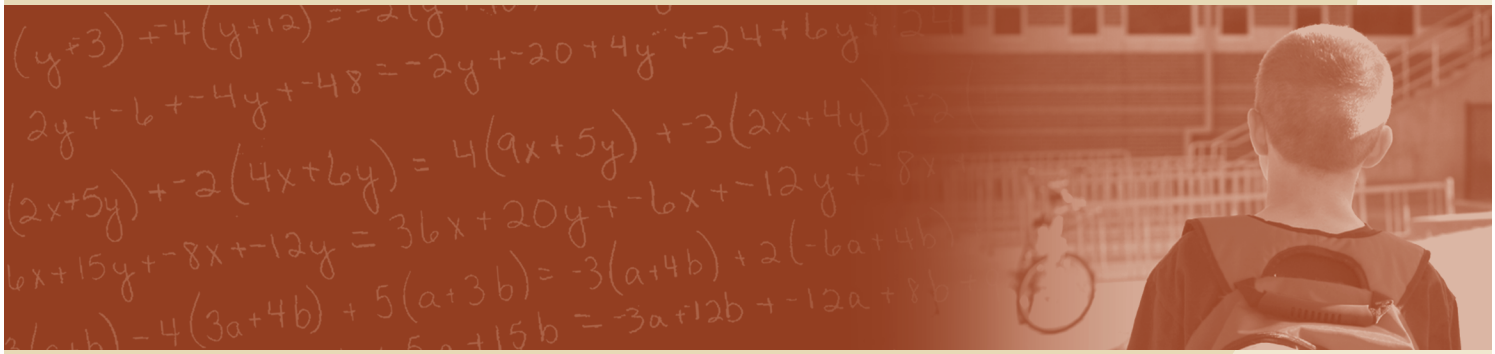
School Finance Redesign Project

center on **reinventing** public education



Allocation Anatomy:

How district policies that deploy resources can support (or undermine) district reform strategies

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The School Finance Redesign Project

The School Finance Redesign Project (SFRP) encompasses research, policy analysis, and public engagement activities that examine how K-12 finance can be redesigned to better support student performance. The project addresses the basic question, "How can resources help schools achieve the higher levels of student performance that state and national education standards now demand?"

Check in with us periodically to see what we are learning and how that information may reshape education finance to make money matter for America's schools. You can find us at www.schoolfinanceredesign.org.

Jacob Adams, Principal Investigator

Foreword

From the early 1990s through today, controversies about public spending on elementary and secondary education have grown as states have adopted performance standards pledging that every child will learn enough to become an independent productive citizen and as *No Child Left Behind* has put teeth in these expectations. Some educators say that meeting higher standards requires more money. Others claim that existing resources are sufficient to pay for higher performance, if only funds were used more productively. While plaintiffs have asked courts to determine what amount of spending is adequate to get students to standards, analysts of various stripes have argued that greater expenditures alone will not lead to better results. Moreover, critics of demands for more money point to cases in states and cities where major spending increases were misspent, with little or no impact on student learning. Though no one seriously argues that more spending could never lead to school improvement, there is compelling evidence that without changes in the way resources are distributed, used, and accounted for Americans could end up with a more expensive, but not necessarily more effective, public education system.

In this environment, governors and state legislators particularly have asked two questions: How much money will it take for all students to meet standards? And how should the money be spent to ensure that result? The Bill & Melinda Gates Foundation asked the Center on Reinventing Public Education (CRPE) to create a School Finance Redesign Project (SFRP) to help elected officials, practitioners, and the public better understand how education finance systems now work and to identify new options for deploying K-12 resources to support state and national educational goals. Initiated in 2003, the project has grown to include more than 30 separate analyses.

SFRP was designed to address five questions:

- Are public education funds now focused on student learning? If not, what stands in the way?
- Are there good ideas about potentially more focused and effective uses of funds to promote student learning?
- Are there good ideas about better ways to spend money to attract and reward quality educators?

- Do we know enough now to say exactly how much money is needed to bring all children up to standards and to say how money should be spent?
- What can policymakers do to ensure that the "right amount" of money is distributed equitably, used productively, and accounted for meaningfully?

This study by Marguerite Roza addresses the first question by exploring the effects of micro-budgeting decisions—the policies and behaviors that operate beneath the surface of published budgets—and by showing how these often hidden transactions support or hamper a district's school improvement efforts. In introducing this line of analysis, Roza tackles a key problem in aligning resources with educational goals, namely, that managing budgets and crafting reform strategies often are treated as separate activities. As a result, the school improvement strategies articulated by district leaders can bear little resemblance to the strategies implied by the ultimate deployment of resources in their districts. This focus on micro-budgeting helps decisionmakers and observers understand how the process of converting dollars into staff, services, and programs substantially dictates the types and quantities of resources that reach schools and students and how these lower-level choices can shape resource allocation policies in unintended ways.

In building this case, Roza describes essential elements of resource allocation (what gets allocated, reporting authority, practices that dictate resource flows, restrictions on use, and the dollar value of the allocation) and crafts a framework for understanding differences in district resource practices. She then uses the framework to examine resource deployment in two urban districts, which enables her to draw important lessons about the workings and implications of resource decisions at the micro level. In a major second contribution, Roza then compares resource allocation practices in the context of four school improvement strategies: targeting resources to narrow the achievement gap, decentralizing reform with school-based accountability, centralizing reform through managed curriculum, and creating smaller, more personalized schools. She demonstrates how resource practices fit better with particular reform efforts and how other resource approaches actually impede these efforts. For district leaders crafting school improvement plans or overarching resource strategies, this analysis should serve both as a caution regarding how lower-level forces can support or derail such plans and as a roadmap for better aligning district resources and educational goals.

Jacob Adams
Claremont Graduate University

One is likely to think of budgeting as an arid subject, the province of stodgy clerks and dull statisticians. Nothing could be more mistaken.

—Aaron Wildavsky

Introduction: How Connected Are District Resource Allocation Policies With Reform Strategies?

While many district leaders do worry about the role that resource allocation plays, in practice, crafting district strategy for reform and managing an urban district's mega budget are treated as separate, albeit important, activities. But, as a well-developed field of public finance literature clearly points out, whether public officials recognize it or not, the resource allocation system *is* the very way in which organizations make choices about means and ends. As such, an organization's resource allocation system is a manifestation of:

> *…an organization's strategies, whether those strategies are the result of thoughtful strategic planning process, of the inertia of long years of doing approximately the same thing, or of the competing political forces within the organization bargaining for shares of the resources.*
>
> **(Lee, Johnson, and Joyce 2004, 2)**

Districts often represent the unintentional case—where the de facto resource allocation strategy is a product of history, incremental change, and political compromise. In general, district leaders don't quite recognize the strategies they employ to allocate resources or the alternatives available to them. Therefore, while many district leaders have become quite proficient at articulating the objectives, goals, and policy vision for improving student performance, these spoken descriptions often bear little resemblance to the strategy implied in the allocation of resources.

District leaders may think their allocation strategies are straightforward, but most don't recognize the many different forces at play.

District leaders may think their allocation strategies are pretty straightforward, but, in truth, most don't recognize the many different forces at play**.** This study demonstrates

how far beneath the surface of the regularly published district budgets are the allocation policies, behaviors, and decisions that play an important role in how resources are ultimately doled out in a school district. It also illustrates the potentially significant impact these allocation policies, behaviors, and decisions can have. These lower-level allocation processes—which don't register in the thick budget books that districts produce—may shape, to a great degree, how resources are allocated and ultimately affect everything from reading programs to social services.

For example, one district's psychology department has four psychologists, each of whom is assigned to about 10 schools. In interviews with the psychologists about where they spend their time, it is clear that one spends her time in equal increments across all 10 schools. Another says she spends most of her time at a school where the principal "values her work." Another spends the largest portion of her days at the school her own child attends, and the last one focuses on the two schools he feels need his services the most. In this case, the allocation of this resource depends on the psychologists' own discretion and priorities—it is not a function of the district's stated strategy for reform.

Very little thought is given to how these allocation practices align with district strategy. Much like other public sectors, public education is a multi-level operation where the federal government and states allocate funds to districts. Once combined with other local revenues, these resources get rebudgeted and separated out into broad catch-all categories like "instruction" and "administration," or even into broad program types (e.g., special education). What is perhaps more meaningful in understanding district *strategy*, however, is the next step in the distribution process whereby these large sums are split up further, converted into staff, services, and programs, and then distributed to specific schools and students. While these processes don't generally appear in district budget documents, they do include a host of decisions, practices, and behaviors operating at multiple levels in district bureaucracies that are instrumental in driving both the types and quantities of resources used.

Tracking resource decisions illustrates how allocations support (or undermine) stated district reform strategies. Table 1 illustrates in three scenarios how this works. Consider a district that believes that one way to close the achievement gap is to provide social services to disadvantaged students. In scenario 1 district leaders might choose to place a half-time social worker in every school to address this need. However, if the district's most disadvantaged populations are concentrated in a few of the district's larger schools, this allocation doesn't focus resources on high-needs students but instead has the opposite effect.

TABLE 1. HOW METHODS OF RESOURCE ALLOCATION CAN LEAD TO MISALIGNMENT BETWEEN RESOURCES AND GOALS

Goal	Micro-allocation method	Effect on resource distribution	Relationship between resource allocation and goal
Target services to high-needs students	**Scenario 1**		
	Uniform per-school allocations of social workers to all schools	Resources are concentrated on students in smaller schools, not on more disadvantaged students* **Compounded when disadvantaged students disproportionately enroll in larger schools*	Misalignment: Resource distributions do not reflect strategy to meet goal
	Scenario 2		
	Principals can call on a central pool of social workers and social workers manage requests	Distribution of resources depends on extent to which principals call on social workers and how social workers handle demand	Outcome uncertain: Depends on behavior of principals and social workers
	Scenario 3		
	Social worker time is allocated as a function of the number of disadvantaged students in each school	Social worker resource is distributed proportionately to schools with higher concentrations of need	Alignment: Fiscal strategy reflects articulated goal

It makes a *smaller per-pupil* investment in social workers in the larger, more disadvantaged schools where the resource is divided among a greater number of students. This type of allocation results in a distribution of the resource that ultimately does the opposite of the original intention.

In scenario 2, district leaders create a central pool of social workers, and principals are told to call on them when they see a need. In this case, the use of this resource depends entirely on how different principals use the service and in the way the social workers respond to the ebb and flow of demand. One principal with minor needs may monopolize social workers. A new principal might not be aware of her role in bringing in social services and may not call for these services all year. The distribution of social workers' time is ultimately driven by the actions of different players at the school level, and, in this case, it is difficult to predict whether the resource of the social workers will actually benefit disadvantaged students.

In scenario 3, the district deploys social service "hours" to schools as a function of the number of disadvantaged students. Schools with higher numbers of disadvantaged students get more total hours from social workers than schools with fewer disadvantaged students. This method concentrates the resources on the high-needs students.

While micro-decisions have serious consequences for how resources are allocated, in many cases district leaders accept them without thought or careful examination.

In another example, a portion of central office–controlled professional development funds are used to produce training sessions on small-group learning that various staff members may opt to attend. When several teachers from one school attend and none from another sign up, the effect is that resources are disproportionately concentrated on the first school. Here, teacher behavior through attendance at trainings plays a role in how resources flow to schools.

In yet another instance, the athletic director lobbies for and receives more funds in this year's athletic budget. What is not represented in the district budget is that the director then uses his own discretion to decide where to direct the new funds. In this case, he decides to hire two additional assistant coaches for each of the three largest high schools and orders all new equipment for the two middle schools with the highest percentages of athletes. He could have just as easily made a different set of decisions, say deploying those funds more evenly among students at each level, or even targeting resources to schools where students were not participating in sports to boost involvement in athletics.

These examples show that, whether districts are aware of it or not, a host of factors impact the allocation of resources and funds, all with different implications for how resources are used, controlled, targeted, and distributed to schools and students. Some of the decisions reflect larger leadership policy decisions (for example, staff formulas linked to class sizes), but many others reflect micro-level decisions or behaviors at school levels. While these micro-level decisions have serious consequences for how resources are allocated, in many cases district leaders accept them without thought or careful examination.

Yet careful thought to resource allocation is particularly important as district leaders reform practices in ways that better serve historically low-performing student groups.

In many districts, leaders have adopted new strategies that have real implications for resource use in districts, including:

- ***Targeted resources to narrow the achievement gap.*** In this approach, district leaders work to concentrate resources and efforts on those students at most risk of low performance.
- ***Decentralized reform with school-based accountability.*** By decentralizing decisions about how to meet student needs and locating accountability for student performance with schools and school leaders, the expectation is that schools will be more effective and efficient at meeting the needs of their students.
- ***Centralized reform or "managed curriculum."*** This approach reflects a more centralized, systemic reform where district leaders create an aligned curriculum and build capacity throughout the district for the same approach to be used in all schools.
- ***Integrated (or personalized) services.*** Some districts use a small schools concept to address challenges with performance at the high school level. The belief is that in a smaller, more personalized setting students will interact with a limited number of adults who know them well and who serve in a more integrated fashion to address their needs.

Yet even with these clearly stated strategies for reform, district leaders operate with little clarity regarding the means by which funds are allocated and the links between those methods of allocation and the stated strategies for reform.

The goal of this paper is to explore the effects of micro-budgeting decisions and show how they might support or hamper district reform strategies. The study draws on public and private sector resource allocation literature to identify key elements of resource allocation decisions. These elements are used to highlight different allocation practices used in two urban districts, and the findings illustrate the importance of understanding how district allocation practices determine the distribution of resources within districts.

The goal of this paper is to explore the effects of micro-budgeting decisions and show how they might support or hamper district reform strategies.

This paper also provides a framework for comparing resource allocation mechanisms in the context of the four district reform strategies described above. For district leaders pursuing any one of these reform strategies, this analysis should serve as a roadmap for more strategic resource allocation.

Essential Elements of Resource Allocation

School budgeting processes are complex and involve much more than the line items in budget binders. Like other public systems, school districts use a formal budgeting process to anticipate revenue and predict expenses. Most rely on some form of "line-item budgeting" in which resources are managed separately, line by line. Some budgeting procedures use rules or formulas that dictate what gets allocated and in what quantities, including student-teacher ratios and per-pupil formulas.[1] Other budgeting techniques allocate fixed amounts either directly to schools or to central departments that provide some kind of service to schools, staff, or students. Budget packages as a whole represent a variety of planned investments, coded according to funding source, major activity (instruction, pupil support, etc.), and, in some cases, object (FTEs, supplies, etc.).

School finance staff members go on to use these budgets and accounting practices throughout the fiscal year to track actual district expenditures, watching the flow of dollars along the same categories typical in budgets: fund source, object, and activities. Typical budget categories are best at describing overall approaches by district leaders to carve up a large sum of money into separate resource pools.

But district financial documents don't include many of the key details that ultimately affect how money and resources are actually allocated among the schools or students. The types of individual decisions that ultimately determine the flow of dollars aren't tracked or even understood. Moreover, many of the individuals involved don't recognize their own role in the resource allocation patterns created.

Research on resource allocation in education and other public sectors suggests that five key elements are needed to understand how resources flow through public organizations and the role that the allocation of these resources plays in attaining an organization's goals.

1. Line-item budgeting is the dominant budgeting strategy employed, yet there are reports of some districts using elements of program budgeting, performance budgeting, or site-based management for some of their allocations (Odden and Picus 1992).

They are:

- what gets allocated
- the reporting authority
- practices that dictate the flow of resources
- restrictions on the use of resources
- the dollar value of the allocation

What Gets Allocated

What form the resources take matters for many reasons, particularly in relation to the strategies behind the allocations (Odden et al. 2003), what administrative costs are incurred (Miller, Roza, and Schwartz 2005), and how flexible or malleable the resources are (Roza 2006).

For instance, many districts staff each school with a librarian where "what gets allocated" is a full-time staff employee with particular skills and a job assignment. The full-time librarian is one approach to making sure reading and research materials are available to students. Another approach might involve distributing these duties among teachers or in partnerships with public libraries. By dictating the use of the resource, the allocation has the effect of asserting central authority and creating some level of uniformity across schools in how resources are used at each site.

While this example illustrates the distribution of staff FTEs, districts also deploy dollars, shares of staff time, access to services or trainings, costs for programs, salary incentives, and other resources. Some allocations (such as unrestricted funds) align well with decentralized decisionmaking structures, while others (such as staff assignments) make sense for more centralized reform efforts.

The Reporting Authority

To understand the budget process, it is important to understand how layers of policies dictate the flow of resources from one level to another and ultimately to the schools (Miller 1965). While budgets are created by district leaders, they are executed by individuals

within the district and district's schools. These individuals dictate not only the amounts spent and where they are spent, but also who manages those funds (Wildavsky and Caiden 2004; Lee, Johnson, and Joyce 2004). While the same objective may be shared by different departments within a district, it is likely that different groups will choose different ways to allocate and use resources—sometimes in conflict with each other (Trinkl 1973). So it is important to identify not only where resources are managed but also who specifically is involved in the allocation of the resources.

More attention should be paid to resources managed centrally because these costs represent a significant portion of the budget—yet there is little sense of how these dollars are used or deployed among different schools.

Studies of school district budgeting have looked at resources managed at the school level separately from those managed by the central office. Research suggests that more attention should be paid to resources managed centrally because these costs represent a significant portion of the budget—sometimes more than half—yet there is little sense of how these dollars are used or deployed among different schools (Cross City Campaign 2001; Miller, Roza, and Schwartz 2005). An example is provided in the introduction to this report in the description of a district's centrally managed department of psychologists who are told to serve schools in an assigned zone. In this example, the psychologists report to the department's director, not the school principals. In a different scenario, the psychologists' time might be assigned directly to schools, and the psychologists would be accountable to the principal for the amount of their time allocated to each school.

Practices That Dictate the Flow of Resources

Budgeting decisions are complicated, often influenced by politics, struggles for control, and human thought processes. To the extent that education operates similarly to other public sectors, we should expect a disconnect between what leaders at the top believe is a district's policy regarding the flow of resources and how that plays out in reality at the school level (Deeming 2004). Hunter (1979) suggests that each resource allocation can be defined by which policy drivers are involved in how resources get used and divvied up among subunits. Others call this process "apportionment" and note that practices that can take on many different forms dictate the flow of resources across subunits. In education, everything from overt policy decisions to formulas and subtle behavioral choices, all influence the way dollars move from the top levels down to the classroom.

There are many methods used to allocate resources, from student-driven dollar allocations to unwritten practices about how services are delivered. In the earlier example of the psychologists, both the supervisor's instructions to "cover a set of schools" and the psychologists' own decisions about where to spend their time serve as examples of allocations driven by subtle behaviors. In the example of professional development resources that effectively get delivered to teachers who choose to attend the trainings provided, the allocation vehicle involves some component of each teacher's demand (i.e., interest, willingness) to participate.

Everything from overt policy decisions to formulas and subtle behavioral choices all influence the way dollars move from the top levels down to the classroom.

Restrictions on the Use of Resources

Understanding the restrictions that go along with public funding is key to understanding how resources are allocated. In education, different funds come with different restrictions imposed by federal, state, and local agents for how resources can be used or distributed (e.g., class size reduction, compensatory education such as Title I, matching grants, special education services). Individuals at all levels are bound by the restrictions imposed, often by law, and these restrictions can have implications for how and where resources are deployed.

The Dollar Value of the Allocation

Finally, many analysts have called for new methods of measuring expenditures as a way to better understand organizational investments, priorities, and articulated strategies and as a way to quantify the distribution across subunits. Manufacturing theorists have pioneered entirely new expenditure models, including activity-based costing and program-based costing that serve to structure fiscal data to expand its relevance to strategic decisionmaking.

In education, various reports have also called for new expenditure recordkeeping structures as a way to inform district strategy, mainly toward identifying the real costs of individual schools, programs, or services (Odden et al. 2003; National Forum on Education Statistics 2003; Miller, Roza, and Schwartz 2005; and Coopers & Lybrand LLP 1994). While the models differ somewhat in terms of the categories they use, they all propose allocating a larger portion of costs to schools and student types. Miller, Roza, and Schwartz (2005)

demonstrate that for those interested in data on resources as they relate to the context of educating students, it makes sense to consider central and indirect costs associated with shared district resources in addition to typical school-based resources. Of less relevance are costs associated with district leadership, operations, and noneducational services such as transportation, food services, facilities, and maintenance.

Investigation of Allocation Practices in Two Districts

For a closer look at the way different methods of resource allocation play out in school districts, this study compared expenditures, demographics, salary data, and allocation practices from two urban districts (hereafter referred to as District #1 and District #2).[2] These districts are typical urban school districts with a broad range of student demographics. Both districts struggle with closing achievement gaps for more disadvantaged students. District #1 is a large district that uses a traditional staff-based allocation for much of its school-based resources. At the time of data collection, this district's primary strategy was to target a larger share of district resources to low-performing students. District #2 is a mid-sized district using a weighted student allocation method to allocate school-based resources. The district's stated strategy for reform at the time of analysis was to decentralize decisions to schools, treat all schools fairly by deploying resources on the basis of student need, and use school choice as a way to hold schools accountable for improvement.

For each district, the district's budget and expenditure reports were deconstructed into as many different allocations as possible, excluding budgeted line items associated with leadership, operations, debt service, transportation, food services, and capital expenditures.[3] The allocations were then categorized according to variables created around the five key elements of resource allocation previously described (see table 2, page 12).

Obtaining the level of detail needed to populate the fields in table 2 required securing data not evident in district budget and expenditure reports. In some cases, determining what resource was allocated and how it was deployed required numerous interviews with department leaders and other central and school-based staff. In other cases, investigative analysis of district documents (as described in each section below) helped provide the missing details.

2. Two existing datasets created as part of earlier research studies were used, as they initially prompted this study's research questions.

3. Only those resources associated with secondary education were examined in District #2.

TABLE 2. A FRAMEWORK FOR CONCEPTUALIZING KEY DIFFERENCES IN RESOURCE ALLOCATION PRACTICES

What gets allocated	Reporting authority	What dictates the flow of resources	Restrictions on resource use	Dollar value of the allocation
▪ Funds ▪ Staff ▪ Access to central services ▪ Professional development ▪ Supplies/ materials/ equipment ▪ Program access ▪ Roaming specialists ▪ Some combination of the above	▪ Centrally managed or ▪ School-based	**Formulaic:** ▪ Per pupil (all pupils) ▪ Per school ▪ Per staff ▪ Per pupil type (ELL, special education, gifted, low-income) ▪ Some combination **Nonformulaic:** ▪ School, student, or staff demand ▪ Discretion ▪ Politics ▪ Application process ▪ Other	▪ Spending on certain students (ELL, special education, gifted, low-income) ▪ Spending on certain resources (teachers, administration) ▪ Spending on certain activities (class size reduction, professional development)	▪ Total $ expended per school ▪ Per pupil $ expended ▪ Per pupil type $ expended ▪ Portion of central allocations ▪ Portion of total allocations

The analysis started by recording which (if any) types of students are targeted—including limited English proficiency, low-income, and gifted students as well as students with disabilities[4]—and then separating those resources that are managed centrally (where staff report to central leaders) from those that are assigned directly to a school.

In order to better understand how central departments convert their dollars into resources for schools, centrally managed allocations were coded by the type of resources allocated.

Next, to categorize the practices that dictate the flow of resources, allocations were first separated into those that are formulaic versus those that are nonformulaic. Formulaic allocations are made according to a formula often based on numbers of students and staff. Nonformulaic allocations depend on various mechanisms to deploy resources, and, as such, they can benefit different schools to different degrees. For instance, when nonformulaic allocations depended in part on whether the beneficiary chose to use the resource (by

4. Because of the many different subtypes of disability, and the corresponding difficulty in tracking those resources by the different subtypes, this analysis set aside those allocations intended for a specific type of student disability.

choosing to attend a nonmandatory event or requesting services, for example) the analysts coded the allocation as "deployed on demand." When central leaders used their own discretion to select recipients of a service, the allocation was coded as "discretion." In a few cases, where schools or staff applied for a resource and the resource was awarded, the allocation was coded as "application process." A few allocations were provided as a result of external forces like parental pressure or a board member's direction, and the allocation was coded as "political."

Unfortunately, consistent data on the restrictions on resource use were not available in either district, leaving this key element largely unexplored.

Next, the costs for each allocation were attributed to the schools benefiting from the allocation using the methodology developed by Miller, Roza, and Schwartz (2005), which relies on predominantly observable criteria to identify the basis for assigning both direct and indirect costs. This step required extensive data-collection activities to identify where the resources were actually spent (i.e., schools, students, or school-based personnel).[5] For example, in order to track resource allocation for a single staff-training event, training logs were examined to identify which teachers attended, and then the full direct and indirect training costs were divided among the teachers and assigned to their schools. For teachers who used substitutes or received stipends, these relevant costs were assigned back to their schools as well.

In the final analysis step, summary data for each category was assembled and compared.

5. Indirect (or overhead) costs were then allocated on a rational basis in order to allocate the full cost of centrally managed services. As such, assigning centrally-managed allocations to schools involved extensive interviews of departmental staff, as well as document analysis in order to determine which schools benefited from each allocation.

What Can Be Learned From Categorizing Allocations in This Way?

The goal of applying this analysis structure to district data is not to propose its use by districts as an expenditure reporting system but rather to develop a conceptual model to better understand how undocumented allocation policies actually play out in school districts. The findings from each of these two districts show the ways that many different allocation practices—including those often overlooked by district leaders—serve to determine the path of resources within a district.[6]

District Staff Do Not Recognize Their Role in Resource Allocation

In both districts, it was clear that many district staff members were not aware of their role in allocation decisions, and they did not realize that alternatives existed for how resources could have been deployed. Staff often talked about "how things are done here," and, when probed, there seemed to be little recognition that the existing practices represented choices or decisions by the staff involved. For example, the psychologists who were directed to serve ten schools yet chose to narrow their efforts to just one or two schools (for different reasons) didn't seem to recognize their own time as a resource over which they had any control. When asked about it, a psychologist in District #1 responded:

> *I'm a school psychologist. I just cover the schools in my assignment area. I go where the need is because that's what I'm supposed to do. I have no input into district resource decisions. Those decisions are all done by senior leadership. I don't get my own supply budget or anything. If I want the district to fund something, I need to file a purchase order request and who knows if that would get approved.*

In another example, where District #1 used a staffing based ratio to determine the number of teaching positions needed at each school, the senior district official responsible for the staff ratios said:

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6. Appendix A summarizes the information assembled on over 100 different allocations in each district. As the data indicate, this approach enabled coding all relevant allocations on most dimensions. Two exceptions were clarifying restrictions on funds and the types of resources delivered through school-based allocations.

> *Well, yes, I wrote the staffing ratios. But truth be told, any one else would have written the same ratios. There is no real other way to do it, not that would work really. We only have so many teachers and so many kids, so you just write a ratio that has 1 teacher for every 26 students in each grade. . . . Yeah there are some bumps, like when a school has 29 third graders, then they might get 2 third grade teachers. Every district does it the same way. It's not like we can take apart a teacher and spread that teacher around in small pieces.*

This administrator didn't acknowledge that staffing ratios aren't the only way to determine how many teaching positions each school gets. In fact, the other district in our sample used a very different method—that of a student-based formula—to deploy dollars, which then were converted to teaching positions at the discretion of the principal.

District Staff Were Surprised by the Perception of Their Allocation Behavior

Some staff members in each district were uncomfortable with the interpretation of their practices, particularly if their decisions on how to allocate resources appeared to be based on demand, discretion, or other nonformulaic means. For instance, one centrally managed allocation provided music lessons for students who signed up for them. It made staff uncomfortable to acknowledge that this allocation was effectively driven by student demand. The director of the student music program in District #1 described it as follows:

> *No, no, I wouldn't say that students or parents had any control over resource decisions. Students don't control the program, the district does. Our school board understands that music lessons are good for brain development, so we offer music because it is the right thing to do. It would be a waste to force students to take an instrument, since some students aren't interested, and their parents don't support it. That's why we ask for sign-ups.*

Additionally, it was clear that well-intentioned staff often believe that because a resource is *intended* for some particular type of students (say disadvantaged students) that the resource necessarily was deployed as a *function* of those students. For instance, in one case, a "per-school" formulaic allocation for a literacy coach in each school was described by a central department leader in District #2 as being deployed as a function of low-income students,

despite the fact that the allocation was made in equal increments to each school regardless of each school's poverty enrollment:

> *We've known we had a literacy gap for our [low-income] kids. In the last budgeting cycle, this department pushed hard for the money to target resources to help close the literacy gap for these kids. The superintendent recognized the need and we got enough funds to put a literacy coach in each school. It was consistent with district strategy.*

Funding Restrictions Were Not Readily Discernable

In both districts, a lack of clarity existed on funding restrictions. While many restrictions exist and are often tied to federal, state, and some local levy funds, staff members had different interpretations of the restrictions imposed. Some restrictions cited were not found in our investigations of the related regulations. As the director of athletics in District #2 explained:

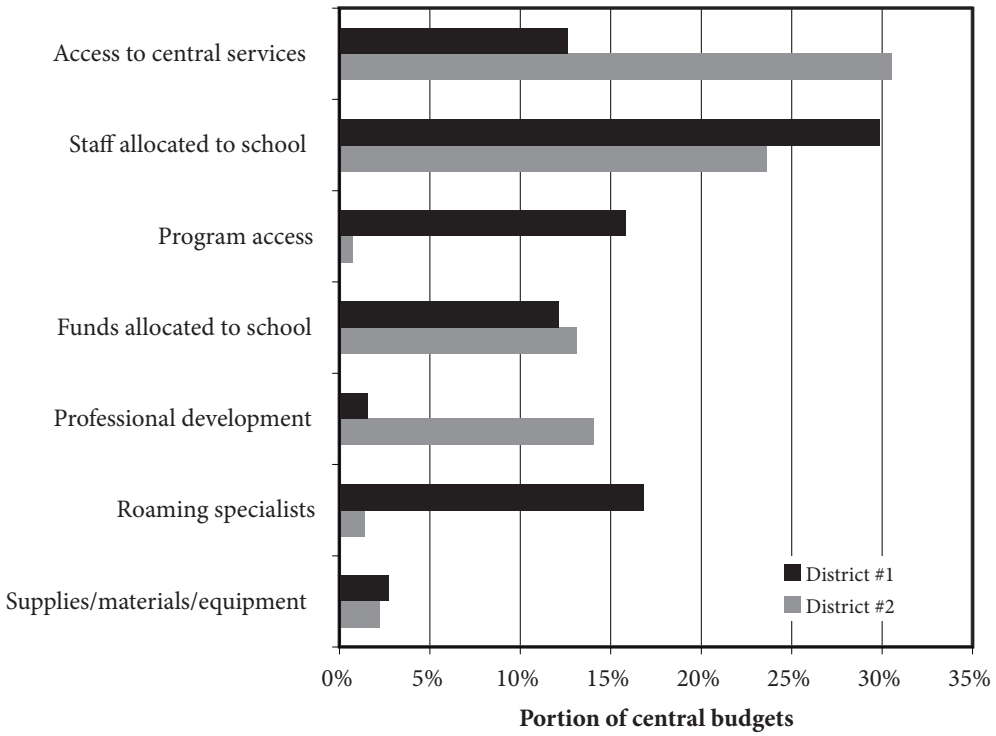
> *We're required by law to provide transportation to any sanctioned sporting event whether during school hours or not for participating students at the high school level. I can't imagine if we didn't. We'd end up with teenagers driving themselves, or hitching a ride. God only knows what could happen. I can't imagine that the state wants that liability.*

After extensive investigations of state restrictions of all kinds, our analysis found no such stipulation. Other staff members named *district* "policies" as de facto restrictions, but again, in these cases, it was impossible to determine whether these restrictions were indeed deliberate policies or simply habits created over time.

Central Budgets Provide Different Kinds of Resources Than School Budgets

While most educators have a sense of what is in a school budget (teachers, principals, librarians, etc.) the resources provided to schools via central budgets are less understood. In the two districts, these resources come in many different forms. As figure 1 indicates, the two districts' central budgets deliver different types of resources to schools.

FIGURE 1. CENTRAL BUDGETS PROVIDE DIFFERENT KINDS OF RESOURCES TO SCHOOLS IN EACH DISTRICT



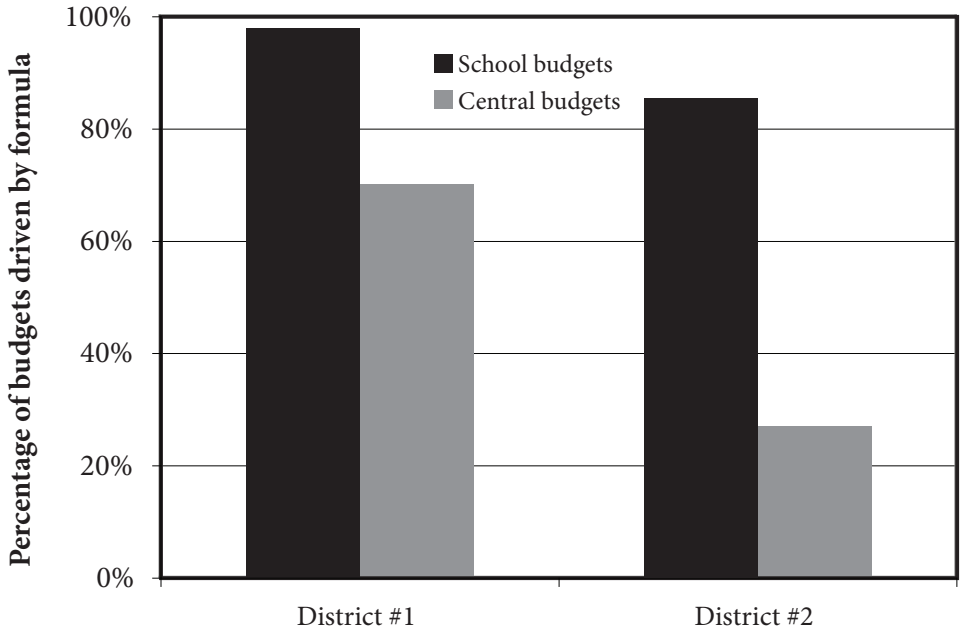
In District #1, central budgets are used primarily to fund staff FTEs who spend different amounts of time in schools (literacy coaches, for example), roaming specialists (such as psychologists or science specialists, available on an as-needed basis), and programs to which different staff or students have access (such as a mentoring program for new teachers who want this support and a heritage program available to Latino students). A large portion of District #2's central budgets are used for central services (such as the truancy department, the communications staff, and a department on race relations), staff assigned to spend time in schools (including staff on loan to aid with understanding performance data), and professional development.

With the range of forms that central resources take, it is no surprise that the relationship between resource allocation and district objectives is obscure. In District #1, for instance, where the district's stated strategy for deploying resources was to target them to needy students, the actual method of deploying central resources was somewhat scattered. Neither of these two districts seemed to operate with a consistent vehicle by which to make a connection between the form in which the resources are distributed and the implications for strategy.

Central Budgets Are Less Likely To Be Driven by Formula

As figure 2 indicates, some kind of formula was used to allocate a larger share of the school budgets than central budgets in each district. In District #1, nearly 98 percent of school-based allocations were made formulaically versus 70 percent of central budgets. In District #2, while 85 percent of the school budgets were formulaic, only 28 percent of the central budgets were formulaic.

FIGURE 2. CENTRAL ALLOCATIONS ARE LESS LIKELY TO BE DRIVEN BY FORMULA

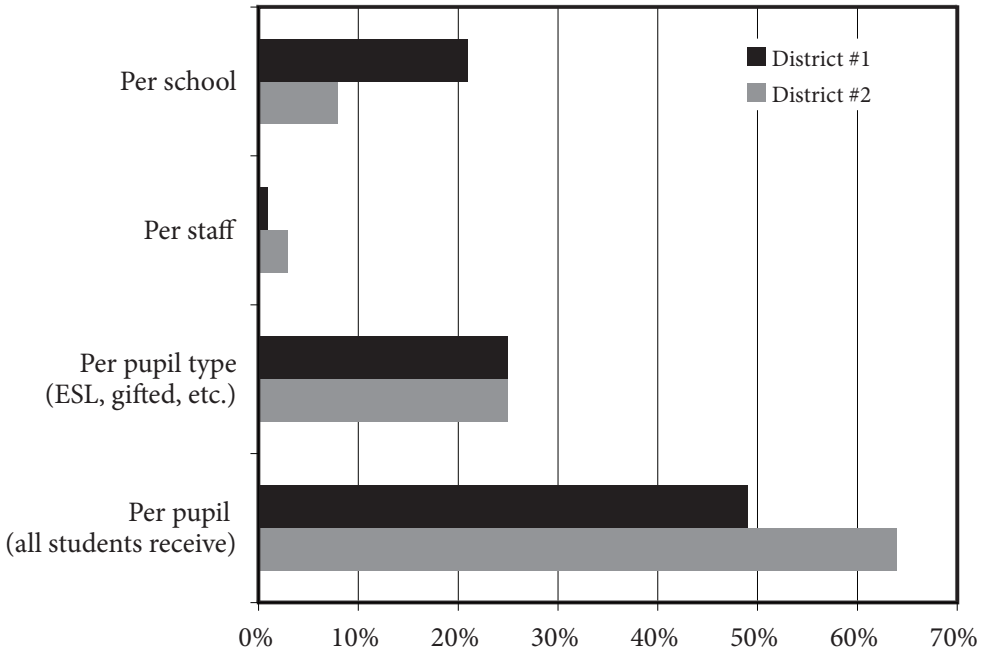


Here again, particularly for District #2, the way in which resources were deployed was not exactly consistent with the district's stated strategy. District #2 claimed a commitment to deploying resources equitably by student need, and pointed to their weighted student formula for evidence of that. Yet, a smaller share of District #2's central allocations were driven by a student-based formula, creating an inconsistency with the school budget resources. All told, a smaller share of District #2's total resources were driven by student-based formulas than in District #1 (62 versus 67 percent, respectively), where no such goal was in place.

Formula Details Differ

Formulas can be driven by student counts, student types (e.g., limited English proficiency), staff (i.e., resources deployed are a function of staff FTEs at each school), or schools (e.g., every school gets a nurse). In both districts, formulaic allocations are most frequently driven by the number of students (49 and 64 percent in Districts #1 and #2, respectively) and secondly by student type (both 25 percent). Figure 3 reveals the patterns for each district.

FIGURE 3. FORMULAIC ALLOCATIONS ARE DRIVEN LARGELY BY PUPIL OR PUPIL TYPE



Here again, the allocation patterns suggest some inconsistencies with stated strategy, at least for District #1. Notice that District #1 uses per-school allocations for 21 percent of the district's formulaic allocations. Allocation formulas driven by schools deliver equal increments for each school and thus effectively create higher per-pupil allocations in smaller schools. Because District #2's smaller schools have a smaller portion of high-needs students,

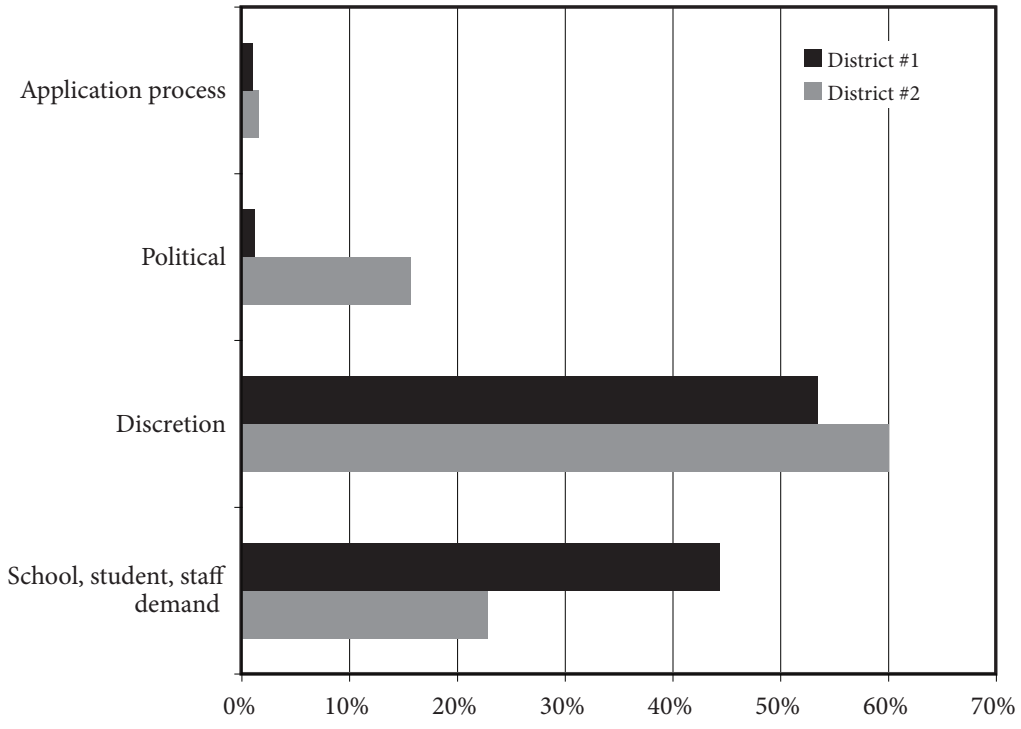
Allocation formulas driven by schools deliver equal increments for each school and thus effectively create higher per-pupil allocations in smaller schools.

the effect is actually to target more resources to less-needy students—the opposite of the district's stated strategy.

Discretion of Central Staff Determines Most Nonformulaic Allocations

Nonformulaic allocations were coded according to the behavioral mechanism that dictated which schools, staff, or students were the beneficiaries of the allocation. In both districts, "discretion" is the primary driver for nonformulaic allocations at 54 and 60 percent of all nonformulaic allocations in Districts #1 and #2, respectively (see figure 4). Allocations driven by demand, application process, or political forces were less common in both districts.

FIGURE 4. MOST NONFORMULAIC ALLOCATIONS ARE DRIVEN BY THE DISCRETION OF CENTRAL STAFF



As mentioned above, where discretion drives allocations, those central staff making the decisions often did not recognize their role in resource allocation. For districts relying on staff discretion to allocate resources in ways consistent with the district's stated strategy, the risk is clearly that these staff may not be aware of their role and therefore may not be executing their discretion in ways that are consistent with the stated strategy.

Some Allocation Methods Provide More Equitable Distributions Than Others

An analysis of per-pupil allocations for each school (or, where relevant, for each student type) indicates that some allocation methods more equally divide resources than others. Here the coefficient of variation measures the level of equity, where a value of zero indicates perfect equity. In other words, when an allocation is made in equal increments for all students (or among all targeted students), the per-pupil cost for each school is exactly equal and the coefficient is zero. Increasing coefficients indicate increasing disparity.

Take, for example, the policy used to deploy resources devoted to music lessons. When many students at one school sign up for lessons and only a few at another school sign up, the total per-pupil cost per school (cost of those enrolled divided by the school's total enrollment) can vary substantially. This inequity is reflected in a higher coefficient of variation for this allocation. Where each and every student across all schools is served with the lessons at the same cost, the per-pupil allocation doesn't vary at all across schools, and the coefficient is effectively zero (indicating perfect equity). Where the allocation was intended for a specific type of student, say those with limited English proficiency, the per-pupil calculation was made only among those identified students.

Table 3 (page 22) displays the coefficients for each allocation type. Funds doled out through central budgets were less equitable than those allocated in school budgets in both districts, as shown by the coefficient of variation computed on the total dollars received per pupil. In District #1, the coefficient was 0.39 for central allocations versus 0.27 for those allocated via school budgets. In District #2, the coefficients were 0.32 and 0.12, respectively.

TABLE 3. COEFFICIENTS OF VARIATION COMPUTED ON NONTARGETED DOLLARS RECEIVED PER PUPIL AT EACH SCHOOL

	District #1	District #2
Total dollars received		
Central allocations	0.39	0.32
School budgets	0.27	0.12
Formulaic	0.22	0.08
Per pupil or pupil type	0.15	0.04
Per school or staff	0.31	0.39
Nonformulaic	0.77	0.87
Demand	0.66	0.44
Discretion	1.29	1.31
Resource type (central only)		
Staff allocated to school	0.68	0.75
Access to central services	0.33	0.32
Professional development	*	0.46
Program access	0.87	*
Roaming specialists	1.34	*

NOTES: smaller coefficients of variation indicate greater equity;
*indicates insufficient data

Not surprisingly, formulaic allocations were much more equitably distributed across schools and student types than nonformulaic allocations (0.22 versus 0.77 in District #1 and 0.08 verses 0.87 in District #2). Among formulaic allocations, those distributed by student counts were more equitable than those distributed by staff counts or by school. Among the nonformulaic allocations, those deployed on the basis of central staff discretion were the most inequitable in both districts. Those allocated as a function of demand were also highly inequitable, but somewhat less so. In other words, when a resource flows out in response to discretion or demand, we should not expect an equitable distribution of that resource across schools.

When a resource flows out in response to discretion or demand, we should not expect an equitable distribution of that resource across schools.

Allocation Strategies That Work Well Together

The different allocation processes fit together to serve as a manifestation of the districts' implicit strategies for serving students. Some allocation methods clearly fit better with some reform strategies, while others undermine a strategy. This section considers the different kinds of allocations described here in light of the four district strategies outlined earlier (i.e., targeting resources to close the achievement gap, decentralized reform with school-based accountability, centralized reform, and integrated or personalized services). Table 4 (page 24) proposes a framework for considering the alignment of different types of allocations in light of each of the four strategies. For each strategy, the table indicates allocation types that appear compatible with the strategy, could be compatible with some qualifiers, or are misaligned with the strategy.

Some allocation methods clearly fit better with some reform strategies, while others undermine a strategy.

Targeting Resources to Disadvantaged Students

For districts attempting to direct additional resources to the students that need them most, it is most important that the resources do indeed go to the intended schools or students. However, this doesn't always happen even when that is the intent. Districts should not assume that all allocations will be deployed according to need. For example, staff deployed on a one-per-school basis can disproportionately benefit less-needy students when disadvantaged students are concentrated in larger schools. Similarly, when allocations are made according to demand or discretion, there is no guarantee that resources ultimately benefit the intended students. Allocating the resources by formula according to pupil type is a better way of getting the resources to their target. If a district opts to give district central staff discretion regarding which schools and students are to benefit, then the district should implement accountability measures to ensure that those deciding how resources are deployed are indeed concentrating on the intended schools and students.

Staff deployed on a one-per-school basis can disproportionately benefit less-needy students when disadvantaged students are concentrated in larger schools. Allocating the resources by formula according to pupil type is a better way of getting the resources to their target.

TABLE 4. FRAMEWORK FOR ALIGNING ALLOCATIONS WITH REFORM STRATEGIES

		Reform strategies											
		Targeted resources to close the achievement gap			Decentralized reform with school-based accountability			Centralized reform a.k.a. "managed curriculum"			Integrated or personalized services		
		Compatible	Compatible if used with some qualifiers	Generally not compatible	Compatible	Compatible if used with some qualifiers	Generally not compatible	Compatible	Compatible if used with some qualifiers	Generally not compatible	Compatible	Compatible if used with some qualifiers	Generally not compatible
What gets allocated													
	Funds	✓			✓						✓		
	Staff	✓						✓				✓	
	Access to central services					✓		✓					
	Professional development	✓						✓					
	Supplies/materials/ equipment	✓						✓					
	Program access	✓											✓
	Roaming specialists					✓							✓
How is it allocated													
Formulaic:	Per pupil				✓						✓		
	Per pupil type	✓			✓						✓		
	Per staff							✓					
	Per school							✓					
Nonformulaic:	Demand					✓							
	Discretion		✓				✓		✓				
	Application process				✓								
	External political pressure			✓			✓			✓			✓
Where is reporting authority													
	School		✓		✓				✓		✓		
	Central		✓				✓	✓					✓

For this strategy, the resources could take virtually any form. Yet again, since resources delivered in the form of central services and roaming specialists, by their nature, tend to introduce factors that can interfere with efforts to concentrate resources on the most disadvantaged students, these should be used with some caution.

Allocating resources in response to political pressures (i.e., those of local stakeholders) is likely to undermine district strategy.

When deciding to assign available resources directly to schools or through centrally managed budgets, a key consideration for district leaders should be the effectiveness of leadership at the school level. If school leadership is weak, then increasing the portion of resources allocated at the school level may not be a viable strategy. On the flip side, if school leadership is strong, we might expect more alignment if a greater portion of the resources are given to the school leader who can make informed decisions about the needs of the school.

As is the case with all four strategy types, allocating resources in response to political pressures (i.e., those of local stakeholders) is likely to undermine this district strategy.

Decentralized Reform and School-Based Accountability

With a decentralized approach, it is assumed that school leaders are best able to determine how resources should be used to meet the unique needs of the students in the schools. District leaders give schools increased freedoms and in return hold them accountable for defined performance targets. If school leaders are to have some authority over how resources are used, allocating more flexible resources makes the most sense. Allocations that dictate how resources will be used (such as services or programs) undermine this strategy as they assume a uniform approach across schools and students.

If school leaders are to have some authority over how resources are used, allocating more flexible resources makes the most sense. The preferred allocation method should be made using a formula based on the pupils or types of pupils at each school.

In accepting accountability, school leaders will require an equitable distribution of resources across schools. The preferred allocation method should be made using a formula based on the pupils or types of pupils at each school. Allocations that inhibit the power of school leaders to make decisions about resource use in their schools can

undermine the district's efforts, and thus the district should avoid allocations managed centrally or according to central staff discretion. Having some centrally managed services or specialists available may make sense if they are delivered by requests from the school leader and the costs of these services come from the school's total allocation.

Centralized Reform

In the centralized, "managed curriculum" approach, district leaders strive for a more consistent program across all schools with a common curriculum and investments in capacity building for all staff. Since the strategy implies a more uniform use of resources across schools, it makes sense for the district to make more decisions about how resources are used and to deploy resources in the form of staff, professional development, supplies, and services. Likewise, since consistency in resource use matters more than per-pupil spending equity, districts may choose to deploy allocations per staff or per school and control more allocations centrally to ensure the common approach.

Since the strategy implies a more uniform use of resources across schools, it makes sense for the district to make more decisions about how resources are used and deploy resources in the form of staff, professional development, supplies, and programs.

Allocations might be made according to discretion, if the district official using discretion does so with the district's larger strategy in mind. On the other hand, if discretion is used at lower levels in the bureaucratic structure, it may divert resources from the intended strategy.

Integrated or Personalized Services

A strategy becoming more common in districts struggling with performance at the high school level is one where large schools are being replaced with smaller, more personalized schools. A key component of this strategy is that student needs are no longer met by a plethora of specialists, each intended to treat a different problem. Rather, with a limited number of staff working together to serve many functions, the idea is that students will feel more connected to school and stay engaged.

In this approach, school staff will inevitably need to serve multiple functions. Where possible, when seeking more personalized services for students, staff should be assigned to a particular school and not roam among schools or report to central departments. Districts may find it easiest to allocate funds directly to schools, but districts should avoid allocating staff with defined roles—librarian, counselor, truancy officer, vice principal—as these definitions can undermine efforts to create a more flexible, responsive staff at each school. Likewise, managing resources centrally can interfere with the personalization that comes with having staff and resources integrated at the school level.

Where possible, when seeking more personalized services for students, staff should be assigned to a particular school and not roam among schools or report to central departments.

Finally, smaller schools can pose higher costs (with reduced economies of scale as schools serve fewer students). As a result, district leaders should take care to allocate resources based on student counts (per pupil or pupil type), thereby ensuring the fiscal viability of the strategy.

Conclusion

Urban districts are often large, hierarchical bureaucracies in which allocation processes are spread among different layers and executed by different players in the system. When district leaders fail to recognize the different allocation practices used to deploy millions (or in some cases, billions) of dollars in their organization, they may not be aligning their resources with their intended strategies for reform. As this paper shows, resource allocation practices take on many different forms, each with different implications for various district strategies.

The framework presented here is intended to help district leaders recognize the different kinds of allocations available and how each type might advance or interfere with district reform strategy. The point is not that districts should track their allocations in this manner, but that they should better understand what distinguishes different kinds of allocations and their consequences for district strategy.

When this framework was used to study resource allocation practices in two districts, this study found that often district staff either were unaware of their role in allocation decisions or did not recognize how their own decisions and actions affected budgetary matters. Yet it is clear that some kinds of allocations clearly fit better with some reform strategies, while others undermine a given strategy. Toward this end, district leaders may want to take a fresh look at common allocation practices and consider whether their chosen practices support or hinder overall reform strategy. As the analysis here suggests, district leaders may find that different reform strategies work better with some allocation methods than others.

Namely:

- For districts attempting to target more resources to specific student types, allocating resources by formula according to pupil type appears to be a better way of getting the resources to their intended recipients, whether those are special education students, minority populations, or disadvantaged students.

- For districts utilizing a decentralized reform strategy, allocations that dictate how resources will be used (deployed via services or programs)

can undermine strategy because the allocation dictates assume a uniform approach across schools and students.

- With a centralized approach, it makes sense that decisions about how resources are used will be made centrally, and then what gets allocated are staff, professional development, supplies, and programs.

- Where a district is pursuing a small schools or personalized services approach, leaders will want to avoid allocating staff with defined roles, as these definitions could undermine efforts to create a more flexible, responsive staff at each school.

With better recognition of the role that resource allocation practices play at the district level, district leaders may have a better chance of making sure that the district's resource allocation patterns are indeed intentional ones that support the strategy at hand for attaining desired student outcomes.

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Appendix A.
Summary of All Categorized Allocations

	District #1				
	Line items	*Allocated*	*Per pupil*	*% of total*	*% of central budget or school budget*
Budget layer	**102**	**$276,625,858**	**$4,321**		
School budget	23	$209,248,066	$3,269	75.6%	
Central budget	79	$67,377,792	$1,053	24.4%	
Central Budget					
Resource distributed					
Funds allocated to school	9	$8,193,393	$128	3.0%	12.2%
Staff allocated to school	8	$20,120,022	$314	7.3%	29.9%
Access to central services	15	$8,508,865	$133	3.1%	12.6%
Professional development	8	$1,048,765	$16	0.4%	1.6%
Supplies/materials/equipment	4	$1,859,865	$29	0.7%	2.8%
Program access	25	$10,660,636	$167	3.9%	15.8%
Roaming specialists	5	$11,363,181	$178	4.1%	16.9%
Combination	5	$5,623,065	$88	2.0%	8.3%
Method of distribution					
Formulaic	26	$47,256,711	$738	17.1%	70.1%
Nonformulaic	53	$20,121,081	$314	7.3%	29.9%
Formulaic distribution driven by					
Per pupil (all students receive)	1	$987,637	$15	0.4%	1.5%
Per school	1	$2,701,702	$42	1.0%	4.0%
Per staff	3	$2,402,975	$38	0.9%	3.6%
Combo	8	$10,501,132	$164	3.8%	15.6%
Per pupil type (ESL, gifted, etc.)	13	$30,663,265	$479	11.1%	45.5%
Nonformulaic distribution driven by					
School, student, staff demand	16	$10,884,952	$170	3.9%	16.2%
Discretion	35	$8,996,254	$141	3.3%	13.4%
Political	0	-	-	-	-
Application process	2	$239,875	$4	0.1%	0.4%
Other	0	-	-	-	-
School Budget					
Method of distribution					
Formulaic	16	$204,824,479	$3,200	74.0%	97.9%
Nonformulaic	7	$4,423,587	$69	1.6%	2.1%
Formulaic distribution driven by					
Per pupil (all students receive)	7	$121,494,952	$1,898	43.9%	58.1%
Per school	2	$51,381,746.0	$803	18.6%	24.6%
Per staff	0	-	-	-	-
Combo	0	-	-	-	-
Per pupil type (ESL, gifted, etc.)	7	$31,947,781	$499	11.5%	15.3%
Nonformulaic distribution driven by					
School, student, staff demand	0	-	-	-	-
Discretion	5	$4,123,587	$64	1.5%	2.0%
Political	2	$300,000	$5	0.1%	0.1%
Application process	0	-	-	-	-
Other	0	-	-	-	-

	District #2				
	Line items	*Allocated*	*Per pupil*	*% of total*	*% of central budget or school budget*
Budget layer	**151**	**$87,364,599**	**$6,609**		
School budget	23	$63,692,345	$4,818	72.9%	
Central budget	128	$23,672,254	$1,791	27.1%	
Central Budget					
Resource distributed					
Funds allocated to school	19	$3,114,841	$236	3.6%	13.2%
Staff allocated to school	18	$5,593,469	$423	6.4%	23.6%
Access to central services	24	$7,234,650	$547	8.3%	30.6%
Professional development	29	$3,330,804	$252	3.8%	14.1%
Supplies/materials/equipment	8	$523,666	$40	0.6%	2.2%
Program access	11	$174,139	$13	0.2%	0.7%
Roaming specialists	9	$330,036	$25	0.4%	1.4%
Combination	10	$3,370,649	$255	3.9%	14.2%
Method of distribution					
Formulaic	11	$6,409,800	$485	7.3%	27.1%
Nonformulaic	117	$17,262,454	$1,306	19.8%	72.9%
Formulaic distribution driven by					
Per pupil (all students receive)	4	$4,569,584	$346	5.2%	19.3%
Per school	2	$231,982	$18	0.3%	1.0%
Per staff	1	$988,893	$75	1.1%	4.2%
Combo	0	-	-	-	-
Per pupil type (ESL, gifted, etc.)	4	$619,341	$47	0.7%	2.6%
Nonformulaic distribution driven by					
School, student, staff demand	37	$4,967,855	$376	5.7%	21.0%
Discretion	46	$5,033,555	$381	5.8%	21.3%
Political	25	$3,514,675	$266	4.0%	14.8%
Application process	5	$347,913	$26	0.4%	1.5%
Other	4	$3,398,456	$257	3.9%	14.4%
School Budget					
Method of distribution					
Formulaic	12	$54,447,026	$4,119	62.3%	85.5%
Nonformulaic	11	$9,245,319	$699	10.6%	14.5%
Formulaic distribution driven by					
Per pupil (all students receive)	3	$34,342,765	$2,598	39.3%	53.9%
Per school	1	$4,683,104	$354	5.4%	7.4%
Per staff	1	$984,263	$74	1.1%	1.5%
Combo	0	-	-	-	-
Per pupil type (ESL, gifted, etc.)	7	$14,436,894	$1,092	16.5%	22.7%
Nonformulaic distribution driven by					
School, student, staff demand	1	$147,506	$11	0.2%	0.2%
Discretion	4	$8,432,028	$638	9.7%	13.2%
Political	0	-	-	-	-
Application process	0	-	-	-	-
Other	6	$665,785	$50	0.8%	1.0%

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