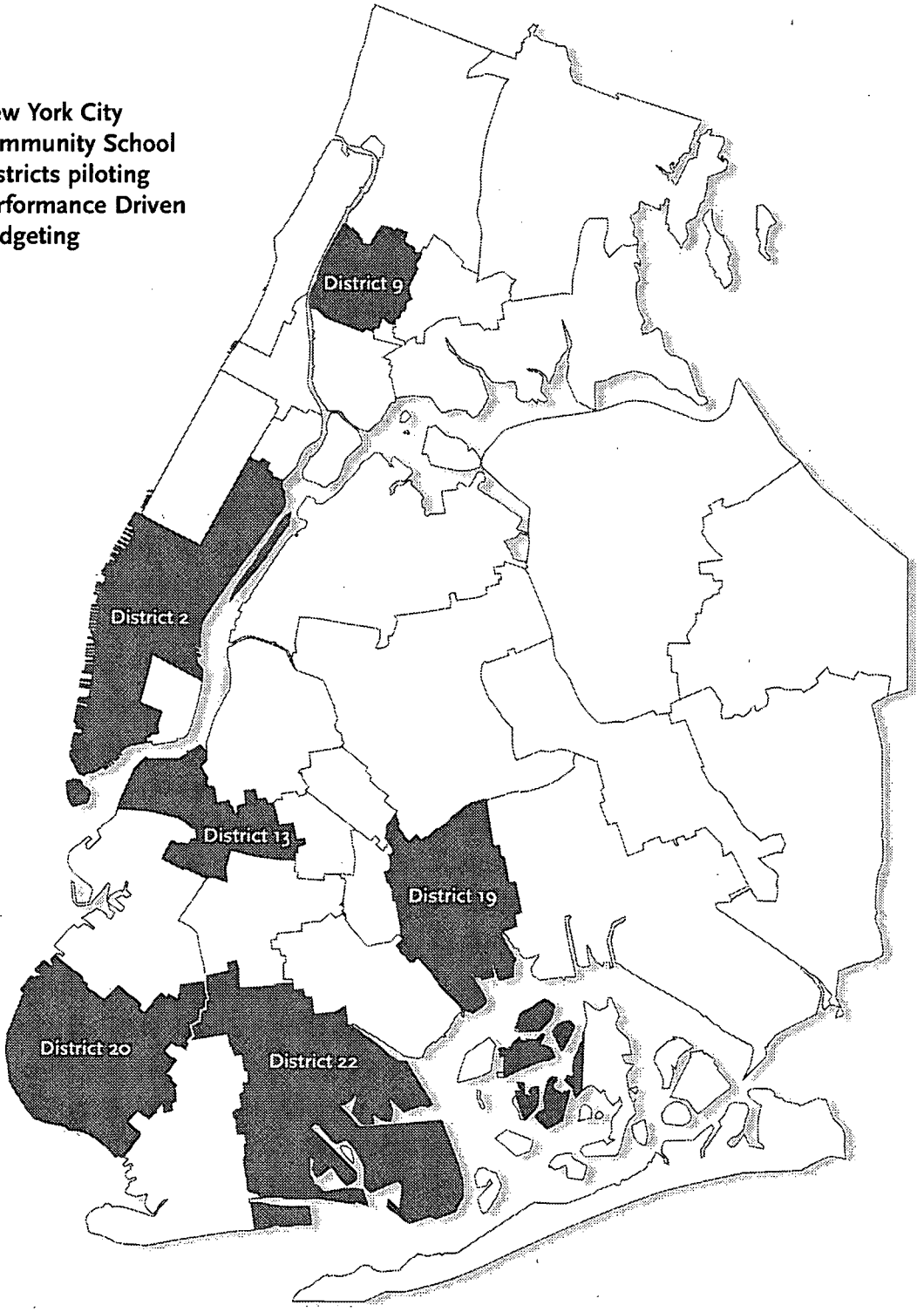
PRINCIPAL TURNOVER IN THE PDB DISTRICTS

	Number of PDB schools as of June 1999	Number of PDB schools as of September 2000	Number (percent*) of new principals from June 1999 to September 2000
District 2	44	43	18 (41%)
District 9	33	36	15 (45%)
District 13	23	26	7 (30%)
District 19	30	30	18 (60%)
District 20	30	30	3 (10%)
District 22	30	32	6 (20%)
Total	190	197	67 (35%)

Source: Interviews with district directors of operations.

* Total number of new principals for both years, divided by the number of schools in June 1999, multiplied by 100.

New York City Community School Districts piloting Performance Driven Budgeting



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Final Report

Evaluation of the
Performance Driven
Budgeting Initiative

of the

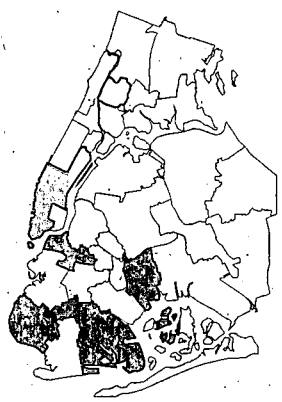
New York City
Board of Education

(1997-2000)

February, 2002

Dorothy Siegel
Norm Fruchter

Executive Summary



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ACKNOWLEDGEMENTS

This report reviews the implementation of Phase I of the New York City Board of Education's Performance Driven Budgeting (PDB) initiative from 1997 through 2000.

The personnel at all levels of the school system whom we interviewed, observed and surveyed, and who helped us understand the context as well as the implementation of PDB, are too numerous to thank individually. We are indebted to all of them and deeply appreciate the time they took from their very busy schedules to assist us and to help us understand their realities.

We would be remiss if we did not acknowledge the assistance of the Board's Chief Financial Officer Beverly Donohue, her former Senior Assistant Stacy Martin, former Deputy Chancellor for Operations Harry Spence and his former Senior Assistant Ann Horowitz. We deeply appreciate their support, guidance and cooperation.

We are grateful to Robert Berne, the Institute's founding co-director and now the university's Vice President for Academic and Health Affairs, who helped develop the evaluation proposal and played a key role in its initial stages.

At the Institute, thanks are due to a cadre of committed staff members and consultants: Zvia Naphtali and Lynne Weikart, who helped plan and guide the evaluation implementation; Jay Leslie, the project's information coordinator; Jacqui Bratton, Jean Kouremetis, Julie Ting and Erica Zurer, research assistants; and Beverly Crumley, Jeffrey Metzler, Penelope Pi-Sunyer and Stephanie Twin, field researchers. We also appreciate the assistance and support of Carol Ascher, Patrice Iatarola, Dana Lockwood, Deinya Phenix, Geraldine Pompey, Cathy Waldo-Elliot and Nathalis Wamba, our Institute colleagues.

We thank Professors Amy Ellen Schwartz and Leanna Stiefel and doctoral candidates Dae Yeop Kim and Carole Portas of NYU's Wagner School of Public Service for the companion study assessing the impact of PDB on student academic performance.

We would also like to thank Ken Lubetsky of the United Federation of Teachers for organizing annual teacher focus groups.

Finally, we are grateful to the Pew Charitable Trusts and an anonymous funder for their support of this research.

EXECUTIVE SUMMARY

School-based planning for instructional improvement has been a major national education reform focus for more than two decades. During the '70s and '80s, various school-based management efforts proposed to put schools in charge of some of their own instructional operations. But this effort delivered increased discretion rather than real autonomy; most school-based management schools received only a modicum of power over issues marginal to instructional improvement, and were rarely granted any autonomy in budgeting.

During the '90s, districts across the country began experiments in school-based budgeting. As the research of the Cross City Campaign for Urban School Reform suggests,[1] districts developed a variety of schemes to decentralize budgeting to their schools. Again, what resulted was increased discretion over mostly marginal expenditures.

New York City's Performance-Driven Budgeting (PDB) initiative, introduced in 1997, generated a new element in school-based planning for instructional improvement, the explicit link between school-level budgeting and efforts to improve student and school performance. This evaluation examines the implementation of that initiative from its inception in 1997 through most of 2000.

THE INITIATIVE

Then-Chancellor Crew defined the goal of PDB as "provid[ing] local educators with increased control and flexibility over the use of resources so that they [can] engage in more creative program development, more effective problem solving, and more efficient use of resources to improve student performance."[2] To Crew, PDB was a key component of a performance-driven school system that:

- defines clear standards for student learning;
- identifies educational strategies for all students to meet these standards;
- aligns all resources, policies and practices to carry out these strategies;
- tracks results; and
- uses the data to drive continuous improvement and holds the entire system accountable for student performance.

To achieve the PDB goal, the entire system must focus on improving classroom instruction. Decisions about improving instruction must be made at the school level, involve all school constituencies, and be supported by the community school district (hereafter "district") and by the Central administration (hereafter "Central"). Furthermore, making decisions at the school level necessitates a redefinition of "relationships and decision-making authority so that decisions about the use of resources are directly linked to effective instructional strategies and improved student achievement."[3] Consequently, the hierarchical relationships and top-down authority that characterized the tri-level New York City school system[4] had to change.

In February 1997, Central announced the selection of the six New York City community school districts (Districts 2, 9, 13, 19, 20 and 22) that had volunteered to pilot the first phase of a projected three- to five-year PDB implementation process.[5]

THE EVALUATION

Later that year, a committee of PDB participants selected New York University's Institute for Education and Social Policy (IESP) to conduct an independent evaluation of the first, or pilot, phase of the PDB initiative, through Fall, 2000.

The evaluation identified the underlying theory at the core of PDB: schools will improve student academic performance if they control all the components of their instructional planning, particularly budgeting.

In our analysis, we employed both qualitative and quantitative methods. The qualitative component included structured interviews with a variety of senior staff at the Central and district levels and in six PDB schools; observations of meetings of participants at all three levels; focus groups and informal interviews; and analyses of documents from all three levels.[6] In each year of the study, IESP also conducted a structured survey of planning team members in 23 of the 61 pilot schools from the four early-implementing districts, and, in the last year, in twelve schools in the remaining two districts.

We also assessed the impact of PDB on student academic performance. The impact study compared change in

student performance in the PDB pilot elementary schools with change in student performance in the non-PDB New York City elementary schools.

FINDINGS

Prior to implementation of PDB, most school planning and budgeting decisions were made by the district or by Central. Schools were rarely responsible for making their own key instructional and budgeting decisions. However, once PDB was initiated, the hierarchical command-and-control style of instructional planning and budgeting began to shift. Our first year evaluation reported that participants throughout the school system defined three transformations as essential for successful PDB implementation:

- Central had to move control over resource allocation and instructional planning decisions to the districts and schools, and transform itself into a comprehensive internal service organization.
- Districts had to move considerable control over budgeting, staffing and instructional planning to schools, while developing their role as facilitator, trainer and supporter of school-based planning and budgeting.
- Schools had to take on the multiple challenges of self-management, while embracing and carrying out their new powers.

Our broad conclusion is that Central succeeded in operationalizing PDB in a number of ways. Specifically, Central:

- transferred primary authority for planning and budgeting decisions to the schools;
- established the school planning team as the key planning and budgeting unit;
- created and implemented a framework for school instructional planning;
- developed and implemented a school budgeting system (Galaxy) built on school planning decisions; and
- took initial steps to develop the capacity to make this new approach work.

These successes involved major shifts in policies and practices. The following sections summarize our findings about how considerably policies, procedures and practices at Central, the districts and schools have shifted to allow, and support, school-based instructional planning and budgeting.

Changes in accountability and decision-making authority

Major changes in school accountability and decision-making authority aided the implementation of PDB. Under pressure from Chancellor Crew and Mayor Giuliani, the state legislature passed a school governance law in late 1996 that virtually eliminated the role of the community school boards, strengthened the line of authority from chancellor to superintendent to principal, gave Central the authority to impose uniform standards on districts and schools, mandated school-level budgeting and school planning teams, enhanced Central's ability to hold school and district personnel accountable for school performance, and established the principal as the formal educational and administrative leader of the school.

One result of the legislative mandate for planning teams in every school was the establishment of the school team as the key systemic planning and budgeting unit of the system. The School Leadership Team (SLT) Plan, promulgated by Chancellor Crew in late 1998, gave school teams the authority to make instructional planning and budgeting decisions, and formalized and standardized the planning process throughout all city schools.

Our findings indicate that the PDB pilot schools established SLTs from existing school planning teams, and, on average, doubled their parent membership so that team composition was fairly well balanced between parents and staff. These SLTs often made important instructional decisions for their schools. But because, under the new accountability arrangement, principals alone were held responsible for student outcomes, principals were clearly the key school-level decision-makers, while SLTs played, at best, an influential supporting role.

Additionally, Central strengthened public accountability by compiling, analyzing and widely disseminating comprehensive performance and financial data for every school and district and for the system as a whole, in its annual issuance of Annual School Reports and School Based Expenditure Reports.

Changes in planning for instructional planning

Central established a new framework for school instructional planning. The CEP planning system, mandated for all schools and districts, included a broad set of instructional planning tools – a Comprehensive Educational Plan (CEP) for schools, a District Comprehensive Educational

Plan (DCEP) for districts, a school self-assessment tool (PASS) and an early childhood literacy assessment system (ECLAS). The CEP and the other elements of this system were designed to help SLTs focus on analyzing school needs and recognizing instructional problems. Central also provided schools with considerable student demographic and outcome data, in a variety of disaggregated formats, to help them understand their students' needs and plan instructional interventions that would improve student outcomes.

When schools managed to use the CEP planning system effectively, they helped create a "conversation about how to reach children with different needs," as one teacher put it. Our research also indicated that the CEP system can become a compliance-driven, mechanical process that fails to investigate core instructional problems or propose meaningful improvements.

Interventions and accountability measures imposed on schools by districts and Central also limited schools' ability to plan for instructional improvement. When their planning efforts were not too constrained by these interventions — or by late state budgets or significant staff turnover — many PDB pilot schools seemed able to use the CEP planning system to improve instruction and student outcomes.

Changes in school budgeting

Central substantially increased district and school control and flexibility over budgeting and spending by improving the Central budget allocation process, and by issuing timely allocations two years in a row in spite of chronically late state budgets. Central also decentralized fiscal responsibility to the districts, using a differentiated approach to determine which districts were capable of more autonomous operation, and which districts needed monitoring and assistance to carry out their new budgeting authority. In addition, Central decentralized some of its functions and increased districts' and schools' control over system resources by more than 8%. Finally, Central developed Galaxy, a powerful school-based budgeting tool that is forcing fundamental changes in the system's centralized operations.

Central first tried to create a new budgeting system through a traditional centralized planning approach. After sharp protest from district-level personnel, Central shifted its planning model to what became known as the Core Group strategy. This Core Group of field-based experts defined its primary task as the design and development of a budgeting system that would allow schools to manage their money in support of their instructional plans.

In order to carry out the many complicated fiscal, operational and administrative changes that the Galaxy system required, Central created a high-level task force called the Galaxy Steering Committee, chaired by the Chief Financial Officer. Thorny technology issues that might have been lost in turf battles were resolved fairly quickly because the Core Group Leader, the Galaxy Project Manager, and the system's Chief Financial Officer and Chief Technology Officer all sat on the committee.

The Galaxy Steering Committee's most arduous task was managing the difficult transition from the original (June 1999) Sketchpad version of Galaxy, which had no direct link to Central's financial and personnel systems, to a fully-linked and fully-functional Galaxy system. Establishing these linkages was extraordinarily complex and contentious in large part because a new accounting system was introduced at the same time that Galaxy was scheduled for linkage to the old accounting system. The collision resulting from the simultaneous introduction of these two new systems caused huge problems, including delays in establishing linkage between Galaxy and other Central systems, such as payroll and personnel.

The chaos and confusion that ensued frustrated principals and SLT members, as well as district personnel, across all PDB pilot schools and districts. Eventually, the Galaxy Steering Committee resolved the most significant systemic conflicts between traditional Central procedures and the requirements of bottom-up budgeting. But it was not able to prevent the schools and districts piloting Galaxy from severe buffeting during the conversion to the new budgeting system. Still, after a very trying year, by mid-2000 the Galaxy system was functioning well, and 192 schools in five of the six pilot districts were able to manage their budgets.[7]

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Under the guidance of the Core Group, Galaxy implementation expanded during 2000-01 from five Phase I districts to an additional fifteen districts. In the summer of 2001, these twenty districts aggregated the budgets of their 580 schools[8] into district budgets totaling $2.9 billion. As the 2001-02 school year began, two-thirds of New York City's elementary and middle schools, educating half a million children, had their own budgets to manage.

IMPLICATIONS

Even before resolution of Galaxy's implementation problems, most school planners in the PDB pilot schools defined the effect of PDB on student learning positively.[9] Moreover, our impact assessment found a slight, but statistically significant, increase in student test scores in the PDB pilot schools, when compared to schools in the non-PDB districts.[10] This suggests that the instructional planning and budgeting in which these pilot PDB schools engaged may have been effective in improving student outcomes.

The shift from a top-down, hierarchical planning and budgeting system to one in which schools increasingly drive instructional planning and operational budgeting, signals the possible emergence of a new budgeting paradigm in the New York City school system. Whether it becomes a permanent change — to a new bottom-up, performance-driven budgeting system — depends on the extent to which system leadership supports the institutionalization of PDB, and particularly of Galaxy, and provides the support and resources necessary to keep it vital.

Concerns about capacity

One major concern is about districts and schools developing the capacities needed by a performance-driven system. Some PDB districts clearly developed the capacity to continually assess their schools' performance and academic outcomes, and have taken steps to encourage and support their schools' improvement efforts. Yet many districts – PDB and non-PDB alike – that house the bulk of the city's low-performing schools have not yet developed the capacity to assess school performance and to help their low performing schools improve.

Of particular concern, especially for low performing schools, is that the school system's chronic resource deprivation will become much more severe, given recession-reduced city and state budgets and a local economic crisis generated by the events of September 11th.

But even before the current crippling economic reality, the city's low performing schools bore the brunt of the school system's endemic failure to recruit, train and retain a sufficient supply of effective teachers and principals. Low performing schools that cannot hire teachers and principals with the knowledge and experience to guide school planning efforts have little capacity to implement PDB.[11] Moreover, many low performing schools have very high staff turnover, which forces them into a repetitive cycle of constant staff training without the ability to establish the core of experience necessary for effective planning and budgeting.

These problems, especially acute in low performing schools throughout the city, reach epidemic proportions in

high-needs districts.[12] What we fear is that in many, if not most, of the system's low performing schools, current teacher and principal capacity issues will render PDB ineffective.

Concerns about the political context

At the macro political level, the consistent attacks on the school system and its personnel[13] by much of the city's political leadership resulted in systemic leadership instability, defensiveness and a lack of sufficient educational resources. It also intensified the growing personnel crisis.

Chronically late budgets exacerbate these problems. Schools cannot plan effectively without knowing what their next-year's budget will be. The practice of producing consistently late state budgets violates this most essential pre-condition for successful PDB implementation. While Central cannot control how late the state budget will be, it can take that hazard into consideration, as happened when Central issued two timely budgets in June 1998 and June 1999. It is technically possible for Central to issue preliminary district allocations, recalibrating them once the state budget is passed. However, a stable and non-destructive political climate is a precondition for such fiscal forecasting to have an acceptable range of risk.

There is also concern, suggested in our first year evaluation report, that a new chancellor committed to differing notions of reform could reverse the important changes Central had initiated under Chancellor Crew. PDB was conceived as an effort to transform the systemic functions of instruction and finance by lodging planning and budgeting at the school level. If system leadership does not support this transformation, PDB may be reduced to a tool schools use to mechanically budget what districts and Central have decided they should do.

CONCLUSION

The effort to conceptualize, define and implement PDB represents an effort to replace a command-and-control, hierarchical instruction and budgeting system with a school-level decision-making system that integrates schools, districts and central administrations through reciprocal mechanisms.

PDB's theory of change hypothesized that student achievement would improve if schools were given significant control over their resources and their instructional planning. Our evaluation found that the Performance Driven Budgeting initiative produced a new budgeting system in which school-level decision-making is driving change upward through the district and Central fiscal systems. Moreover, on the instructional side, Central's CEP planning system is contributing to improving instructional planning in all the system's schools.

This study also found initial indications that confirm the PDB hypothesis — academic outcomes in the PDB schools have improved relative to schools in non-PDB districts. Given only five years since its inception, that is indeed a remarkable achievement.

Endnotes

1 Lauber, D. and Warden, C. (1995). *Reinventing Central Office: A Primer for Successful Schools*. Chicago, Il: Cross City Campaign for Urban School Reform.

2 Crew, R. (1996, August 23). *An Invitation to Partnership in the Design and Implementation of Performance Driven Budgeting*. New York City: Board of Education.

3 *Ibid.*

4 The top level of the New York City school system consisted of a central administrative structure (Central). The middle level consisted of 32 geographically delimited community school districts, six high school superintendencies, and District 75, a citywide special education district. A Chancellor's District for low-performing schools was added in 1996. The quasi-independent community school districts, which operated the elementary and middle schools, were run by superintendents who reported to local elected community school boards. The high school superintendencies were run by superintendents with little power, who reported to Central's Division of High Schools. The third level consisted of 1100-1200 schools.

5 Two of the six districts (Districts 9 and 20) were not expected to begin implementing PDB until the 1998-99 school year.

6 Documents included memoranda, internal correspondence, publications and archival materials from Central; annual district and school instructional improvement plans; and system-wide student demographic and budgeting documents for the 1996-97 through 1999-00 school years. This study

analyzed a total of 203 interviews, 136 observations and 271 surveys over three years.

7 The sixth district, District 22, decided to continue to use its own well-developed school budgeting system and dropped out of Phase I Galaxy implementation in September 1999.

8 These schools operated a total of 728 "Galaxy organizations" – sub-schools, houses and academies that districts set up as separate budgeting entities.

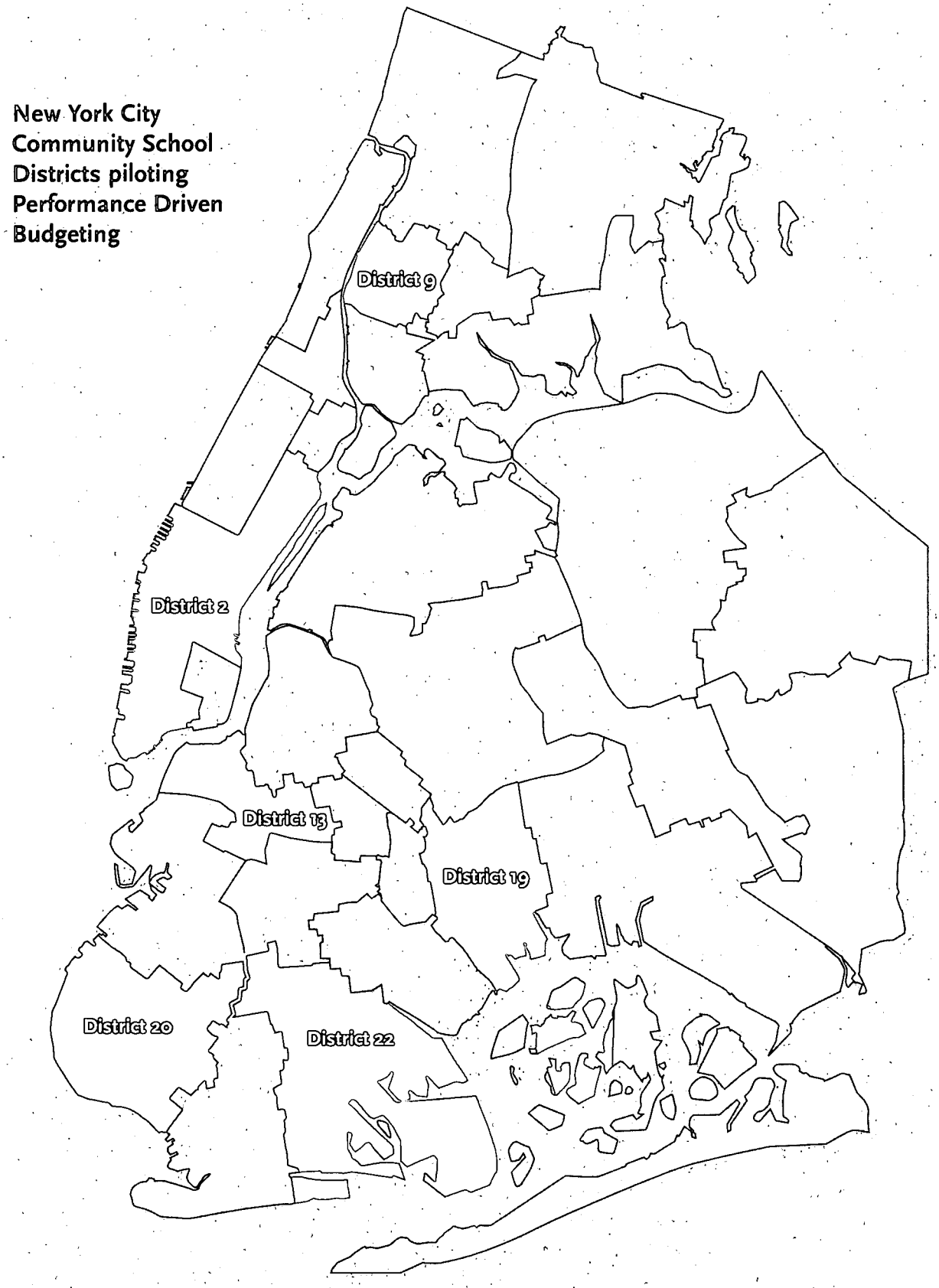
9 More than 60% of the 89 PDB team members who responded to our 2000 survey indicated that, after three years of participation in the initiative, their school was "a better place for student learning"; only 5% said it was "a worse place for student learning."

10 To obtain a copy of the study, contact IESP at 212-998-5880 or iesp@nyu.edu.

11 These critical staff capacity problems in low-performing schools have led to solutions that impose scripted instructional programs on low-performing schools.

12 Iatarola, P. (2001, Spring). *Distributing Teacher Quality Equitably: The Case of New York City*. New York City: Institute for Education & Social Policy.

13 The city administration's failure to negotiate timely contracts with the principals' and teachers' unions, combined with its propensity to make the school system and its practitioners into constant targets of attack, created a bunker mentality that diminished morale throughout the city's schools.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Community School
Districts piloting
Performance Driven
Budgeting
District 9
District 2
District 13
District 19
District 20
District 22

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Author(s): Dorothy E. Siegel, Norm Fruchter

Corporate Source: Institute for Education & Social Policy, New York University, Steinhardt School of Education

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Organization/Address: NYU Institute for Education and Social Policy, 726 Broadway, 5th Floor, NY, NY 10003	Telephone: 212 998-5815 FAX: 212-995-4564
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