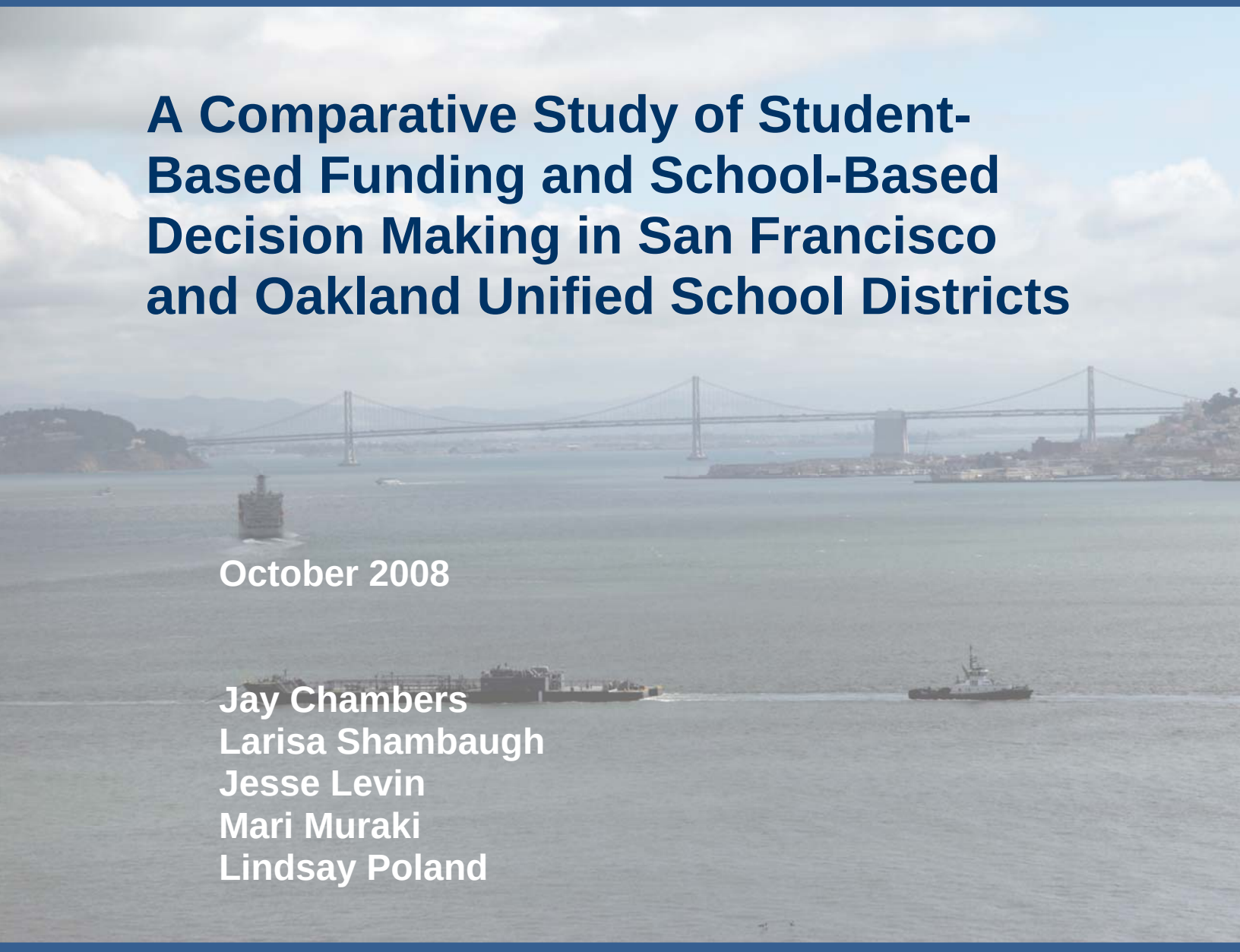
# A Tale of Two Districts

## A Comparative Study of Student-Based Funding and School-Based Decision Making in San Francisco and Oakland Unified School Districts



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Jay Chambers
Larisa Shambaugh
Jesse Levin
Mari Muraki
Lindsay Poland

American Institutes for Research®

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## About AIR

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## Executive Summary

As educational budgets tighten in response to the current fiscal crisis facing public services, state policymakers continue to debate ways of improving the adequacy and equity in the approaches to distributing funds to schools and increasing the efficiency of how schools use these funds. To meet these goals, increasing attention has been paid to policies that provide school administrators with greater autonomy in how they allocate their resources and that distribute additional resources to schools on the basis of the needs of the students they serve.

One such policy that a number of districts have adopted in various forms over the past decade is a *student-based funding* (SBF) policy. Sometimes referred to as a weighted student formula policy, SBF policies typically include the following three dimensions:

- *A student need-based formula*: A district allocation formula to distribute dollars to schools based on student need.
- *Increased school autonomy*: Greater discretion in the use of those resources at the school site.
- *Student choice*: An open enrollment policy, to permit a student to choose which school to attend, with funds following the student.

Districts have used several variations on this policy, depending on their goals and their focus. The general theory is that school staff, parents, and community members are in a better position than more centralized authorities to ensure that resources align with the needs of the students. In addition, by allowing students and families a choice of schools, SBF policies introduce market forces; in other words, school administrators may be motivated to provide programming that will attract parents and children. SBF policies replace the traditional district model, in which the district retains control over both the allocation and the expenditure of resources at the school site, and allocates resources to cover schools' operating costs largely on the basis of the number of students enrolled at each school.

The Edmonton school district in Alberta, Canada, has had the longest-running SBF policy, having initially implemented a site-based management and student-based funding policy in the 1970s. Starting in the late 1990s, several urban school districts in the United States implemented student-based funding policies, including Cincinnati, Hartford, Hawaii (a one-district state), Houston, Oakland, Milwaukee, New York City, San Francisco, Seattle, and Washington, DC.

Though the number of districts with SBF-type policies has grown, the literature on the implementation and possible impacts of these policies is limited. To address this, this report describes the implementation of SBF policies in two California school districts—San Francisco Unified School District and Oakland Unified School District—and addresses the following research questions:

- What are *key considerations* that San Francisco and Oakland have faced when designing and implementing their respective SBF policies? What are the perceived impacts of these districts' decisions? (Chapters 3 and 4)
- Have San Francisco and Oakland distributed and utilized their resources in different ways after adopting SBF policies? (Chapters 5 and 6)
- Based on San Francisco and Oakland's experiences, what are some "lessons learned" for other district and state policymakers interested in an SBF policy? (Chapter 7)

This study is not an evaluation of SBF policies in California. Our goal is to describe and

compare SBF systems in two case study districts, to report the perceptions of key constituencies on these policies, and to present data on the patterns of resource allocation before and after implementation.

## Methodology

To address these research questions, we used a mixed methods approach, collecting and examining qualitative and quantitative data from both districts.

To obtain perspectives from various stakeholders in the district, we conducted interviews and focus groups with a diverse sample of respondents in San Francisco and Oakland, reviewed relevant district documents, and observed district-led trainings. To obtain the school-level perspective, we selected a sample of six schools in each district, including both high- and low-poverty schools from different attendance areas. At each of the six schools, we attempted to conduct an interview with the principal, a focus group with randomly selected faculty members, and a focus group with the members of the School Site Council (SSC).

At the district level, we purposively selected both current and former administrators with knowledge of the implementation of the district's SBF policy. We also interviewed external stakeholders relevant to this process in both districts, including union leaders and community leaders.

In addition to these interviews, we conducted one focus group and three interviews with key individuals from other districts in California that considered an SBF policy but then chose not to implement it.

To provide a better understanding of whether resource allocations changed with the implementation of the SBF policies in San Francisco and Oakland, we analyzed district-provided expenditure files and publicly available data from the California Department of Education (CDE). A major focus of the quantitative analyses—investigating whether resource allocations were more equitable under the SBF policies—was to determine whether greater resources for students at high- versus low-need schools existed and whether this changed after the district implemented their respective policies. We also conducted analyses specifically for Oakland to determine whether attendance rates had increased at different schools as a result of the district's decision to provide a financial incentive for increasing a school's average daily attendance.

## Key SBF Design Considerations

Both San Francisco (implementing its Weighted Student Formula, or WSF, policy in 2001-02) and Oakland (implementing its Results Based Budgeting, or RBB, policy in 2004-05) shared similar goals for implementing an SBF policy, including increasing the equity of resources in the district and enhancing school autonomy. Oakland also emphasized a third reason for implementing its SBF policy—increasing accountability for school sites.

**Exhibit E1: Key *Considerations* for Districts when Designing and Implementing an SBF Policy**

**#1: Calculating School Allocations**
**#2: Calculating School-Level Salaries and Benefits**
**#3: Degree of School-Level Discretion**
**#4: Alignment of Budgeting and Academic Planning Processes**
**#5: Level of School Site Capacity**
**#6: Obtaining School Buy-In**
**#7: Obtaining District Buy-In**
**#8: Level of Community Involvement**
**#9: Interaction with Other Policies**

Both districts' general budgeting and planning processes and timelines were therefore very similar, requiring input from school site staff,

central office staff, and parents/community members. However, the two districts implemented the comparable policies in notably different ways. As outlined in Exhibit E1, we explored how each district approached nine key design *considerations*—the first three related specifically to funding and the remaining six related to non-funding issues around planning and implementation. Within the discussion of each consideration, we outline the general questions a district may need to address when developing an SBF policy, the approach both San Francisco and Oakland took, and, where relevant, reactions to these districts' decisions from various stakeholders in the district

## *Consideration 1*: Calculating School Allocations

Given that an SBF policy is designed to shift how schools receive funds, the district must decide exactly how to design the funding allocations to schools.

First, SBF allocates funds to schools based on the children being served. San Francisco and Oakland use different metrics for counting students for these budget allocations. San Francisco uses total school enrollment, while Oakland uses the school's average daily attendance (ADA). The use of ADA was intended to create an incentive for increasing attendance rates, but we observed no significant changes in attendance associated with the implementation of RBB.

Next, districts must decide how to distribute general purpose (GP) funds to schools. San Francisco and Oakland distribute GP funds in significantly different ways. San Francisco weights the allocations on the basis of individual student need factors such as student poverty, English learner (EL) status, and student disabilities, whereas Oakland weights only the grade level of students served in the school. In fact, Oakland does not include traditional student need factors (poverty, EL status, or disability) as weights for distributing unrestricted (discretionary) funds. *Not* including weights for specific student populations was a conscious decision by district administrators, who focused on two other policy components to increase resource equity: instead of weighting the GP funds, Oakland relied on the distribution of categorical program funds (e.g., Title I or Title III), which commonly do take student need factors such as poverty and EL status into account, and the use of *actual* rather than *average* salaries of school personnel.

Third, districts need to determine whether the funding their schools receive under an SBF policy is sufficient to support basic school operations. The two districts approached calculating the minimum level of funding a school needs to function in different ways. San Francisco created what they call a "floor plan" to ensure a certain minimum level of school personnel and the associated funding that the district believed to be necessary for the school's basic operation. Oakland did not have an official minimum amount but rather created a basic per student allotment for elementary, middle, and high schools that it reviews each year to ensure that all schools can cover their operating costs.

Lastly, districts need to determine whether certain schools should systematically receive additional funding on top of their general purpose and categorical program funds. In San Francisco, the district provides additional resources to the lowest-performing schools. In Oakland, the district provides resources to small schools and to schools with larger proportions of experienced teachers to cover higher teacher costs.

## *Consideration 2*: Calculating School-Level Salaries and Benefits

In implementing an SBF policy, districts must determine how to charge the costs of school

personnel in each school's budget. When a district uses average salaries, the salary amount charged against the school budget for each teacher reflects the average teacher salary for the district and therefore is identical in each school. When a district uses actual salaries, this amount is the actual salary for each teacher, as determined by educational preparation and experience. Because less experienced (and therefore lower-salaried) teachers are more typically found in higher-poverty schools, the use of average salaries that charges an amount higher than what their teachers are actually earning can place higher-poverty schools at a relative disadvantage. However, the use of actual salaries can also introduce political tensions into a district.

The approach to this key consideration is one of the main differences between San Francisco and Oakland. San Francisco uses average salaries to cost out school personnel, and Oakland uses actual salaries. San Francisco chose not to use actual salaries because of potential political tensions with the teachers' union, administrative and privacy challenges, and a concern that principals might discriminate against more "expensive" veteran teachers. In contrast, Oakland implemented the use of actual salaries so that schools with less-experienced teachers would have lower teacher-related costs in their budget and could redirect this money toward resources (e.g., professional development) that would support and help retain experienced teachers in schools serving larger percentages of high-poverty students.

In general, most district-level and school-level respondents in Oakland tended to favor using actual versus average salaries in budgeting. However, the decision has resulted in political tensions. In addition, the district had to create a subsidy for lower-poverty schools to provide a cushion for those schools that could not cover the costs of their existing, more-veteran staff. It was assumed that the distribution of teachers would change over time, as more teachers would decide to stay at the higher-poverty schools because of the new supports those schools were able to purchase with their extra funds. In turn, teachers' experience levels would become more evenly distributed throughout the district. Therefore, the district planned for the subsidies to decrease gradually over three years and end in 2007–08. Interestingly, the subsidies did decrease as planned but had not yet ended in 2007-08 as had been intended. It was unclear from our conversations whether the district would be able fully end this subsidy as planned.

Given that the calculation of salaries can theoretically impact the distribution of teacher experience, we investigated whether there had been any changes in levels of teacher experience between low- and high-poverty schools in both districts over the course of this policy. In both districts, for the most part, low-poverty schools employed more experienced teachers than their high-poverty counterparts, both before and after implementation of the SBF policies, with much smaller experience gaps in elementary and middle schools. Despite Oakland's additional incentive to retain newer teachers at higher-poverty schools, on average, San Francisco showed progress toward closing the experience gap whereas Oakland did not. However, Oakland only recently began implementing this policy and so it may still be too early to see changes in teacher experience levels.

In addition to the cost of salaries, both districts faced issues about how to include the cost of employee benefits in school budgets. As with salaries, San Francisco spreads the costs of benefits across all schools, whereas Oakland schools pay for the actual benefits paid to their teachers.

Both districts had respondents who were not happy with how the benefits were calculated at the school level. San Francisco recently

started including the cost of teachers' retirement benefits in the calculation of the average salary, perhaps placing a larger burden on the schools. Oakland respondents mentioned the tension introduced by a school paying not just the actual salary costs but also the actual employee benefits, given that benefits do not relate to the teacher's "value."

## *Consideration 3*: Degree of School-Level Discretion

One of the main goals of a student-based funding policy is clearly an increased level of school-level discretion over planning and budgeting.

We observed no consistent increase in the proportion of funding provided to schools in either San Francisco or Oakland after the adoption of their SBF policies.

Our respondents provided very mixed impressions of school-level discretion, which could, in part, be affected by other external factors that affect the level of discretion in a school, including declining revenue and collective bargaining agreements. We found that more Oakland respondents than San Francisco respondents felt that schools had a significant amount of discretion over decision making.

Interestingly, Oakland's design to create more flexibility also had an unintended impact not seen in San Francisco. San Francisco's school-level respondents, for the most part, were content with the balance of things in their planning purview. Oakland staff were provided with more discretion over expenditure, through an implementation of a "service economy" in which a school can theoretically choose which services it wants to purchase from the district and which services it wants to purchase from external vendors. However, Oakland's school-level respondents felt frustrated with being held responsible for certain resources to school budgets, including custodians, substitutes, and utilities, without having much control over the cost of these resources. Indeed, we found that Oakland's service economy model that was designed to provide more discretion to schools in Oakland had not fully taken shape as intended.

Despite these frustrations about discretion, respondents in both districts indicated numerous ways in which they used their budgetary freedom to change staffing levels and responsibilities, such as reducing counselors or librarians and hiring attendance clerks and parent liaisons. To determine whether there was any quantifiable difference in staffing patterns in both districts, we examined the number of full-time staff (FTE) per student in schools with different poverty levels. Neither district showed any discernable change in the staff ratios over the course of the implementation of its SBF policies. Respondents also reported that few changes in programmatic offerings were directly related to the SBF policy.

Many of the elements retained within the control of the central office, such as special education costs, were similar across the two districts. However, Oakland and San Francisco did have some differences in what is included within the school's discretion for planning purposes.

## *Consideration 4*: Alignment of Academic Planning and Budgeting Processes

Effective use of resources that achieve the goals set out by the schools depends on the ability of school leadership to align the budget with the academic plans. The districts must set out procedures and processes for helping school leadership achieve this alignment between the budgeting and academic plans.

Schools in both districts felt that they were aligning their plans to their budgets and were

improving the general academic planning process, noting that the academic plan had become more of a "living document." However, Oakland respondents cited an overemphasis on complying with federal and state regulations for a lack of alignment between plans and budgets. Respondents in both districts cited an overall lack of funding that created difficulties for effective alignment. In short, our conversations indicated a need to improve alignment and for the district to provide increased resources to assist schools in this regard.

### *Consideration 5*: Capacity of School Sites

Given that an SBF policy requires a school to assume a larger role in determining its academic plans and to develop a corresponding budget, the districts needed to determine how to ensure that schools have adequate information and the technical capacity to make effective decisions about resource allocation. Indeed, one district leader in California who previously considered, but did not implement, an SBF policy commented that one reason for not pursuing the policy was the impression of a lack of school-site capacity to take on these new responsibilities.

Based on our observations and interviews in the two districts, San Francisco appeared slightly further along than Oakland in developing technical assistance materials. Oakland, however, appeared to have more clearly defined procedures for how principals can receive assistance with their budgets and plans. Specifically, in addition to supports similar to San Francisco, Oakland schools could also hire operations support coaches (or "ops coaches")—a position well-received by respondents—to help create budgets and serve as liaisons to the district office.

However, in both districts, there was a strong message from the principals and other school leaders that the system of supporting schools in this process is in need of improvement. Not surprisingly, the vast majority of respondents also felt that there was great variation in the current capacity of schools to carry out the planning and budgeting processes. Respondents in both districts felt that the variation in capacity arose because the skill set required of principals and SSCs for planning and budgeting was very different from what is typically asked of an instructional leader.

### *Consideration 6*: School-Level Buy-In

School-level buy-in seems to be particularly important with an SBF policy because it requires school leaders to play a new role in planning and budgeting for their schools. San Francisco and Oakland approached school-level involvement in the development of the policy in different ways. San Francisco involved school-level actors at the outset and introduced the policy gradually over two years. Oakland implemented the policy over the period of a few months with relatively little effort to incorporate feedback from school-level actors. Interestingly, despite these different approaches, respondents reported similarly high levels of acceptance of this reform at the school level.

### *Consideration 7*: District-Level Buy-In

Perhaps just as important as school-level buy-in to effective policy implementation is district buy-in. Both San Francisco and Oakland faced decisions on how district-level staff should be involved in policy and what kinds of ongoing support should be available to district staff themselves during implementation. San Francisco district administrators were more involved in the initial stages, but both districts showed strong acceptance of the policy at the district level.

### *Consideration 8*: Degree of Parent and Community Involvement

One of the primary ways parents and community members have input in planning and budgeting processes in California schools is through the School Site Council (SSC). Given that the site-planning process includes an element of parent and community involvement, our interviews indicated that districts must decide whether increasing parent and community involvement is an explicit goal of their SBF policy and, if so, how to authentically engage a representative group of parents and community members in the process.

We found the emphasis on parent and community involvement to be much stronger in San Francisco's WSF policy than in Oakland's RBB policy. However, despite the districts' different approaches to engaging parents and the community, both faced challenges in ensuring that the involvement was both diverse and authentic; both districts reported difficulties with ensuring SSC members represented the different demographics of the school and were actively engaged in the process. But in spite of the challenges they faced, SSCs and principals in both districts showed innovative methods for ensuring that the schools' plans reflect the community's priorities.

Although we are not able to observe a direct causal link between the engagement of community members and the SBF policies, certain respondents in San Francisco and Oakland felt that the process had a positive impact on involving parents and the community in the school planning process.

### *Consideration 9*: Interaction with Other Policies

A last consideration is how other policies affect the implementation of SBF. No districtwide policy exists in a vacuum. District policies and processes, including small-schools policies, open enrollment policies, and collective bargaining agreements, as well as state-level policies such as the number of state and federal categorical programs, the state budgeting cycle, and the level of funding in the state, all affected the design and implementation of San Francisco's and Oakland's SBF policies.

## *Analysis of Spending Patterns*

In addition to understanding how districts design and implement an SBF policy, we also sought to understand whether these SBF districts utilized their resources in different ways after changing the funding formulas and decentralizing decision-making authority.

For San Francisco, one notable finding is the large increase in dollars spent per pupil on employee benefits. As mentioned in Consideration 2, this could relate to the change in how the district charges benefits against school-level budgets. In general, San Francisco's share of per pupil expenditures going toward certified personnel salaries declined from pre-WSF levels. Specifically, elementary and middle schools in San Francisco experienced an increase in the share of certified salary expenditure devoted to teachers. However, spending on other certified salaries (e.g., reading specialists) across all school levels in San Francisco (elementary, middle, and high) virtually disappeared after adoption of the WSF policy.

In Oakland, per pupil expenditures on books and supplies and on services and operations consistently grew over time across all school levels. A potential reason for the increase in expenditures on books and supplies may be the settlement of the *Williams* case in California. The growth in spending on services and operations may reflect, in part, the district's introduction of the service economy model, in which services could be purchased from the district as needed. In addition, we found that across all schooling levels in

Oakland, the share of total expenditures put toward certified personnel salaries declined substantially. Oakland middle schools experienced an increase in the share of certified salaries spent on administrative/supervisory staff and a decrease in the share spent on pupil support personnel, whereas the relative share for services and operations increased.

## Targeting Funds to Students in an SBF Policy: Patterns Related to Student Need and Scale of Operations

Achieving a more equitable distribution of resources is among the most important goals of implementing an SBF policy. Therefore, we conducted analyses to determine whether resources were distributed more according to student need. We used multivariate regression analysis to see how the relationship among per pupil spending and student need and school size changed over the periods before and after implementation of the SBF policies in these two districts.

In San Francisco, our analysis revealed that a positive relationship between overall expenditures and student poverty existed for elementary schools (see Exhibit E2). This positive relationship appears to be driven by the way San Francisco allocated restricted (i.e., categorical) funds, and it did not change significantly with implementation of the WSF policy.

High-poverty middle and high schools in San Francisco benefitted significantly from the implementation of the WSF policy. Focusing on the overall per pupil spending, we found that San Francisco increased the proportion of total resources allocated to high-poverty relative to low-poverty middle and high schools after implementation of the WSF (Exhibit E3). There are indications that this increase in funding for high-poverty schools was driven at least in part by increased allocations of unrestricted (i.e., general purpose) funding distributed through the pupil weighting structure established under WSF.

For Oakland, the district appeared to direct significantly more resources to higher-poverty elementary schools in the post-RBB years (see Exhibit E4), but this was driven by the allocation of restricted rather than unrestricted funding. However, while high-poverty middle and high schools in Oakland received more resources per pupil than low-poverty schools (see Exhibit E5), this was driven primarily by the distribution of restricted funds, which made up for lower levels of unrestricted funding received by the relatively higher-poverty schools. There did not appear to be a significant difference in this relationship between per pupil expenditure and student poverty before and after RBB implementation. In addition, the veteran teacher subsidies provided to the schools by Oakland appeared to have a negative impact on the relationship between student need and expenditures.

Both San Francisco and Oakland tended to recognize school size (scale of operations) as a basis for distributing resources to schools, but there did not appear to be any significant change in the relationship between per pupil spending and school size resulting from the implementation of either SBF policy.

**Exhibit E2: Implicit Student Poverty Weights Using Total Expenditures for San Francisco Elementary Schools from 2000-01 to 2006-07**

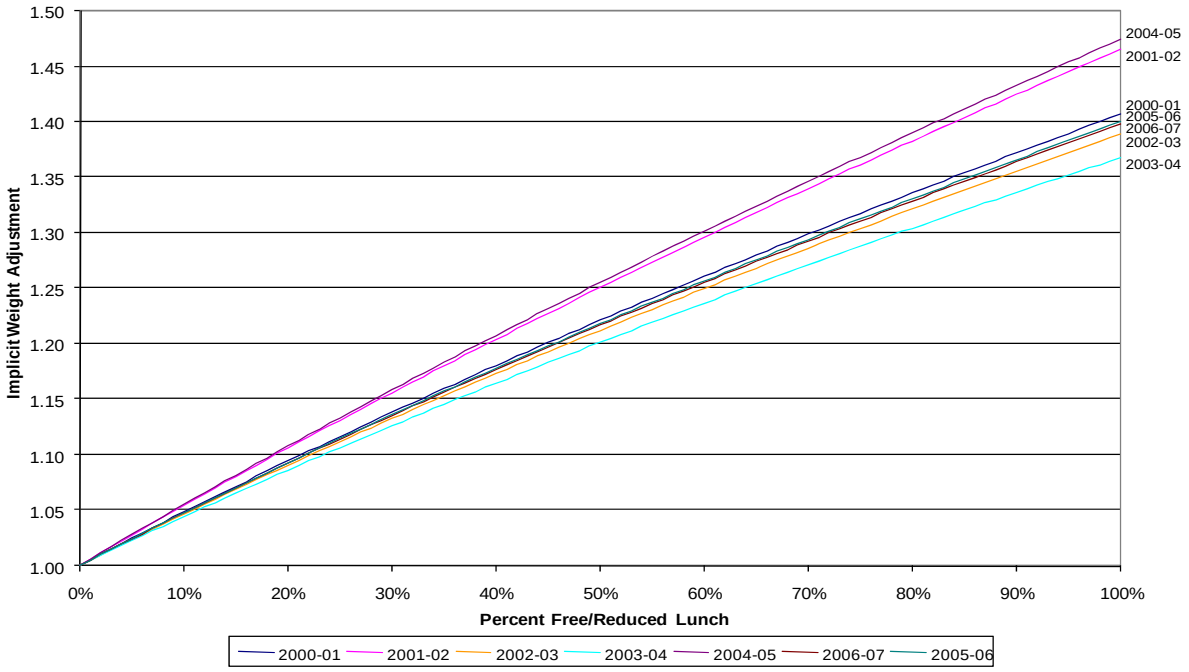



**Exhibit E3: Implicit Student Poverty Weight Profiles Using Total Expenditures for San Francisco Middle and High Schools from 2000-01 to 2006-07 (** Denotes Significant Difference from 2001-02 at 5% Levels)**

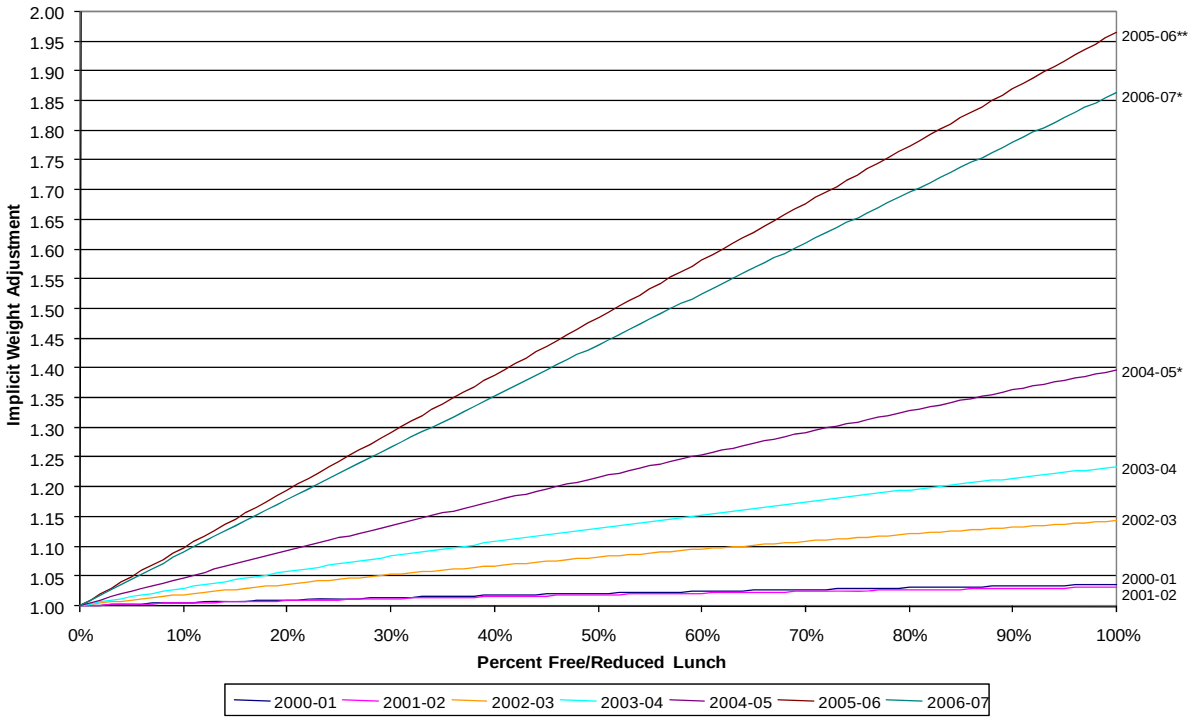


**Exhibit E4: Implicit Student Poverty Weights Using Total Expenditures With/Without Teacher Subsidies for Oakland Elementary Schools for 2002-03 and 2004-05 to 2006-07 (***, ** and * Denote Significant Differences from 2002-03 at 1%, 5% and 10% Levels)**

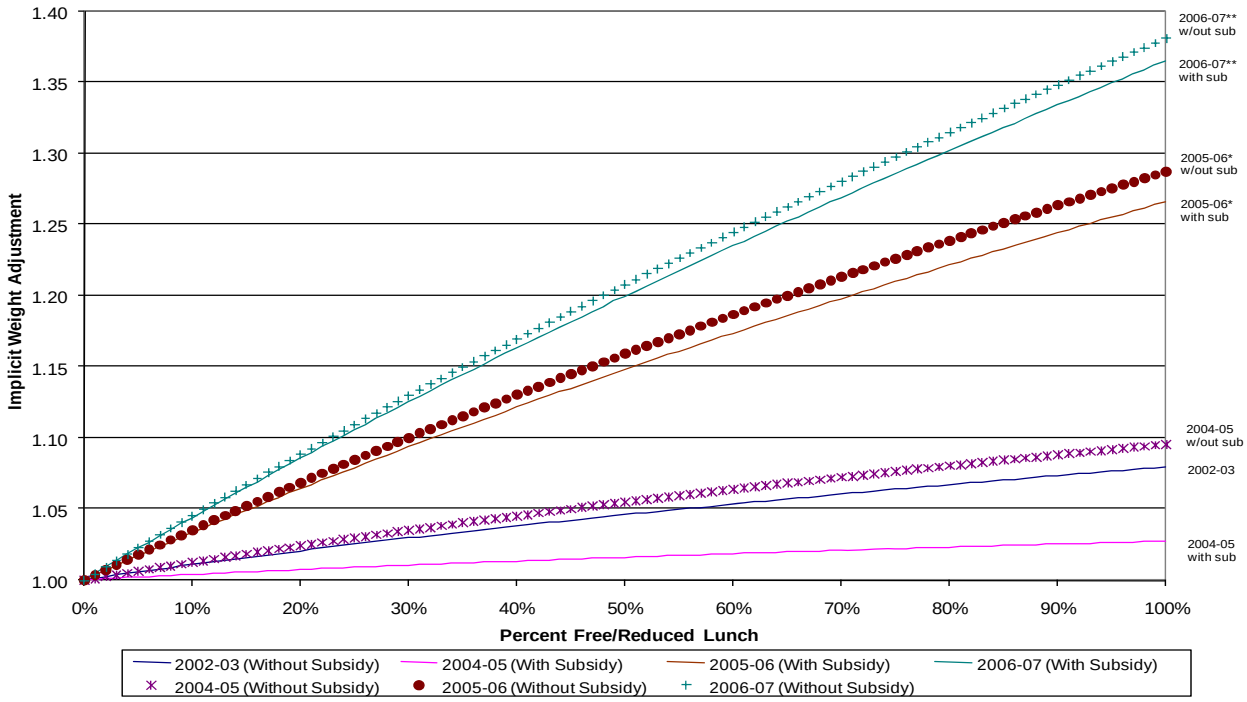
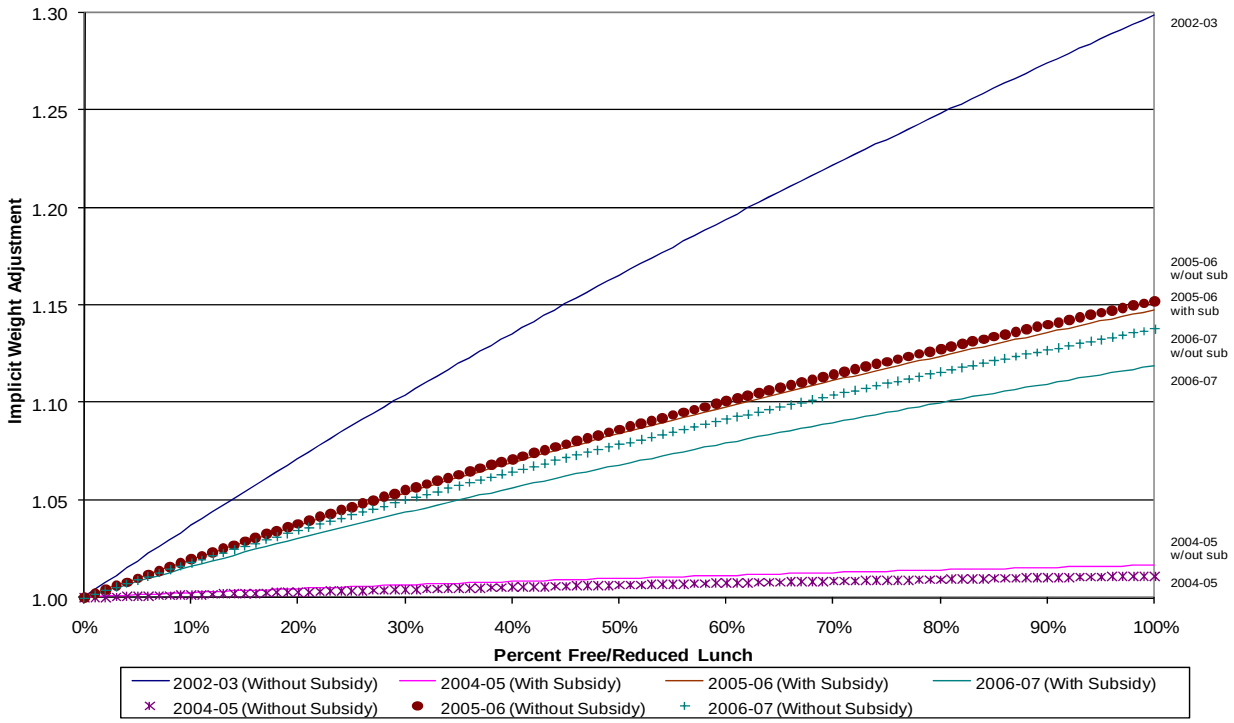



**Exhibit E5: Implicit Student Poverty Weights Using Total Expenditures With/Without Teacher Subsidies for Oakland Middle and High Schools for 2002-03 and 2004-05 to 2006-07**



## Lessons Learned

Our conversations with various stakeholders in San Francisco and Oakland and our analysis of resource allocation provide general lessons learned about the implementation of an SBF policy. These lessons are aimed both specifically at districts considering or already implementing such a policy, and at state policymakers who can benefit from understanding how state policies affect implementation of an SBF policy.

### Lessons for District Policymakers

**Creating and sustaining an SBF policy requires a tremendous amount of work, but despite the onus of additional work, almost every school and district respondent interviewed exhibited a high level of acceptance of the SBF policies in both San Francisco and Oakland.** The overwhelming preference for this policy over the traditional budgeting approach is more impressive when we take into account the fact that the policy asks more of everyone than does the traditional budgeting model.

**An SBF policy cannot be the reform mechanism for change; it is only a process on which other reforms and policies aimed at increasing student achievement can be built.** Even proponents of the policy in both districts recognized that SBF policies are not a vehicle for changing teaching and learning. The work that this policy requires should be seen only as the first step in a strategic and systemic process to improve student outcomes in a district.

**SBF policies cannot and do not solve the problem of inadequate levels of funding from federal, state, and local sources.** Our conversations in both districts clearly revealed the strain of a state budget crisis in California. Both districts were experiencing declining enrollments and revenues and consequently were faced with tough decisions every year. Although respondents did not blame their SBF policies for this problem, it is clear that no matter what the budgeting policy, these schools were frustrated by the struggle to cover their operating costs each year.

**Even with strong support, SBF policies require ongoing review and adjustment based on feedback from relevant stakeholders.** In both San Francisco and Oakland, although respondents were positive about the policy, they shared many examples of how the system could be revised to serve their needs better. Therefore, SBF districts need to evaluate the ongoing implementation of their planning and budgeting policies.

**SBF policies create the opportunity (and perhaps even the demand) for improving other district-wide problems.** Given that creating SBF policies often requires districts to take a much closer look at their budgeting information, processes, and tools, these policies create a unique opportunity for district administrators to refine existing structures and to re-align systems that may have been in existence in the district for a long time.

**Increased transparency in the schools appeared to lead to an increased demand for transparency in the district office.** Respondents indicated that both the RBB policy in Oakland and the WSF policy in San Francisco created an increased perception of transparency regarding how the schools received funding. Although this is certainly a positive outcome of an SBF policy, an interesting side-effect heard from schools in both districts is that the schools, in turn, demanded increased transparency regarding how the district used its funds centrally.

**SBF policies require a culture shift for central and school staff, moving away from a compliance mentality to make room for innovation.** A major culture shift is required on the part of both district and

school staff to step away from a compliance mentality and break down the traditional structures of the district. Our Oakland interviews seem to suggest a continued focus on compliance. However, focusing on compliance can negatively affect innovation.

**Districts can pursue specific elements of an SBF policy with the goal of increasing equity without fully implementing an SBF policy.** Our conversations with superintendents from other districts in California who opted not to pursue an SBF policy revealed that even without pursuing a full student-based funding policy, a district can implement similar mechanisms to improve the equity and transparency of resources in the district.

## Lessons for State Policymakers

**California's state budgeting process has a significant impact on schools' ability to plan and allocate resources.** The state budget cycle in general makes school planning and budgeting processes more difficult. This seems to be especially true in SBF districts, where schools sometimes have to determine their plans and budgets before they know the total amount of funds that will be available. These tensions are further aggravated by delays in passing the state budget, leading to even further uncertainty in the planning process.

**Currently, the state provides very little support to districts with an SBF policy, making it difficult for other districts to adopt such a policy.** One former administrator in a district that considered, but did not implement, an SBF policy noted that the process for creating such a policy required administrative capacity that the district lacked. One recommendation made by this former chief financial officer of a large urban school district in California was to create state and/or regional structures supporting SBF policies that could assist districts that are interested in their implementation.

**The large number of categorical programs at state and federal levels inhibits innovation and reinforces a compliance-oriented mentality.** Despite recent provisions attempting to change the restrictions on federal funds, it has been very difficult to change the compliance mentality in states, districts, and schools. If state policymakers are interested in creating avenues for more school-level innovation, they must re-examine how state funds are distributed and how districts are required to report the expenditure of these funds. Respondents repeatedly voiced a desire to improve the state funding system to better promote innovation.

# Chapter 1
# General Overview

As educational budgets tighten in response to the current fiscal crisis facing public services, state policymakers continue to debate ways of improving the adequacy and equity in the approaches to distributing funds to schools and increasing the efficiency of how schools use these funds. Schools and districts are increasingly focused on how to get the most out of every dollar they receive to improve student outcomes and how to ensure an equitable distribution of resources to meet the diversity of student needs. To meet these goals, increasing attention has been paid to policies that provide school administrators with greater autonomy in how they allocate their resources and that distribute additional resources to schools on the basis of the needs of the students they serve.

One such policy that a number of districts in the United States have adopted in various forms over the past decade is commonly referred to as a weighted student formula. The name is a bit of a misnomer because it focuses on one part of the policy—the funding stream—with little hint at another important aspect of its implementation—the decentralized decision-making component. In addition, not all districts use the weighted student formula name when implementing such a policy. Oakland, for instance, has been cited in the media as having a weighted student formula. However, district respondents in Oakland were very clear that they do *not* have a weighted student formula. Technically, Oakland does not follow the method for allocating funds to schools that is typical in a weighted student formula policy. Therefore, in this report we refer to this type of policy as a *student-based funding* (SBF) policy. To be clear, the SBF policies we are referring to include the following three dimensions:

- *A student need-based formula*: A district's allocation formula that distributes dollars to schools based on student need.
- *Increased school autonomy*: A procedure to allow greater discretion in the use of those resources at the school site.
- *Student choice*: An open enrollment policy to permit a student to choose which school to attend where funds to follow the student throughout the district.

The student need-based formula addresses equity by distributing resources to where the need is greatest. School autonomy is intended to ensure that resource allocation decisions are made as close as possible to where the resources are actually used. Districts have used several variations on the theme to identify their own specific models—in New York, it is called "Fair Student Funding," whereas in many other districts, the policy has the name "Weighted Student Formula." The general theory is that school staff, parents, and community members are in a better position than more centralized authorities to ensure that resources are used in ways that align with the needs of the students. In addition, by allowing students or families a choice of schools, SBF policies may introduce market forces; in other words, school administrators may be motivated to provide programming that will attract parents and children.

The Edmonton school district in Alberta, Canada, has had the longest-running SBF policy, having initially implemented a site-based management and student-based funding policy in the 1970s. Starting in the late 1990s, several urban school districts in the United States implemented student-based funding policies, including Cincinnati, Hartford, Hawaii (a one-district state), Houston, Milwaukee, New York City, Seattle, and Washington, DC. Two districts in California are currently

implementing SBF policies—San Francisco Unified School District and Oakland Unified School District. San Francisco began implementing its Weighted Student Formula (WSF) policy in the 2001–02 school year. Oakland began implementing its Results Based Budgeting (RBB) policy in the 2004–05 school year.

Though the number of districts with SBF-type policies has grown, the literature on the implementation and possible impacts of these policies is limited. To address this, this report describes the implementation of SBF policies in two California school districts—San Francisco and Oakland. This study is not an evaluation of SBF policies in California. Our goal is to describe and compare SBF systems in two case study districts, to report the perceptions of key constituencies, and to present data on the patterns of resource allocation before and after implementation.

## An Overview of SBF Policies

An SBF policy replaces the traditional district model, in which the district retains control over both the allocation and the expenditures of resources at the school site. In the traditional budgeting process, the district allocates resources to cover schools' operating costs largely on the basis of the number of students enrolled at each school. A district would calculate the staffing required for the total number of students enrolled at the school, using the desired student-staffing ratio for various job titles. Exhibit 1 shows the approximate staffing model allocations in place in San Francisco prior to the implementation of its SBF policy. Based on this formula, a middle school of 1,200 students would have previously received funding allocations for one principal, two assistant principals, 37 teachers, 2 guidance counselors, a half-time librarian, and additional special education teachers, nurses, and clerks as needed. Finally, the district would add on funding for additional programs, such as a parent liaison, depending on the central office's determination of the school's needs.

In contrast to this traditional allocation process, SBF districts provide money to schools on the basis of the composition of students enrolled in each school. Students are "weighted" according to their educational needs, with more money allocated to students, such as low-income students, English learners (ELs), or students with disabilities, who may be educationally disadvantaged.

In addition, under an SBF policy, schools commonly are given increased autonomy in developing their own academic plans and in determining how to use their budgets to implement those plans. Often referred to as site-based management, this policy itself increases decision-making authority at the school site but does not necessarily change the amount of resources allocated to the school.

To create some incentives for schools to compete for students and offer innovative programs, districts couple SBF policies with an open enrollment policy, whereby students can choose which school they attend. The funding allocations, being based on a student's need, moves with the child throughout the district.

The Edmonton school district in Alberta, Canada, has had the longest-running SBF policy, having initially implemented a site-based management and student-based funding policy in the 1970s. Often visited by districts interested in similar policies, Edmonton has become a model of SBF policies from which others have sought to learn (Archer, 2005). Starting in the late 1990s, several urban school districts implemented student-based funding policies, including Cincinnati, Hartford, Hawaii (a one-district state), Houston, Oakland, Milwaukee, New York City, San Francisco, Seattle, and Washington, DC. Each district's SBF policy varies in its implementation, including the types of

students who carry weights, the amount of weight they carry, and the degree of budgetary control given to schools (Cooper, et al, 2006; Ucelli, Foley, & Edmon, 2002).

### Exhibit 1: School Staffing Formula in San Francisco Prior to their SBF Policy

| Staff | Staffing Ratio |
|---|---|
| **Principals** | 1 per school |
| **Asst. Principals** | 1 for elementary schools with more than 600 students<br>1 for middle schools with fewer than 1,000 students; 2 for middle schools with more than 1,000 students<br>1 for high schools with fewer than 800 students, 3 for high schools with more than 800 students |
| **Teachers** | |
| Grades K–3 | 1 for every 20.0 students |
| Grades 4 and 5 | 1 for every 32.2 students |
| Grades 6–8 | 1 for every 33.1 students |
| Grades 9–12 | 1 for every 34.4 students<br>0.20 department head for each subject with 25 students<br>0.40 for each school with AP courses plus 0.20 for each 20 AP exams taken |
| **Special Education Teachers** | Ratios vary by severity of student need |
| **Guidance Counselors (6–12)** | 1 for middle schools with fewer than 1,000 students; 2 for middle schools with more than 1,000 students<br>1 for high schools with fewer than 800 students, 2 for high schools with more than 800 students |
| **Librarian (6–12)** | 0.5 per middle school<br>1.0 per high school with fewer than 2,000 students<br>1.5 per high school with more than 2,000 students |
| **Athletic Director** | 0.20 for high schools with 12 or more teams |
| **Clerks, Custodians, Security** | Unknown |

Source: District-produced data from San Francisco district administrator

So why have all these districts pursued an alternative to the traditional staffing model? The driving force behind the implementation of SBF policies appears to vary by district. Some districts implemented an SBF policy to decentralize control to the schools and hold schools accountable for student outcomes, whereas others did so to create intra-district resource equity and make the funding system more transparent (Cooper et al., 2006; Ucelli et al., 2002).

Indeed, an SBF policy can have several different goals. Changing the funding stream to match dollars at the school site with specific needs of the students at the school is intended to create a more equitable distribution of resources and provide greater resources to those students most in need (see, for example, the Thomas B. Fordham Foundation, 2006; Hawley Miles & Roza, 2006; Roza & Hill, 2003). In addition, changing the locus of decision making from the district to the school is intended to create a more efficient use of resources because those who work closest to the students might best understand these students' needs (see, for example, National Association of State Boards of Education, 2003, Ouchi, 2003; Psacharaopoulous, 2006). The theory behind decentralized decision making draws from research in the business world that links active

participation in the company with overall organizational effectiveness (Mohrman, Lawler, & Mohrman, 1992). Although this decentralization component may have the benefit of increasing transparency of governance (Roza, Swartz, & Miller, 2005), increasing involvement of various stakeholders (Designs for Change, 2002), and providing more accountability to schools in exchange for more flexibility, it is important to remember that the ultimate goal is to improve outcomes for students (Hansen & Roza, 2005).

Despite the well-intended goals of SBF policies, they do have their critics. First, some critics believe that a focus on SBF policies draws attention away from the true problem of inadequate funding in education (Petko, 2005; Ackerman et al., 2006). That is, even if an SBF policy distributes the available pot of money to schools more equitably, because the overall pot of money is not big enough to provide an adequate education, it will be difficult to achieve the ultimate goal of improving student outcomes. Others have argued that the formulas developed to distribute the funds to students under an SBF policy are not well researched and therefore may not ultimately create a more equitable distribution of resources (Baker, 2008).

Other critics are concerned that by decentralizing decision making and placing local school leaders and community members who may lack the capacity to make effective planning and budgeting decisions in charge of the schools, the policy is setting up these local leaders to fail. Under a decentralized model, communities could be blamed for the failure of the system, when they did not have the ability or the power to change the district's systemic failures (Lewis & Nakagawa, 1995). Others argue that because of this lack of school-level capacity around resource allocation strategies typically led by district-level staff, SBF policies could result in the ineffective use of funds at specific schools, further contributing to inequities in the district (League of Women Voters of Charlotte-Mecklenburg, 2007).

## Research Questions

Although attention on different SBF policies has increased in recent years, the literature on the implementation and possible impacts of these policies is somewhat limited. Our goal is to describe and compare SBF systems in two case study districts, to report the perceptions of key constituencies on these policies, and to present data on the patterns of resource allocation before and after implementation. To this end, the project will address the following research questions:

- What are key considerations that San Francisco and Oakland have faced when designing and implementing their respective SBF policies? What are the perceived impacts of these districts' decisions? (Chapters 3 and 4)
- Have San Francisco and Oakland distributed and utilized their resources in different ways after adopting their respective SBF policies? (Chapters 5 and 6)
- Based on San Francisco and Oakland's experiences, what are some "lessons learned" for other district and state policymakers interested in an SBF policy? (Chapter 7)

To be clear, this project does not represent an evaluation of SBF policies in California. It is also important to note that this project builds on previous findings from a descriptive study of the weighted student formula policy as implemented in San Francisco completed by Shambaugh and colleagues (2008). That project, completed for the Regional Educational Laboratory West, described the implementation of San Francisco's weighted student formula policy and the decisions the district faced in developing such a policy. This study provides additional detail and analysis of the

implementation and the perceived impacts of the SBF policy in San Francisco as well as similar analyses of the implementation and perceived impacts of the SBF policy in Oakland.

## Methodology

To address these research questions, we used a mixed methods approach, collecting and examining both qualitative and quantitative data from both SBF school districts.

### Qualitative Analyses

To obtain perspectives from various stakeholders in the district, we conducted interviews and focus groups with a diverse sample of respondents in San Francisco and Oakland. The samples included both district- and school-level staff.

To obtain the school-level perspective, we selected a sample of six schools in each district, including both high- and low-poverty schools from different attendance areas. At each of the six schools, we attempted to conduct an interview with the principal, a focus group with randomly selected faculty members, and a focus group with the members of the School Site Council (SSC).

At the district level, we purposively selected both current and former administrators with knowledge of the implementation of the district's SBF policy. During the initial set of interviews at the central office, respondents identified additional district administrators who they felt would provide important additional perspectives; these individuals were therefore added to our data collection activities. We also interviewed external stakeholders relevant to this process in both districts, including union leaders in Oakland and community leaders in San Francisco. Finally, we reviewed relevant documents produced by the districts on their SBF policies and observed one district-led budget training session for Oakland principals. For a full list of the data collected and analyzed for this report, see Exhibit 2.[1]

In addition to the interviews in San Francisco and Oakland, we conducted interviews with key individuals from other districts in California to determine why these districts have not pursued an SBF policy to date. Specifically, we conducted a focus group with five current and former superintendents of large districts in California and interviewed three district leaders from three districts that had considered an SBF policy but had chosen not to implement it. For the sake of confidentiality, all individual respondents' names and all selected schools are withheld from this report.

We reviewed the data collected from all the sources listed in Exhibit 2 to learn about the implementation of SBF policies in California. We then drew relevant themes and patterns from the analysis of these data for inclusion in this report.

[1] The current study builds on a previous study of San Francisco's weighted student formula policy (Shambaugh et al., 2008). In that study, the research team interviewed eight district administrators, two union leaders, two school board members, and five principals. In addition, a focus group was held with School Site Council (SSC) members at one middle school. The team also observed an afternoon district-led budget training session for principals and an all-day training for SSC members. To avoid duplication in our interviews, we reference findings from this previous analysis in this report.

## Exhibit 2: Qualitative Data Sources

| | Oakland | San Francisco | Non-SBF Districts |
|---|---|---|---|
| **Interviews** | | | |
| District-Level Data (n=19) | n=13<br>- Former State Administrator<br>- Chief Academic Officer<br>- Chief of Community Accountability<br>- Chief Services Officer<br>- Program Manager, Expect Success<br>- Senior Change Leader<br>- Former Special Assistant to State Administrator<br>- Former Budget Director<br>- Current Budget Director<br>- Former Fiscal and Policy Analyst<br>- 3 Network Officers | n=3<br>- 3 Assistant Superintendents | n=3<br>- Current Superintendent<br>- Former Superintendent<br>- Former CFO |
| School-Level Data (n=11) | n=6<br>- 2 Elementary Principals<br>- 2 Middle School Principals<br>- 2 High School Principals | n=5<br>- 2 Elementary Principals<br>- 2 Middle School Principals<br>- 1 High School Principal[2] | - |
| External Stakeholders (n=4) | n=2<br>- Union Leader<br>- Former Director of Local School Support Organization | n=2<br>- Director of Local Community Organization<br>- Parents Involved in District Policy Formation | - |
| **Focus Groups** | | | |
| District-Level Data (n=1) | - | - | n=1<br>- Focus Group with 5 Current and Former Large District Superintendents in California |
| School-Level Data (n=13) | n=6<br>- 4 SSC Focus Groups<br>- 2 Teacher Focus Groups[3] | n=7<br>- 5 SSC Focus Groups<br>- 5 Teacher Focus Groups | - |
| **Other Data** | | | |
| Observation of Budget Training (n=1) | n=1<br>- District-Led Training for Principals on Budget Tool | - | - |
| Documentation Review | Various District-Produced Documents | Various District-Produced Documents | - |

[2] One high school principal declined to participate in our study and could not be replaced.
[3] We scheduled a total of four teacher focus groups, but no teachers showed up at two of these.

## Quantitative Analyses

The quantitative analyses presented in this report are intended to provide a better understanding of whether any apparent changes in resource allocation occurred concurrently with the implementation of the SBF policies in San Francisco and Oakland. To investigate one of the primary objectives of SBF—to promote greater equity in the allocation of resources—a major focus of the quantitative analyses was to determine whether differential access to resources for students at high- versus low-need schools existed and whether this changed after the districts implemented their respective policies.

Four types of quantitative analyses were performed to investigate potential changes in how resources were allocated and used in the two districts before and after the implementing of an SBF policy.

- **Budgetary discretion:** Given that one aim of an SBF policy is to provide greater discretion to schools, we conducted a descriptive analysis of how expenditures were split between schools and the central district office before and after SBF policy implementation to determine whether schools received a greater proportion of funding in general or a greater proportion of unrestricted funding (i.e., money with "no strings attached") specifically.
- **Teacher experience distribution:** Given that one component of an SBF policy emphasizes increasing the equity of resources in the district, and given that one of the largest expenditures for resources is the cost of teachers, we conducted a descriptive analysis of teacher experience levels between high- and low-poverty schools before and after SBF policy implementation in both districts to determine whether any change in the equitable distribution of teachers occurred.
- **Composition of expenditures by object:** Given that an SBF policy provides differential resources to schools and allows schools to make more decisions on their individual site needs, we conducted a descriptive analysis of how schools allocated expenditures across a variety of spending categories (e.g., certified and classified personnel, employee benefits, books and supplies, services and operations) before and after SBF policy implementation to determine whether there were any changes in spending patterns under a different planning and budgeting policy.
- **Implicit need weights:** One of the main goals for an SBF policy is to create a more equitable distribution of funds. Therefore, we conducted a statistical analysis of the relationship between per pupil expenditures and student need before and after SBF policy implementation to determine whether schools with greater need received a greater level of resources.

In addition, we conducted additional quantitative analyses specifically for Oakland, given that specific features of its SBF policy created additional incentives for changes in resources worthy of further investigation:

- **Calculations of subsidy costs:** Given that the new distribution mechanisms of Oakland's SBF made additional subsidies to certain schools necessary in order to cover their basic costs, we evaluated the number and size of Oakland's subsidies.
- **Changes in attendance rates:** One component of Oakland's SBF policy aims to link increased funds to increased attendance at individual schools. Therefore, we conducted a descriptive analysis of average daily attendance rates before and after the implementation of an SBF policy in Oakland to determine whether any change had resulted from the financial incentive for improving attendance.

To investigate these different analyses, we used school demographics data from the California Department of Education (CDE) website as well as files containing fiscal expenditures and average daily attendance (ADA) information obtained directly from the Oakland and San Francisco central offices.[4]

## Organization of This Report

The remaining six chapters present information on the processes and procedures around implementing an SBF policy, some qualitative assessment of the implementation in our case study districts, and some quantitative analyses of the patterns of resource allocation before and after SBF implementation. Chapter 2 outlines the general planning and budgeting process in San Francisco and Oakland, along with the driving force behind each district's implementation of its SBF policies.

Chapters 3 and 4 then detail nine key considerations both districts faced when planning and implementing their SBF policies. Chapter 3 focuses specifically on the three considerations that revolved around funding. Chapter 4 details the planning and implementation considerations beyond those specific to funding. Each consideration is laid out in detail along with the school and district stakeholders' reactions to those decisions. These chapters are especially geared toward district administrators who are interested in pursuing or refining an SBF policy based on real-life experiences in two California districts.

Chapter 5 provides a detailed analysis of the changes in the patterns of resource allocation over time, both before and after the implementation of an SBF policy. Chapter 6 then summarizes the analysis of whether the equitable relationship between student need and resource expenditures changed during the implementation of an SBF policy in both districts. Finally, Chapter 7 concludes with lessons learned from our observation of both districts' SBF policies in general as well as specific insights for both district and state policymakers in California.

[4] Appendix A lists the CDE data sources and their website locations.

# Chapter 2
# General Overview of the Implementation of SBF Policies in San Francisco and Oakland

San Francisco and Oakland both implemented an SBF policy that combines a site-based decision component and an equity-driven, student-based funding component. San Francisco implemented its Weighted Student Formula (WSF) policy in the 2001–02 school year; Oakland rolled out its Results Based Budgeting (RBB) policy in 2004–05. This chapter provides the general context of these two districts, first outlining basic demographic and achievement information, then describing the districts' initial goals for implementing such a policy and subsequently how both districts approached their planning and budgeting processes.

## District Demographics and Performance

Both San Francisco and Oakland, operating relatively small urban districts, share similarities in size and enrollment patterns. In the 2006–07 school year, San Francisco's traditional public and charter schools enrolled approximately 56,000 students, and Oakland's traditional public and charter schools served approximately 47,000 students.[5] Although San Francisco enrolled more students, Oakland actually operated more traditional public and charter schools (139 versus 112 in San Francisco) in 2006–07, in large part because of Oakland's focus on operating small schools. In addition, both districts have experienced significant declines in enrollment, with Oakland declining by 19.5 percent between 1999–2000 and 2006–07 compared with 9.8 percent in San Francisco. In both cases, the elementary schools accounted for the largest portion of the decline, followed by the middle and then high schools.[6]

As of the 2006–07 school year, the student demographics and enrollment of special populations of the two districts were quite different (see Exhibit 3). San Francisco's largest racial/ethnic category was Asian students (41 percent), whereas Oakland's was African American students (38 percent). Oakland also had a somewhat higher percentage of students enrolled in the free or reduced-price lunch program (69 percent) compared with San Francisco (56 percent). The two districts faced a similar proportion of students classified as English learners (28 percent).

In terms of achievement, both districts have seen several years of consecutive improvement on the state's California Standards Test (CST) in English language arts (ELA), and this consistent improvement in student proficiency is similar to that found in five other California urban districts (see Exhibit 4).[7] Compared with other large urban districts in California, San Francisco has the highest average percentage of students performing at proficient or above on the ELA CST from 2002–03 to 2006–07; Oakland has been in the bottom three.

[5] The source for all enrollment figures is the School Information Form (SIF) Section B dataset, part of the California Basic Education Data System (CBEDS) that is maintained by the CDE. Appendix A lists the source of all the data used in this report.

[6] See Exhibits A7 through A10 in Appendix C for detailed trends in district enrollment for Oakland and San Francisco. More detailed descriptive statistics available upon request.

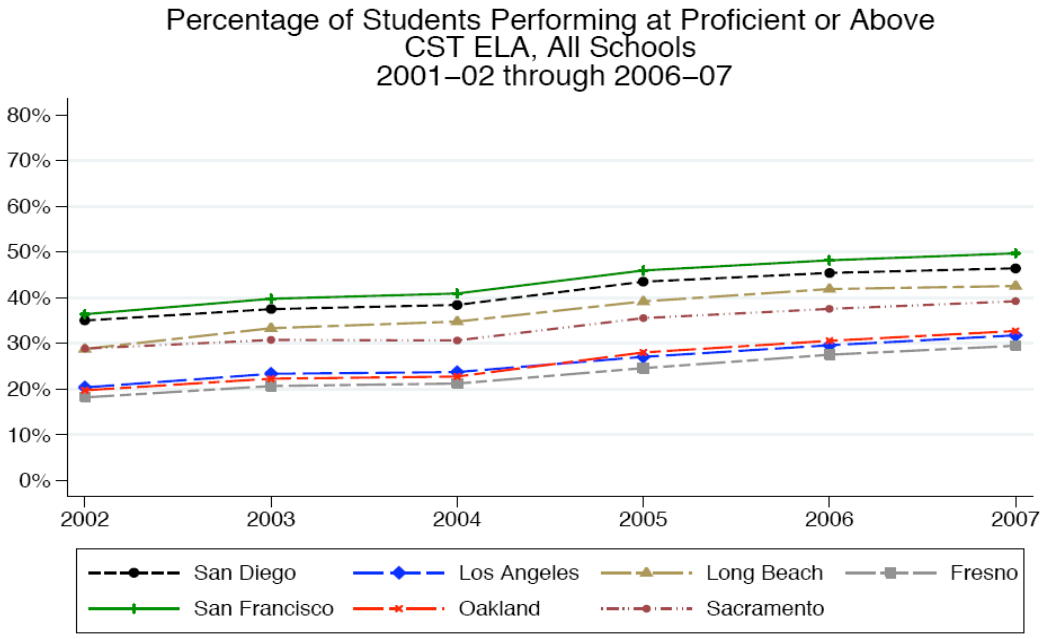
[7] We present only districtwide English language arts achievement scores here. Given that there are multiple assessments for different mathematics subjects, mathematics achievement scores cannot be averaged districtwide in a similar way.

### Exhibit 3: Districts' Demographics and Enrollment in Special Programs, 2006–07

| | San Francisco | Oakland |
|---|---|---|
| **Demographics** | | |
| African American | 12% | 38% |
| Asian | 41% | 14% |
| Latino/Hispanic | 21% | 35% |
| White | 9% | 6% |
| Other | 17% | 6% |
| **Special Programs** | | |
| English Learners | 28% | 28% |
| Free/Reduced-Price Lunch | 56% | 69% |
| Special Education | 12% | 10% |

Source: CDE, 2006-2007

### Exhibit 4: Comparison of California's Urban District Achievement on CST ELA




Source: CDE Official STAR Research Files

However, both San Francisco and Oakland are in Program Improvement (PI) status under No Child Left Behind (NCLB) requirements. Therefore, while improving their average achievement scores, both districts continue to struggle with increasing achievement levels for all students.

In addition to the differences in demographics and achievement, another contrast between the two districts in recent years deals with their leadership over the course of the implementation of their SBF policies. Although both have experienced turnover in district leaders, San Francisco's turnover was a result of one superintendent leaving to pursue other activities, and Oakland's leadership change occurred as a result of being taken over by a state administrator in 2003 in response to a

fiscal crisis. Oakland remains under the control of a state administrator, meaning that the school board has not had official governing power for the duration of the policy. In 2006–07, Oakland's school board began to receive certain portions of governance control back and will continue to do so in the coming school year. Given that San Francisco has been governed by its school board for the duration of its SBF policy but Oakland has largely been under state control, this difference in local control may have implications for how each district chose to implement its SBF policy.

## Why San Francisco and Oakland Implemented an SBF Policy

We present here the reasons both districts pursued an SBF policy in order to understand the goals and intentions of such a policy. The literature on this topic suggests that districts have implemented SBF policies for a number of reasons: to improve student achievement, promote accountability for school-level decisions, increase transparency in how resources are allocated, and increase equity in their districts (Hill, 2008; Childress & Peterkin, 2004). Our analysis indicates that the goals of San Francisco's and Oakland's policies—promoting equity and school autonomy—were very similar. However, Oakland also appeared to have an additional focus of creating stronger school-level accountability.

### San Francisco

Although doing better academically than other urban districts in California, San Francisco did have a significant achievement gap and was dealing with a number of desegregation suits in the early 2000s (Biegel, 2001). As Shambaugh and colleagues (2008) reported in their descriptive study of the WSF policy in San Francisco, the school board had previously considered pursuing a school-based budgeting policy in the late 1990s and brought in Dr. Arlene Ackerman in part with the hope she would pursue an SBF policy as a means of addressing these ongoing inequities. Indeed, respondents cited Dr. Ackerman as the initial driving force behind the creation of the district's WSF policy.

Immediately after assuming the superintendent position in San Francisco in 2000, Dr. Ackerman created a number of committees to focus on improving equity, including convening the Weighted Student Formula Committee to provide a forum for stakeholders to discuss the possible design and implementation of an SBF policy. In accordance with a suggestion from the WSF Committee, the district began a pilot of a WSF policy with 27 schools in the district in 2001–02. That same year, Dr. Ackerman created a five-year plan, "Excellence for All," which had three main goals: to improve academic achievement for all students, increase the equitable allocation of district resources, and establish accountability for student outcomes (SFUSD, Excellence for All, 2001). After receiving feedback from the WSF pilot schools, the district rolled out the policy district-wide in 2002–03. The WSF Committee continued to meet to discuss implementation issues over the next several years but had not met during the two most recent school years (2006–07 and 2007–08).

The majority of San Francisco respondents reported that the goal of the WSF policy was both to give schools more autonomy in a shared decision-making process and to create equity by allowing funding to follow a student, a finding also reported previously by Shambaugh and colleagues' (2008) descriptive study of San Francisco's WSF policy.

### Oakland

Across the San Francisco Bay, Oakland began to implement district-wide reform efforts in the early 2000s in response to declining enrollment, growing community awareness of poor conditions in schools, and resource inequities throughout the district (FCMAT, 2000; Hill, 2008). Much of the

controversy centered on the inequities between the affluent "Hill" schools and the "Flatland" schools (Hill, 2008). In general, the Hill schools had access to more resources and exhibited higher student achievement than their poorer and less successful counterparts located in the Flatlands.

In 2001–02, Oakland began experimenting with site-based management by creating a handful of "small autonomous schools" (Honig, 2003). When Dr. Randolph Ward became the state administrator in 2003–04, one of his reform efforts focused on quickly expanding the site-based budgeting policies to a larger section of the district. Dr. Ward, along with a number of stakeholders, traveled to Edmonton to observe the Canadian district's well-known efforts to decentralize decision making by using an SBF policy. After returning from the visit, under the direction of Dr. Ward, a small group of district administrators in conjunction with a member of the Bay Area Coalition of Equitable Schools (BayCES) quickly designed the framework for Oakland's policy. In a three-month period, Oakland's leadership created the framework for the new Results Based Budgeting (RBB) policy by developing new funding formulas and initial budgets for all schools. Oakland implemented the RBB policy district-wide, as part of a larger set of reforms titled "Expect Success" in 2004–05.

In Oakland, a majority of the school and district respondents also reported that the RBB policy was implemented to create equity and greater school autonomy in the district. In addition, several respondents also mentioned that a goal of RBB was to more effectively hold principals accountable for school results. Given that only one respondent in San Francisco mentioned increased accountability as a purpose of the WSF policy, accountability as a component of an SBF policy seems to have been given a stronger focus in Oakland.

In addition to these main policy goals, a few respondents mentioned additional purposes for introducing an SBF policy. For example, one Oakland district administrator asserted that the district gave schools greater autonomy because declining enrollment made it necessary for the public schools to appear more attractive and more competitive with charter and private schools.

In short, both policies were designed to promote equity by ensuring that needier students received more resources and to give schools more autonomy over their budgeting and planning process. Although Oakland did seem to emphasize accountability more in its RBB policy, it is not surprising that given the similar goals of these policies in both districts, their general approaches to the overall planning and budgeting process would be similar.

## Basics of the District Planning and Budgeting Processes

**Under these new SBF policies, both districts have similar basic processes and timelines in place for schools to develop their academic plans and corresponding budgets.**

The planning and budgeting process begins each year in January or February when the district provides schools with their projected budgets for the coming school year. These budget projections are based on the district's projections of each individual school's enrollment, calculated by demographers in the central office. Based on these projections, the district asks the school leadership to take responsibility for creating or revising the school's academic plan and ensuring that the plan is aligned to district-wide goal areas.[8] In Oakland, the academic plan is a three-year plan, while San Francisco's plans are only one year.

[8] Oakland provides schools with six district-wide goal areas: academic acceleration, college readiness, cultural responsiveness, emotional security, and clean, healthy, and safe learning environments. San Francisco provides schools

Both districts' detailed academic plan templates require explanations for the data used to develop the priorities and goals and descriptions of how the outlined strategies will meet the school's various needs that year. To develop this draft of the academic plan, both districts ask principals to solicit feedback from multiple stakeholders and examine relevant data to highlight a school's greatest needs.

School leaders then write and revise the academic plans between January and March. In both districts, School Site Councils (SSCs) are expected to prepare their academic plans before they create their budgets to ensure that budgeted resources reflect school needs. SSCs, comprising an equal number of elected parents, teachers, students (in middle and high schools), and the school principal, were mandated by state law in the 1970s for all schools that receive categorical funding (California Education Code 52853). The schools then submit the draft academic plan and budget to the district for review.

In April, San Francisco and Oakland principals meet with district administrators to provide feedback on their plans and approve their budgetary decisions. In both districts, the schools revise their budgets again in the fall, based on actual enrollment numbers, and they revise their budgets and plans throughout the year as school needs and available funds change.

Schools in both districts, in short, face an ongoing process with some support from the central office that requires attention to a school's needs and involvement of community members. This process demands close attention from both central office staff and school personnel to ensure that the school's budget is maintained and the school's planning priorities are accomplished.

## Summary of Chapter 2

In this chapter, we provided general context for the two SBF districts and reported the following:

- Both San Francisco and Oakland, two urban districts in California's Bay Area, share similarities in size, declines in student enrollment, and turnover in district leadership over the past several years. However, their demographic populations are different; San Francisco serves more Asian students and Oakland serves more African American students.
- Although both districts have experienced several years of consecutive improvement on the state's English exam, San Francisco demonstrates much higher achievement overall than Oakland. However, both districts are currently in Program Improvement status, having failed to meet Adequate Yearly Progress for several years in a row.
- Both districts mentioned increasing equity and enhancing school autonomy as the two main goals of their SBF policy. In addition, Oakland emphasized increased accountability for schools as a third reason for the policy.
- Both districts' general budgeting and planning processes and timelines under an SBF policy are similar, requiring input from the central office, schools, and community members.

with five district-wide goal areas including: academic achievement, academic equity, instructional improvement, school climate, and parent/community involvement.

# Chapter 3
# Key Design Considerations for an SBF Policy: Part I – Funding Considerations

The basic academic planning and budgeting processes—the timeline, the general goals, and the players involved—did not vary greatly between San Francisco and Oakland. However, there was considerable variation in how these two districts implemented the comparable policies. Therefore, to address our first research question about what key considerations the districts faced when designing and implementing an SBF policy, the next two chapters present the similarities and differences for San Francisco's and Oakland's approaches to their policies.

In a separate report on San Francisco's WSF policy (Shambaugh et al., 2008), we summarized our analysis of the issues that San Francisco had to confront and consider when designing and implementing its SBF policy into nine considerations. The next two chapters in this report are organized around these considerations, each of which is designed to describe the kinds of decisions a district is likely to confront when attempting to create and introduce an SBF policy. Based on our analysis of the districts' documentation, interview and focus group data, and observations of the district training sessions, and building on our findings from our previous descriptive report on San Francisco's SBF policy, this chapter outlines the three key funding considerations that both San Francisco and Oakland have faced (see Exhibit 5). The remaining six non-funding considerations for planning and implementation issues are addressed in the next chapter.

**Exhibit 5: Key Funding Considerations for Districts When Designing and Implementing an SBF Policy**

1: Calculating School Allocations
2: Calculating School-Level Salaries and Benefits
3: Degree of School-Level Discretion

Within each consideration, we outline the general questions a district may need to consider when developing an SBF policy, the approach both San Francisco and Oakland took, and, where relevant, reactions to these districts' decisions from various stakeholders in the district. This report is intended to outline how different districts can approach similar policies as well as to provide insight to district policymakers who are considering implementing an SBF policy. It is important to note that these considerations are not one-time-only decisions but instead are a set of issues that a district may encounter throughout the process of designing and implementing SBF policies.

With every district reform policy, the effects can vary dramatically according to how districts and schools choose to implement SBF. Moreover, many other changes in policies or the environment in which the district operates may play a role in observed changes in patterns of resource allocation or decision making; therefore, it is not possible to attribute any changes specifically to the implementation of an SBF policy.

## *Consideration 1: Calculating School Allocations*

Given that an SBF policy is designed to shift how schools receive funds, the district must consider exactly how to design the funding allocations to schools. Specifically, district administrators must develop a method for calculating the following:

1.1: Each school's total enrollment
1.2: The weighted funding formula for all schools
1.3: Any base-level funding amount necessary to operate a school
1.4: The amount of any subsidies required for specific schools

Although both Oakland's RBB policy and San Francisco's WSF policy contain funding allocations based on each school's student populations, as Exhibit 6 details, the calculations of these four school allocation components vary greatly. In what follows, we outline what each of these funding components mean for each district, detail the decisions behind the formulas, and describe the reactions from various stakeholders.

### Exhibit 6: Calculation of School Allocations

**San Francisco**

Total School Allocation = WSF Funding* + Categorical Funds + Floor Plan (if needed) + STAR School Resources (if eligible) + DREAM School Resources (if eligible)

**Oakland**

Total School Allocation = General Purpose (GP) Allocation** + Categorical Funds + Small School Subsidy (if total enrollment < 360) + Veteran Teacher Subsidy (if eligible)

* School's WSF Funding = Per Pupil Allocation (weighted according to specific student populations) × Projected Enrollment of Students

**School's GP Allocation = Per Pupil Allocation (different for elementary, middle, and high school levels) × Projected Enrollment of Students × Average Daily Attendance (ADA)

## 1.1: Calculating Total School Enrollment

**San Francisco and Oakland used different metrics for counting students when calculating budget allocations: San Francisco used total enrollment, whereas Oakland weighted the total enrollment by the school's average daily attendance (ADA). The use of ADA was intended to create an incentive for increasing attendance rates, but no real changes in attendance appeared evident during the implementation of RBB.**

Because both districts base all their funding formulas on the calculation of each school's individual enrollment, the first step in developing the formula is to calculate the enrollment of students at each school. By January, both districts forecast the projected enrollment for the upcoming school year by using demographic predictions and enrollment trends. Given that the projected enrollment determines how much money schools receive, this projection needs to be fairly accurate for an effective planning process to occur.

In San Francisco, if the revised budget actually received at the beginning of the school year is within $15,000 of the projected budget, the district does not change the budget allocation to the school. If, however, there is a discrepancy of more than $15,000, the school must rebudget according to the actual enrollment figures (Shambaugh et al., 2008). Of the respondents who commented on the accuracy of San Francisco's projected budget figures, several respondents (three principals, two groups of teachers, and one group of SSC members) felt that the projections were not sufficiently accurate, so that in the fall, some schools had to "scramble" to adjust plans to the new (and typically higher) enrollment figures. For example, in one San Francisco school, the principal, the School Site Council (SSC) focus group, and the teacher focus group all felt that school enrollments were chronically under-projected, making planning more difficult for an already high-need school.

Although both districts calculate projected enrollment in the spring, unlike San Francisco, Oakland does not have an official policy for how to adjust for differences in the actual versus projected enrollment; whatever the actual budget figures are in the fall is what the school is given to spend for the school year. As in San Francisco, some Oakland respondents (two district administrators and two principals) felt that the enrollment projections need to be more accurate; if the fall enrollment numbers, and therefore the amount of resources, are very different, it becomes more difficult for the schools to plan. Indeed, one principal expressed frustration over the under-projected enrollment for her school each year.

Once the school year starts, the schools receive funds based on the actual enrollment. Although this calculation seems to be fairly straightforward, Oakland and San Francisco have two different methods for calculating a school's enrollment. In San Francisco, each school receives budget allocations based on the total enrollment from the "10 day count," a count of the student population taken 10 days after the beginning of the school year. Therefore, San Francisco distributes all funds to schools based on how many and what types of students (e.g., classified by poverty and English learner status) are at that school on the tenth day of the school year.

Unlike San Francisco's use of a straight enrollment total, Oakland weights the total enrollment at the school by the school's average daily attendance (ADA) from the previous year. For example, if the district calculates that a school has an actual enrollment of 500 students and had an ADA the previous school year of 90 percent, the school would receive general purpose funds for 450 students ($500 \times .90 = 450$).

This method of weighting enrollment by ADA has been somewhat controversial in Oakland. Three district administrators and one principal who mentioned the use of ADA appeared to favor this calculation. These respondents felt that the use of ADA creates a realistic count of how many students are actually in the school receiving the resources, creates an incentive for a school with low attendance to improve, and creates accountability for the school's attendance rates. For example, one district administrator remarked that after the first year, six schools saw an increase of more than five percent in their ADA. The principal asserted that this weighting "really did shift the school's culture" to focus on improving attendance to "bring in dollars."

However, four principals and one union leader clearly opposed using ADA to weight enrollment, calling it a "discriminatory method" and a "punitive measure." These respondents believed that using ADA creates an additional burden for the lowest-performing schools, despite the fact that many of the attendance issues are beyond the schools' control. For example, one principal noted that "schools that are struggling to improve attendance arguably need more money to improve attendance." Another principal explained that at his school, a one percent drop in ADA from one year to the next results in a drop of $17,000, which he felt he could not afford to lose. Even the two principals who commented that they understood the theory behind the policy of creating an incentive system to improve attendance questioned how much leverage the school has to increase attendance, especially at the higher grades. The union leader indicated that the use of ADA has increased inequities, created incentives for schools to encourage sick students to come to school, and punished students from high-poverty schools with lower attendance rates by providing them with fewer resources.

Given that there is a monetary incentive to increase attendance by using ADA in the budget allotment process, we investigated the changes in attendance rates in Oakland to see whether this incentive had any effect after the implementation of the RBB policy.[9]

Exhibit 7 shows no detectable differences in attendance rates in the years immediately surrounding the implementation of the RBB policy in Oakland in 2004–05. However, there do appear to be increases in attendance rates in the years preceding the implementation of RBB, and the increases seem to be more dramatic in the high schools. Attendance rates after the RBB policy do not appear to have changed to any significant degree.

### Exhibit 7: Oakland's Pupil-Weighted ADA, 1999–2000 to 2006–07

| | Pre-RBB | | | | | Post-RBB | | |
|---|---|---|---|---|---|---|---|---|
| Year | 1999–2000 | 2000–01 | 2001–02 | 2002–03 | 2003–04 | 2004–05 | 2005–06 | 2006–07 |
| Elementary Schools | | | | | | | | |
| % ADA | 93.8% | 94.0% | 94.4% | 95.0% | 95.2% | 95.2% | 95.2% | 95.3% |
| # of schools | 42 | 44 | 47 | 48 | 48 | 49 | 57 | 57 |
| Middle Schools | | | | | | | | |
| % ADA | 92.9% | 92.6% | 93.0% | 94.3% | 94.4% | 94.3% | 94.5% | 94.8% |
| # of schools | 9 | 9 | 11 | 11 | 11 | 12 | 13 | 17 |
| High Schools | | | | | | | | |
| % ADA | 88.0% | 89.2% | 89.8% | 92.4% | 92.0% | 92.0% | 92.2% | 92.3% |
| # of schools | 3 | 3 | 4 | 4 | 8 | 14 | 16 | 16 |

Source: District-provided attendance rates, 1999–2000 to 2006–07

Given that high-poverty schools typically have lower attendance rates and therefore have more room to improve attendance, we also examined the differences in attendance by school poverty levels at the elementary, middle, and high schools (see Exhibit 8).[10] Increases in attendance for high-poverty elementary and middle schools actually preceded the RBB policy's implementation. Therefore, the decreasing differences between the low- and high-poverty elementary and middle schools did not appear to correspond to the implementation of the RBB policy.

The story is not much different for Oakland's high schools except for the most recent year of data, 2006–07. As Exhibit 8 shows, prior to RBB's implementation from 1999–2000 to 2003–04, the average ADA was already increasing for both low- and high-poverty high schools in Oakland. After the implementation of the RBB policy in 2004–05, there was an initial increase in attendance in both low- and high-poverty high schools; however, the high-poverty schools exhibited steady increases in attendance throughout the period. In turn, in 2006–07, high-poverty schools ended up with higher average attendance than their low- and middle-poverty counterparts. It is important to note that these findings for high schools should be interpreted with caution because they represent a very small number of schools.

[9] We limit our discussion here to the results for Oakland because the incentive created by using ADA was not part of San Francisco's policy.

[10] See Exhibits A15 through A17 in Appendix C for the differences by grade and poverty level.

**Exhibit 8: Oakland High Schools' Pupil-Weighted ADA by Poverty, 1999–2000 to 2006–07**

| High Schools | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Pre-RBB | | | | | Post-RBB | | |
| Year | 1999–2000 | 2000–01 | 2001–02 | 2002–03 | 2003–04 | 2004–05 | 2005–06 | 2006–07 |
| **Low Poverty** | | | | | | | | |
| % ADA | 89.1% | 90.4% | 89.7% | 92.8% | 92.9% | 93.3% | 92.6% | 91.8% |
| # of schools | 2 | 2 | 3 | 2 | 2 | 3 | 2 | 4 |
| **Middle Poverty** | | | | | | | | |
| % ADA | -* | -* | -* | 91.0% | 92.8% | 90.6% | 91.6% | 91.7% |
| # of schools | -* | -* | -* | 1 | 1 | 4 | 9 | 8 |
| **High Poverty** | | | | | | | | |
| % ADA | 86.0% | 87.0% | 90.0% | 96.4% | 91.0% | 91.3% | 92.3% | 93.7% |
| # of schools | 1 | 1 | 1 | 1 | 5 | 7 | 5 | 4 |
| **Low/High Difference** | **3.1%** | **3.4%** | **–0.3%** | **–3.6%** | **1.9%** | **2.1%** | **0.3%** | **–2.0%** |

* So few high schools exist for the first three years of available data that the pupil-weighted categorization into poverty groups could separate schools only into high- and low-poverty groupings.
*Source:* District-provided attendance rates, 1999–2000 to 2006–07

In sum, although high-poverty high school attendance rates have increased since 1999–2000, Oakland's use of ADA in the budgeting policy has not appeared to have much of an impact on raising attendance rates in the district. Most of the increase in these high school attendance rates occurred prior to the introduction of the RBB policy.

## 1.2: Weighting General Purpose Funds

**There is a significant difference in the way the two districts distribute general purpose (GP) funds. San Francisco weights the allocations on the basis of individual student need (i.e., defined by students in poverty, English learner students, and students with disabilities), whereas Oakland weights only the grade level of students served in the school. Therefore, Oakland does not technically have a weighted student formula.**

To build a weighted GP formula, San Francisco first needed to decide which student populations would receive an additional weight in the funding formula. Exhibit 9 lists the current weights for the different populations in San Francisco's GP formula. The district's WSF Committee developed and approved the weights for the district's high-need student populations, based largely on one district administrator's knowledge of how such weights were created in Seattle and Washington, DC. (Shambaugh et al., 2008). Respondents in Shambaugh and colleagues' previous study on San Francisco's WSF policy indicated a general lack of knowledge of how these weights were developed, a finding also echoed by respondents in this study.

To understand the weighting structure outlined in Exhibit 9, imagine that a first grader is eligible for the free and reduced-price lunch program (and is therefore considered low income) and is also an "Advanced" English language learner, in accordance with his placement on the California English Language Development Test (CELDT). This student would be assigned a weight of 1.4805 [= 1.33 (the grade-level component of the weight) + 0.0605 (the advanced English learner weight) + 0.09 (the poverty component of the weight)]. In other words, this student would have a weight that is 48.05 percent higher than the basic fourth- or fifth-grade student.

### Exhibit 9: San Francisco's Weights for General Purpose Funds, 2006–07

| | | English learners | | | | Special education | | |
|---|---|---|---|---|---|---|---|---|
| Grade level | Base weight | Long-term non-redesignated | Beginning / intermediate (based on CELDT) | Advanced / transition (based on CELDT) | Low-income | Resource specialist program | Special day class non-severe | Special day class severe |
| K | 1.33 | - | 0.0781 | 0.0605 | 0.09 | 0.0097 | 0.0179 | 0.0315 |
| 1–3 | 1.33 | - | 0.0781 | 0.0605 | 0.09 | 0.0097 | 0.0179 | 0.0315 |
| 4 and 5 | 1.00 | - | 0.0781 | 0.0605 | 0.09 | 0.0097 | 0.0179 | 0.0315 |
| 6–8 | 1.14 | 0.937 | 0.0937 | 0.0605 | 0.09 | 0.0097 | 0.0189 | 0.0315 |
| 9–12 | 1.19 | 0.937 | 0.2070 | 0.0605 | 0.09 | 0.0097 | 0.0189 | 0.0315 |

*Source:* San Francisco's, "Allocating Resources for Equitable Site-Managed Schools Using the Weighted Student Formula" (PowerPoint)

District administrators in San Francisco explained the rationale behind the level of weights for different student populations. For example, the district argues that the weights for grades K–3 are higher than those for grades 4 and 5 because California's class size reduction requirement for grades K–3 require more teachers, and therefore greater resources, for the lower grades. In addition, the district indicates that the weights for lower performance on the CELDT increase as the grades increase because there is less time left for the student to achieve English proficiency and it becomes more difficult to attain English in the higher grades. Lastly, the difference in the weights for special education students and the other weighted populations appears striking, but the district notes that because special education staff are centrally budgeted and therefore not part of the school's budget, the weights for special education students are intended for small expenses, such as additional instructional supplies or professional development activities.

These weights, for the most part, have remained untouched in San Francisco since their inception in 2001, even though the district has seen significant changes in its population (Shambaugh et al., 2008). Respondents in both studies recommended that more attention be given to the process of developing and adjusting the weighting structure over time. Indeed, many respondents in both studies offered suggestions for other specific populations who should have their own weights, including gifted students, low-performing students, and students with chronic behavior problems. Perhaps more important, one principal and one group of teachers commented that regardless of which populations are included, the size of the weight "is not substantial enough," providing only minimally additional funding to students with greater needs.

Unlike San Francisco and its weighted funding formula, Oakland does not distribute its GP funds to schools by using weights for student need. Oakland's GP allocation, differentiated for elementary, middle, and high schools, recognizes only differences in cost associated with the three schooling levels. Under the operational assumptions in Oakland, for example, elementary schools cost less to run than the upper grade levels, and so their per pupil portion is smaller. Therefore, while some news articles and literature have previously cited Oakland's implementation of a weighted student formula, in fact Oakland does not include the traditional student need factors (poverty, EL status, or disability) as weights for distributing unrestricted (discretionary) funds.

*Not* including weights for specific student populations was a conscious decision by district administrators, who focused on two other policy components to increase resource equity. District

administrators in Oakland were very adamant that their policy not be described as a weighted student formula. The designers of the policy did have conversations at the time of the design of RBB in 2004 about whether to include weights for certain populations in the GP funds, ultimately electing not do so. District officials cited two main reasons for not including weights for specific student characteristics in the GP funding formula: categorical program funds, such as Title I dollars, and the use of actual (not average) salaries in the budgeting process would be stronger levers for increasing funding equity. Specifically, five district respondents mentioned that the large amount of categorical funds that Oakland receives would ensure school budgets that reflect the needs of the students. In addition, four district respondents mentioned that given that schools spend most of their budget on personnel costs, the decision to become the first district in the country to use actual salaries in school budgets to calculate school-level costs would better address equity. (See Consideration 2 for a more detailed explanation of the use of actual or average salaries in the budgeting process.)

In addition to these two main reasons, two respondents mentioned a less-cited reason for not weighting the GP funds: the political tensions that a WSF can introduce. For example, one district administrator noted, "Why complicate [the process] with a formula that people are going to fight over?" arguing that the planning process for developing the weights would distract the district from the point of the policy. Whatever the reason for not originally choosing a WSF, our interviews did not reveal any real push in the district to pursue weighting the GP funds.

Although Oakland does not have weights for specific student needs built into its GP funding formula, both San Francisco and Oakland, as required by federal and state laws, allocate categorical program funds to the schools weighted to the school's specific student population. For example, for Title I, the district uses the counts of students eligible for free or reduced-price lunch to allocate funds, and Title III dollars are allocated based on the counts of students whose first language is not English. Oakland therefore relies solely on the categorical program funds to funnel additional dollars to meet the additional needs of certain students, such as low-income students or ELs. In contrast, San Francisco funnels all funding, both GP and categorical funds, to schools.

## 1.3: Calculating the Foundation Funding Amount

**San Francisco and Oakland calculated the minimum level of funding a school needs to function in different ways.**

San Francisco created a "floor plan" in the third year of the policy to ensure a certain minimum level of funding that the district feels is necessary for the school's basic operation (Shambaugh et al., 2008). If a school receives its WSF allocation and its other categorical program funds and is still under the floor plan minimum, the district will provide enough additional GP funds to make up the difference. One district administrator commented that because of declining revenue from state and local sources, more and more schools have been receiving the floor plan minimum: that is, more and more schools are not receiving the basic level of funding from GP funds needed to operate their schools. Another district administrator noted that he "doesn't have a problem with the concept of the [WSF] policy, but the economic reality is that some schools can't function on the amount they're given in extremely low-funded years [due to] state cuts and declining enrollment year after year."

Oakland does not have an official minimum amount but rather created a basic per student allotment for elementary, middle, and high schools that it reviews each year to ensure that all schools can cover their operating costs. As one district administrator explained, the determination of what the

per pupil cost has been over time has been a learning process that is "very much an art rather than a science." To come up with per pupil allocations that covered the basic costs of the schools, in the first year of the RBB policy the district estimated a per pupil cost for elementary, middle, and high schools, then tested a few different schools using the current year's staffing to see whether they would be able to cover their costs. Since then, the district has taken the per pupil cost and adjusted it across all schools, for example, by adding a cost of living adjustment.

## 1.4: Adding Subsidies for Specific Schools

**In both districts, certain schools receive additional funding on top of their general purpose and categorical program funds. In San Francisco, the district provides additional resources to the lowest-performing schools. In Oakland, the district provides resources to small schools and schools with larger proportions of experienced teachers to cover higher teacher costs.**

In San Francisco, the district budgets the STAR (Students and Teachers Achieving Results) and Dream Schools programs centrally and does not include these funds in a school's discretionary budget (Shambaugh et al., 2008). The STAR Schools Initiative provides targeted assistance to the district's lowest performing schools by providing additional school staff, such as an Instructional Reform Facilitator, as well as district funds to support instructional improvements. The Dream Schools, which are the lowest performing STAR schools, receive an additional $1,000 per student. One principal at a Dream School indicated that the school receives a significant amount of additional resources from this status, which are allocated to employing an additional counseling officer and a parent liaison and offering additional professional development for existing staff.

In Oakland, the district provided subsidies to small schools and schools with high levels of veteran teachers. The small schools subsidy, primarily funded by the Targeted Instructional Improvement Block Grant (TIIG), is a sliding scale subsidy with an enrollment cap of 360 students.[11] Smaller schools, therefore, receive a larger subsidy. Two district administrators commented that this subsidy was intended to be a temporary solution; the district intended to phase out the small school subsidy when all schools move toward the smaller size. However, for the time being, small schools continue to receive additional funds.

Exhibit 10 shows the number of schools, the total amount, and the average school and per pupil allocations from Oakland's small school subsidy for the 2006–07 school year. The total small school subsidy amounts in 2006–07 were approximately $5.3 million, distributed across 83 schools. A majority of this funding (67.9 percent) went to elementary schools, while considerably smaller shares went to middle and high schools (14.6 percent and 17.5 percent, respectively).

Aside from this subsidy, Oakland created another subsidy for schools with greater numbers of veteran teachers (generally the lowest poverty schools) to offset the cost of their higher salaries. This subsidy is described in further detail in *Consideration 2, Calculation of School-Level Salaries and Benefits.*

[11] The small school subsidy was not originally a graduated subsidy, that is, the subsidy was provided to all schools with fewer than 360 students and not provided to schools with more than 360 students. This was changed to better accommodate the needs of the schools.

**Exhibit 10: Oakland's Small School Subsidy Allocations, 2006–07**

| Elementary | |
|---|---|
| Number of Schools | 49 |
| Total Allocation | $3,624,434 |
| Average School Allocation | $77,200 |
| Average Per Pupil Allocation | $262 |
| **Middle** | |
| Number of Schools | 15 |
| Total Allocation | $778,210 |
| Average School Allocation | $49,258 |
| Average Per Pupil Allocation | $223 |
| **High** | |
| Number of Schools | 19 |
| Total Allocation | $934,264 |
| Average School Allocation | $56,135 |
| Average Per Pupil Allocation | $195 |

Source: District-provided expenditures data

In summary, as can be seen in the various pieces of this first consideration, a district faces many detailed decisions about how to create equitable funding streams for schools to reflect most accurately the needs of the students and to ensure that the schools have enough money to operate. Although their goals for this policy are similar, San Francisco and Oakland have taken very different routes on how to provide money to schools.

## *Consideration 2: Calculating School-Level Salaries and Benefits*

### 2.1: Calculating School-Level Salaries

**In implementing an SBF policy, districts must determine how to charge the costs of school personnel in each school's budget. While San Francisco uses average salaries to cost out school personnel, Oakland uses actual salaries.**

A key difference between the two districts, however, is the manner in which teacher costs are calculated in the schools' budgets. In San Francisco, the salary amount charged against the school budget for each teacher reflects the average teacher salary for the district and therefore is identical in each school. In Oakland, however, this amount is the actual salary for each teacher, as determined by educational preparation and experience. For example, veteran teachers typically receive considerably higher salaries than a new teacher fresh out of college.

Although using the average teacher salary appears to simplify the funding allocation process by charging against school budgets at the same salary rate for all teachers, some researchers argue that this use of average salaries hides within-district inequities in school allocations (Roza & Hill, 2003; Education Trust West, 2005). For example, because veteran teachers tend to gravitate toward schools with fewer low-income students, who are presumed to involve more educational challenges, schools serving lower proportions of low-income students have higher teacher salaries on average.

The difference between average teacher salaries in high-poverty and high-minority schools within a district can vary significantly. As Exhibit 11 displays, in 2000–01, the gap in average teacher salaries in Oakland between high- and low-poverty schools was $1,670 (Education Trust West, 2005), approximately a 3.2 percent difference. In the same year in San Francisco, the teacher salary gap between high- and low-poverty schools was $1,286, or about a 2.5 percent difference.

**Exhibit 11: Gap Between Average Teacher Salaries in High- and Low-Poverty Schools, 2000–01**

| District | Salary Gap |
|---|---|
| Oakland | $1,670 (3.2%) |
| San Francisco | $1,286 (2.5%) |

Source: Education Trust West, 2005; Education Data 2001

When districts use average salaries as the basis for calculating how teacher costs will be charged against their budget, as in San Francisco, schools with less experienced (and therefore lower-salaried) teachers are charged an amount higher than what their teachers are actually earning. Thus, their budget is reduced to a greater extent than would be the case if they were charged at these relatively inexperienced teachers' actual salary rates. When a greater amount is charged against their budget than what their teachers are actually making, schools have less money left in their budget for other expenses. In this way, the use of average salaries can disadvantage higher-poverty schools.

According to our respondents and findings from the Shambaugh and colleagues' study (2008), San Francisco chose not to implement actual salaries because of potential political tensions with the teachers unions, administrative and privacy challenges, and a fear that principals might discriminate against "expensive" veteran teachers. However, in 2005–06, San Francisco did try to supply additional funds to the schools with the highest number of new teachers to indirectly combat this inequity (Shambaugh et al., 2008). In addition, voters passed a parcel tax in June 2008 to combat some of the inequities in teacher distribution, with measures to attract and retain quality teachers and staff by increasing salaries and to provide teachers with additional compensation when serving in "hard to staff" schools. Therefore, although not pursuing actual salaries, San Francisco has tried alternative methods to encourage teachers to work in higher-need schools.

In contrast, Oakland implemented the use of actual salaries in 2004–05 as part of the RBB policy. At the time Oakland was the only district in the country that had switched to using actual salaries to calculate school-level expenditures. Four district officials reported that using actual salaries was a key part of the reforms under the RBB policy to create greater transparency and increase equity in the district. One district respondent commented that using actual salaries was a more equitable solution than using a simple weighted student formula because it redistributed teaching staff:

> *Weighted student formulas are just a work-around. No one wants to deal with collective bargaining agreements, so weighted student formulas are a way of creating some equity in a district and forcing people to see the true inequities that exist and to incentivize schools to maximize resources by giving them more control.*

The theory of action from the district perspective was that by using actual salaries in the formula, schools with less-experienced teachers would have lower teacher-related charges against their budget than under the previous budgeting policy that used average salaries. With lower costs and a maintained (or even increased) level of funding, the intent was to have these high-poverty schools spend the new-found money, freed up by the use of actual salaries, on resources (e.g., professional development) that would support and retain teachers in low-income schools. With the goal of teacher retention in mind, one principal commented that she had hired an extra teacher to lower

class size. Others reported that they spent their available funds on hiring coaches, counselors, extra vice principals, or administrative assistants.

In general, most Oakland district- and school-level respondents tended to favor using actual versus average salaries in budgeting. At the school level, four of the six principals we spoke with approved of the policy; the other two did not voice an opinion on the policy. Two principals reported that using actual salaries was helpful because it made the budget more transparent and forced them to consider the value of the teacher to the school in relation to what he or she was costing the school.

However, the decision to use actual salaries has not come without political tensions. Indeed, one former superintendent of a large urban school district in California that had previously considered an SBF policy but chose not to implement it indicated the reason for not implementing was based almost solely on not being able to implement the use of actual salaries for political reasons. Specifically, this former superintendent noted that,

> *Unless you do something about the salary issue, which is about 83 percent of the total dollars, you really haven't affected much of anything …The money tends to follow the teacher, not the student [with average salaries], because so much of the salary and benefits account for so much of the education dollar in the unrestricted funding. If you don't alter that, then most of the unrestricted money follows the teacher and cannot be reallocated for the students.*

This former superintendent noted that the potential political battles he would have encountered in trying to change to using actual salaries made it so the district never fully pursued implementing an SBF policy. Indeed, the fact that Oakland was under a state-appointed administrator at the time of the SBF policy's implementation and was not facing the typical pressures from the school board or union may be one of the main reasons the district was able to convert to the use of actual salaries.

In Oakland, the union leader, while approving of increasing school autonomy, opposed the actual-salary policy, claiming that it encourages principals to discriminate against more costly veteran teachers in order to bring in less expensive teachers. While a principal cannot simply remove a teacher from the school without going through due process, the union leader voiced concerns that more principals would pursue the process of "evaluating out" more expensive teachers. Our school-level interviews indeed revealed that some principals do take a teacher's cost into consideration in connection with the overall quality or performance of that teacher, whereas others said that cost was not a consideration at all. For example, a principal claimed that cost does not factor into her staffing decisions, saying, "I will hire the best teacher I can hire and take the consequences later; [a teacher's cost] has never been a deterrent." However, another principal remarked, "[Actual salary costs] will not allow you to bring in a veteran teacher who's going to come in with 20 years [experience]."

Echoing school-level respondents, several district respondents mentioned that actual salaries were expected to make principals more aware of the actual costs of all teachers and encourage them to hold teachers accountable for their performance. In spite of the fear that principals might discriminate against veteran teachers, one district respondent claimed that using actual salaries did introduce the cost of the teacher into decisions to retain certain staff but also gave principals a lever for holding teachers to high standards:

> *We saw a lot of people opting for more experienced people when they were good. It didn't have anything to do with how much they cost. Yeah, you betcha that people didn't want to pay a lot of money for people who were mediocre! That's the accountability part that's supposed to be there.*

In addition to the possible political tensions introduced by using actual salaries, the district faced question about how the schools with high populations of veteran teachers would be able to cover their existing operating costs when the policy was rolled out. As noted in Consideration 1, Oakland provided subsidies to schools that had an above-average number of veteran teachers to support them in the transition from using average to actual salaries.

The district provided this gradually decreasing veteran teacher subsidy starting in 2004–05 when Oakland moved to charging teachers' salaries in the school's budget at actual costs to provide a cushion for those schools that could not cover the costs of their existing, more-veteran staff. It was assumed that the distribution of teachers would change over time, as fewer teachers decided to move from the higher-poverty schools because of the new supports those schools were able to purchase with their extra funds. As this happened and as veteran teachers retired, the schools with previously highly veteran staffs could then hire more new teachers and eventually sustain their operating costs without the subsidy. In turn, teachers' experience levels would also become more evenly distributed throughout the district. With this theory, and given that the parcel tax that was allocated to provide these subsidies was not permanent, the district planned for the subsidies to decrease gradually over three years and end in 2007–08

Exhibit 12 shows, for each of the three years following RBB's implementation, the number of schools receiving the subsidy, total subsidy allocations, and average school and per pupil allocations on veteran teacher subsidies. In 2004–05, the first year of the RBB's implementation, Oakland distributed more than $9.9 million in veteran teacher subsidies to 44 elementary, middle, and high schools. In 2005–06, Oakland reduced this subsidy to approximately $1.95 million. In 2006–07, Oakland reduced the total subsidy again to less than $1.0 million, while increasing the number of schools receiving those subsidies to 50 schools. Average allocations in the first year after RBB were in the range of $500 to $600 per pupil, and the average allocations diminished to less than $100 per pupil in the last year of the subsidy program.

Interestingly, the subsidies had decreased as planned but had not yet ended in 2007-08 as had been intended. It was unclear from our conversations whether the district would be able to fully end this subsidy as planned. Indeed, several district staff noted that there may not be as large a shift as anticipated in teachers' experience levels from using actual salaries because of collective bargaining agreements. These administrators argued that while these agreements protected veteran teachers from being transferred to a school against their wishes, the agreements also prevented a transition to a more equitably distributed teacher workforce.

### Exhibit 12: Oakland's Veteran Teacher Subsidy Allocations, 2004–05 to 2006–07

| | 2004–05 | 2005–06 | 2006–07 |
|---|---|---|---|
| **Elementary** | | | |
| Number of Schools | 37 | 37 | 36 |
| Total Allocation | $8,827,791 | $1,730,943 | $712,972 |
| Average School Allocation | $274,619 | $53,679 | $22,422 |
| Average Per Pupil Allocation | $637 | $129 | $58 |
| **Middle** | | | |
| Number of Schools | 4 | 4 | 8 |
| Total Allocation | $702,658 | $137,776 | $166,843 |
| Average School Allocation | $193,740 | $42,264 | $22,252 |
| Average Per Pupil Allocation | $522 | $125 | $75 |
| **High** | | | |
| Number of Schools | 3 | 3 | 6 |
| Total Allocation | $405,828 | $79,574 | $93,142 |
| Average School Allocation | $151,539 | $29,898 | $20,943 |
| Average Per Pupil Allocation | $603 | $114 | $78 |

Source: District-provided fiscal data, 2004–05 through 2006–07
Notes: Unrestricted expenditures allocated to teacher subsidies were identified using Resource = 0091 (Parcel Tax – Measure E) and Program = 1158 (RBB Transition). Because of unavailable enrollment data, one middle school and one high school in 2006–07 were excluded from the average school and average per pupil expenditures calculations.

We investigated whether there had been any changes in levels of teacher experience between low- and high-poverty schools in both districts over the course of this policy.[12]

**In both districts, for the most part low-poverty schools employed more experienced teachers than their high-poverty counterparts before and after implementation of an SBF policy, with much smaller gaps in elementary and middle schools[13] Despite Oakland's additional incentive to retain newer teachers at higher-poverty schools and therefore begin to change the distribution of teachers over time, San Francisco showed progress toward closing the experience gap whereas Oakland did not.**

San Francisco schools showed small movement toward closing the teacher experience gap between low- and high-poverty schools following implementation of its SBF policy. As Exhibit 13 shows, the gap between high- and low-poverty elementary schools continued to narrow over time.
At the middle school level, the average number of years of experience for teachers at high-poverty schools was less than at low-poverty schools except in 2003–04. At the high school level, the average number of years of experience was consistently lower in high-poverty schools, but the difference between the two declined throughout the years.

In Oakland, in contrast, there was little indication of the redistribution of experienced teachers to the high-poverty schools following the implementation of the RBB policy. As Exhibit 13 shows, at

[12] Analysis of the average experience of elementary, middle and high school teachers who are authorized and assigned to teach at the elementary level or within the five core subject areas (English, Math, Science, Social Studies and Foreign Languages) for the middle and high school levels exhibit similar patterns to those for all teachers. The charts depicting average experience for authorized teachers, are presented in Exhibits A18 through A23 in Appendix C.
[13] Please see Exhibits A24 and A25 in Appendix C for the tables reporting the full results of this analysis.

the elementary and middle schools in Oakland, the average number of years of experience for teachers at high-poverty schools was consistently lower than at low-poverty schools, despite some signs of gains in elementary schools in 2001–02 before RBB was implemented. After RBB implementation, for elementary schools the gap in teacher experience between low- and high-poverty schools actually increased dramatically, while middle schools saw a relatively constant difference. For high schools, there was a switch in the direction of the gap so that low-poverty schools had higher teacher experience levels after RBB implementation.

In sum, Oakland showed little indication beyond the high school level that there was any notable increase in equity resulting from RBB with respect to teacher experience in high- versus low-poverty schools, even though the district had switched to actual salaries to provide incentives for the distribution of teacher experience to become more equal. Contrary to expectations, San Francisco, with fewer mechanisms for altering the distribution of teacher experience, showed a decrease in the gap of teacher experience between low- and high-poverty schools in San Francisco over the course of the SBF implementation.

## 2.2: Calculation of Benefits

**As with salaries, San Francisco spreads the costs of benefits across all schools, whereas Oakland schools pay for the actual benefits paid to their teachers.**

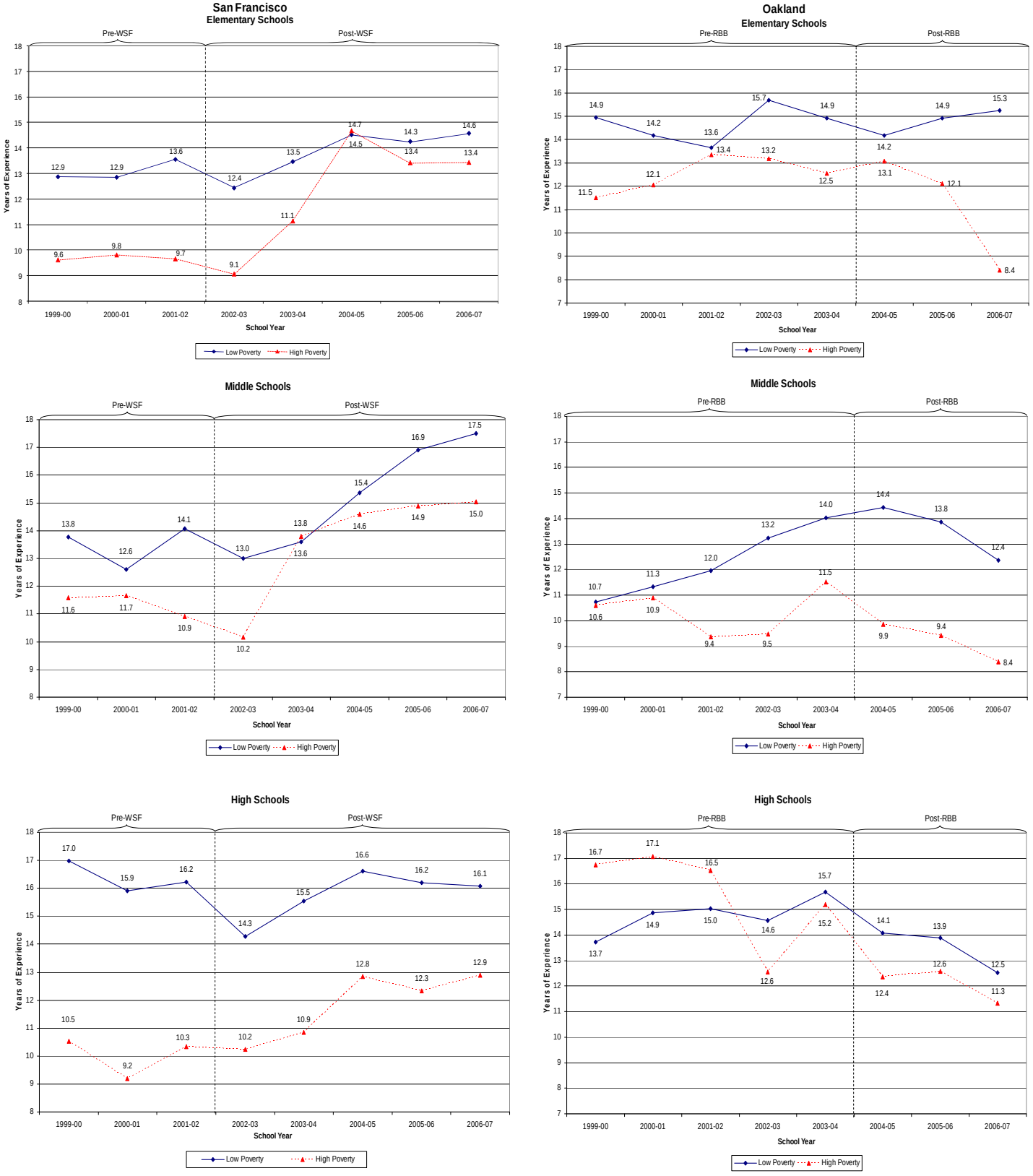
In addition to the cost of salaries, both districts faced issues about how to include the cost of employee benefits in school budgets.

San Francisco recently started including the cost of teachers' retirement benefits in the calculation of the average salary. Approximately $21,000 of the average salary of $77,000 came from benefits for current and retired teachers in 2005–06 (Shambaugh et al., 2008). One school principal felt that the district placed a burden on the schools because of this recent decision to include retirement benefits in the average salary. Our analysis of expenditure patterns in Chapter 5 does show an increase in the costs of benefits in the later years of this policy, which may be a result of this policy decision.

Oakland respondents mentioned a different concern about employee benefit costs. Two respondents mentioned the tension introduced by a school paying not just the actual salary costs but also the actual employee benefits. One principal noted that she did not approve of having to pay the actual cost of benefits because the different costs of benefits, such as health benefits for a teacher's family of five versus those for a teacher with no children, did not relate to the teacher's "value." She felt that this put principals in an awkward position of having to decide on costs unassociated with the amount of teaching experience, commenting, "I don't think there's any argument to tie a benefit cost of an employee to their job performance, the way you potentially could with years of experience."

In short, in both districts, the decision about how to calculate benefits and to determine who bears the burden of those costs was another important consideration in implementing their SBF policies but was clearly not a straightforward choice for either district. Political and logistical obstacles exist in using actual salaries. However, districts also face inequities in teaching experience levels across high- and low-poverty schools, and using average salaries may mask this issue.

## Exhibit 13: Average Teaching Experience for San Francisco and Oakland Elementary, Middle, and High School Teachers, 1999–00 to 2006–07




Source: CDE Personnel Assignment Information File (PAIF) 1999–00 through 2006–07 and California Work Opportunity (CalWORKS).

## Consideration 3: Degree of School-Level Discretion

One of the main goals of a student-based funding policy is clearly increased school-level discretion over planning and budgeting. Previous decentralized decision-making efforts have not been as successful, in part, because they did not fully embrace giving funding and planning discretion to schools and therefore did not produce true changes in the institutional structures (Hansen & Roza, 2005; Wohlstetter & Van Kirk, 1995). Exactly how much discretion schools retain is affected by many decisions made at the central office. These decisions focus on both budgeting discretion—the proportion of funds sent to the schools versus retained at the district level—and planning discretion—how much control over staffing and programmatic offerings to give to schools.

### 3.1 Budgetary Discretion: Proportion of Funding Provided to Schools

In an SBF policy, the district pushes money out to schools and gives them some degree of control over how the funds are used. So one measure of the degree of discretion might simply be how much of the money the schools have control over. Edmonton School District in Alberta, Canada, often seen as the model SBF district, allocates approximately 75 percent of the total district budget to the schools, a larger-than-average percentage (Cooper et al., 2006). However, measuring the amount of money spent at the school level can be difficult, especially given that school budgets do not include many centrally reported resources that benefit the schools (Miller, Roza & Swartz, 2005).

To analyze the portion of funds provided to schools versus the portion of funds retained at the district level, we used several years of district-level fiscal data[14] and coded expenditures into two groups: those that could be linked to traditional public elementary, middle, and high schools that receive funds according to the RBB policy (excluding charter schools, adult education, early childhood education centers, etc.) and those funds linked to the central district office.[15]

**In both San Francisco and Oakland, the proportion of total expenditures over which schools have budgetary and managerial discretion did not increase during an SBF policy.**

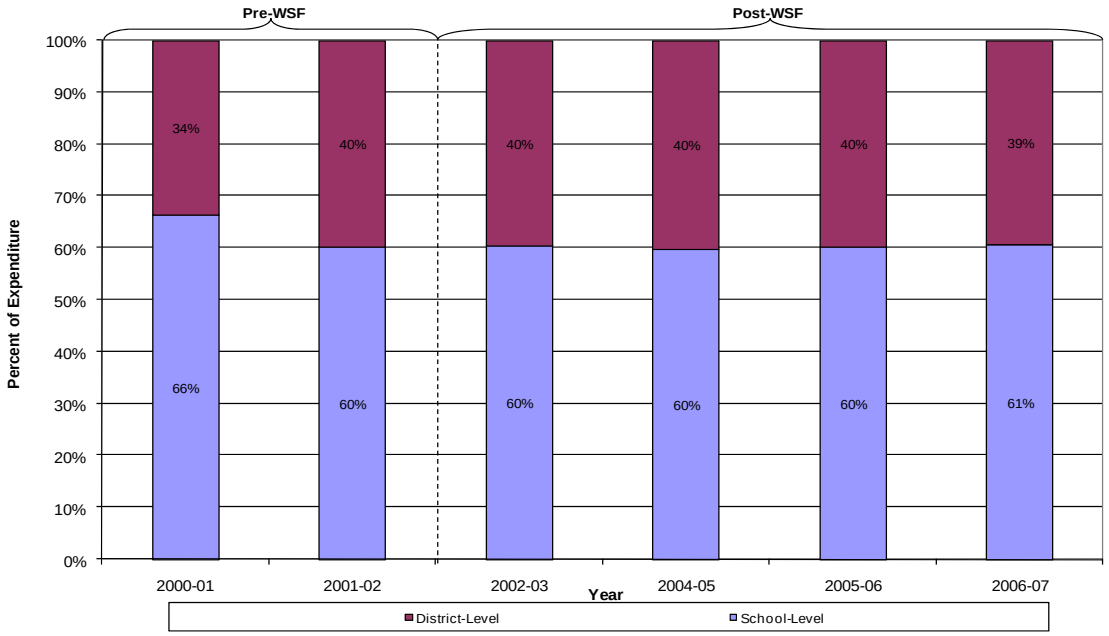
Exhibits 14 and 15 present the results of this analysis for San Francisco and Oakland. The charts contain a series of bars that represent the share of total per pupil spending attributable to school- and district-level expenditures. Remarkably consistent patterns emerged across years for both Oakland and San Francisco. This consistency indicates that the proportion of funds provided to schools and the proportion of funds retained at the district level over the course of the SBF policy changed very little. The pattern for San Francisco is stable, with about 60 percent of expenditures at the school level virtually every year after 2001–02. Similarly, in Oakland prior to the RBB policy in 2002–03, 66 percent of total per pupil spending was from school-level expenditures, whereas in the years after the implementation of RBB, schools have actually received a smaller portion of the funds (about 60 percent on average).

[14] The 2003–04 school year data were unreliable and therefore are excluded from this analysis. A more in-depth discussion of the data is included in Appendix A.

[15] It is important to note that this analysis is not precise, given that the total central office expenditures represent the amount spent on *all* sites in the district, not just the traditional public schools in our sample. Therefore, we calculated separate per-pupil expenditures for both the central office and school-level expenditures, using total district enrollment and enrollment in traditional public schools, respectively.

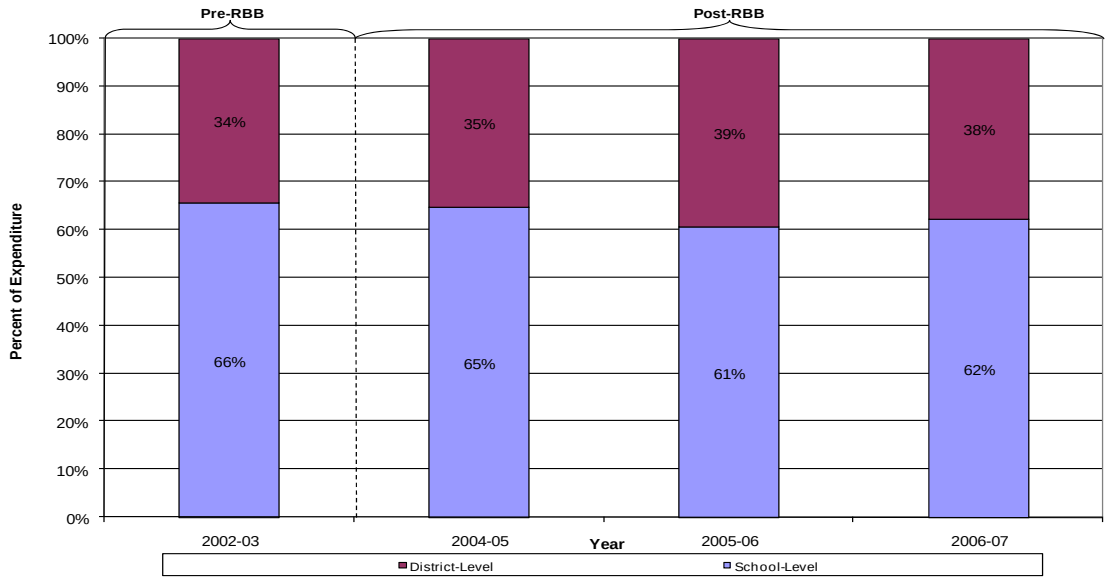
The results presented above do not capture the true district-wide expenditures that occur at schools given that several services, such as special education and professional development, are managed at the central office but delivered to school sites. Therefore, we also analyzed the estimated proportion of funds spent *at* the schools and spent *on* the schools. While the proportion of funds at the school level were higher (typically above 80 percent), neither district showed large increases in the level of resources spent at the school level after the implementation of an SBF policy.[16]

**Exhibit 14: Share of Selected San Francisco Per-Pupil Expenditure by District/School Discretion from 2002-03 to 2006-07**




Source: District-provided Standardized Account Code Structure (SACS) fiscal data, 2000-01 through 2006-07.
* Expenditure does not include the following object categories: Capital Outlay, Other Financing Uses or Other Outgoing Expenditures.

**Exhibit 15: Share of Selected Oakland Per-Pupil Expenditure* by District/School Discretion from 2002-03 and 2004-05 to 2006-07**




*Source*: District-provided Standardized Account Code Structure (SACS) fiscal data, 2002-03 and 2004-05 through 2006-07.
* Note: Expenditure does not include the following object categories: Capital Outlay, Other Financing Uses or Other Outgoing Expenditures.

[16] See Exhibits A26 and A27 in Appendix C for these results.

## 3.2 Budgetary Discretion: Proportion of Discretionary Funding Provided to Schools

Beyond the calculation of what proportion of funding is allocated to school-level expenditures, a second measure of discretion is how much money the school can spend with "no strings attached." Schools receive two types of funds: restricted and unrestricted. The restricted funding refers to categorical funding streams that are directed to certain special programs or populations of students, while unrestricted funding is simply the general purpose (GP) funding. Therefore, the second measure of budgetary discretion examines the proportion of total spending at the school level that is allocated through the unrestricted GP funds.

As Exhibits 16 and 17 showing the restricted and unrestricted funding at the district and school level depict, similar trends appear in both San Francisco and Oakland.

**We find no substantial differences in the share of school-level expenditures made using restricted versus unrestricted funding. The funds that schools received with "no strings attached" in essence remained the same, except for a one-year jump in the first year of Oakland's RBB, both before and after the districts implemented an SBF policy.**

### Exhibit 16: San Francisco Expenditures: Restricted Versus Unrestricted Funding

| | | Pre-WSF | | | Post-WSF | | |
|---|---|---|---|---|---|---|---|
| | | 2000–01 | 2001–02 | 2002–03 | 2004–05 | 2005–06 | 2006–07 |
| District-Level Expenditures | Unrestricted Share | 61% | 64% | 64% | 51% | 51% | 53% |
| | Restricted Share | 39% | 36% | 36% | 49% | 49% | 47% |
| Total | | 100% | 100% | 100% | 100% | 100% | 100% |
| School-Level Expenditures | Unrestricted Share | 80% | 77% | 78% | 81% | 81% | 80% |
| | Restricted Share | 20% | 23% | 22% | 19% | 19% | 20% |
| Total | | 100% | 100% | 100% | 100% | 100% | 100% |

Source: District-provided fiscal files, 2000–01 to 2006–07

### Exhibit 17: Oakland Expenditures: Restricted Versus Unrestricted Funding

| | | Pre-RBB | Post-RBB | | |
|---|---|---|---|---|---|
| | | 2002–03 | 2004–05 | 2005–06 | 2006–07 |
| District-Level Expenditures | Unrestricted Share | 38% | 33% | 28% | 26% |
| | Restricted Share | 62% | 67% | 72% | 74% |
| Total | | 100% | 100% | 100% | 100% |
| School-Level Expenditures | Unrestricted Share | 74% | 70% | 80% | 77% |
| | Restricted Share | 26% | 30% | 20% | 23% |
| Total | | 100% | 100% | 100% | 100% |

Source: District-provided fiscal files, 2002–03 to 2006–07

In summary, when defining discretion as the amount of total district funding over which a school has control, we find very little change since San Francisco and Oakland adopted their respective SBF policies. When discretion is defined in terms of the proportion of expenditures that is unrestricted,

the results do suggest that school-level discretion over funding in Oakland may actually have decreased since RBB was implemented, running counterintuitive to the intent of the policy.

## 3.3: Perceptions of Discretion

Perhaps just as important as understanding the proportion of dollars provided to the schools in an SBF policy is the *perception* of the level of school-level discretion. That is, although the proportion of funds retained at the central office and given to schools did not appear to change much in either SBF district, school-level staff were given greater control over spending the funds, which may result in a perception of greater school discretion. Our respondents provided very mixed impressions of school-level discretion.

These mixed results could be due in part to other external factors that affect the level of discretion in a school, including declining revenue and collective bargaining agreements. Given that both districts have experienced a decrease in their revenue over the past several years, schools have also felt a decrease in the amount of resources available to them. In addition, union contracts can limit the ability of school-site staff to make decisions over retaining or transferring staff. Therefore, respondent's perceptions of the degree of school-level discretion during an SBF policy may be clouded by the effects of declining resources and union agreements. Nonetheless, we asked respondents to report on their perceptions of school-level discretion.[17]

**More Oakland respondents than San Francisco respondents felt that schools had a significant amount of discretion over decision making.**

In San Francisco, a common complaint previously heard from both district- and school-level respondents was that because of an overall lack of funding, little budgetary discretion existed after subtracting personnel expenditures (Shambaugh et al., 2008). Our interviews for this study revealed similar sentiments.[18] Of the 11 people in San Francisco asked about the school's level of discretion, 9 respondents reported having little to no discretion after allocating funds for the basic school staff, with the remaining 2 respondents reporting that the discretion varied greatly by school. Of these nine respondents, four—one district administrator, one principal and two SSC members—mentioned that this lack of discretion is due to an ever-shrinking budget at the district level. As one principal explained,

> *When we used to have [more] funding, we had great conversations. I absolutely believe in getting the community and the teachers involved … but now 95 percent of our budget is going to staffing and benefits … It's not worth the conversations we are having.*

A district administrator echoed this sentiment noting, "Initially, [discretion] was high because there was more money. But with lean budgets, there is no choice left, no chance to make decisions now, only cuts."

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[17] The distinction between restricted versus unrestricted expenditures in our analysis was purely objective. The analysis simply made using the official definition in California: "Restricted revenues are accounted for in resource codes in the 2000–9999 range. Revenues whose use is unrestricted in nature but which still have reporting requirements are accounted for in unrestricted resource codes in the 1000–1999 range. Those activities using unrestricted revenues that do not have financial reporting or special accounting requirements are accounted for in Resource 0000, Unrestricted.", page 310-311 of the 2008 California School Accounting Manual.

[18] Given that 80 to 85 percent of school budgets in any district are typically spent on school staff, a third way to determine the level of budgetary discretion is to determine how much leeway a school has over determining which teachers it will employ. This issue is treated in more detail in Chapter 5, in which we present our findings on the changes in the distribution of resources during the implementation of the SBF models in San Francisco and Oakland.

In Oakland, perceptions of the amount of school-level discretion varied widely among district and school personnel. Of the 10 district administrators who commented on this topic, 7 noted that there was a large amount of schools' budgetary discretion, and 1 felt that it varied dramatically depending on the type of school. The remaining two district administrators felt that there was limited school-level discretion in large part owing to the declining revenue in the district. Of the school-site personnel in Oakland who were asked about the level of discretion, six respondents—three principals, two SSC members, and one union leader—felt that schools had an appropriate level of discretion over programs and resource allocation. However, four other respondents—three principals and one SSC member—felt that there was little to no discretion, in part because there was not enough money in the system to provide discretion.

Respondents also provided insight into factors affecting school-level discretion. One of the most common constraints mentioned by the respondents in Oakland was the manner in which certain cost components of their school budgets, such as custodians, were determined centrally but absorbed at the school site. (For more specific information on this discussion, see the "Service Economy" section.) Additionally, three of the eight district administrators in Oakland who felt that there was a fair amount of discretion also realized that because of the use of actual salaries in the budgeting process, the costs of the teachers at certain schools could dramatically reduce this discretion. Another large impact on the amount of school-level discretion might have been related to the allocations to small schools. One district administrator called specific attention to this, noting, "For the most part, [schools] have decision-making authority in our system but we still have some glitches that we really need to look at such as [small schools subsidies]."[19] One principal explained that although they have decision-making authority, the manner in which the district provides their categorical funds feels out of their control. However, even a principal who felt that she has little discretion also realized that compared with principals in other districts, she has more autonomy than the typical school principal.

One additional common factor the districts mentioned as influencing the level of discretion was the collective bargaining agreements, mentioned by 12 of the 22 respondents in Oakland and 6 of the 10 respondents in San Francisco. As one Oakland principal commented,

> *Sometimes it feels like we have all the responsibility but we actually don't have any of the freedom … because if you can't choose who you're going to hire …then some of your budgetary autonomy actually goes away.*

Shambaugh and colleagues (2008) reported similar findings in San Francisco, given that many staffing decisions are dictated by union regulations and not by the decisions of principals.

In addition, the variation in perception from principals might be due to the variation in the capacity of the principal to manipulate the budget. For example, one San Francisco SSC member commented that even though there is almost no budgetary discretion after paying for school site staff, he still believes that "even with a little bit of money, the discretion [at the school] provides an [opportunity] to think creatively." (See Consideration 5 for a more in-depth discussion of the considerations around ensuring an adequate level of school site capacity.)

Despite these constraints on school-level discretion, respondents in both districts indicated numerous ways in which they used their budgetary freedom to change staff positions and

[19] See chapter 4 in which *Consideration 9* details how a small schools policy has interacted with the RBB policy in Oakland.

responsibilities. In San Francisco, respondents reported that when more money had previously been available, discretion had allowed them to:

- Hire additional teachers to reduce class size or provide additional assistance to English learners;
- Hire additional counselors, attendance clerks, parent liaisons, and extra security officers;
- Increase certain useful part-time staff (such as a parent liaison) to full-time status; and
- Retain teachers to maintain their desired class numbers despite declining enrollment.

One San Francisco principal indicated that the control over retaining teachers despite fluctuations in enrollment gave her a sense of stability and community that would have been lost if the district controlled her staffing ratio based only on student enrollment. However, overall, most San Francisco respondents felt that in the past couple of years, the extreme lack of funds for schools in California resulted in schools being able to make fewer staffing decisions beyond covering the basic needs of the school.

Respondents in Oakland cited several examples about different use of funds:

- Hiring additional vice principals;
- Retaining teachers to maintain their desired class numbers despite declining enrollment;
- Cutting clerical staff but ensuring that remaining clerks had greater responsibilities;
- Reducing counselors, librarians, and social workers to part-time status; and
- Adding parent liaisons, academic support coaches, and operations support coaches.

When asked about the biggest strengths of the RBB policy, one principal commented, "The biggest difference is about being able to determine how to staff your school . . . That's huge! …That we've been able to decide what positions we need outside of the principal and the teachers." However, the union leader viewed these changes as a negative result of the RBB policy. As a result of the declining revenue during the period of RBB, schools had to cut positions such as librarians, music program teachers, and counselors, which in her opinion is "a fundamental problem with the policy."

To determine whether there was any quantifiable difference in staffing patterns in both districts, we examined the number of full-time staff (FTE) per student in schools with different poverty levels. Whereas Oakland schools did not exhibit any significant differences in the number of FTE teachers per student, San Francisco high-poverty schools at all levels employed more teachers per 100 students over the entire course of the analysis. However, neither district showed any discernable change in the staff ratios over the course of the implementation of its SBF policy. Although the average level of FTE teachers employed per 100 students fluctuated slightly, especially at the middle school level, the results of this analysis offered little evidence that there were any significant changes in access to teachers in high- relative to low-poverty schools during the implementation of the respective SBF policies in Oakland and San Francisco.[20] Nevertheless, the more detailed analysis of the per pupil expenditures on different staffing resources detailed in Chapter 5 did indicate changes related to other staff beyond teachers.

Lastly, in addition to these staffing decisions, we asked respondents about how programmatic offerings might have changed under the SBF policy. Respondents in both San Francisco and Oakland indicated few programmatic changes directly related to the SBF policies. Some specific

[20] See Exhibits A28 through A33 in Appendix C for the full results of this analysis.

examples were given, such as purchasing prizes to reward participation in the state test, instituting an after-school program, creating an advisory program, and developing a stronger newcomer program. However, most respondents asked about this issue felt that any clear programmatic changes were more likely due to the influence of district, state, and federal policies, such as small schools, state standards, or NCLB, respectively, as well as declining revenues in both districts rather than the implementation of the SBF policies.

In summary, although both districts cited examples of how they have used discretion at their schools, more Oakland than San Francisco respondents felt that schools had a significant amount of discretion over decision making. In part, this difference may be because Oakland's policy has been in place for a shorter period of time and the initial excitement over increased decision making may be a factor. Collins and Hanson (1991) did find that in a study of one district that had site-based management, teachers' expectations and attitudes toward the policy declined over the three years of the study. Therefore, this trend we see in Oakland versus San Francisco may be due to the different phases of implementation.

## 3.4: Planning Discretion: What's In? What's Out?

**Although both SBF districts intended to provide greater discretion to schools, Oakland's design to create more flexibility had an unintended impact, creating a higher level of negativity over what costs were pushed to the school than in San Francisco. This negative reaction appears to be due to the fact that while the district pushed certain costs to a school, the actual amount of the cost was out of the school's control.**

In addition to the decisions about how much money to provide to the schools and how much to retain at the central office, the districts face the question of how much control to give their schools over the planning component of the SBF policy. Should the school determine which programmatic elements its students should have? Should costs such as utilities, food service, or security be at the school level? Should the school determine what staff it wants at the school? Or should these items be centralized at the district level? These decisions represent a trade-off for districts—the more planning discretion they provide to the schools, the more latitude they have to create innovative plans. However, greater school-level control means less control for the central office in ensuring a coherent, systemic vision for the school district.

One of the determinants of this planning discretion is simply what falls in the control of the school- versus district-level budgets. Many of the elements retained at the central office, such as special education costs, are similar across the two districts. However, Oakland and San Francisco do have some differences in what is at the school's planning discretion.

Exhibit 18 displays how various expenditures are divided between the schools and the central office in San Francisco. For example, the district pays for custodial and security personnel. There is no similar list of district- and school-level responsibilities in Oakland, but our interviews revealed several differences from San Francisco. For example, in Oakland, custodial and security personnel costs are a combination of both school and district discretion; the central office determines the minimum number of custodial staff to be allocated to the school based on the number of square feet of building space, but the school's budget must pay for those staff members.

### Exhibit 18: San Francisco's Budgeting Responsibilities, 2006–07

| Personnel | |
|---|---|
| **Site budget responsibility** | **Central office budget responsibility** |
| General education teachers, English language learner school-based teachers, and paraprofessionals | Special education teachers, paraprofessionals, and related service providers |
| Elementary advisors and parent liaisons | STAR schools' staff (except parent liaisons) |
| Librarians | Vocational education and Regional Occupation Program (ROP) staff |
| Counselors | Food and nutrition staff and services |
| Building administration–leadership | Custodial, maintenance, and other facilities staff* |
| Building administration–office support | Noontime supervisors (elementary)* |
| Substitutes for staff development absences | Substitutes for non-staff-development absences |
| Extended calendar for non-athletic student activities | Athletics coaches |
| Security aides, other than those out of general funds | General fund security personnel |
| Benefits for all positions funded by site | Benefits for all centrally funded positions |
| | Half-time nurse, social worker, or learning support specialist for elementary schools |
| | Part-time arts teacher for middle schools |
| **Services and supplies** | |
| Instructional materials | Equipment (purchase, repair, and maintenance)* |
| Library books | Furniture (purchase, repair, and maintenance)* |
| Replacement textbooks | Basic textbooks (new core adoptions) |
| Computer hardware | Information technology network support and technical assistance |
| Special education professional development and supplies (excluding assistive technology) | Assistive technology for special education |
| Optional test preparation or other assessment-related activities | District-wide assessment |
| Extended learning opportunities (after-school and Saturday school programs) | Transportation |
| Language translation for school-based communication and events | Telecommunications/telephones |
| School-based professional development | Professional development institutes |
| | Business services, human resources, legal services |
| | Capital outlay–parts and materials* |
| | Utilities |

* These items will continue to be provided centrally at a base level, but sites may supplement the centrally provided items or level of services with their WSF funds.
Source: San Francisco Unified School District (2006)

We asked respondents in both districts about how they feel regarding the balance of items in their planning and spending control. Our previous study on the WSF policy in San Francisco found that school-level respondents, for the most part, were content with the balance of things in their planning purview (Shambaugh et al., 2008). For the present study, eight interview respondents and one SSC focus group commented on this issue and were content with the balance. The general sentiment was that the elements outside their control, such as facilities maintenance, security staff, or special education staff, were more efficiently held by the central office, especially because these items have to be paid for one way or another. Indeed, one principal explicitly stated that she "would panic if [she] had to pay for special education" and one district administrator noted that "it would be

just one more thing for principals to worry about" because it requires so much more funding, as well as specific regulations that accompany that funding.

In Oakland, our interviews revealed a very different picture of the feelings about what is in and out of the school's planning and budgetary purview. Although the respondents echoed the concerns from those interviewed in San Francisco about delegating special education to the school level, of the nine respondents who commented on their feelings about this balance, seven had negative comments on how the system was currently structured. The comments about the balance focused on the delegation of certain costs to schools, including custodians, substitutes, and utilities, without providing any control over the factors that generate the underlying costs.

The biggest complaint about the balance of school-site costs focused on the custodians. The district calculates the cost of custodians for the schools by using a formula of the total number of students and the total square footage of the school building. A principal can appeal the total number of custodians if he or she feels that the school needs fewer, but the district ultimately determines the number of custodial staff needed. Whereas other components retained at the central office level, such as special education, appeared acceptable to the respondents, reactions from principals and several district administrators showed a general frustration over having to account for those costs in the school budget despite having no control over the number of custodians or their cost. One principal commented,

> *This is not RBB! [Under true RBB implementation,], if I want my school clean and I want to buy 17 custodians, then I can do that… And if I want my school dirty or I want to sacrifice something, [I can do that].*

Another principal echoed this sentiment, noting, "In terms of custodians, it doesn't make any sense to me. I feel like Results Based Budgeting isn't really site based." Two other principals mentioned that they would like to get cheaper services from outside the district, but contractually, the district did not offer or permit that option.

Oakland also delegates the costs of substitutes to the school level. One district administrator commented that in the first year Oakland delegated this cost to the schools, the number of substitute days dropped dramatically. However, one principal noted his displeasure that the central office required him to budget a certain portion for substitute days, based on the district average of 10 sick days per year. This principal argued that his school's teachers took an average of only four sick days per year and he wanted to conserve that additional funding for other costs.

In regard to a school's utility costs, principals (and one district administrator) voiced annoyance that they were told how much the school's utilities cost but had no control over the cost. As one principal explained, "Why do I want to know that [the utilities cost the school $1,000 per month] if I have no control over it?" Two principals remarked that to encourage conservation, they would like the utilities to actually reflect the school's usage. One principal commented, "I would love to see a rebate for utilities. I'd really like to get the school green, and I think that's a great way to do it, to provide incentives and rebates." One former district administrator explained that the plan was eventually to give the schools control over the utilities but that the bundled contract with the utilities company currently made that impossible.

## 3.5: The Service Economy

**Oakland's service economy model that was designed to provide more discretion to schools had not fully taken shape as intended.**

In addition to the split of budgeting responsibilities, another large difference between San Francisco and Oakland is how Oakland approaches its concept of the "service economy" as part of the rollout of RBB. Modeled from the approach used in Edmonton, under the service economy, a school can theoretically choose which services it wants to purchase from the district and which services it wants to purchase from an external vendor. As explained by one district administrator, the service economy is "a fluid model, so if schools aren't purchasing services from the district, the district will stop offering those services." As one former district administrator detailed,

> *We wanted to create a free market program so that [schools] could use much of their funding and not give it back to the system if the system wasn't supporting them. If they didn't feel like the HR office was recruiting well enough … or was losing applications … they could literally go out and hire their own search consultants.*

For example, if a school wanted to build the Supporting Effective Data Inquiry Package, it could purchase this service from the district for the cost of $9,950 for the year (OUSD, Instructional Menu of Services, 2008).

Conversations with current and former district administrators clearly indicate that a tremendous amount of thought went into the design of the new service economy. One specific service that has been used so far is the operation support coaches who help principals put their budgets together and serve as liaisons between the central office and principals for much of the necessary paperwork. This service, described in Consideration 5, had a very positive reception from both school- and district-level respondents. Under the theory of a service economy, some principals indicated that they had not purchased optional services from the district simply because they did not feel they needed those specific services. For example, one principal noted that she had existing coaches who were useful and so did not purchase coaches from the instructional services department.

However, Oakland's implementation of the service economy was not as smooth as hoped because of a variety of factors. First, the system has little money left over to purchase these services, given the district's declining revenue. Second, school principals with whom we spoke appeared to be somewhat confused about exactly how the service economy works, especially for technical services and utilities. For example, although it is clear from our interviews that schools do not have control over the cost of utilities at their site, many principals were unsure whether they could change this cost. Initially, the district offered no specific menu of services available to schools, leaving the school officials confused about exactly what the concept of the service economy meant. In 2006–07, Oakland developed an instructional menu, but school officials continued to be confused about non-instructional services.

Third, as one district administrator commented, Oakland did not base the service economy on a true free market concept. If the services were not as useful as principals had hoped, they did not always have the opportunity to pursue another avenue for those services. Because of contractual union obligations, the district did not permit schools to purchase such things as food services from someone outside the district. One district administrator remarked on this difficulty, noting,

> *The idea of service economy is based on having competition, and because of the way the unions work, and because there aren't a lot of other organizations that cater to schools, coming up with exactly who those competitors would be and how that would work is tough.*

In addition, as one district administrator noted that if schools did not purchase instructional services from the district, those individuals did not necessarily stop working for the district. One principal commented that this introduces a "tension between what's really centralized and what's really a service economy."

Fourth, and perhaps most important, as one district administrator noted, "There needs be a major culture shift within the district to make the service economy work." Entrepreneurial principals embraced the service economy more than others, but even then, as this administrator noted, "the centralized people at the district are not quite sure what to do and are not actually fulfilling their service economy agreement." But, according to this administrator, this mentality was difficult to change and so the department looks very similar to what it was before the service economy began.

Indeed, another district administrator noted that for the service economy to work, the district office would have to shrink noticeably—a difficult feat. In addition to changing the culture at the central office, a culture shift needs to occur at school sites. According to a district administrator, getting principals to commit to purchasing individuals in the spring for the following year without knowing what their specific needs for their incoming students are had also been difficult. One principal appeared to resent having to purchase services that had previously been given to the schools, noting, "I'm not going to pay for something that I feel should be free."

## Summary of Chapter 3

This chapter reviewed three key funding considerations that San Francisco and Oakland faced when implementing an SBF policy, including the procedures for calculating school allocations, the use of actual versus average salaries and benefits in school budgets, and several ways of thinking about the degree of discretion schools have over resource allocation. Some of our main findings follow:

- By weighting enrollment by ADA to provide per pupil funding to schools, Oakland intended to encourage schools to raise attendance rates. Unfortunately, no strong evidence suggests any association between the implementation of the RBB policy and attendance rates in Oakland schools.
- San Francisco used weights reflecting differential student need to distribute general purpose (GP) funds, whereas Oakland differentiated GP funds only on the basis of the grade span of the school. Instead, Oakland relied on the distributions of the categorical funds to address differences in student need.
- Each district developed mechanisms intended to ensure that schools received enough funding to operate under the new SBF formulas. For example, San Francisco ensured that schools received a minimal allocation of dollars (their "floor plan") to support the operation of schools no matter what the weighted student formula provided. Oakland, which required schools to use actual salaries to cost school personnel, had no equivalent plan but did have subsidies intended to ensure that schools could remain financial viable. Specifically, Oakland had to subsidize the operations of the lowest-poverty schools, which tend to have more-experienced and therefore more-expensive teachers. Oakland initially assumed that the higher-poverty schools would find ways to support their less-experienced teachers by investing in professional development or by offering smaller classes, but it is not clear that this has happened yet. In addition, Oakland also had to create small-school subsidies to ensure that the many small schools in the district could cover their operating costs.

- San Francisco and Oakland chose different strategies for charging school personnel against school budgets. San Francisco uses average compensation levels, whereas Oakland uses actual compensation levels to cost school personnel against school budgets, which has created certain political tensions for Oakland with the union.
- When determining how both districts approached providing greater discretion to schools, we observed that in both districts, between 60 and 65 percent of total expenditures at the district level were allocated to the schools, but that this amount did not change greatly with the implementation of an SBF policy. When we included some of the services and resources that were managed through the district office but were delivered at the school, we found that more than 80 percent of dollars were expended at the school level. Nevertheless, this amount also did not change greatly after SBF policy implementation.
- Calculating school-level discretion was complicated by the fact that because of the limitations in the ability of a school to control the hiring, firing, and transfers of staff between schools, a school's perception of its discretion was relatively small. However, several respondents shared that despite a small portion of discretion, they were still able to make more staffing decisions at their schools.
- Finally, unlike in San Francisco, Oakland followed the model of Edmonton in implementing a service economy, which, in theory, offered the option for schools to purchase services from the central office. Although there is much to be said for this market approach in theory, as implemented in Oakland, the model still limited the discretion of the schools in accessing services.

# Chapter 4
# Key Design Considerations for an SBF Policy: Part II – Planning and Implementation Issues

In Chapter 3, we addressed the key *Considerations* related to funding. In this chapter, we focus on the planning and implementation issues surrounding the design and implementation of an SBF policy (see Exhibit 19).

Within each Consideration, we outline the general question a district may need to consider when developing an SBF policy, the approach both San Francisco and Oakland took when designing and implementing their SBF policies, and, where relevant, reactions to these districts' decisions from various stakeholders in the district. As noted in Chapter 3, it is important to note that these considerations are not one-time-only decisions but are ongoing throughout the process of implementation.

**Exhibit 19: Key Planning and Implementation Considerations for SBF Districts**

- 4: Alignment of budgeting and academic planning processes
- 5: Level of school site capacity
- 6: Obtaining school buy-in
- 7: Obtaining district buy-in
- 8: Level of community involvement
- 9: Interaction with other policies

## *Consideration 4: Alignment of Academic Planning and Budgeting Processes*

As described in Chapter 2, San Francisco and Oakland schools were required to write one-year and three-year academic plans, respectively and to submit an accompanying budget. Effective use of resources that achieve the goals set out by the schools depends on the ability of school leadership to align the budget with the academic plans. The districts must set out procedures and processes for helping school leadership achieve this alignment between the budgeting and academic plans.

Edmonton Public Schools, often seen as the model of a SBF policy, realized after years of implementing its policy that its high school drop-out rate was much higher than desired. The district concluded that it needed to focus more on certain areas and had to reconfigure how its principals determined the goals and needs of their schools (Cross City Campaign for Urban School Reform and Focus on Results, 2006). What this may suggest is that giving schools more control over their budgets will not necessarily lead to a more effective use of resources unless the planning and budgeting processes are well aligned. A strong link between budgeting decisions and the academic plan should make resource decisions more targeted and effective.

### 4.1: District Supports for Alignment

**Although schools felt that they were aligning their plans to their budgets and were improving the general academic planning process, our conversations with respondents in both districts indicated a need to improve alignment.**

In both districts, the School Site Councils (SSCs) were supposed to prepare their academic plans before creating their school budgets to ensure that budgeted resources reflect schools' needs.

In San Francisco, although recently published guidance on school governance created by Parents for Public School (PPS) encourages SSCs to align the budget with the academic plan's priorities, there is little guidance from the district on how schools could accomplish this task. Oakland, with no documentation on this topic at all, has even less guidance for schools on aligning the academic plan and budget. District respondents indicated that they are currently working on integrating the academic plan template into the online budgeting tool to better align this process but have not yet been able to implement this plan.

In both districts, once the plan and budget are complete, the district convenes a small group of district administrators to review the plan and budget with the principal to ensure alignment. One district respondent who supports San Francisco schools in this process explained,

> *We're trying to get [principals] not to think in the old way where it's budget first, then activities. We're trying to get them to understand that they need to look at data, figure out your school's needs, and the budget follows—the budget doesn't drive your plan, the school needs should drive it.*

However, Oakland respondents expressed concern that the district's overarching emphasis on complying with federal and state regulations affected their ability to align academic plans and budgets. San Francisco respondents did not mention a similar concern. For example, three Oakland principals and nine district administrators commented that having to ensure that school budgeting complied with district, state, and federal regulations was a barrier to aligning budgets and plans. One principal described Oakland's accountability system as "choking off all creativity and innovation." One district respondent echoed this sentiment, noting that the central office is "so strict and so over the top around the necessity of being compliant that they tend to drive the principals absolutely crazy." One district respondent did note that the central office had started to make a commitment in recent years to shifting the focus of the academic plan away from compliance, but this shift did not appear evident in our conversations.

In San Francisco, two of the three district respondents indicated that school budgets were aligned with their plans, and the third respondent believed that two-thirds of the schools have well-aligned budgets and plans. All five principals interviewed in San Francisco affirmed that they created their academic plan before they considered the budget so that the school's priorities were set on the basis of school needs and not determined by budgetary constraints. Four principals said that they felt their plans were well aligned with their budgets and one said they were aligned to some degree.

In Oakland, four of six district respondents asked about this issue commented that the alignment of school plans and budgets has improved over time, whereas one district administrator felt that alignment varied by school. All six principals interviewed felt that their academic plans and budgets were aligned.

However, in both districts, school- and district-level administrators alike mentioned the inadequacy of funding overall, which they felt affected the budget's alignment to the plan. For example, one San Francisco principal noted that with so few resources left over after covering their basic staffing needs, schools did not have enough money to make real decisions about additional funds to align with the school plan. In addition, one respondent in each district noted that the involvement of the SSC can sometimes have a negative impact on the alignment of the academic plan and budget.

Despite this mixed reaction to the alignment of the plan, however, several respondents in both districts indicated positive changes in the overall academic planning process itself. As Shambaugh and colleagues (2008) reported, a few San Francisco respondents did report a change in how the academic plan was used, seeing it as more of a "living document." In both districts, respondents at different levels of the system mentioned that the focus on the academic plan had, in general, created a more strategic focus. Specifically, a San Francisco principal noted that the focus on the academic plan had removed the "fluff" from the plan and helped focus the school's goals. An Oakland principal noted that it had "taught [her] a process to organize [her] thinking." A district administrator in Oakland noted that the RBB policy had created "more conversation around strategic investments and weighing the costs against the value added [of different programs.]"

## *Consideration 5: Capacity of School Sites*

Given that an SBF policy requires a school to assume a larger role in determining its academic plans and to develop a corresponding budget, the districts needed to determine how to ensure that schools have adequate information and the technical capacity to make effective decisions about resource allocation. As one district administrator acknowledged, the design of the SBF policy indeed "is to change the whole nature of school administration."

Conversations with California district leaders revealed that some school districts are wary of SBF policies in large part because of uncertainty about whether the school and community leaders have the capacity to take on these new responsibilities. In a focus group of five current and former urban superintendents in California who did not have SBF policies, three of the five participants expressed serious concern over schools' capacity to accomplish effective planning activities. As one former California superintendent noted,

> *We are not hiring principals really focused or experienced in budgets, more so in instruction and training. When you have schools that are struggling academically, you look for principals that are good at instruction. If you give the schools the monies that they are entitled to, you are giving the schools a lot of discretion over a large amount of funds with a lot of regulations that they may not be entirely trained to handle.*

Interestingly, one district leader in California who previously considered but did not implement an SBF policy commented that one reason for not pursuing the policy was the impression of a lack of school-site capacity to take on these new responsibilities. As this superintendent for a large urban school district in California noted, "The need and urgency to do that and the knowledge and skills for the personnel it would require to use this system … would have been too steep of a learning curve." Interestingly, this district leader noted that in addition to a lack of school-site capacity that hinders the progress on this policy, the school board members often lack budgeting capacity, making the implementation of this policy difficult on several fronts.

### 5.1: Districts' System of Support and Capacity Building

To address this concern, both San Francisco and Oakland developed training sessions and materials to build schools' capacity.

**Based on our observations and interviews in the two districts, San Francisco appeared slightly further along than Oakland in developing technical assistance materials. Oakland, however, appeared to have more clearly defined procedures for how principals can receive assistance with their budgets and plans.**

Specifically, in San Francisco district-level respondents envisioned their role as one of providing technical assistance to schools by conducting training sessions, such as an annual all-day SSC summit and an afternoon budget training for principals, as well as developing manuals and materials to assist the schools and SSCs (Shambaugh et al., 2008). In addition, the district scheduled an annual review session with each principal to review the academic plan and budget.[21]

A local chapter of Parents for Public Schools (PPS), in collaboration with the district, published training modules in 2008 for SSCs on school governance. This governance training series addressed a number of aspects of the budgeting and planning process, including the planning timeline, the role and composition of SSCs, the alignment of academic plans and budget, and how to best monitor the implementation of the school plan. In addition, San Francisco provided a list of contacts at the district level, including the assistant superintendents, who provide general oversight of school principals. But, as one district administrator explained, "There's no one place [for principals to go]. There's multiple places, and it really just depends on where [the principals] are most comfortable going."

Oakland had less documentation and training to assist the schools and SSCs with their planning and budgeting process, but established specific procedures for assisting people with the process of developing a plan and budget. Like San Francisco, the district offered training sessions about the online budgeting tool to principals. However, Oakland also offered a stronger program of assistance to schools from central office personnel during the process. Specifically, in addition to the annual district review process and general oversight by the district's assistant superintendents (called Network Executive Officers, or NeXOs), Oakland schools could also hire operations support coaches (or "ops coaches") who helped create budgets and served as liaisons to the district office. One district administrator described the operation support coaches as "executive assistants to help navigate the systems of the district." The ops support coach was very well received by the respondents in Oakland; one district administrator explained, "We have an ops coach who is very good and we couldn't live without him." In addition, the district created "drop in" hours with various district officials around the time the annual plans and budgets are due to answer schools' questions.

One additional difference between the two districts' support systems is Oakland's tiered approach, which provided more intensive capacity building related to the planning and budgeting processes to the lowest performing schools. In addition to providing additional support to the lowest performing schools with training sessions for SSCs, the district gave greater scrutiny to the allocation of resources and the theory of action behind these decisions. The NeXOs could veto decisions made at these schools that they perceived to be not well connected to the school's needs. San Francisco offered coaches for new principals but had no clear support system for the lowest performing schools specifically in terms of the academic planning and budgeting process.

## 5.2: Perception of District Supports

These districts' efforts aim to support schools in this process and build capacity to make effective resource allocation decisions. Therefore, we asked respondents to comment on the supports and capacity-building systems the districts designed.

[21] In 2007–08, the district did not hold review sessions with principals because a state-level budget crisis required the district to redistribute funds to the schools at multiple points in the planning process. As a result, schools did not finalize their plans and budgets until past the timeline for when districts meet with principals.

In Oakland, the 12 respondents—5 district administrators, 3 principals, and 3 SSC members—who commented on the district's processes for supporting and training the schools noted a serious need for improvement. One district administrator echoed a common sentiment when he noted, "One of the unfortunate truths under 'Expect Success' [the name of Oakland's reforms] is that trainings have not always followed … these new systems." Specifically, two district staff members reported that the district-led trainings for principals did not focus on how to make effective budgeting decisions but rather on how to use the technology. In addition, some respondents indicated that they would like more materials and tools to help them in the process because the trainings did not provide the necessary support. As one principal commented, "You could have a seminar on brain surgery, but you wouldn't be able to go out and do it."

However, despite this need for improvement, one system of support in Oakland was very well received—the operations support coaches. Of the six respondents who discussed this role, all six—three district administrators and three principals—felt that the operation support personnel were very effective in creating a more effective budgeting process. One district administrator explained,

> *We couldn't live without [our operations support coach] … I just don't see how these schools could manage because there's an awful lot of stuff that takes so much time that he does that would just drive principals crazy.*

One principal echoed this sentiment when she noted that her operation supports coach was "worth every penny … The constant challenge for a principal is not making a decision and doing something, it's making sure that it's done. And [my ops coach] gets it done."

In San Francisco, similar to Oakland, there was a strong message from the principals and other school leaders that the system of supporting schools in this process is in need of improvement. Of the four respondents and four focus groups that commented on this issue, three individuals and three focus group respondents remarked that principals and SSCs needed additional training and support. As one district administrator commented, "Every year at the end of the year principals do a survey, and they always say they want more support in budgets." One principal suggested that the district could recognize principals with more experience around budgeting and pair them with principals who need additional support. Along the same lines, one experienced SSC member recommended that the district create a formal structure to allow the SSCs to share their knowledge with each other.

## 5.3: Perceptions of School Capacity

**Not surprisingly, given that most respondents in San Francisco and Oakland felt that both districts needed to improve on their systems for supporting and training principals and SSCs, the vast majority of respondents also felt that there was great variation in the current capacity of schools to carry out the planning and budgeting processes.**

In Oakland, seven respondents—five district administrators and two principals—commented that school capacity varied greatly depending on the principal. Four respondents—two district administrators and two principals—felt that there was little or no capacity at their individual schools or the schools with which they work. Only two principals felt they were highly capable in this process. District administrators were clearly aware of this problem but had decided to go ahead and build the system and to enhance capacity along the way. As one former district administrator commented, "We knew that capacity would vary greatly but [we] wanted to throw everyone in to the process so they could 'survive then thrive.'"

In San Francisco, respondents were more positive about the existing capacity. Three district respondents, one principal, and one SSC member felt that there was great variation in the district. One district administrator, two principals, one SSC member, and one teacher felt that there was a sufficient level of capacity for this process. However, even those who felt that there was sufficient capacity in San Francisco often noted that there were still issues around the technology used in the process of developing budgets.

Respondents in both districts felt that the variation in capacity arose because the skill set required of principals and SSCs for planning and budgeting was very different from what is typically asked of an instructional leader. As one Oakland district administrator explained,

> *We have upped the job of the principal and the responsibility of the school site, not only around operational management but instructional leadership at the same time.*

One San Francisco district administrator echoed this sentiment, noting, "Certainly, when we all got our credentials, doing budgets was not part of it." Highly functional principals, according to respondents, seemed to understand how to use their support staff in this process and how to be strategic with their money.

Our interviews revealed examples of how site leaders and SSCs that lack capacity can affect the functionality of the process. One Oakland principal shared a story of another principal in the district who had to let a librarian go because the school could not support the cost, but then ended the year with a $125,000 surplus. In another case, we observed an SSC meeting at a school in which the conversation focused on misinformation about funding for English learner (EL) programs. The SSC members believed that the funding for EL programs was outside the control of the SSC, leading to a fragmented discussion of school plans.

In summary, given this new role of the principal, both districts designed systems and processes to develop capacity to ensure that the intended goals of their SBF policy are met, and their respective approaches achieved varying degrees of success. San Francisco had several trainings and materials to build capacity, and Oakland established important designated support personnel for principals.

## Consideration 6: School-Level Buy-In

Successful implementation of a policy such as the SBF requires buy-in from school-level actors (McLaughlin & Talbert, 2003; Desimone, 2002). School-level buy-in seems particularly important with an SBF policy given that school leaders play a new role in planning and budgeting.

**San Francisco and Oakland approached school-level involvement in the development of the policy in different ways. San Francisco involved schools at the outset and introduced the policy gradually over two years. Oakland implemented the policy over a shorter period of time with relatively little effort to incorporate feedback from schools. Despite these different approaches, respondents reported similarly high levels of acceptance of this reform at the school level.**

### 6.1: Initial Involvement of Schools

San Francisco formed a WSF Committee in 2000–01 to obtain input on the policy from stakeholders. During the first 4 years, this committee met several times a year to discuss the details of implementation and visited other districts to observe their implementation of other SBF policies. In addition, the committee initiated a pilot program of 27 schools in 2001–02. As an incentive to

participate, the district provided an extra $100 per student and 2 days of training to each pilot school (Shambaugh et al., 2008).

Unlike San Francisco, Oakland did not have a specific RBB pilot program. The district had begun its transition to a site-based decision-making model under former superintendent Dennis Chaconas in 2002–03, with seven small schools that were exempted from the traditional budgeting model and were given more decision-making control at their sites. These schools were not a true pilot of the RBB policy. It was not until January 2004, when the state administrator at the time took a group of principals and district-level staff to Edmonton to observe that district's funding model, that the district even began to design its SBF policy. When the decision was made, a small group of district-level staff worked over the course of 3 months to develop Oakland's new RBB funding system. The policy was launched district-wide the next year for the 2004–05 school year.

One district respondent who was a key team member in the design of the policy explained the reasoning behind the rapid transition to the new policy without a formal pilot process:

> *Everyone had ideas about how we could pilot what they were doing up here [in Edmonton], or how we could expand the number of schools, and I said, if this thing is so good, why don't we just do it in the entire district? If it's working in five schools, ten schools, why don't we make it so it works in 120 schools? Because unless we do it throughout the system, it's not going to be institutionalized, it'll be seen as pilot or elite or something just for certain schools and not for others.*

Not surprisingly, most principals felt that the schools had little to no involvement in developing the RBB policy. Of the six principal respondents, three felt that schools were not involved in the process at all, one felt that only the pilot schools were involved, and one was unsure of the level of involvement. Only one principal said that she felt that the district had tried to get input from school-level staff. As one principal commented, "I think, by and large, it just kind of came, call it a mandate or not, that was just the new way we were doing things."

## 6.2: Degree of School-Level Buy-In

Previous studies on site-based budgeting policies in general have found that decentralized planning and budgeting can lead to greater teacher empowerment (Leithwood & Menzies, 1998; Collins & Hanson, 1991). For example, Newkirk and Klotz (2002) found a significant positive difference in teachers' feelings of self-efficacy in site-based budgeting districts in South Mississippi. Empowered teachers with a strong sense of self-efficacy can be powerful levers for change in instructional practices and increases in student achievement. Our respondents, however, did not mention any specific changes in school climate related to teacher empowerment. Indeed, several voluntary focus groups for school faculty members had no participants show up, perhaps indicating the low level of interest the faculty has in this process.

But although our respondents did not discuss the specific nature of teacher empowerment as it related to SBF policies, both districts did show a high level of general school-level buy-in to this process and policy. This finding is in keeping with Odden and Busch's (1998) findings of positive teacher response to site-based budgeting in their studies in England and Australia. Specifically, teachers reported site-based budgeting to be very difficult, but would not choose to revert back to the old system, greatly appreciating the more empowering work environment (Odden & Kelley, 2000).

In San Francisco, four of the five principals interviewed said that they were initially very excited about the policy because they felt that it would give them more money to support their high-needs students. The fifth principal, who became a principal in San Francisco after the initial implementation of WSF, felt that WSF was a natural process and could not imagine *not* having control over her schools' funds. Two principals commented that their initial excitement faded somewhat with the decrease in overall funds; they did not feel that the remaining resources were sufficient to meet student needs.

Similarly, when the RBB policy was implemented in Oakland, principals' reactions to the policy were primarily positive. Principals reported that they had been excited about the greater control over funds at their sites, the ability to get more funding through increased attendance, and the increased transparency of the funds. One principal commented, "Part of the reason I became a principal [in Oakland] was because of the promise of having that autonomy at a school site." Although all of our principal respondents enjoyed receiving more control and autonomy in their schools, two noted that there was some distrust and skepticism from principals about the reasons behind the new policy. These principals may have felt that the policy was "sprung" on them by the district and that the district was trying to hide funding from them by using this new formula. Two principals commented that although they felt capable and comfortable with the process, they thought that some principals in the district were completely unprepared to deal with the technology and budgeting skills necessary to implement the policy effectively in their schools.

As in San Francisco, Oakland principals voiced frustrations about the ongoing issues of decreasing state funds, a perceived lack of transparency at the district level, and increased bureaucracy and paperwork. However, all six principals we spoke with in Oakland believed that the district should keep the RBB policy, with four principals asserting that RBB made principals more aware of how they spend money and increased transparency.

In sum, in considering the different ways the two districts approached the issue of attaining school involvement and buy-in, it is interesting to note that school and district staff in both districts have a comparable and relatively high level of satisfaction with their policies. Oakland's state administrator gave schools a top-down mandate that put in place the mechanisms for a bottom-up approach to the budgeting and planning process, whereas San Francisco spent more time and resources incorporating school feedback to gain school buy-in. Even though Oakland neither involved the schools in the decision to implement RBB nor gave them the opportunity to provide input on how the policy should be implemented, the levels of satisfaction in both Oakland and San Francisco appeared similar.

## Consideration 7: District-Level Buy-In

Perhaps just as important as school-level buy-in to effective policy implementation is the degree of district buy-in to an SBF policy.

**Both San Francisco and Oakland faced decisions on how district-level staff should be involved in policy and what kinds of ongoing support should be available to district staff themselves. San Francisco district staff were more involved in the initial stages, but both districts showed strong acceptance of the policy at the district level.**

## 7.1: District Staff's Initial Involvement

In Oakland, a small group of district staff headed by the state administrator, Dr. Randolph Ward, designed the RBB policy. Although this small group was intensively involved in the process, other district respondents were not as intimately involved beyond an initial visit to Edmonton to observe its SBF policy. One district respondent present at the time of implementation reported that the majority of district staff was not involved in the process, commenting,

> *There were two individuals … who were really the architects of the policy. They made a lot of decisions behind closed doors. They were really smart people but an island unto themselves.*

In contrast, district-level involvement in the design and implementation of San Francisco's WSF policy seems to have been greater. A small group of district and school staff visited other districts to observe how other SBF policies worked. San Francisco leadership included a significant number of district staff, representing a variety of departments, on the WSF Committee. Specifically, in 2004–05, the WSF Committee included 31 members: 14 district administrators, 7 principals, 2 union leaders, and 8 others (Childress & Peterkin, 2004). One district respondent who was working at the district level when the WSF policy was implemented reported,

> *When [WSF] was first implemented, we had a large role . . . because Arlene Ackerman, who brought it in, wanted us to have a big role . . . We had a lot to do with rolling it out, professional development, making sure it was comprehensible to principals and the school community.*

## 7.2: Ongoing Involvement of District Staff

Although San Francisco may have had a deeper involvement of district-level staff in the formation of the policy, both districts had to respond to the changing roles and responsibilities of certain district staff after the implementation of their SBF policies. The Oakland Network Executive Officers (NeXOs) and San Francisco assistant superintendents' roles had previously been to provide instructional leadership to principals, but under SBF policies, they had additional responsibilities overseeing school budgets, monitoring budgetary compliance, encouraging principals to align their budgets with their academic plans, and ensuring that schools had enough money to cover operating costs. For example, one Oakland principal commented that although NeXOs are supposed to be more involved in the budgeting process, she believes they typically have little training in budgeting beyond their own experiences as a principal. One Oakland district administrator supported this sentiment, saying "[NeXos] generally don't tend to be the types of people who want to spend a lot of time on budgets."

## 7.3: Degree of District-Level Buy-In

With these varying levels of involvement in the formation and ongoing support of each SBF policy, San Francisco district staff, who assisted schools in the planning and budgeting processes, were reported to be less supportive of the policy because of declining revenue available to schools (Shambaugh et al., 2008). Although we did hear some concerns about schools struggling with the level of funding, we did not find evidence of negativity about this policy from district administrators in either district. In fact, despite the new responsibility of supporting schools with their budgeting process, district-level staff in both San Francisco and Oakland who work with schools approved of the SBF policy. It is important to note that Oakland's central office has experienced a high amount of turnover since the initial implementation of RBB. However, despite this turnover, all district respondents from both Oakland and San Francisco reported that they would keep their SBF policy if given the choice to return to a traditional top-down budgeting system.

## Consideration 8: Degree of Parent and Community Involvement

One of the primary ways parents and community members have input in planning and budgeting processes in California schools is through the School Site Council (SSC). State regulations task SSCs at a minimum to develop a school plan, evaluate the educational program at the school, and approve the proposed expenditures of categorical funds.

**The site-planning process includes an element of parent and community involvement; our interviews indicated that districts must decide whether increasing parent and community involvement is an explicit goal of their SBF policy and, if so, how to authentically engage a representative group of parents and community members in the process.**

### 8.1: Policies and Processes for Parent and Community Involvement

As expected under California law, both Oakland and San Francisco involved SSCs in the planning and budgeting processes to determine school priorities, provide input on the school plan, and approve certain budgeting decisions. However, the emphasis on parent and community involvement had a much stronger role in San Francisco's WSF policy than in Oakland's RBB policy.

In San Francisco, increasing parent and community involvement was one goal of the WSF policy. Engaging parents and community members in the budgeting and planning process was a key goal in Superintendent Ackerman's plan for San Francisco (Childress & Peterkin, 2004). All three district respondents mentioned the increased role of the SSCs in the budgeting and planning process and four of the five principals mentioned shared decision making as a primary goal of the policy. One principal commented that she felt the focus on community involvement was one of the main strengths of the WSF policy.

In contrast, in Oakland only two former district administrators key to designing the policy commented on the role of parents and community members. According to them, the RBB policy placed the responsibility on the principal to decide how involved the community should be at the school. Ultimately, Oakland gave more control and autonomy to school principals than did San Francisco, and the district left it up to principals to decide how much they wanted to involve the community in decisions beyond those regarding the categorical funding. A district staff member commented, "RBB certainly puts in place the conditions for greater participation for the parents and community, but it doesn't make it a [requirement]."

These different approaches for the role of the community in developing the SBF policies are also reflected in how the district developed the statutory role for the SSCs. Oakland's SSCs, following the minimum state requirement, were required to sign off only on the categorical funds. One Oakland district administrator noted that certain principals present the entire budget to the SSC for review and input, but the district does not mandate them to do so. San Francisco's SSCs, however, have authority to approve the full budget, including both categorical funds and unrestricted general purpose funds.

In addition, San Francisco requires community involvement beyond that from the SSC. Specifically, San Francisco requires schools to have two community-wide meetings in addition to their monthly SSC meetings to obtain input of community members outside the SSC. Oakland does not require community-wide meetings beyond the SSC.

## 8.2: Aiming for Diverse and Authentic Involvement

**Despite the districts' different approaches to engaging parent and community involvement, both faced challenges in ensuring that the involvement was both diverse and authentic—in other words, that the members on the SSCs represent the different demographics of the school and were actively engaged in the process.**

Both San Francisco and Oakland respondents indicated that SSC representatives did not reflect the student body demographics, typically representing only the more-affluent parents. In addition to under-representation of diverse communities in the process, respondents from both districts mentioned that community involvement varied greatly from school to school. In San Francisco, one community member commented that only about 20 percent of San Francisco's SSCs were organized enough to be effective. Another San Francisco district administrator commented,

> *There are some [SSCs] that are just rubber stamping and who are only marginally engaged. On the other end of the spectrum, the principal is just fighting to be strategic about shifting where the community is and where they think money would be better utilized.*[22]

Both districts also faced challenges in ensuring the effective involvement of community members. One district respondent and one community member in San Francisco commented that principals could be overwhelmed by the amount of community involvement and sometimes struggled with maintaining a balance between teachers' and parents' opinions on school needs. For example, one community member explained that sometimes the conflicting priorities of SSC parents and teachers affect the planning process.

**Despite the challenges they faced, SSCs and principals in both districts showed innovative methods for ensuring that the schools' plans reflect the community's priorities.**

For example, one San Francisco principal described a process she uses to engage the community in ranking school priorities: she wrote school resource options on large pieces of paper and gave parents, teachers, and community members stickers each to place next to their top four choices. The list produced from this ranking allowed the SSC to fund as many of the top priorities as possible.

## 8.3: Perceived Impact on Parent/Community Involvement

Given that both San Francisco and Oakland considered the role that parents and community members play in the process, we asked respondents whether they felt that any change in parent or community involvement had occurred during the district's SBF policy implementation.

**Although we are not able to observe a direct causal link between the engagement of community members and the SBF policies, some respondents in San Francisco and Oakland felt that the process had a positive impact on involving parents and the community in the school planning process.**

Although the levels of community involvement required in the process may be different, both San Francisco's WSF policy and Oakland's RBB policy require some form of involvement from parents and the community. Therefore, we asked respondents whether they felt that the overall involvement of parents and the community had increased.

[22] See *Consideration 5* on how the districts approached building the capacity of all members engaged in this process.

San Francisco placed an emphasis on the role of the community in the shared decision making created by the WSF policy. Overall, similar to what Shambaugh and colleagues (2008) reported, respondents felt that the WSF policy has increased community involvement and authentic engagement in the district. A number of respondents—two district staff, two principals, one community member, one SSC member, and one faculty group—indicated that community involvement had increased, while one community member, one principal, and one teacher felt that community involvement had not increased. As one district respondent answered when asked about a success of the WSF policy,

> *For me, it's the level of parent involvement—I think that's really increased. Where parents really have a voice—sometimes it's a voice you might not always want to hear, but they have the opportunity! And especially in the high school there's a lot of student voice in regards to budgets, which I think is great.*

In addition, one principal noted that although the number of community members had not increased, the process is now "more meaningful for those involved."

In Oakland, although expanding community involvement was not a specifically stated goal of Oakland's RBB policy, two district staff, two principals, and one group of SSC members said that they felt that community involvement had increased since the implementation of RBB. However, they also noted that it is difficult to attribute any increases directly to the policy. For example, one principal believes that community involvement increased at her school because of the school choice policy, which she felt created more buy-in and support from parents because they were able to select their children's schools. Indeed, one district respondent and the union lead questioned the authenticity of community involvement, and the union lead commented that SSCs are still a "rubber stamp" in some schools. Ultimately, although the initial purpose of RBB was to give principals more authority and to hold them accountable for their schools, there is evidence that community involvement and understanding have increased in some schools in Oakland. However, it is not clear how much this change in community involvement and understanding can be attributed to the RBB policy.

## *Consideration 9: Interaction With Other Policies*

A last consideration is how other policies can and do affect the implementation of SBF. No district-wide policy exists in a vacuum. Therefore, to ensure that the district can achieve the goals of an SBF policy, district and school leaders should understand how the policy interacts with other district- and state-level policies and regulations when both designing the policy and reviewing the policy's implementation on an ongoing basis.

### 9.1: Interaction With Other District Policies

District respondents in both San Francisco and Oakland mentioned several district-level policies that likely affect the implementation of the WSF policy. Shambaugh and colleagues (2008) outlined several existing policies in San Francisco that had an impact on the implementation of San Francisco's WSF policy, including the district's school supervision and intervention processes, the existence of other district-specific funding streams, the district's collective bargaining agreements, and the district's open enrollment policy.

**Respondents mentioned several existing district-level policies and procedures that affected the implementation of their SBF policy, including a small-school policy, an open-enrollment policy, and the collective bargaining agreement.**

### Small-Schools Policy

Both San Francisco and Oakland have small schools in their districts, but Oakland has taken a much more aggressive stance on developing small schools. Nine respondents in Oakland and two respondents in San Francisco mentioned that the existence of small schools introduced difficulties to the planning and budgeting processes. Specifically, respondents mentioned that small schools, lacking economies of scale, struggled with covering basic costs with the funds allotted to them. As one Oakland district administrator noted, "Small schools have had a positive impact on classroom and school climate, but have raised financial considerations [around] economies of scale."

Indeed, another Oakland district administrator noted that many schools in the district do not have enough funding in the basic allocations and categorical funds to operate without an additional small-school subsidy. Oakland was reviewing the sizes of its small schools to eventually determine the optimal functional school size with the hope of eventually removing the small-schools subsidy. However, small schools clearly have restricted discretion in both districts because they still need the subsidies in Oakland and receive additional allocations to meet the minimum funds needed to operate in San Francisco (the "floor plan"). Such subsidies essentially take the schools "off the formula," so to speak, by ensuring them minimally sufficient funding to permit operation and by disregarding the student populations at specific school sites.

### District Enrollment Policy

Similar to all major SBF policy districts, both San Francisco and Oakland have open enrollment policies, meaning that students can select from all public schools in the district. Given that funding attached to each child follows the student to whatever school he or she attends, this policy may give schools an incentive to try to attract as many students as possible. One district administrator in Oakland did note that the enrollment process means that "we see families as customers with dollars. [The families] make decisions about what schools they want to go to. With RBB, they really get to decide!" Along these lines, one principal noted that because of the open enrollment policy, "We do a lot of outreach—information nights, fairs, … and events where we invite people who are looking for high schools and put on a show." One San Francisco respondent also echoed findings reported by Shambaugh and colleagues (2008) that in San Francisco, the lower-performing schools with fewer and fewer students are struggling to meet their basic operating costs. Finally, one district respondent in Oakland indicated that the open enrollment policies make forecasting enrollment for the coming year more difficult, causing more variability in the projected and actual budgets at the school site.

### Collective Bargaining Agreements

As mentioned in previous sections, respondents at all levels of the system revealed that each district's collective bargaining agreements affected the implementation of the district's SBF policies. Previously, Shambaugh and colleagues (2008) reported that San Francisco respondents felt that the teacher hiring and transfer processes severely constricted a school's discretion. Similarly, a majority of both Oakland and San Francisco respondents in this current study voiced a similar concern. A district administrator in Oakland echoed this sentiment, noting, "There's a disconnect between the RBB process and some of the union contracts."

One former district administrator in Oakland noted that the collective bargaining agreements were altered toward the beginning of the RBB policy to give more authority to schools. Nevertheless, the majority of respondents in both districts felt that the large component of their discretion focused on staffing had really not changed during SBF implementation.

## 9.2: Interaction With State Policies

In addition to other existing district policies that might affect the implementation of an SBF policy, San Francisco and Oakland respondents shared their insight on the impact of certain state policies. Specifically, as Shambaugh and colleagues (2008) also found, respondents mentioned their perceptions of the negative impacts of a high number of categorical program funds, an uncertain state budget funding cycle, and a general lack of adequate funding.

### Large Number of Categorical Funds

**The sheer volume of categorical programs in California created challenges for schools in connecting their goals and objectives with the requirements embedded within the categorical programs.**

California is known for its increasingly large number of state categorical program funds restricted for specific use at district and school levels. Indeed, California has more categorical programs than any other state in the country (Hassel & Roza, 2007). Districts in California can receive funds from as many as 220 state and federal categorical programs, up from just 57 state categorical programs in 1993 (Timar, 2006). Hassel and Roza (2007) argue that the large number of categorical program funds in any state can reduce spending coherence, impose onerous management requirements of the funds, and provide a "one-size-fits-all" approach to school systems with differential needs. However, our respondents indicated that categorical program funds, more specifically, can affect the intent of an SBF policy.

The previous descriptive study of the WSF policy in San Francisco reported that approximately half the respondents at the district and school levels mentioned that the categorical funds presented challenges in the budgeting process (Shambaugh et al., 2008). Similarly, six of the Oakland respondents and three of the San Francisco respondents mentioned the difficulties created by the categorical funds. Conversations revealed that the large number of categorical funds in California affected both the manner in which schools plan their programs and the overall process for monitoring and compliance.

First, respondents reported that the large number of state and federal categorical program funds affected how schools develop their school and resource allocation plans. By introducing a fragmented funding system on which to overlay their school plan, the alignment of the budget to the goals in the plan became more difficult because it was challenging for a school to connect categorical program funds, restricted to specific programmatic purposes, to the school's unique strategy.

Second, the large number of categorical program funds did not have an impact on just the process for school planning but also appeared to reinforce a compliance mentality. As Cross and Roza (2007) assert, the highly monitored and documented process for spending federal and state funds has "created the mentality that documenting compliance was more important that documenting educational outcomes." For example, one San Francisco principal admitted that she doesn't "really put into the academic plan what I see as the true goals. I use words that will appease the district and will fulfill the categorical [requirements.]"

Third, one superintendent in a non-SBF district noted that the categorical program funds provide additional dollars for students with additional needs, but their distribution is not sufficiently systematic, noting, "The difficulty is that there's not a lot of science attached to the weights [of the categorical program funds]."

## State Budgeting Cycles

**Respondents felt that the implementation of SBF policies was directly affected by California's budget cycle, which made the planning process much more difficult.**

Seven respondents—four district administrators and one principal from Oakland, and one district administrator and one principal from San Francisco—all discussed the negative impact of the state budget cycle on their districts' and schools' planning and budgeting processes.

The state budget is supposed to be finalized every year by the beginning of July. Given that this date does not align with when the schools are supposed to finalize their budgets in April, the schools must finalize their plans before knowing exactly how much money they will receive. In addition, the July deadline is rarely met, leading to even more uncertainty as the school year nears. As one district administrator noted,

> *The annual budget cycle is very unpredictable … which makes forecasting and budgeting more difficult … Schools are in a Catch 22 [because] they don't know if they can actually pay for what they want and the central office is not sure if they can actually provide the services they want.*

As one Oakland principal asked, "What other organization doesn't have an operating budget firmly in place [for the coming year]?" One San Francisco administrator noted that because of the uncertainty of the state budget, the budgets had to be changed four times in one planning cycle, creating additional work for all of the principals.

As others have already noted (see, for example, Jacobson, 2008), the state budget cycle introduces another layer of uncertainty into the districts' and schools' planning and budgeting process. Schools must budget for the "worst case scenario" and hope that the legislature gives them more money in the fall. However, at that point, it is often too late to hire back all the teachers whom they have laid off. Simply put, as one district administrator in Oakland noted,

> *[Our SBF policy] doesn't really fit in some ways with how school districts are funded and state annual funding cycles for education work. We just have to be able to make that work.*

## State Funding Levels

Another large impact from state policies that respondents reported was not in the budgeting cycle or the number of categorical program funds but rather in the general lack of adequate funds in the state of California.

**Respondents at all levels of the system in both districts mentioned that the state's overall lack of funding for education had a dramatic impact on their school plans.**

Echoing findings from our earlier study in San Francisco (Shambaugh et al., 2008), respondents in both districts repeatedly mentioned the difficulty of any budgeting process given the general perception of a lack of adequate funding. As one district administrator in Oakland noted, "RBB has made more visible that we don't have much money." The union leader in Oakland noted that

> *One unintended consequence [of RBB] was, because … we're dealing with inadequate funding to start with … [schools are] having to really decide between essential things.*

Whether the lack of money affects the degree of discretion for making decisions on programmatic and staffing resources at the school or the level of funding leaves the central office to scramble to determine how to cover all schools' operating costs, respondents expressed a very clear frustration over the availability of funding. This sentiment may have been intensified because the interviews were conducted in a year that produced a state-level budget crisis that led to potential layoffs for all

districts in the state. Nevertheless, a strong recommendation from several respondents was to increase state funding.

## Summary of Chapter 4

This chapter detailed six of the nine considerations that both San Francisco and Oakland faced when developing their SBF policies, as well as some of the reactions to these decisions by relevant stakeholders in the districts. Although the two districts have many policy similarities, we detailed a number of concrete implementation differences between the two districts. The district's similarities and differences follow:

- Alignment between a school's academic goals and the allocation of dollars in the budget, critical to schools' success in achieving those goals, was difficult to achieve in both districts. Some schools accomplished this objective better than others, and the capacity of school leadership in those schools appeared to be a contributing factor.
- With regard to building school capacity, San Francisco provided extensive training and documentation of procedures. At the same time, Oakland provided more limited training, but provided much more significant support to the schools from trained district personnel.
- To foster school-level buy-in, during the years prior to implementing the WSF policy, San Francisco made considerable efforts to involve district- and school-level staff in the process of designing and implementing its version of the SBF policy. In contrast, Oakland's RBB policy was implemented very quickly at the mandate of a district leader. Whereas San Francisco introduced WSF as a pilot program, Oakland implemented the RBB throughout the district within a period of months. Given the different ways the two districts brought these policies to scale, it is interesting to note that both school and district staff within both districts had a very comparable and relatively high level of satisfaction with their policies.
- Community involvement was handled quite differently in the two districts. San Francisco expected principals to involve their SSC in decisions on all funds in the budgeting process and to hold meetings to seek public input on the academic plans and budgets. Oakland required input only on the use of categorical funds and held no community-wide meetings, putting the responsibility on the principals to decide how much community involvement to seek. However, despite the differences in implementation of this process, the reality was that a fairly limited number of community members were actually involved in the process.
- Other policies significantly affected the implementation of SBF policies. District policies and processes, including small-schools policies, open enrollment policies, and collective bargaining agreements, as well as state-level policies such as the number of state and federal categorical programs, the state budgeting cycle, and the level of funding in the state, all had an impact on the design and implementation of San Francisco's WSF policy and Oakland's RBB policy.

# Chapter 5
# Analysis of Spending Patterns

In addition to understanding how districts design and implement an SBF policy, it is also important to understand whether SBF districts distribute and utilize their resources in different ways after changing their funding formulas and decentralizing decision-making authority. Therefore, this chapter explores the patterns of variation in per pupil spending across schools within the San Francisco and Oakland. The first section gives a brief overview of the trends in per pupil expenditures existing in the two districts both before and after implementation of the SBF policy.[23] Next, we provide a more detailed analysis of changes in how dollars were allocated among different objects of expenditures in both districts before and after the implementation of an SBF policy.

## General Trends in Per Pupil Expenditures

First, to understand the context of expenditures in both districts, we calculated the basic per pupil expenditures trends at the school level.[24] These school-level expenditures accounted for just under two-thirds of total district spending and, for the most part, included dollars allocated to resources that principals and the school leadership manage and administer at the school site.[25]

**Although actual spending increased in both Oakland and San Francisco over the period studied, real resources available to schools, once inflation was taken into account, either remained constant or declined.**

Exhibits 20 and 21 display the trends in average per pupil expenditures over time across elementary, middle, and high schools in San Francisco and Oakland, respectively. With a few significant exceptions, we observed an increase in actual per pupil spending over the timeframe of our analysis across all three schooling levels in both districts. However, it should be noted that in those years when expenditures did drop (2002–03 and 2003–04 for San Francisco and 2005–06 in Oakland), the decline reflected a significant decline in resources. Moreover, when we account for the effects of inflation, real spending at the school level has either stayed about constant or declined.[26] In effect, inflation has made it difficult for schools to maintain the same service levels in both districts over the period of our analysis.

Compared to expenditures in Oakland, the average per pupil expenditures at San Francisco middle and high schools were much closer to one another. After a jump in school-level per pupil expenditures from 2000–01 to 2001–02, San Francisco middle and high schools experienced a large two-year decline. Elementary schools enjoyed an increase for a full three years (from 2000–01 to 2002–03), which then gave way to a large decrease in 2003–04 to a level below their 2001–02

[23] See Exhibits A7 through A17 in Appendix C for more general information on the context of each district, including enrollment patterns and numbers of students in poverty and English learners.

[24] Using district-provided fiscal files, we calculated school-level per-pupil expenditures by simply dividing the total expenditures at each school by its enrollment. We calculated only those expenditures that we could track to the specific school site. Oakland was unable to provide us with accurate data for the 2003-04 school year, so we simply excluded the fiscal data for that year from our analysis

[25] In addition to the resources managed at the school site, schools receive a substantial amount of services from instructional and support staff members from the central office who provide direct services to schools. Therefore, the school-level per-pupil expenditures should not be interpreted as representing the overall amount spent per student. Rather, they represent the dollars that could be reliably tracked to the school site.

[26] See Exhibit A34 Appendix C for the estimates of inflation.

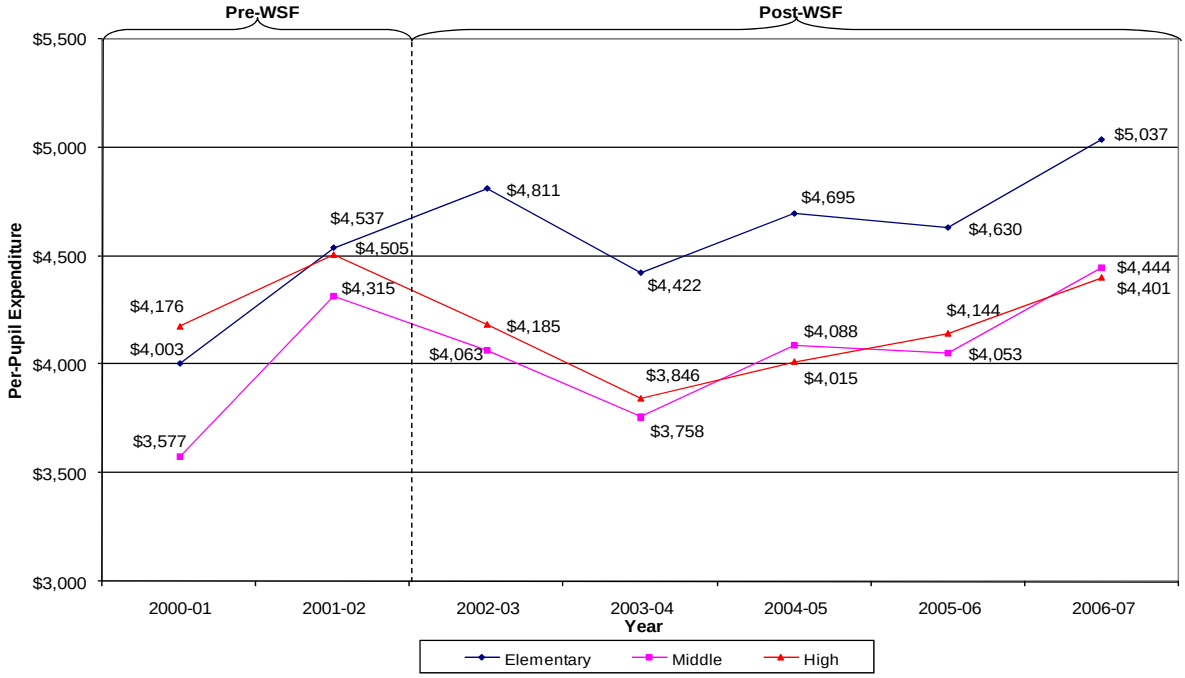
average. From 2003–04 on, there was a general increasing trend across all school levels (a steady increase for high schools and 2 years of large increases interrupted by slight decreases in 2005–06 for the two lower levels). Over the period, average school-level per pupil expenditures for elementary, middle, and high schools in San Francisco increased by 25.8 percent, 24.2 percent, and 5.4 percent, respectively. Although consumer prices over this period increased by about 14 percent, data from the Bureau of Labor Statistics (BLS) indicated that elementary and secondary school teachers' salaries increased by about 25 percent from 2000–01 to 2006–07 (Bureau of Labor Statistics, 2008).

From 2002–03 (the year prior to RBB implementation) to 2004–05, average per pupil expenditures increased in Oakland for both elementary and middle schools, but declined for high schools, followed by additional declines in per pupil expenditures for all three school levels in 2005–06 and sharp increases in 2006–07. Over the five-year period, Oakland elementary schools enjoyed the largest relative increase in school-level per pupil expenditures (17.2 percent), followed by middle (9.0 percent) and high schools (4.4 percent). Meanwhile, consumer prices over this period increased by 7 percent, and the elementary and secondary school teachers' salaries increased on average by about 13 percent.

What is perhaps most notable in both districts is that elementary schools spent more per pupil than the middle and high schools in almost every year in our analysis.[27] In San Francisco, elementary schools outspent the high schools by roughly 15 percent in 2002–03 ($4,811 versus $4,115) and by over 14 percent in 2006–07 ($5,037 to $4,401). Oakland elementary schools outspent the high schools by about 10 percent ($5,383 versus $4,895) in 2000–01 and over 23 percent ($6,310 to $5,111) in 2006–07. Although high schools, and to some degree middle schools, generally require more full-time-equivalent (FTE) teaching staff per full-time student, their class sizes tend to be somewhat larger and their administrative costs tend to be spread across a larger enrollment than elementary schools, on average. It appears that the larger class sizes and the ability to spread administrative and support costs across larger enrollments tend to result in somewhat lower per pupil costs for the upper-grade schools. In addition, federal Title I programs, the largest federal education program, also tends to be predominantly found in elementary schools, which tends to increase spending at the elementary level relative to the middle and high school levels.

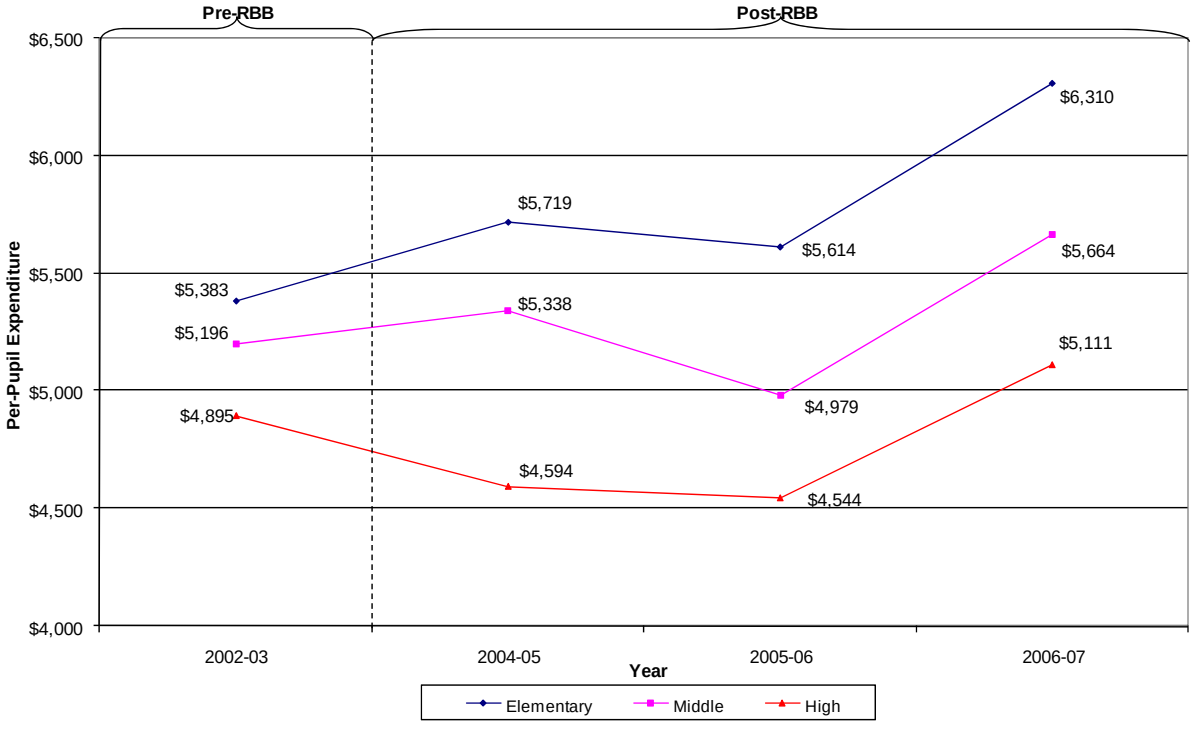
[27] The only exception is 2000–01 in San Francisco in which the middle schools just barely outspent the elementary schools.

**Exhibit 20: Average Per-Pupil Expenditure of San Francisco Elementary, Middle and High Schools from 2000-01 to 2006-07**




Source: District-provided Standardized Account Code Structure (SACS) fiscal data, 2000-01 through 2006-07 and California Department of Education (CDE) School Information Form, Section B database available online at http://dq.cde.ca.gov/DataQuest/downloads/sifenr.asp.

**Exhibit 21: Average Per-Pupil Expenditure of Oakland Elementary, Middle and High Schools for 2002-03 and 2004-05 to 2006-07**




Source: District-provided Standardized Account Code Structure (SACS) fiscal data, 2000-01 through 2006-07 and California Department of Education (CDE) School Information Form, Section B database available online at http://dq.cde.ca.gov/DataQuest/downloads/sifenr.asp.

## Expenditures by Object Category

We then examined how resource allocation had changed after implementation of the RBB and WSF policies. To do this, we disaggregated average per pupil expenditures within the high-, middle-, and low-poverty groups of elementary, middle, and high schools into the following object categories: certificated and classified personnel salaries; employee benefits; services and operations; books and supplies; and outgoing, capital outlay, and other financing uses.[28]

For each observed year and schooling level, we categorized schools as low-, middle-, and high-poverty based on whether they were below the 25th percentile (low), between the 25th and 75th percentiles (middle), or above the 75th percentile (high) of poverty.[29] We then calculated the average per pupil expenditures for each poverty category by schooling level and year.[30]

Exhibits 22 and 23 display average per pupil expenditures for different categories for San Francisco and Oakland elementary schools. Each bar shows, for a given school year, how average per pupil expenditures in a particular poverty group are broken out across the different types of object categories listed above. All averages are pupil-weighted to provide a more accurate district-wide representation. To the right of each collection of bars for a school year, we list the shares of total per pupil expenditures associated with each object-specific segment. We present the total per pupil expenditures (i.e., the sum of all the object components) at the top of each bar.

### Expenditures by Object Category for San Francisco Schools

**In San Francisco, we found average total per pupil expenditures increasing over time with respect to elementary school-level poverty across all observed years (see Exhibit 21). The only perceptible change in the patterns of total per pupil expenditures that occurred after WSF implementation was a convergence of expenditures for the middle- and high-poverty schools in the four years following policy adoption.[31]**

For elementary schools, perhaps the most notable finding is the large increase in dollars per pupil spent on employee benefits beginning in 2004–05, reaching 23 to 25 percent of total expenditures by 2006–07, in contrast to 15 to 16 percent in 2000–01. As mentioned in Consideration 2 in Chapter 3, this could relate to the change in how the district charges benefits against school-level budgets. In addition, expenditures on both classified personnel salaries and services and operations experienced rather sharp increases in the year directly following WSF implementation (2002–03). However, despite this one-year increase, the share of total per pupil expenditures going toward certified personnel salaries generally declined from pre-WSF levels. The shares of low-, middle-, and high-poverty school expenditures attributable to certified personnel salaries dropped from 64, 68, and 72 percent in 2000–01 to 60, 61, and 66 percent, respectively, in 2006–07, an average decline of more than five percentage points. Similarly, the low-, middle-, and high-poverty school figures for classified salary shares went from 8, 11, and 14 percent to 4, 6, and 6 percent.

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[28] Appendix A provides a list of the disaggregated object codes in each category.
[29] The calculated percentile cut-off points of poverty used to distinguish among high-, middle-, and low-poverty schools were enrollment-weighted to more accurately reflect the poverty distribution across schools. A further discussion of the data used here is included in Appendix A.
[30] The average per-pupil expenditures were weighted by enrollment to provide a more representative average measure of per-pupil spending. An unweighted average could be influenced by per-pupil expenditures of smaller schools.
[31] The expenditures difference between middle- and high-poverty schools became large again in 2006–07.

The average total per pupil expenditures for middle schools across poverty levels showed that funding became more progressive for most years.[32] However, the patterns are not as clear as those for elementary schools. Most notably, in 2000–01 middle-poverty schools tended to spend slightly less on a per pupil basis than those in the low-poverty group; in 2003–04 and 2006–07 high-poverty schools spent slightly less than middle-poverty schools. Again, we find that spending on employee benefits increased substantially over the period, whereas the shares of total per pupil expenditures spent on both classified and certified personnel salaries experienced a general decline, especially from 2004–05 to 2006–07.

For the two pre-WSF years, the patterns in total average per pupil spending in San Francisco high schools across poverty groups are similar to those of middle schools.[33] However, in the years following WSF implementation, the results differ greatly. First, the high school findings exhibit a much smaller range in average total per pupil expenditures across poverty category. Second, as opposed to the staircase shape found for virtually all years in the elementary and middle school analyses, the high school patterns for 2003–04 and 2004–05 show that low-poverty and high-poverty schools received more per pupil funding than middle-poverty schools. In addition, across all years, high schools tended to spend less per pupil on services and operations than did their elementary or middle school counterparts. However, as in both the elementary and middle schools, employee benefits increased substantially, especially from 2004–05 on, whereas classified personnel salaries expenditures generally declined. Interestingly, no general decline in expenditures occurred for certified personnel salaries.

## Expenditures by Object Category for Oakland Schools

**In Oakland, expenditures on books and supplies as well as services and operations increased over the period of RBB implementation.**

Exhibit 23 shows how average per pupil expenditures were split across object categories for low-, middle-, and high-poverty Oakland elementary schools in the year preceding RBB implementation (2002–03), indicating that high-poverty schools spent less than low-poverty schools per pupil—$5,166 versus $5,595. However, by 2006–07 this pattern had almost reversed itself, with lower total per pupil expenditures in low-poverty schools than in middle and high poverty schools. These patterns for overall total per pupil expenditures were most strongly driven by the categories of certified personnel salaries and services and operations.

Certified personnel salaries accounted for the largest share of the total (roughly 60 percent). Services and operations[34] grew from between 3 to 5 percent of total expenditures to about 7 to more than 10 percent of the total by 2006–07; this increase may be due to the concurrent increase of small schools that require more administrative services as the number of schools expands  In addition, per pupil expenditures on books and supplies consistently grew over time across all school groups. A potential reason for the increase in expenditures on books and supplies may be the settlement of the *Williams* case in 2004, which led to an additional $138 million of state funds targeted for new books and instructional materials at the lowest-performing schools (*Eliezer Williams et al. vs. State of California et al.*). The growth in spending on services and operations may reflect, in part, the district's

[32] See Exhibit A37 in Appendix C for the results from this analysis.
[33] See Exhibit A38 in Appendix C for the results from this analysis.
[34] Services and Operations include communications, housekeeping services, insurance, travel and conferences, etc.

introduction of a "service economy" (see Chapter 3, *Consideration 3*), whereby services could be purchased from the district as needed.

The relative object-specific expenditures shares for the pre-RBB year were quite similar, with middle-poverty elementary schools spending a slightly larger portion of total expenditures (5 percent) on services and operations. In the post-RBB period, the shares of total per pupil expenditures devoted to certified and (to a lesser extent) classified personnel declined over the period for all poverty categories. These were offset largely by increases in the share of expenditures going toward services and operations and, to a lesser extent, books and supplies.

In contrast to the findings for elementary schools, the middle school results showed that just prior to RBB, the average total per pupil expenditures were considerably higher for high-poverty middle schools.[35] In 2006–07, expenditures among Oakland middle schools became relatively progressive where average per pupil spending, both in total and for each individual object-specific component, was highest for high-poverty schools. Similar to the elementary findings, spending on services and operations and books and supplies consistently increased over time. In addition, expenditures attributable to certified personnel salaries decreased.

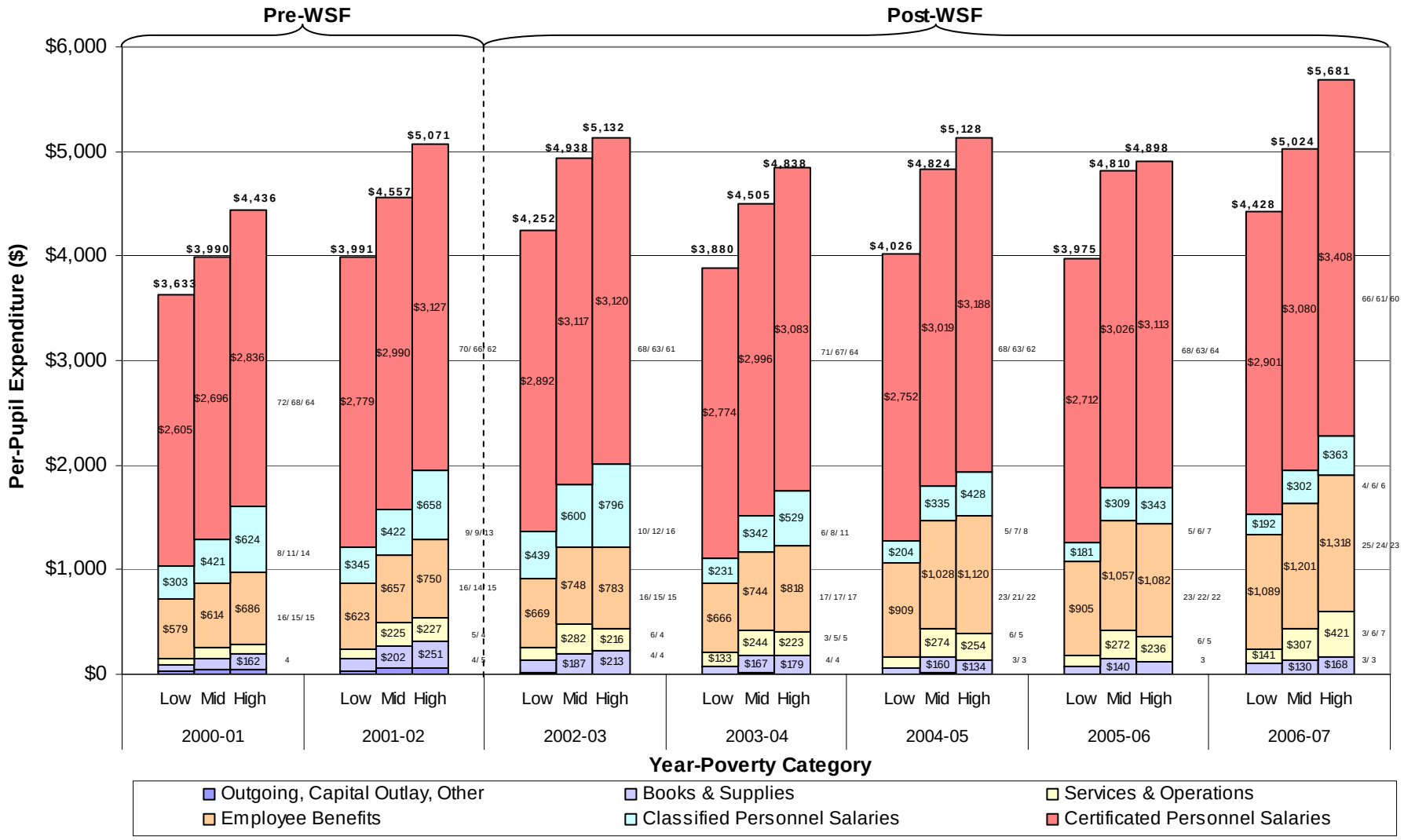
For Oakland high schools, there is no clear pattern in average total per pupil spending over time.[36] Similar to the findings for the elementary and middle schools, we observed that absolute spending per pupil on services and operations increased for all three poverty groups in the post-RBB years, again probably due to the increase in the total number of schools. Additionally, the share of high school expenditures attributable to certified personnel salaries consistently decreased for all poverty levels over the period, while expenditures on books and supplies generally increased.

## Composition of Certified Personnel Salaries

The investigation of expenditures by object presented above clearly shows that the bulk of educational spending goes toward the salaries of certified staff. However, the results have nothing to say about how salary expenditures are distributed across the various classes of certified personnel employed at schools. Given that the implementation of SBF policies may have involved significant changes in the roles and responsibilities of staff and subsequent shifts in the mix of types of certified personnel that schools employed, we examined the per pupil expenditures on four specific components of the certified personnel salaries: teachers, administrator/supervisor, pupil support, and other.[37]

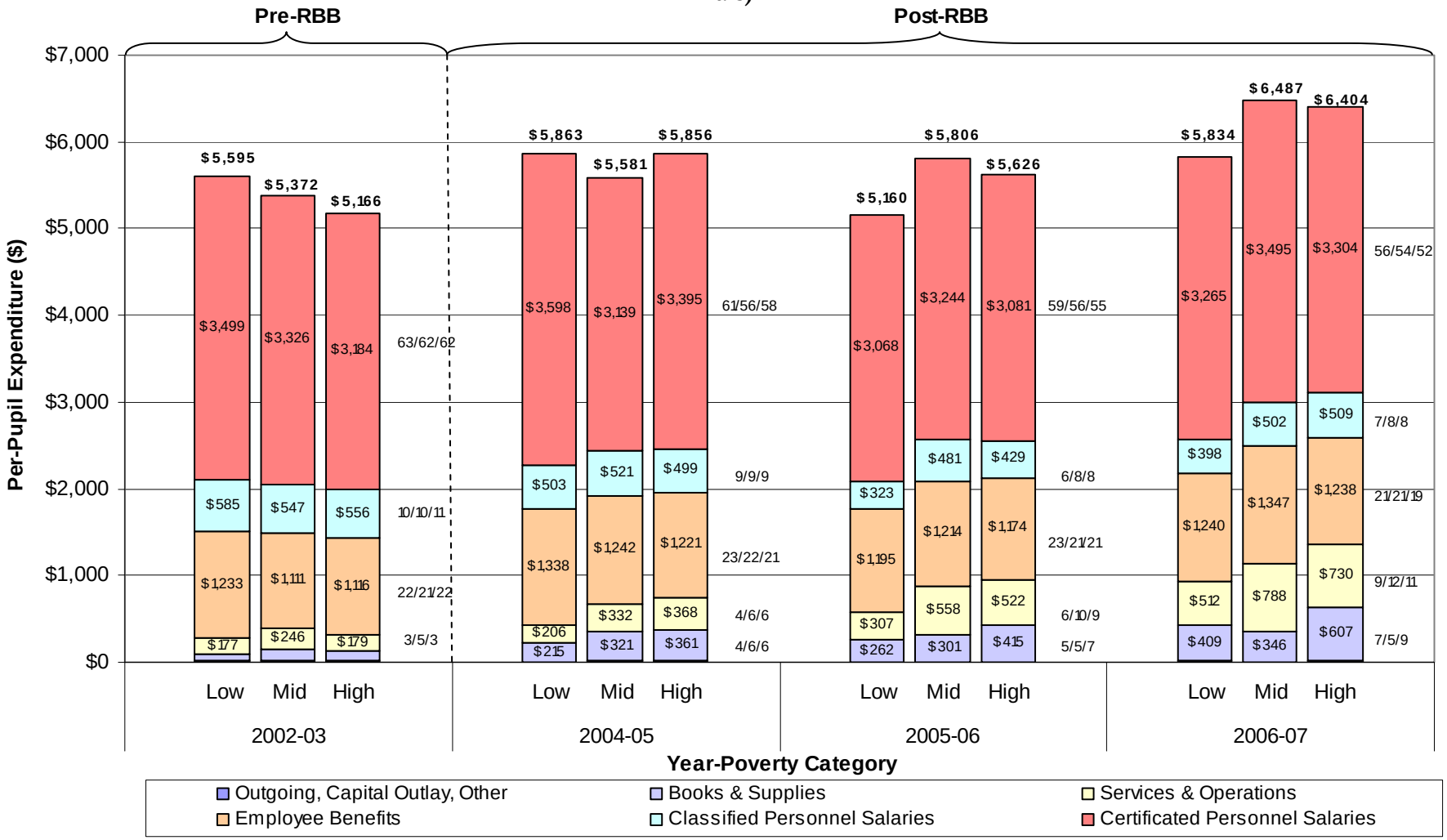
[35] See Exhibit A35 in Appendix C for the results of this analysis.
[36] See Exhibit A36 in Appendix C for the results of this analysis.
[37] The "Other" category includes certified salaries for personnel such as special education staff and other program specialists or resource teachers not performing duties as a classroom teacher.

**Exhibit 22: Distribution of San Francisco Elementary School Per-Pupil Expenditure Across Spending Object by Poverty Category for 2000-01 to 2006-07 (Total Per-Pupil Expenditure in Bold, Shares to Right of Bars)**




Source: District-provided Standardized Account Code Structure (SACS) fiscal data, 2000-01 to 2006-07.
Note: Labels for dollar values below $125 and corrsponding expenditure shares not displayed.

**Exhibit 23: Distribution of Oakland Elementary School Per-Pupil Expenditure Across Spending Object by Poverty Category for 2002-03 and 2004-05 to 2006-07 (Total Per-Pupil Expenditure in Bold, Shares to the Right of Bars)**




Source: District-provided Standardized Account Code Structure (SACS) fiscal data, 2002-03 and 2004-05 to 2006-07.
Note: Labels for dollar values below $125 and corrsponding expenditure shares not displayed.

**In Oakland, schools at all levels spent a greater portion of certified salary on administrative/supervisory staff during the implementation of the RBB policy.[38]**

Specifically, starting in 2004–05, the share of teacher salaries in Oakland elementary schools decreased, while expenditures on administrator/supervisor increased. Oakland middle schools, after the implementation of RBB, also saw an increase in expenditures on administrative and supervisory staff salaries, mostly offset by a decrease in pupil support salaries. Finally, in Oakland high schools, teacher salary expenditures declined after RBB was implemented, while administrative/supervisory salaries and, in 2006–07, pupil support salaries increased.

**In San Francisco, at all levels of the system, spending on teacher salaries increased, while expenditures on staff classified as "other" (e.g., reading specialists) almost disappeared completely.**

Specifically, elementary, middle, and high schools showed a general increase after the implementation of WSF in the average share of certified salary expenditures spent on teachers, especially for middle- and high-poverty schools. Compared with the situation in the pre-WSF period, there has been almost a complete drop-off of salary expenditures on staff classified as "other." Elementary and middle school expenditures on administrative/supervisory staff remained relatively constant over the period. In addition, in high schools, the difference between relative expenditures on teachers in low- and high-poverty schools dropped from 6 percent in 2001–02 (when the average low- and high-poverty schools dedicated 86 and 80 percent of salary expenditures, respectively, to teachers) to 1 percent in 2006–07 (when the average low- and high-poverty shares were 85 and 84 percent).

## Summary of Chapter 5

To summarize, the examination of per pupil expenditures in this chapter suggests the following:

- Across all schooling levels in Oakland, the share of total expenditures put toward certified personnel salaries declined substantially, whereas the share attributable to services and operations increased.
- Spending on books and supplies at all schooling levels has increased dramatically over time, which might be related to the settlement of the *Williams* court case.
- In San Francisco, school-level spending on employee benefits increased dramatically both in absolute and relative terms.
- The share of certified personnel salaries attributable to teachers in Oakland elementary and high schools declined after the introduction of the RBB policy, and the elementary share spent on other certified staff increased over the same period.
- Oakland middle schools experienced an increase in the share of certified salaries spent on administrative/supervisory staff and a decrease in the share spent on pupil support personnel.
- Schools at both the elementary and middle levels in San Francisco experienced an increase in the share of certified salary expenditures devoted to teachers.
- Spending on other certified staff salaries across all school levels in San Francisco (elementary, middle, and high) virtually disappeared after the adoption of its WSF policy.

[38] See Exhibits A39 through A44 in Appendix C for the full display of analyses of certified salary expenditures.

# Chapter 6
# Targeting Funds to Students in an SBF Policy: Patterns Related to Student Need and Scale of Operations

Among the most important goals of implementing an SBF policy is to achieve a more equitable distribution of resources by producing a system in which dollars more closely follow students according to need. Therefore, we conducted analyses to determine whether students with characteristics commonly associated with additional educational needs had access to more resources at the school level.

This chapter focuses on analyzing the relationship between school-level per pupil expenditures and student need over time. Here we explore whether the relationship between spending and student need changed after San Francisco and Oakland implemented an SBF policy. We investigated the relationship between spending and student need by using overall per pupil expenditures as well as its unrestricted and restricted funding components.

The first section of this chapter provides a discussion of restricted versus unrestricted funding and some of the implications for equity of the teacher salary subsidies used by Oakland. The second section contains a descriptive analysis of the link between expenditures and student need. The third section presents a more detailed multivariate regression analysis of this relationship between expenditures and student need.

## *Policy Design Implications – Restricted Versus Unrestricted Funding and Teacher Salary Subsidies*

As discussed in Consideration 1 in Chapter 3, San Francisco and Oakland designed their SBF policies quite differently. A major distinguishing factor between WSF in San Francisco and RBB in Oakland is in the types of funding that the new distribution methods affect. For this analysis, we divided expenditures into two classifications, those made from *restricted* versus *unrestricted* revenues.

Restricted funding comes from federal, state, and local sources and generally includes categorical funds directed at specific programs (e.g., bilingual, child development) or student populations (e.g., poverty status, EL status). Unrestricted funds are those over which the school has some discretion. Exhibit 24 provides examples of the types of targeted funding falling under each group.

### Exhibit 24: Types of Restricted (Categorical) Funding

**Restricted Federal Resources**–Title I, Title II, Title III, Individuals with Disabilities Education Act (IDEA), Bilingual Education, Adult Education, Child Development and Nutrition

**Restricted State Resources**–Economic Impact Aid (EIA), Targeted Instruction Improvement Block Grant (TIIBG), Immediate Intervention/Underperforming Schools Program (IIUSP)

**Restricted Local Resources**–Routine Repair and Maintenance, Locally Defined Resources

In San Francisco, the WSF policy implemented specific student weights to distribute unrestricted funding to schools on the basis of student need (see Consideration 1, Chapter 3). The district then ensured that each school's allocations provided a minimum operating budget based on a set standardized staffing ratios (the "floor plan"). Restricted funds continued to be distributed as they were prior to the implementation of the WSF.

In contrast, Oakland's RBB policy did not assign explicit student weights to unrestricted funding. Instead, Oakland distributed its unrestricted funds according to a school's share of total district enrollment weighted by average daily attendance (ADA): that is, schools with higher attendance rates received more funding per pupil. However, elementary, middle, and high schools received differential per pupil funding based on assumptions about the relative cost of serving students at these grade levels. Also, Oakland distributed restricted funding to schools according to their enrollment of eligible students in relation to the district as a whole (e.g., Title I funding is distributed based on free or reduced-price lunch counts of children).

Another important difference between the San Francisco and Oakland SBF models is in the way each district treated personnel costs in school budgets. As outlined in Consideration 2, under the WSF program in San Francisco, the cost of a full-time teacher for any school corresponded to the average compensation level for teachers in the district. In Oakland under the RBB policy, the cost of a full-time teacher corresponded to the actual compensation for that teacher. However, Oakland introduced this component of the RBB model gradually from 2003–04 to 2006–07, over which time those schools with high proportions of veteran (or more expensive) teachers could apply for subsidies to cover their higher costs.

Although using compensation subsidies was necessary to ease the transition for schools with high salary costs resulting from large proportions of veteran teachers, one might expect that these subsidies may have diluted the original intention of moving to using actual salaries. That is, the original intent of this provision was to increase equity by having schools base their staffing decisions on the true cost of the staff they employ. We investigated the impact of the teacher subsidies on the relationship between expenditures and poverty in the post-RBB years by estimating additional implicit student need weights using school-level per pupil expenditures that did not include subsidies for veteran teachers. The implicit weight profiles with and without the teacher subsidies were then compared to evaluate the impact of this policy component on the expenditures/poverty relationship. In addition, to examine the impact of Oakland's use of veteran teacher salaries on the potential strengthening of the expenditures/poverty relationship associated with RBB, we estimated alternative implicit weights, using expenditures that did not take into account the subsidies received by schools.

Given that the two districts have implemented policies that use quite different strategies to achieve an equitable distribution of resources, it makes sense to examine the implications of each not only on total expenditures but also on the restricted and unrestricted expenditures components. To this end, we estimated implicit weight adjustments for each year for total, restricted, and unrestricted expenditures, and we did so separately, in both districts, at the elementary and combined

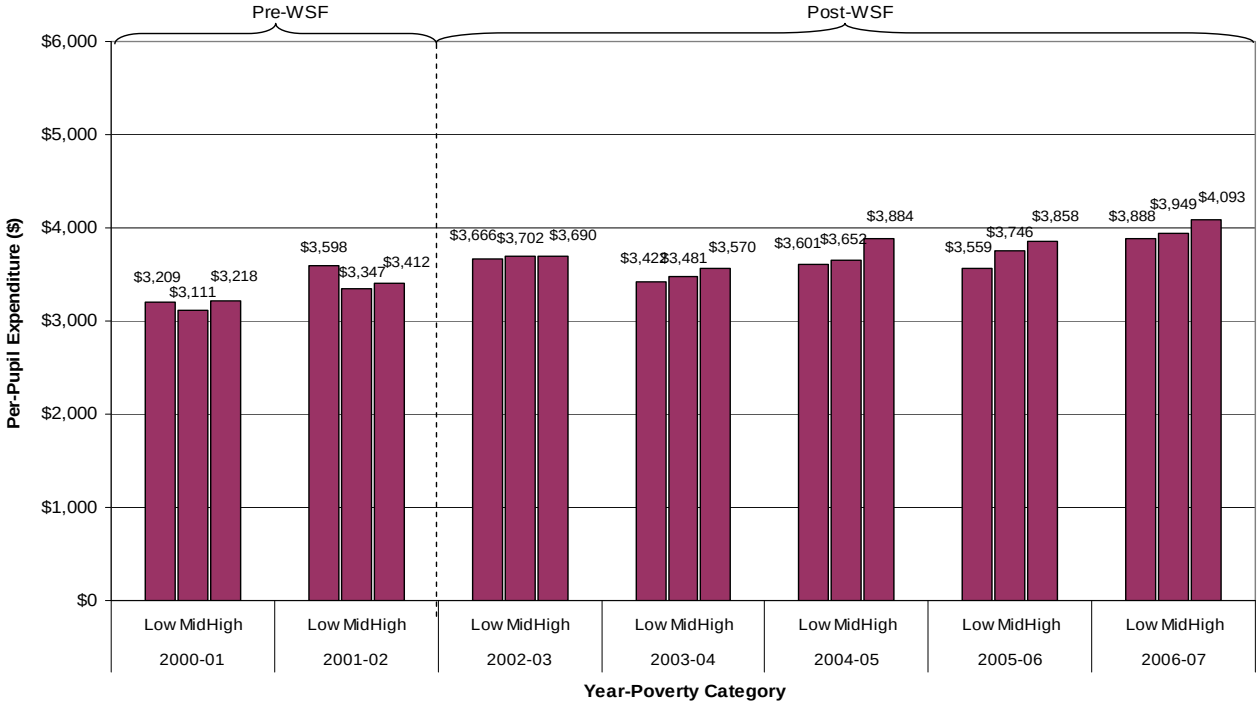
middle/high school levels.[39] The following section presents the main results of the analysis of implicit need weights.

## The Relationship Between Expenditures and Student Need – Descriptive Analysis

An important goal of both the RBB and WSF policies is to promote greater equity. However, each policy is quite different in the types of funding it uses to achieve this goal, given that Oakland focuses its efforts on restricted funding while San Francisco focuses on both unrestricted and restricted funding. Therefore, this section investigates how expenditures stemming from restricted and unrestricted funding vary according to student need in each district and whether there have been any differences since Oakland and San Francisco adopted their SBF models.

In San Francisco, the results for the elementary and middle schools suggest that unrestricted funding allocations increased equity in the years following the implementation of a WSF policy. For example, Exhibit 25 shows that prior to the implementation of WSF, low-poverty elementary schools actually received more unrestricted funding per student than did those serving high-poverty populations. This trend was reversed with the onset of WSF and improved progressively over the course of the policy.[40] However, this pattern does not hold true for high schools; low-poverty high schools continued to receive more unrestricted funding than high-poverty high schools.

**Exhibit 25: Distribution of San Francisco Elementary School Per-Pupil Unrestricted Expenditure across Resource Types by Poverty Category from 2000-01 to 2006-07**



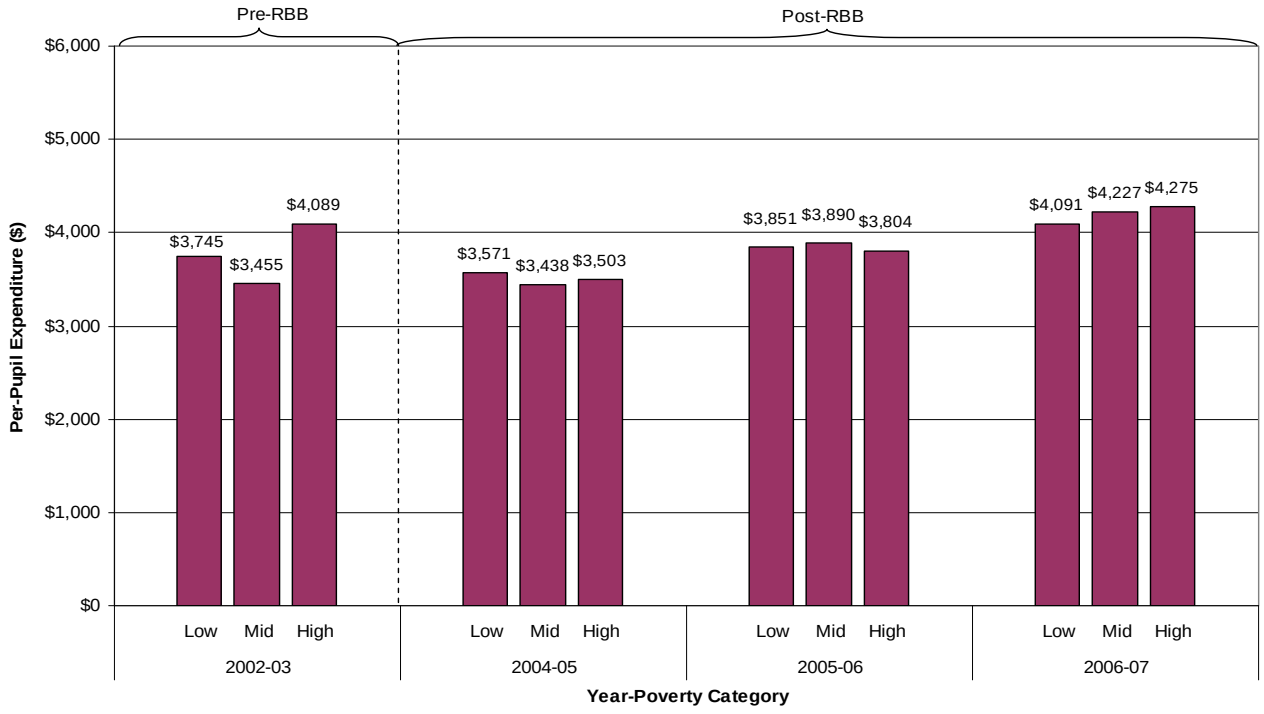

Source: District-provided Standardized Account Code Structure (SACS) fiscal data, 2000-01 through 2006-07.

[39] The sample size of middle and high schools was not sufficiently large enough to run separate regressions at these grade spans.

[40] See Exhibits A45 to A50 in Appendix C for all the graphical displays of this analysis.

In Oakland, prior to RBB implementation, low- and high-poverty schools tended to exhibit higher per pupil expenditures than the middle-poverty schools at all three grade levels. However, as Exhibit 26 shows, only middle schools showed a relatively progressive pattern in unrestricted funding over time, whereby unrestricted expenditures tended to increase with poverty. This result is somewhat surprising given that the design of the RBB policy does not include explicit weights for student need in unrestricted funding. However, the elementary and high school levels did not show patterns that relate increases in unrestricted funding expenditures to higher student need.

**Exhibit 26: Distribution of Oakland Middle School Per-Pupil Unrestricted Expenditure across Resource Types by Poverty Category from 2002-03 and 2004-05 to 2006-07**




Source: District-provided Standardized Account Code Structure (SACS) fiscal data, 2002-03 and 2004-05 through 2006-07.

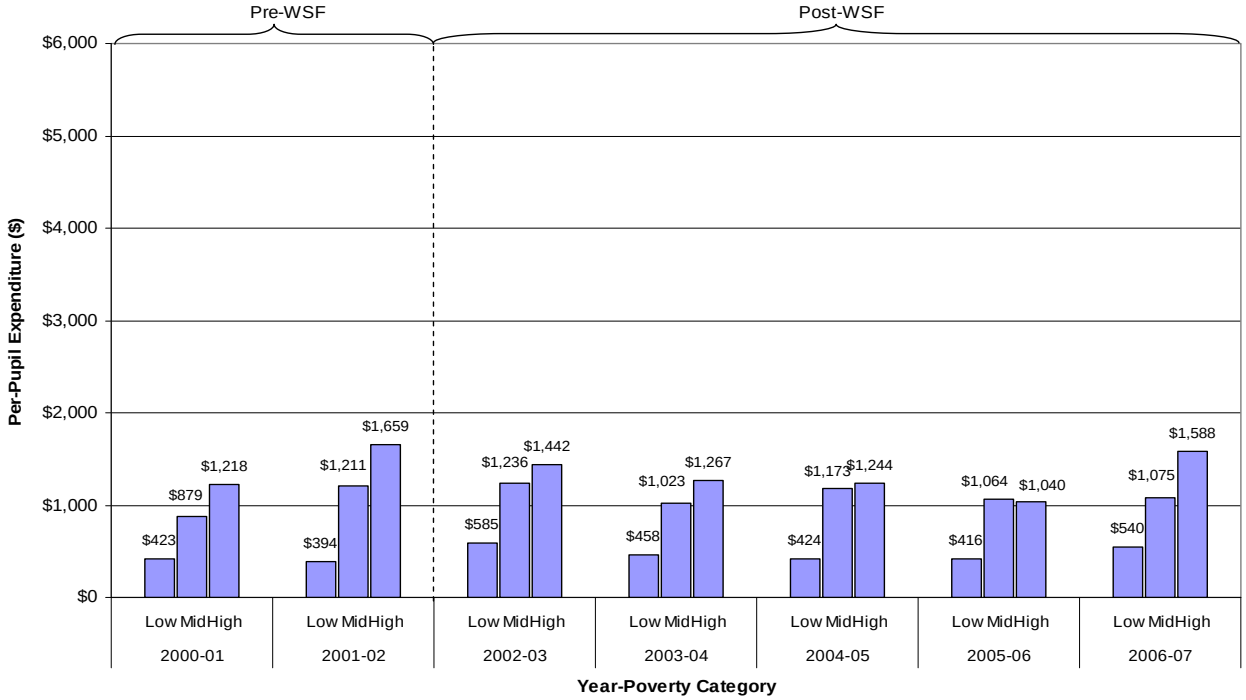
In addition to analyzing the relationship of unrestricted funding to student need, we examined the relationship between restricted funding and student need. Exhibits 27 through 28 show average per pupil restricted funding amounts across the three schooling levels in San Francisco and Oakland. In San Francisco, at all school levels (except high schools in 2006–07), the restricted per pupil expenditures were progressive according to student need. That is, the high-poverty schools had more restricted expenditures than the low-poverty schools. Surprisingly, even though Oakland's policy relies on restricted funding to provide resources to students with greater need, results for the San Francisco schools suggest that the relationship between student need and restricted per pupil expenditures was comparatively stronger than those of Oakland schools at all schooling levels. For example, see Exhibit 27, which shows restricted elementary expenditures in San Francisco, versus Exhibit 28, which shows restricted elementary expenditures in Oakland.[41]

However, the patterns in Oakland showed a more progressive relationship between restricted expenditures and poverty levels for elementary schools in the years following RBB. The patterns of the upper-schooling levels are a bit less clear. At both levels, Oakland allocated restricted funding in

[41] See Exhibits A51 through A56 in Appendix C for all the graphical displays of this analysis.

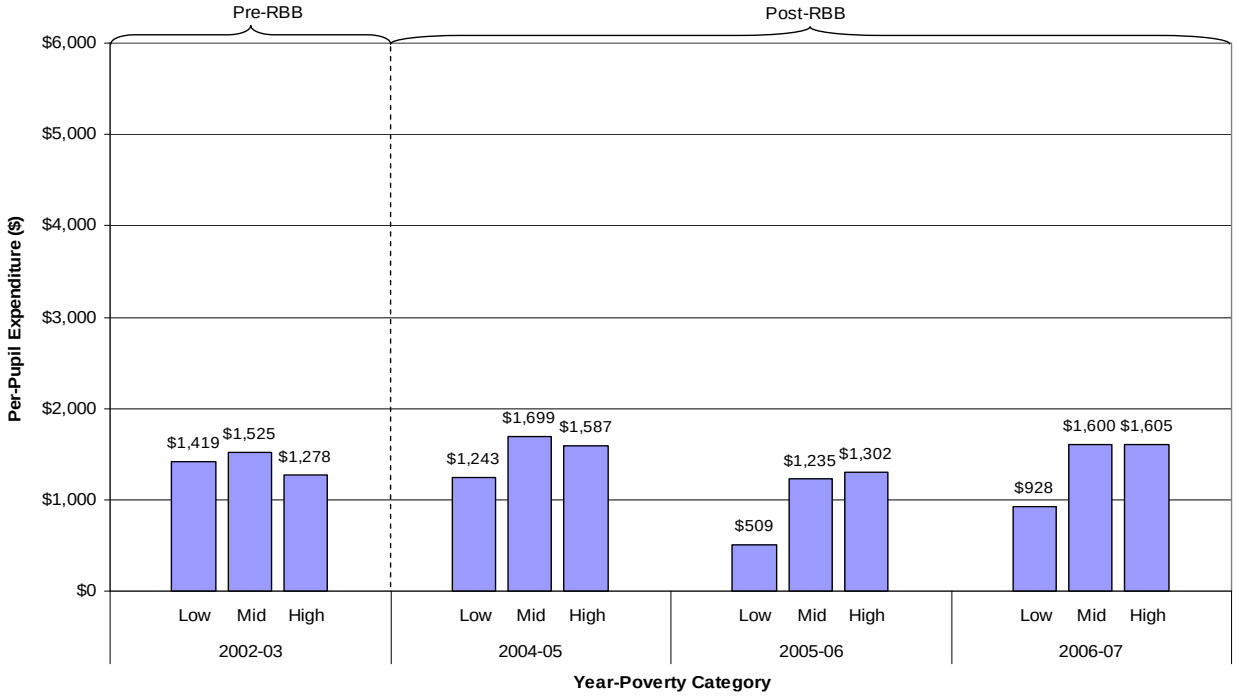
a progressive fashion prior to RBB. However, both distributions became somewhat less progressive in 2004–05 but returned to being strongly progressive in the following years.

**Exhibit 27: Distribution of San Francisco Elementary School Per-Pupil Restricted Expenditure across Resource Types by Poverty Category from 2000-01 to 2006-07**




Source: District-provided Standardized Account Code Structure (SACS) fiscal data, 2000-01 through 2006-07.

**Exhibit 28: Distribution of Oakland Elementary School Per-Pupil Restricted Expenditure across Resource Types by Poverty Category from 2002-03 and 2004-05 to 2006-07**




Source: District-provided Standardized Account Code Structure (SACS) fiscal data, 2002-03 and 2004-05 through 2006-07.

In sum, the descriptive analysis of expenditures by poverty level provides insight into whether students with greater need received additional restricted and unrestricted funding in both districts. The results strongly suggest that the allocation of unrestricted funds became more progressive over time in San Francisco. Moreover, the result is clearly in line with the mechanism by which WSF directs resources. In Oakland, with respect to the allocation of restricted funding, the results pointed toward a progressive shift in the relationship between expenditures and poverty levels for Oakland elementary schools and, to a lesser extent, middle and high schools.

## The Relationship Between Expenditures and Student Need – Implicit Weight Regression Analysis

Although the analysis above does present the basic story of the relationship between student need and expenditures in both districts, it relies on descriptive statistics. To develop a more sophisticated understanding of this issue, we used multivariate regression analysis to see how the relationship among per pupil spending and student need and school size changed over the periods before and after implementation of the SBF policies in these two districts.[42] The regressions allowed us to estimate implicit weight profiles for student need and scale, which show how school-level per pupil expenditures varied with respect to levels of student poverty and total school enrollment in each year.

We included school size as an explanatory factor in this analysis to see to what extent economies of scale played a role in ensuring an equitable distribution of resources to schools. Very small schools often face higher costs for achieving the same outcomes because of the diseconomies associated with small-scale operations. If the funding distribution formula does not account for school size, pupil need may not necessarily be appropriately addressed. The need/scale analysis simply reflects the extent to which district funding distributions to schools take into account diseconomies of small-scale operations.

Evaluation of the generated spending profiles show whether the relationship among student need, school size, and expenditures became stronger with the advent of the SBF policies. We use the magnitude of the estimated expenditures-student need relationship as a gauge to answer the question of whether the policies implemented were associated with an increase in the equity with which resources were distributed. Under the assumption that higher-poverty students have greater needs for educational resources, we might anticipate that spending should be positively associated with student poverty. Moreover, if we believe that smaller schools are subject to higher costs, we would also expect that lower enrollments would be associated with higher spending. The following analysis investigated these expected relationships and how they may have changed with the implementation of the SBF policies in Oakland and San Francisco.

### Implicit Weight Adjustment Definitions

We define two implicit weight adjustments as follows:

- Implicit *Need Weight* Adjustment: An index value representing the relative per pupil expenditures of a school with a given percentage of students eligible for free or reduced-price lunch compared with a school of identical size with no students eligible for free or reduced-price lunch

[42] An in-depth discussion of the regression procedure used can be found in Appendix B.

- Implicit *Enrollment Weight* Adjustment: An index value representing the per pupil expenditures of a school of a given size *relative* to an average-size school in the district serving an identical percentage of students eligible for free or reduced-price lunch.

For instance, an implicit poverty weight adjustment of 1.15 calculated for an elementary school with 50 percent of its student body eligible for free or reduced-price lunch would mean that its per pupil expenditures was estimated to be 15 percent higher than a similar size elementary school with zero percent poverty.

Interpreting the implicit enrollment weight adjustment is only slightly different in that instead of the index being centered around zero, the index values explain how much more or less school-level per pupil expenditures were relative to the average-size school in the district. For example, consider a high school enrolling 500 pupils in a district with an average high school enrollment of 1,000. A calculated implicit enrollment weight of 1.10 means that the school-level per pupil expenditures for this school was 10 percent more than the average-size (1,000 student) high school serving the same percentage of students eligible for free or reduced-price lunch.

Although poverty is arguably the strongest indicator of student need, we also experimented with estimating implicit weights for other student-need variables commonly thought to be related to costs or expenditures, including percent English learners and percent special education. However it was not feasible to include additional measures of student need in the analyses presented in this report for two reasons.[43] First, in both districts, a bulk of the spending for the special education population could not be linked to individual schools because many of these services are provided by instructional and related service staff working out of the central district office. Second, the other measure of student need—the English learner (EL) status of a student—proved highly correlated with poverty, making it impossible to accommodate both in the regressions. That is, including the percentage of EL students along with the percentage of students eligible for free or reduced-price lunch in the regression model resulted in multicollinerity, severely affecting our ability to isolate the separate impacts of poverty and EL status.[44]

## Implicit Weight Analysis Results

The following graphs represent the "responsiveness" of school-level per pupil expenditures to student poverty. More precisely, each implicit student poverty profile depicts the relationship between student poverty (i.e., the percentage of pupils eligible for free or reduced-price lunch) and per pupil expenditures. The Implicit Weight Adjustment on the *y*-axis is an index value denoting the proportionate difference in the average per pupil expenditures at a school with a given percentage of students in poverty (i.e., eligible for free or reduced-price lunch) *relative* to an identically sized school with zero poverty. For example in Exhibit 29, in 2002–03 the average elementary school with about 55 percent of its students in poverty spent approximately 5 percent more per pupil than an elementary school of equal size serving no impoverished students. Clearly, as the lines become steeper (that is, as the lines show a higher corresponding increase in the percentage of poverty at a school and the weight of resources the school receives) so does the "responsiveness" of

[43] The full set of regression output used to generate the results presented below can be found in Exhibits A57 and A58 in Appendix C.

[44] For example, the correlation between poverty and EL during the sample years ranged from 0.49 to 0.77 and from 0.43 to 0.92 in Oakland and San Francisco, respectively, and 29 out of 33 correlations were significant at the 5 percent level (full correlation matrices are available on request). Further, variance inflation-factor diagnostics confirmed that the inclusion of both poverty and EL in virtually all the regressions was not warranted.

expenditures to poverty. This responsiveness, or slope, of the relationship is the implicit weight that represents the way the district distributed resources to the schools in relation to poverty.

We offer some words of caution regarding the interpretation of the implicit weight profiles. First, each profile corresponds to a specific average per pupil expenditures that varies from year to year and, more important, according to the type of expenditures being described (i.e., total with or without teacher salary subsidies, unrestricted with or without teacher salary subsidies, and restricted). Notably, because restricted expenditures makes up a smaller share of total spending, the average per pupil expenditures represented by these profiles were lower. The reader needs to keep this lower base in mind when interpreting the restricted profiles, which tend, on average, to be much steeper.

Second, the analyses represent expenditures profiles and *not* cost profiles. These estimates merely show how expenditures varied with respect to poverty and whether this relationship changed after the implementation of an SBF policy. Because we have not conditioned on outcomes, the analysis provides no information about the amount of expenditures necessary for schools serving various levels of student poverty to achieve at some pre-specified level.

Finally, the results presented below in no way imply that the respective SBF policies were solely responsible for changes in the observed relationship between expenditures and poverty. That is, they do *not* imply a causal link between these policies and resource allocation, but rather only a correlation. Myriad other policies and factors occurred over the same period under study that may have affected resource allocation, which are difficult if not impossible to take into account. However, this does not preclude the usefulness of the results, which shed light on how resource allocation changed after the implementation of the RBB and the WSF.

### San Francisco Elementary Schools

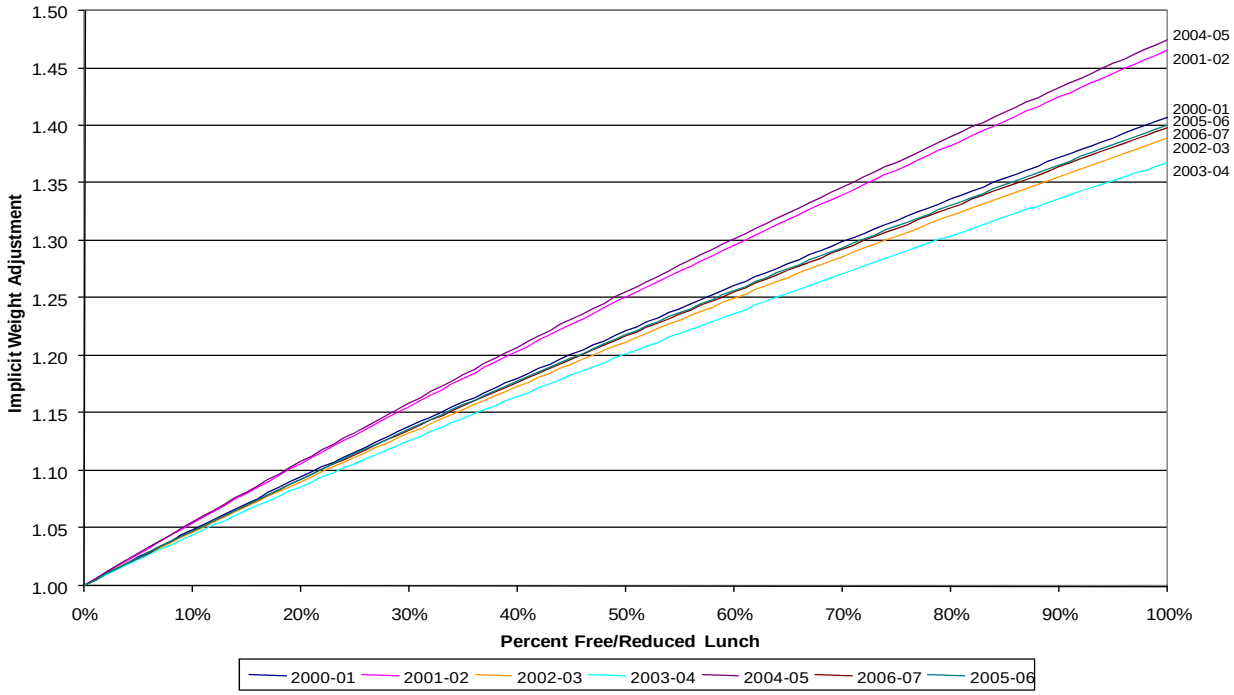
In San Francisco, we had two years of information from before the implementation of the WSF policy (2000–01 and 2001–02). We decided to make the year just prior to implementation (2001–02) the reference year against which we tested other year-specific profiles for significant changes.

**San Francisco provided more total resources (restricted and unrestricted combined) on a per pupil basis to high-poverty than to low-poverty elementary schools across all years for which we have data—both before and after WSF implementation. In other words, the implementation of the WSF policy did not appear to cause any change in the distribution of elementary school funding with respect to poverty.**

Exhibit 29 includes the total expenditures implicit weight profiles for San Francisco elementary schools from 2000–01 through 2006–07. Here we find that the implicit weights used to generate the profiles were all statistically significantly different from zero (at the 1 percent level). However, none of the post-WSF weights differed significantly from the pre-WSF reference year. The results imply that there was a significant positive relationship between elementary per pupil expenditures and poverty across San Francisco schools across all years—pre- and post-WSF alike. As a result, there is nothing to suggest that this observed relationship between spending and poverty is attributable to

the implementation of WSF. We note that the resulting implicit weights were quite comparable to those found for the most recent years in Oakland. For example, the results suggested that a San Francisco elementary school with a poverty rate of 50 percent was expected to spend between 20 percent and 25 percent more per pupil than a similar size school with zero percent poverty.

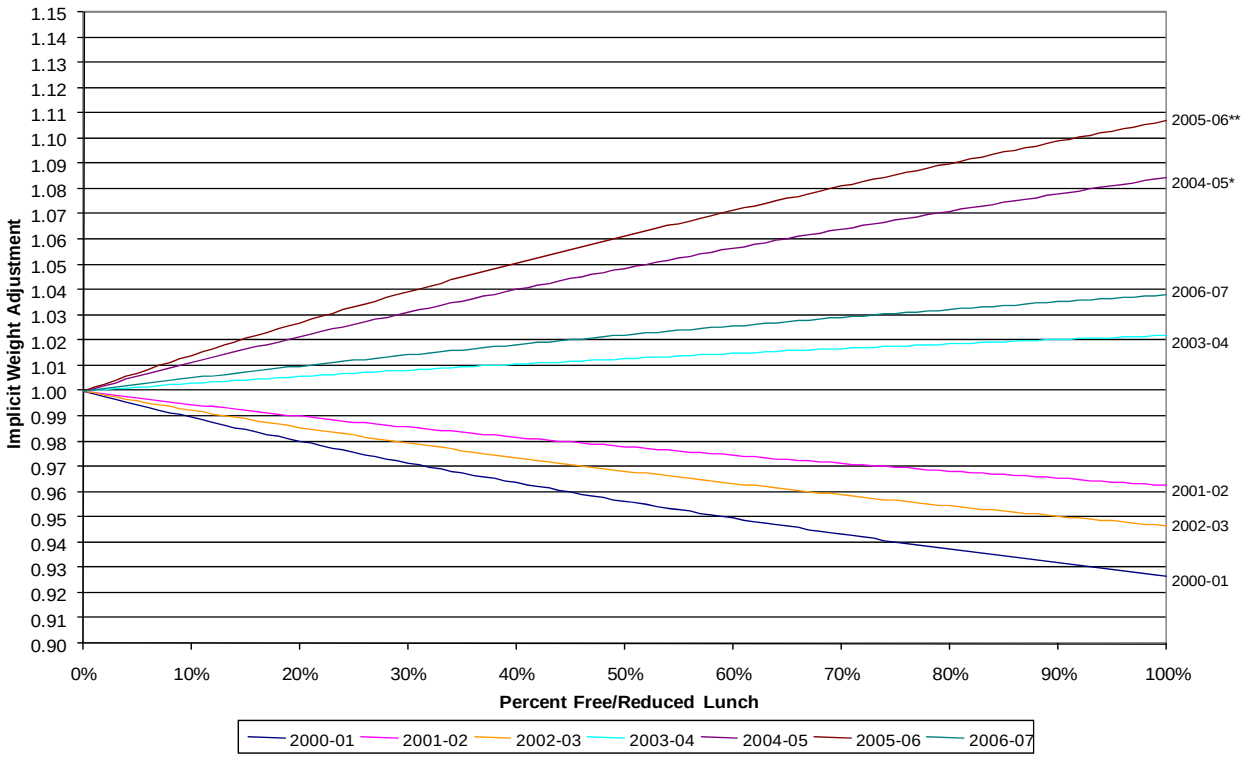
**Exhibit 29: Implicit Student Poverty Weights Using Total Expenditures for San Francisco Elementary Schools from 2000-01 to 2006-07**




**There is little to suggest a consistent systematic positive relationship between unrestricted school per pupil expenditures and student poverty for San Francisco elementary schools.**

Exhibit 30 presents the implicit weight profiles corresponding only to those unrestricted expenditures. The graphic shows a general "fanning out" of the profiles. Most notably, the implicit weight estimates increased from 2002–03 through 2005–06 and then receded in the final year. The 2005–06 school year was the only one for which the estimated implicit weight proved to be significantly different from both the pre-WSF reference year (2001–02) and from zero at conventional levels (i.e., 5 percent or better). In turn, it seems that there is little to suggest a systematic relationship existed between unrestricted school per pupil expenditures and student poverty among San Francisco elementary schools.

Exhibit 30: Implicit Student Poverty Weights Using Unrestricted Expenditures for San Francisco Elementary Schools from 2000-01 to 2006-07 (** and * Denote Significant Difference from 2001-02 at 5% and 10% Levels)

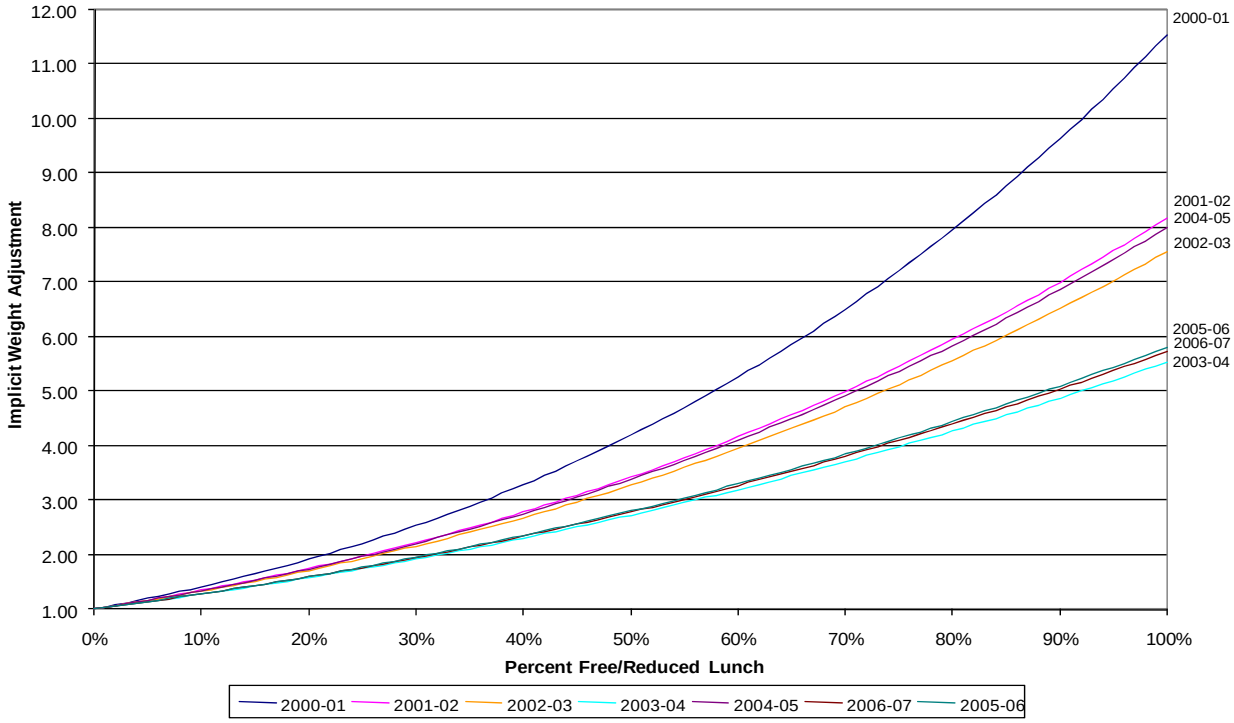



**The distribution of restricted funding to San Francisco elementary schools suggests a strong and positive relationship between per pupil spending and student poverty. However, there was no difference in this positive relationship before and after the implementation of the WSF policy.**

Movement in the elementary school restricted expenditures implicit weight profiles showed little consistency over time. Exhibit 31 shows that from 2000–01 through 2003–04, the estimated weights decreased to their lowest level. This was followed by an increase in 2004–05 and two more decreases thereafter. Although none of the post-WSF weights is statistically different from those in the reference year, individually all of them prove to be significantly different from zero.

These findings suggest that while there was a positive relationship between overall per pupil expenditures and student poverty among San Francisco elementary schools, this was driven mostly by the distribution of restricted (categorical) funding and did not change appreciably over the years in our sample, including the period of WSF implementation.

**Exhibit 31: Implicit Student Poverty Weights Using Restricted Expenditures for San Francisco Elementary Schools from 2000-01 to 2006-07**

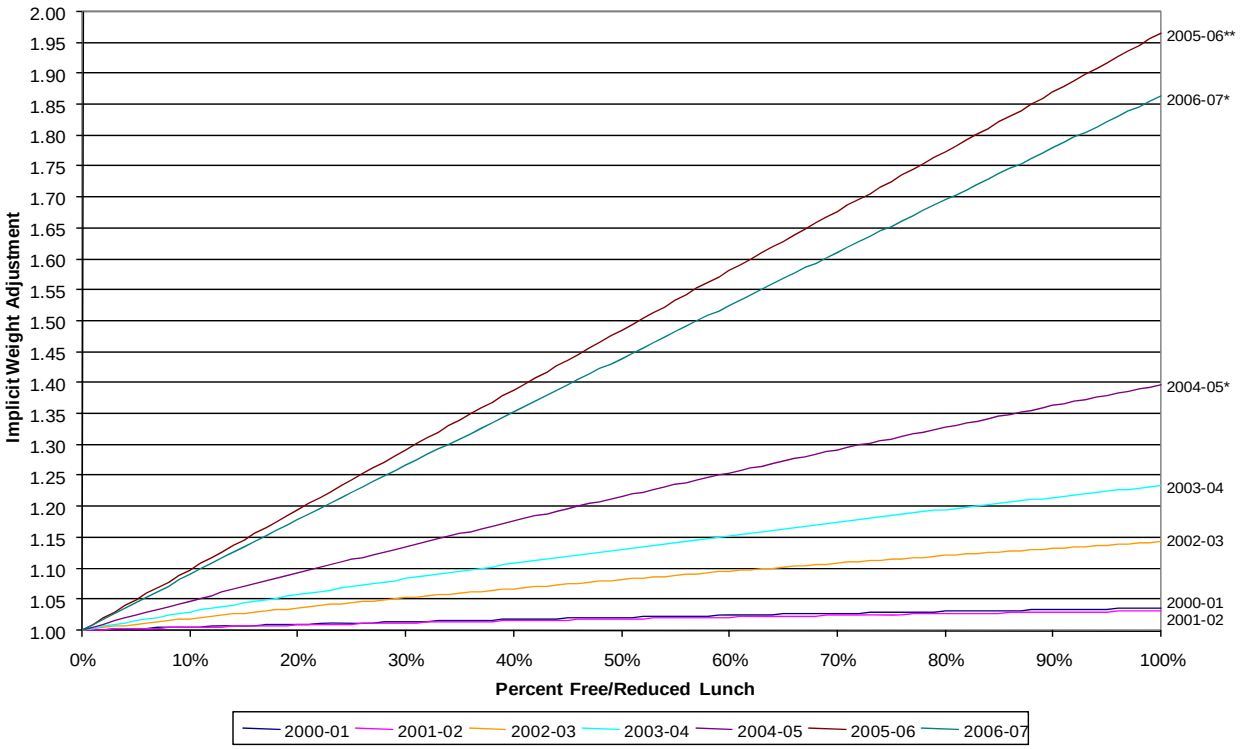



## San Francisco Middle and High Schools

**Focusing on the overall per pupil spending, we found that San Francisco increased the proportion of total resources allocated to high-poverty relative to low-poverty middle and high schools.**

Exhibits 32, 33, and 34 illustrate the total, unrestricted, and restricted implicit weight profiles for the combined group of San Francisco middle and high schools. In contrast to the total expenditures implicit weight profiles for elementary schools, those found for the middle/high schools (Exhibit 32) show a clear pattern over time. The results suggest that the estimated expenditures/poverty relationship became stronger over time. From the pre-WSF reference year (2001–02) onward, the profiles become much steeper until 2005–06 and experience a modest decline in 2006–07. Our results imply that before San Francisco implemented the WSF policy, the average middle/high school had a per pupil expenditures that was merely 2 percent greater than a similar-size school with zero percent poverty. In 2006–07, this poverty premium jumped to an estimated 49 percent. The implicit weights for the most recent 3 years (2004–05, 2005–06, and 2006–07) all statistically significantly differ from zero. In addition, those from the most recent 2 years proved to be significantly different from the pre-WSF reference year. It seems that San Francisco middle and high schools have experienced a noteworthy increase in the expenditures/poverty relationship since the implementation of WSF.

Exhibit 32 - Implicit Student Poverty Weight Profiles Using Total Expenditures for San Francisco Middle and High Schools from 2000-01 to 2006-07 (** Denotes Significant Difference from 2001-02 at 5% Levels)

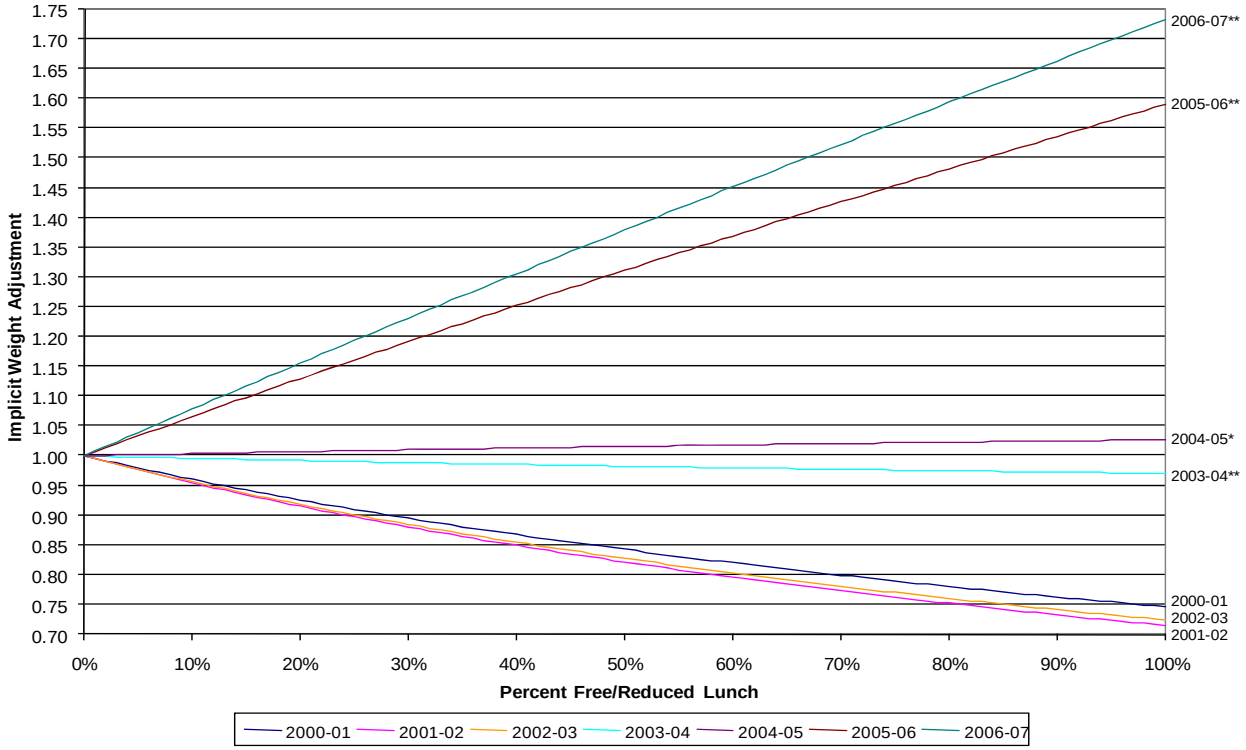



**For San Francisco middle and high schools, per pupil spending out of unrestricted funding exhibited a stronger positive relationship with poverty after the implementation of WSF.**

The following exhibits explore whether the increase in the link between expenditures and poverty among San Francisco middle and high schools manifested itself in the allocation of unrestricted or restricted funding. Exhibit 33 contains the unrestricted implicit weight profiles over the sample years. The strong post-WSF trend in the profiles is undeniable. For every year after WSF was implemented except for 2002–03, the profile gradients became steeper. What is interesting is that the year-specific profiles can be grouped neatly into the following three phases:

- Pre/Early-WSF (2000–01 to 2002–03) – Negative Expenditures/Poverty Relationship
- Mid-WSF (2003–04 to 2004–05) – Negligible Expenditures/Poverty Relationship
- Late-WSF (2005–06 to 2006–07) – Positive Expenditures/Poverty Relationship

Exhibit 33: Implicit Student Poverty Weights Using Unrestricted Expenditures for San Francisco Middle/High Schools from 2000-01 to 2006-07 (**Denotes Significant Difference from 2001-02 at 5% Level)




In three of the five post-WSF profiles (all in the mid- and late-WSF phases), the implicit weight estimates significantly differed from that of the pre-WSF reference year. However, imprecision of these estimates shows that they did not individually differ from zero. This finding is consistent with the WSF policy, which created explicit student weights to apply to unrestricted funding in an effort to promote greater funding equity.

**With the exception of one year (2002–03), the relationship between per pupil spending out of restricted funding in San Francisco middle and high schools did not appear to differ with the implementation of WSF.**

Exhibit 34 shows how restricted funding varied with respect to student poverty in San Francisco middle and high schools. Tracking the profiles over time shows little or no consistent pattern to their movement. Perhaps the most striking result is the incredibly large, but short-lived, jump in the profile gradient for the year directly following WSF implementation (2002–03). Indeed, this is the only year for which the implicit weight significantly differed from the pre-WSF reference year. Of additional interest is that only during the first three years did the estimated implicit weights prove to be statistically different from zero. Therefore, the results did not show there to be a systematic relationship between restricted expenditures and student poverty in the years after implementation.

**Exhibit 34: Implicit Student Poverty Weights Using Restricted Expenditures for San Francisco Middle and High Schools from 2000-01 to 2006-07**


## Oakland Elementary Schools

**The more steeply sloped poverty gradients in the more recent years suggest that Oakland directed more resources to the higher-poverty elementary schools after implementing its RBB policy.**

Exhibit 35 shows the implicit weight profiles for Oakland elementary schools, using total spending (restricted and unrestricted combined) for each of the four years in our study sample (2002–03 and 2004–05 to 2006–07). The only year prior to RBB is 2002–03,[45] which corresponds to a relatively flat implicit weight adjustment profile, when an elementary school with 50 percent poverty spent approximately 4.6 percent more per pupil than another school with identical enrollment and zero percent poverty. Although the slope of the poverty gradient declined between 2002–03 and the first year of RBB implementation (2004–05), this decline was not statistically significant (i.e., the slopes for all intents and purposes were not different from one another).[46] The poverty gradients for 2005–06 and 2006–07 show a dramatic and statistically significant increase in the slope, which suggests that Oakland directed significantly more dollars to high-poverty schools in these two years than in the year preceding RBB implementation. The 2005–06 profile shows that an elementary school with 50 percent poverty in that year was expected to spend approximately 15 percent more per pupil compared with a school of similar size but with no students in poverty. The increasing trend in the poverty gradient continued in 2006–07, when an elementary school with 50 percent poverty was

[45] Although we tried to obtain more than one year of data prior to RBB for this analysis, Oakland was not able to provide accurate data for the 2003–04 school year.

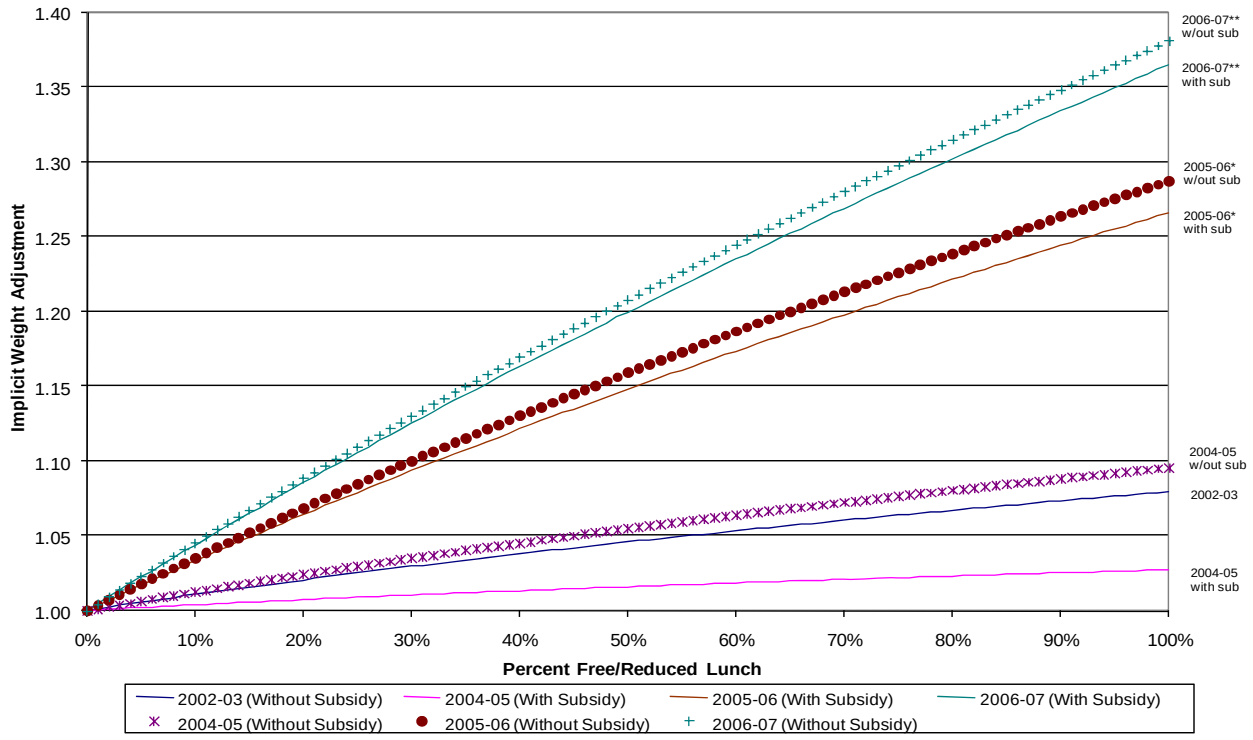
[46] A table of p-values from all pairwise tests of implicit weight between pre- and post-implementation years is included in Exhibits A59 and A60 in Appendix C.

expected to spend approximately 20 percent more on average than a zero poverty school. Unlike the previous result, this was statistically significant.

**Oakland's salary subsidies may have temporarily inhibited the RBB policy's strengthening of the relationship between elementary school spending and poverty.**

As mentioned above, the implicit weights were also estimated for expenditures that did not take into account the subsidies provided for schools with a large proportion of veteran teachers. The profiles corresponding to these estimates are also included in Exhibit 35 and use symbols rather than solid lines to represent the gradients (*, •, and +). Here we see that in each year following RBB implementation (2004–05, 2005–06, and 2006–07) the estimated relationship between per pupil spending and poverty was stronger for each corresponding year when the teacher subsidies were not taken into account. The difference between the with- and without-subsidy profiles diminished in each successive year as the amount of subsidies provided steadily declined. This result makes intuitive sense, because we would expect the schools receiving subsidies (i.e., those with a large share of veteran teachers) to be lower poverty, on average. We can best see this result by comparing the with- and without-subsidy profiles for 2004–05. Clearly, the 2004–05 profile without the subsidy is much steeper than both the with-subsidy profile for the same year and the 2002–03 profile. This suggests that the subsidies may have inhibited the effectiveness of the RBB policy to increase the extent to which the district directed resources to higher-poverty elementary schools in this year. However, we should note that district leadership envisioned these subsidies as a necessary, if temporary, provision because without the subsidies, schools would not have been able to afford the staff currently in their school and not been able to adhere to collective bargaining agreement commitments.

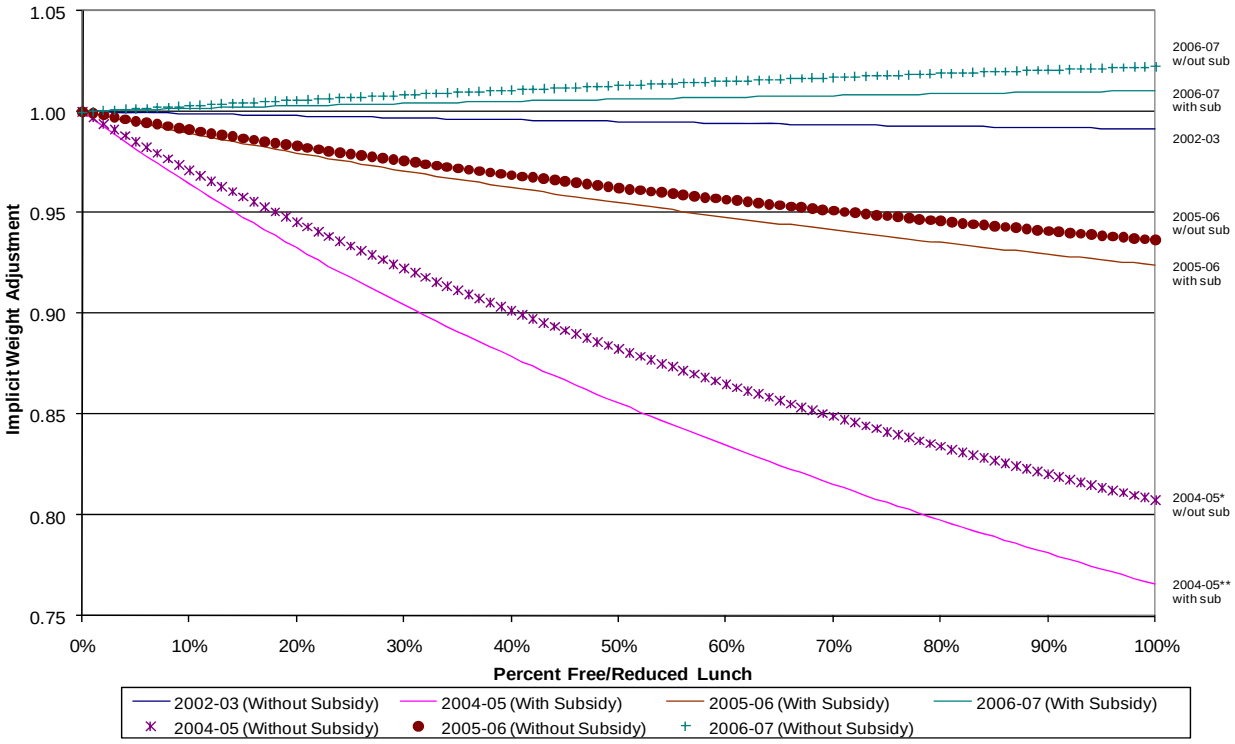
**Exhibit 35: Implicit Student Poverty Weights Using Total Expenditures With/Without Teacher Subsidies for Oakland Elementary Schools for 2002-03 and 2004-05 to 2006-07 (***, ** and * Denote Significant Differences from 2002-03 at 1%, 5% and 10% Levels)**



**With the exception of 2004–05, Oakland distributed unrestricted funding more or less equally across elementary schools. That is, with the exception of the 2004–05 gradient, which showed a negative relationship between school spending and poverty, none of the poverty relationships were statistically significantly different from the flat profile found for the pre-RBB year.**

In Exhibit 36, we see a statistically significant drop in the poverty gradient for unrestricted funding in the first observed year of RBB implementation (2004–05), but after this initial decline in the poverty gradient, Oakland experienced two years in which the poverty gradient was not statistically different from zero or from the flat profile for the 2002–03 school year (the pre-RBB year). Only the 2004–05 implicit weight estimate differed statistically from zero at a significance level of 5 percent. This suggests that the mechanism by which Oakland distributed unrestricted funding to elementary schools was not systematically related to student poverty. This should be no surprise if we consider that the RBB policy distributes unrestricted funding only with regard to enrollment weighted by ADA and not poverty. As with the analysis of total spending, the poverty gradients that excluded the teacher subsidies showed a higher slope than the analysis with the teacher subsidies.

**Exhibit 36: Implicit Student Poverty Weights Using Unrestricted Expenditures With/Without Teacher Subsidies for Oakland Elementary Schools for 2002-03 and 2004-05 to 2006-07 (** and * Denote Significant Differences from 2002-03 at 5% and 10% Levels)**

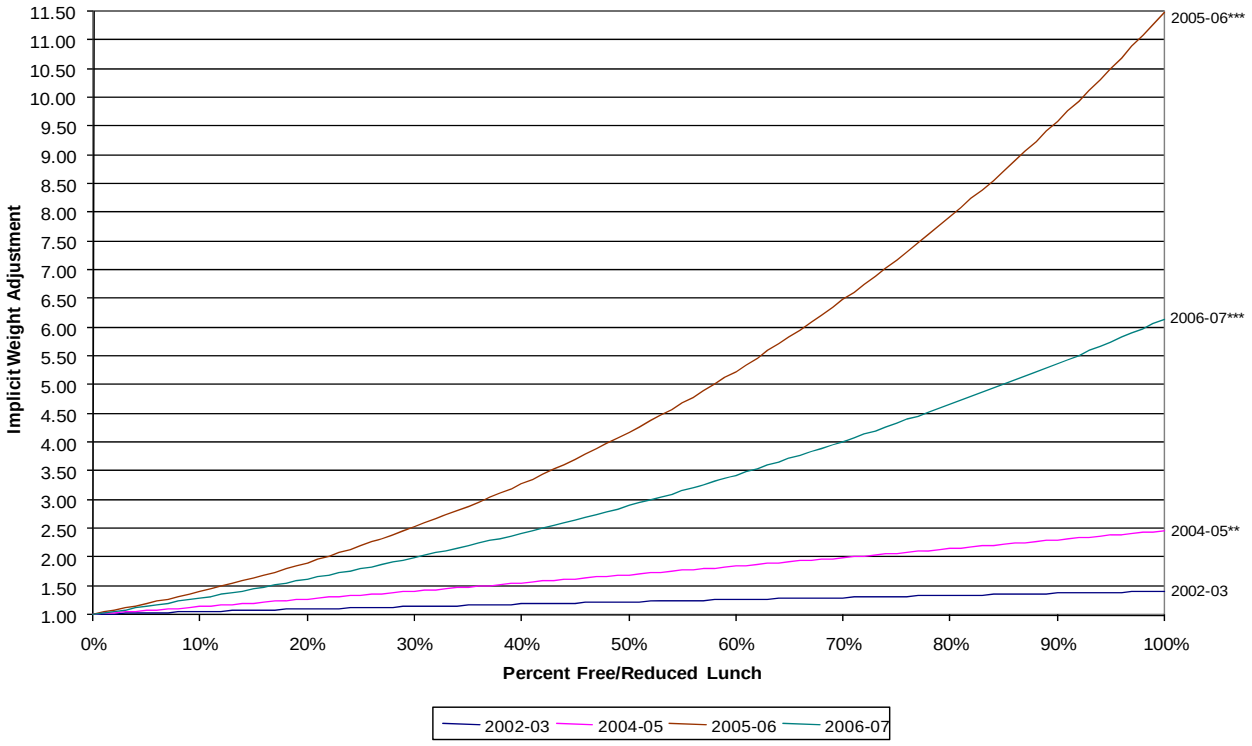



**The move to an RBB policy appeared associated with a significant increase in the extent to which Oakland directed its restricted funds to elementary schools serving higher-poverty students.**

Exhibit 37 considers the relationship between restricted funding and school-level student poverty. In 2002–03 (the year before RBB implementation), the very flat poverty profile suggested that there was essentially no systematic relationship between student poverty and expenditures made with restricted funding. However, with the move to RBB, the district appeared to increase in successive years the responsiveness of restricted per pupil expenditures to student poverty. Moreover, the

estimated implicit weights used to generate the profiles for all three post-RBB years were statistically significantly different from 2002–03 at the 5 percent level or better. Whereas the profile showed that in 2004–05, a school with 50 percent student poverty spent about 175 percent more (close to three times as much) in restricted funding compared with a school with zero poverty, in 2006–07, this expected measure went up to 300 percent (about four times as much).[47]

**Exhibit 37: Implicit Student Poverty Weights Using Restricted Expenditures for Oakland Elementary Schools for 2002-03 and 2004-05 to 2006-07 (*** and ** Denote Significant Differences from 2002-03 at 1% and 5% Levels)**




In summary, the implicit weight analysis for Oakland elementary schools shows that overall, the district directed significantly more resources to high-poverty elementary schools starting in 2005–06. It is important to note that the district drove the increases in equity through the way it distributed restricted as opposed to unrestricted funding to schools. In addition, the veteran teacher subsidies had a negative impact on the extent to which these resources were directed to the higher-poverty schools.

## Oakland Middle and High Schools

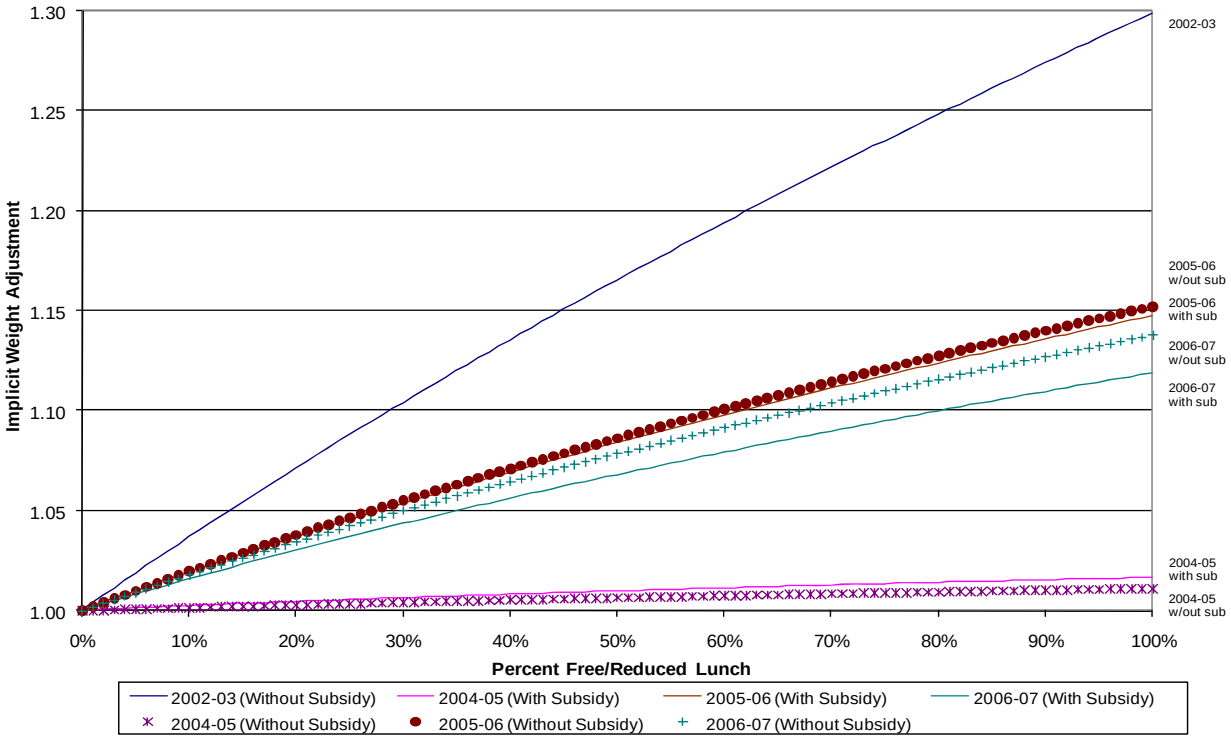
**Oakland did appear to direct additional resources to high-poverty middle and high schools; however, in contrast to what was found for elementary schools, the post-RBB poverty profiles for Oakland middle/high schools never become steeper than that of the pre-RBB year.**

[47] Although the implicit weight adjustment values here look inordinately high and profiles surprisingly steep, we remind the reader that the average per-pupil expenditures estimated in conjunction with each weight was far lower than those generated for those weights above corresponding to total and unrestricted expenditures. For instance, the estimated average restricted per-pupil expenditures for 2006–07 was $621, and the estimated average unrestricted per-pupil expenditures (inclusive of teacher subsidies) for the same years was $6,214.

None of the estimated poverty profiles for Oakland middle and high schools for the post-RBB year proved to be statistically significantly different from that of the pre-RBB year.[48] Therefore, the data at hand cannot identify any pre/post difference in the relationship between middle/high school per pupil expenditures and poverty. The estimated implicit weight profiles pertaining to total, unrestricted and restricted middle/high school expenditures are provided in Exhibits 38, 39, and 40, respectively. In Exhibit 38, the pattern of implicit weight profiles for total middle/high school expenditures only vaguely resembles those of their elementary counterparts. In the first post-RBB year observed (2004–05), the slope of the poverty gradient showed a large drop, followed by a rebound in 2005–06 and then a slight drop in 2006–07.

On a final note, the effect of teacher subsidies on total expenditures was similar to the elementary case only for 2005–06 and 2006–07. In 2004–05, the profile based on expenditures that excluded teacher subsidies becomes flatter than its with-subsidy counterpart. This implies that the teacher subsidies distributed in 2004–05 tended to go toward middle/high schools with higher than average poverty.

**Exhibit 38: Implicit Student Poverty Weights Using Total Expenditures With/Without Teacher Subsidies for Oakland Middle and High Schools for 2002-03 and 2004-05 to 2006-07**

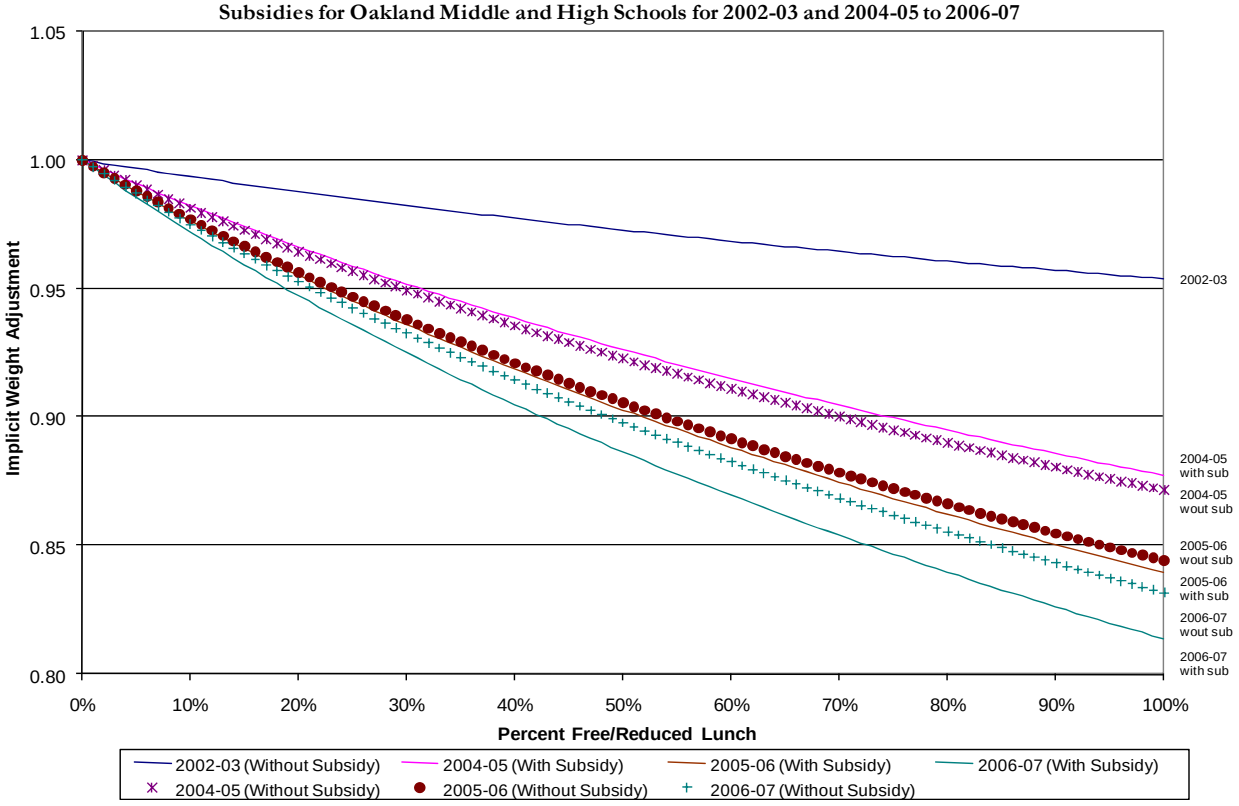



[48] For the middle and high school regression analysis, we found it necessary to combine the schools at these two grade levels because of the small sample sizes in both Oakland and San Francisco.

**Oakland appears to have distributed less unrestricted funding on a per pupil basis to higher- versus lower-poverty middle/high schools. That is, there was a negative relationship between unrestricted per pupil expenditures and student poverty among Oakland middle/high schools.**

In Exhibit 39, we find a continuous decreasing pattern in the post-RBB unrestricted expenditures profile gradients with none significantly differing from that of the pre-RBB year. Moreover, the implicit weight used to generate the profiles for 2005–06 and 2006–07 proved significant from zero at the 5 percent and 10 percent levels, respectively. This implies that the mechanism by which Oakland distributed unrestricted funds among middle/high schools in the more recent years was regressive (i.e., there was a negative relationship between expenditures made with unrestricted funds and poverty). However, we should note that Oakland relied on the distribution of restricted funding to achieve the goals of the RBB policy, for which restricted resources are distributed according to student need.

**Exhibit 39: Implicit Student Poverty Weights Using Unrestricted Expenditures With/Without Teacher Subsidies for Oakland Middle and High Schools for 2002-03 and 2004-05 to 2006-07**

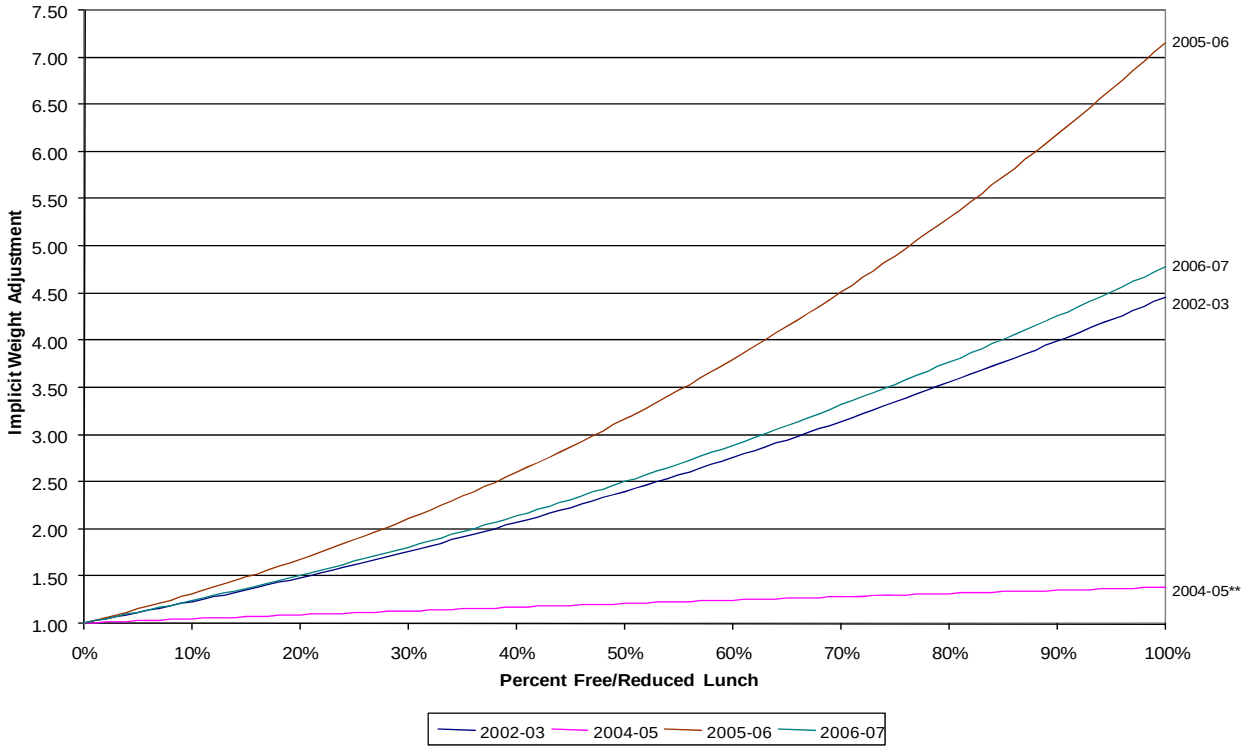



**Oakland distributed greater amounts of restricted per pupil resources to high- versus low-poverty middle and high schools, both before and after the implementation of RBB.**

Exhibit 40 contains the Oakland middle/high school implicit weight profiles pertaining to expenditures made with restricted funds. The shift in profiles is quite sporadic, declining in 2004–05, increasing strongly in 2005–06, and finally settling back to just above the pre-RBB level in 2006–07. Although none of the post-RBB profiles differs statistically from that of the pre-RBB year, two of these three were statistically significant from zero at the 1 percent level. These results imply a significant positive relationship between restricted per pupil expenditures and student poverty both before and after the implementation of RBB. However, when taken together with the other implicit

weight profile results it seems that, contrary to the case of elementary schools, the mechanism to distribute restricted funding to middle/high schools could not compensate for the lack of equity found in the distribution of unrestricted funding at these levels.

**Exhibit 40: Implicit Student Poverty Weights Using Restricted Expenditures for Oakland Middle/High Schools for 2002-03 and 2004-05 to 2006-07 (** Denotes Significant Differences from 2002-03 at 5% Level)**




## SBF and Economies of Scale

In addition to the analysis of the relationship between per pupil spending and poverty, we examined the relationship between spending and school size for elementary and middle/high schools.[49]

**No differences appeared in either district for the relationship between per pupil spending and school size related to the implementation of the SBF. However, both districts appeared to recognize that both elementary and middle/high schools require additional funds to operate both small schools and very large schools.**

We estimated different relationships for elementary versus middle/high schools because of the differences in the way educational services are organized at these two levels (e.g., self-contained classes tend to dominate the elementary delivery system, and departmentalized classes predominate at the middle and high school levels). With almost no exceptions, we found that very small and very large schools tend to spend more than schools in the middle range of size.

Exhibit 41 presents the range of school size within each district along with the range at which the approximate minimum per pupil spending occurs, controlling for variations in poverty. These variations in per pupil expenditures based on enrollment were driven largely by the variations in

[49] Exhibits A61 through A64 in Appendix C present the graphical results of the relationship between per pupil spending and school size. We have only summarized these analyses in this chapter.

allocations of unrestricted funding rather than restricted funds, which were mostly directed to schools on the basis of the level of pupil needs (e.g., incidence of poverty, EL designated students).

### Exhibit 41: Ranges of School Size and Minimum Expenditures

| | Elementary Schools | | Middle/High Schools | |
|---|---|---|---|---|
| | San Francisco | Oakland | San Francisco | Oakland |
| **Range of Size** | | | | |
| Smallest Enrollment | 43 | 87 | 91 | 62 |
| Largest Enrollment | 708 | 1,431 | 2,623 | 2,355 |
| **Range of Enrollment at Which Minimum Expenditures Was Achieved** | | | | |
| Smallest Enrollment | 475 | 624 | 1,653 | 1,173 |
| Largest Enrollment | 607 | 791 | 2,029 | 1,469 |

Source: District-provided expenditures files for San Francisco and Oakland

It is interesting to note that the range of size at which minimum per pupil expenditures occurred was similar in the two districts for elementary schools (i.e., 475 to 607 in San Francisco and 624 to 791 in Oakland). For the middle/high schools, the ranges of enrollment at which minimum per pupil expenditures occurred did not overlap between the two districts. In part, this may be a result of the small-school initiative in Oakland, which provided support for a number of the large high schools to divide into smaller units.

## *Summary of Chapter 6*

The implicit weight analysis investigated the relationship between overall per pupil expenditures, its restricted and unrestricted components, and student poverty. The results of the analysis suggest the following:

- A systematic relationship between overall expenditures and student poverty existed for San Francisco elementary schools. Moreover, this relationship appears to be attributable to the way San Francisco allocated restricted funds, but did not change appreciably with WSF implementation.
- An increase in the link between overall expenditures and poverty for San Francisco middle and high schools occurred after the district implemented WSF. There are indications that this increase in equity was achieved through allocation of unrestricted funding.
- The strength of the relationship between per pupil expenditures and student poverty increased among Oakland elementary schools in the post-RBB years, which was driven by the allocation of restricted rather than unrestricted funding.
- Oakland middle and high schools did not appear to enjoy the same increase in overall expenditures/poverty relationship as elementary schools. Although the results suggested that there existed a significant positive relationship between restricted per pupil expenditures and student poverty both before and after RBB implementation, the relationship was not strong enough to drive this relationship between overall expenditures and student poverty.
- Both San Francisco and Oakland tended to recognize school size (scale of operations) as a basis for distributing resources to elementary and middle/high schools, but there did not appear to be any significant change in the relationship between per pupil spending and school size resulting from the implementation of either SBF policies.

# Chapter 7
# What Is the Tale of These Two Districts? Lessons Learned From San Francisco's and Oakland's Experiences

Our conversations with various stakeholders in both San Francisco and Oakland revealed much about the design and implementation of SBF policies and the decisions that these districts faced in pursuing an equity-driven, student-based funding budgeting and planning model. Our analysis shows how some of these decisions might have had an impact on resource allocation and resource utilization at the school site. In this final chapter, we present some of the lessons gleaned from these two districts' experiences. First, we present general lessons learned, relevant to anyone interested in the concept of an SBF policy. Then we outline some lessons directed specifically at districts considering or already implementing such a policy. Finally, we provide some insights for state policymakers to consider as they continue to design and refine policies that affect implementation of SBF policies.

## *Lessons for District Policymakers*

**Creating and sustaining an SBF policy requires a tremendous amount of work.**

As seen in the detailed considerations we outlined in Chapters 3 and 4, developing an SBF policy requires a significant amount of work at both the district and school levels. District administrators must develop a different funding stream and create a sophisticated enrollment projection system in an open-choice district. At the same time, they must provide support to schools to build their capacity and ensure that other existing district policies do not counteract the goals of the SBF policy. School administrators must engage multiple stakeholders in the planning process and ensure a strong understanding of the funding policies in order to develop their school budgets, all while managing the day-to-day activities in their role as the school's instructional leader.

**Despite the onus of additional work, the SBF policies in San Francisco and Oakland were accepted by almost every school and district respondent.**

Our interviews in both districts indicated a strong acceptance of the nontraditional planning and budgeting processes introduced by the SBF models. Of the 18 people in Oakland asked whether they would prefer to return to the former budgeting and planning process or retain the current SBF policy, 16 responded that they would prefer to keep the current process. One district administrator noted that she could not comment because she had never worked under another policy and one union leader noted that she would not choose to return to the previous policy but would dramatically alter the current policy.

Similarly in San Francisco, of the nine respondents asked, eight indicated that they would prefer to retain the current policy. One principal commented that he would prefer to return to the previous policy because the goals under the WSF policy had not been attained. The positive acceptance of the WSF policy among those interviewed in San Francisco for the present study is consistent with what Shambaugh and colleagues (2008) reported in an earlier study on San Francisco's implementation of the WSF policy, where only 1 of 17 respondents indicated a desire to return to the previous policy. The overwhelming preference for this policy is more impressive when we take into account that the policy asks more of everyone than does the traditional budgeting model.

**An SBF policy cannot be a reform mechanism for change; it is only a process on which other reforms and policies aimed at increasing student achievement can be built.**

Even proponents of the policy in both districts recognized that SBF policies are not a vehicle for changing teaching and learning. Indeed, one former superintendent in California who did not pursue an SBF policy noted that "people view this as a panacea and that it will improve the outcomes by giving decisions to schools. But not all superintendents are on board with that belief." Rather, SBF policies should be seen only as a foundation that provides greater equity and increases autonomy on which to build other policies to increase student achievement. One former district administrator in Oakland who is a firm believer in the effectiveness of this policy, when asked to give advice to others considering such a policy, said, "Forget about the budgeting, that happens on its own. Focus on training for principals, how to create professional learning communities, how to use data." In short, the work that this policy requires should be seen only as the first step in a strategic and systemic process to improve student outcomes in a district.

**SBF policies cannot and do not solve the problem of inadequate funding from federal, state, and local sources.**

Our conversations in both districts clearly revealed the strain of a state budget crisis in California. Our interviews revealed that *any* budgeting policy will not increase the overall level of funding. Both districts were experiencing declining enrollments and revenues and consequently were faced with tough decisions every year. Although respondents did not blame their SBF policies for this problem, it is clear that no matter what the budgeting policy, these schools felt frustrations over their struggle to cover their operating costs each year.

**Even with strong support, SBF policies require ongoing review and adjustment based on feedback from relevant stakeholders.**

As one district administrator from Oakland noted, there is a recognition that you have to "work on a few kinks in the system per year, knowing that there will be kinks." In both San Francisco and Oakland, although respondents were positive about the policy, they shared many examples of how the system could be altered to serve their needs better. However, as reported by Shambaugh and colleagues (2008), San Francisco had not reviewed its WSF policy, including the weights used in distributing funds, for several years.

In Oakland, as mentioned throughout the *Considerations*, respondents mentioned several components of the policy that they would like to see reviewed, such as evaluating the use of average daily attendance (ADA) in calculating school allocations, the impact of small schools on the policy, and the capacity of the school site to accomplish these goals. Therefore, SBF districts need to evaluate the ongoing implementation of their planning and budgeting policies.

**SBF policies create the opportunity (and perhaps even the demand) to improve other district-wide problems.**

Given that creating SBF policies often requires districts to take a much closer look at their budgeting information, processes, and tools, these policies create a unique opportunity for district administrators to refine existing structures and to realign systems that may have been in existence in the district for a long time. In Oakland, for instance, to determine what the school costs would be under the new RBB policy with actual salaries, the district needed to have accurate personnel rosters for each school. Once it began this process, the district realized that the system was outdated and could not accurately report who was working at each school. One former district administrator then

went to every school in the district with a roster and asked the principal to confirm which staff worked at that site to create a new system with accurate information.

As another example, respondents in Oakland who were pleased with elements of the RBB policy that made budgeting and planning easier noted a desire to improve other bureaucratic district processes. Oakland principals explained that they created their budgets in a user-friendly web-based tool, but after the budget is finalized in the fall, that tool's purpose stops and principals have to revert to an older system that requires a paper trail to track purchases and costs throughout the year. Principals voiced a desire to have more integrated and efficient systems, such as the web-based RBB tool, to simplify their management practices.

Finally, San Francisco experienced an approximate 10 percent jump in the reported poverty rate from 2001–02 to 2002–03 for both middle and high schools. One district administrator noted that the increase in poverty reporting in the district was due in part to a change in the nutrition policy in the district that led to more accurate reporting of student poverty figures. However, this increase may also be due in part to the change in incentives associated with the implementation of the WSF.

**Increased transparency in the schools appeared to lead to an increased demand for transparency in the district office.**

Respondents indicated that both the RBB policy in Oakland and the WSF policy in San Francisco created an increased perception of transparency of how the schools received funding. For example, as one San Francisco principal noted, this transparency had "made staff realize that I don't have money hiding under my desk … and that [the school has no money.]" Although that accomplishment is certainly a positive if bittersweet outcome of an SBF policy, an interesting side effect heard from schools in both districts is that the schools, in turn, demanded increased transparency regarding how the district used its funds centrally. One Oakland principal explained, "I trust that [the central office] is making pretty good, equitable decisions, but I still feel the natural resentment that I know there's waste that I don't have any say over."

Additional comments, such as "It's like they're holding back money to pay for central services, and my question has always been, if no one uses [the central services] what happens to that money?" showed a certain level of distrust of the central office in both districts. In short, there seems to be a certain level of concern about a lack of transparency around central office expenditures, which stands in contrast to the increase in school-level transparency.

**SBF policies require a culture shift in central and school staff, moving away from a compliance mentality to make room for innovation.**

In a previous study of decentralized school budgeting policies in four districts, Goertz and Stiefel (1998) asserted that no real change in school or central office climate occurred because, in the districts they studied, the policy occurred at the margins and had not really broken down the traditional structure of decision making that previously existed. That is, a major culture shift is required on the part of both district and school staff to step away from a compliance mentality and break down the traditional structures of the district.

Focusing on compliance can negatively affect innovation. One principal noted that "the seed of the idea [of the policy] is powerful … but all those bureaucratic nightmares [get in my way.]" One former district administrator said, "Principals keep asking themselves, 'What if I get too innovative? I'm safer if I just do it the way I've always done it.'"

Our Oakland interviews seem to suggest a continued focus on compliance. Several Oakland respondents referred to the "compliance office" (the unofficial name for the district's office of federal and state grants). Even the guide for developing the schools' academic plans is titled *Compliance Information and Guidance*. One district administrator called the SSC the "compliance SSC." Another Oakland district respondent commented that the district is more concerned with compliance than results, saying, "There's more accountability for how you spend the money versus the impact of what you spend the money on. Until we change that, it's going to stay the same." Indeed, while commenting on the operations support coaches who serve as liaisons to the district in Oakland on a variety of budgeting and administrative issues, one district administrator noted, "The ops support person lessens the burden, but the burden should not exist in the first place." One principal also commented that the operations support coach "is a bit of a bandage for a system which is still so ridiculously bureaucratic and complex."

**Districts can pursue specific elements of an SBF policy with the goal of increasing equity without fully implementing an SBF policy.**

Our conversations with superintendents from other districts in California that have opted not to pursue an SBF policy revealed that even without pursuing a full student-based funding policy, a district can implement similar mechanisms to improve the equity and transparency of resources in the district. For example, in one urban school district, the superintendent indicated that although the district would not pursue a full SBF policy for a variety of reasons, the district has focused on two components similar to SBF policies, as described further below: (1) focusing on the calculation of actual salaries and (2) ensuring the most efficient distribution of funds based on student need.

Specifically, although the schools in this district do not receive school allocations based on actual salaries, starting a few years ago, the central office began tracking school-level spending based on actual salaries. In this process, central office staff uncovered the fact that the district had been staffing kindergarten through third grade classes with one teacher for every 18 students, whereas the district policy was one teacher for every 20 students. This type of budgeting calculation, according to this superintendent, was discovered only when the central office began tracking costs using actual salaries. In addition, this district also hired a consultant to help redesign the allocations of categorical program funds to ensure that the district was providing resources to its schools in a more efficient and equitable manner. As the superintendent described it,

> *We have a tendency [in school systems] to build budgets around expenditures patterns based on previous needs. We have been working to build the knowledge base to create the pressure for change and the development of our system to better support what sites are saying they need rather than what they are accustomed to getting.*

These actions taken by a non-SBF district give examples of the types of decisions a non-SBF district can pursue that appear to reflect goals similar to those of an SBF policy.

## Lessons for State Policymakers

**California's state budgeting process has a significant impact on schools' ability to plan and allocate resources.**

As described in Consideration 9 in Chapter 4, the state budget cycle in general makes school planning and budgeting processes more difficult. This seems to be especially true in SBF districts, where schools sometimes have to determine their plans and budgets before they know the total amount of funds that will be available. The state's budgetary cycle provides an incentive for

underestimating projected enrollments, given that adding new staff in the fall is much easier than reducing existing staff. These tensions are further aggravated by delays in passing the state budget, leading to even further uncertainty in the planning process. As just one example, because the budget crisis at the state level resulted in several different estimates of available funds for the coming year over several months, San Francisco did not even hold district-level reviews of the schools' academic plans and budgets.

**Currently, the state provides very little support to districts with an SBF policy, making it difficult for other districts to adopt such a policy.**

One former administrator in a district that considered, but chose not to implement, an SBF policy noted that the process for creating such a policy required administrative capacity that the district lacked. One recommendation made by this former chief financial officer of a large urban school district in California was to create state and/or regional structures supportive of SBF policies that could assist districts that are interested in their implementation, noting that "the CDE could invest some time and energy at the state level [to make] this policy more feasible in districts."

**The large number of categorical programs at state and federal levels inhibits innovation and reinforces a compliance-oriented mentality.**

Despite recent provisions attempting to change the restrictions on federal funds, the compliance mentality has proven very difficult to change in states, districts, and schools (Cross & Roza, 2007). If state policymakers are interested in creating avenues for more school-level innovation, they must re-examine how state funds are distributed and how districts are required to report the expenditures of these funds. In discussions with a group of superintendents, we heard a clear message from other large districts in California that although they may not prefer an SBF policy, they would *all* prefer to receive the funding from the state with fewer strings attached. Whether it be in the form of a statewide weighted student formula that distributes funds from the state to the district level or a limitation on the number of categorical programs, these superintendents from across the state voiced a desire to allow the state funding system to better promote innovation.

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# A Tale of Two Districts

## A Comparative Study of Student-Based Funding and School-Based Decision Making in San Francisco and Oakland Unified School Districts

# Report Appendices

October 2008

Jay Chambers
Larisa Shambaugh
Jesse Levin
Mari Muraki
Lindsay Poland

American Institutes for Research®

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# Appendix A: Data Sources

## Demographics and Enrollment Information

A database of public elementary, middle, and high schools in the Oakland Unified School District and the San Francisco Unified School District was compiled using publicly accessible data sources from the California Department of Education. The following publicly available data sources, with locations listed in Exhibit A1, were used to construct the database of school-level demographic information used in the analyses of resource trends and expenditure patterns:

- Public School Directory (PUBSCHLS): A master directory of basic information on schools and districts that have ever been assigned County-District-School (CDS) codes.
- School Information Form (SIF): A key data component of the California Basic Educational Data System (CBEDS) that provides school enrollment and demographics counts as well as information on classified staff. In particular, the SIF Section A, D and E and SIF Section B files provide data on grade-level student enrollments, disaggregated by ethnicity and gender.
- California Work Opportunity (CalWORKS): The Free and Reduced Price Meals Program (FRPM) and Aid to Families with Dependent Children (AFDC) databases provide school-level counts and percentages of students eligible for free or reduced-price meals.
- Professional Assignment Information Form (PAIF): Staffing files from the CBEDS contain detailed record- and assignment-level information on certified staff.

### Exhibit A1: Locations of Data Sources Used in Quantitative Analysis

| Data File Name | Available for Download at: |
|---|---|
| PUBSCHLS | http://www.cde.ca.gov/ds/si/ds/pubschls.asp |
| SIFADE (*ff*) | http://www.cde.ca.gov/ds/sd/cb/filessifae.asp |
| SIFB (*ffss*) | http://dq.cde.ca.gov/DataQuest/downloads/sifenr.asp |
| FRPM/AFDC (*ffss*) | http://www.cde.ca.gov/ds/sh/cw/filesafdc.asp |
| ASGNCODE<br>ASSIGN(*ff*)<br>PAIF(*ff*) | http://www.cde.ca.gov/ds/ss/cb/filespaif.asp |
| Note: *ff* = Fall of school year. *ss* = Spring of school year. | |

In order to analyze data from these multiple sources, the databases were merged by the unique 14-digit CDS code and by year.

For the purposes of our analyses, the sample was limited to traditional (i.e., non-charter and non-alternative) elementary, middle, and high schools in the Oakland and San Francisco Unified School Districts. Schools in the Oakland and San Francisco Unified School Districts identified in the Public School Directory database as being of the following school types were excluded from our sample: adult education centers, alternative schools of choice, community college campuses, charter schools, continuation high, county community, district community day, K-12, and opportunity and special education schools. Exhibit A2 shows the count of public elementary, middle, and high schools from 1999-2000 through 2006-07 with available CBEDS SIF enrollment data.[1]

[1] Across the study years, the total number of students enrolled in the schools dropped from our sample ranged from 2,429 to 8,603 for Oakland 1,847 to 3,918 for San Francisco.

### Exhibit A2: Counts of Oakland Schools with Enrollment Data

| Oakland | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| Elementary | 61 | 63 | 65 | 67 | 69 | 65 | 70 | 70 |
| Middle | 18 | 19 | 20 | 20 | 20 | 21 | 21 | 26 |
| High | 6 | 6 | 7 | 11 | 18 | 24 | 27 | 31 |
| Total | 85 | 88 | 92 | 98 | 107 | 110 | 118 | 127 |

| San Francisco | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| Elementary | 78 | 78 | 76 | 77 | 77 | 76 | 74 | 72 |
| Middle | 17 | 17 | 17 | 17 | 20 | 20 | 19 | 17 |
| High | 17 | 17 | 17 | 17 | 18 | 20 | 21 | 20 |
| Total | 112 | 112 | 110 | 111 | 115 | 116 | 114 | 109 |

As mentioned above, the measure of poverty used is the percent of students eligible for free or reduced-price meals was extracted from the CalWORKS database. Merging the initial sample of schools with available enrollment together with the CalWORKS database resulted in a small number of observations that could not be matched. In addition, there were limited instances where schools had missing or inaccurately identified (as 0 percent) percent of students eligible for free or reduced-price lunch. Missing or inaccurate data were imputed using the arithmetic mean of school-specific data from adjacent years. For instance, if a school was missing or had inaccurately identified the percent of students eligible for free or reduced-price lunch in 2002-03, this value was imputed using the average rates from the 2001-02 and 2003-04 school years. There were six cases where the percent eligible for free or reduced-price lunch had to be imputed (four in Oakland and two in San Francisco).

**Classification of Low-, Middle-, and High-Poverty Schools by School Type**

In much of the analysis that follows, the use of resources is contrasted across groups of schools categorized by poverty level. Categories of low, middle, and high poverty were calculated within district, schooling level (elementary, middle, or high), and year. For each sample year, a school was identified as low (high) poverty if the percent of students eligible for free or reduced-price meals at the school was less than or equal (greater than or equal) to the 25$^{th}$ (75$^{th}$) pupil-weighted percentile of the percent of students eligible for free or reduced-price meals across schools within the same school type. For example, an elementary school was identified as a high-poverty school in 2006 if its percent of students eligible for free or reduced-price meals was greater than or equal to the 75$^{th}$ percentile of the percent of students eligible for free or reduced-price meals across all elementary schools in the district for that year. As the percent of students eligible for free or reduced price lunch at each school represents a wide range of enrollment levels, it was necessary to weight the percentile cutoff values by pupils when determining the poverty category of each school.

Exhibit A3 includes the count of public non-charter elementary, middle, and high schools by their designated poverty category.

### Exhibit A3: Counts of Traditional Schools by Poverty Categories included in the Demographics Database

| Oakland | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| **Elementary** | **57** | **58** | **60** | **61** | **62** | **58** | **60** | **60** |
| Low Poverty | 20 | 20 | 19 | 22 | 21 | 18 | 16 | 16 |
| Middle Poverty | 26 | 27 | 29 | 24 | 27 | 26 | 31 | 30 |
| High Poverty | 11 | 11 | 12 | 15 | 14 | 14 | 13 | 14 |
| **Middle** | **15** | **15** | **17** | **17** | **17** | **18** | **18** | **21** |
| Low Poverty | 4 | 4 | 5 | 4 | 4 | 4 | 4 | 3 |
| Middle Poverty | 6 | 5 | 7 | 7 | 7 | 9 | 10 | 9 |
| High Poverty | 5 | 6 | 5 | 6 | 6 | 5 | 4 | 9 |
| **High** | **6** | **6** | **7** | **8** | **14** | **16** | **16** | **17** |
| Low Poverty | 2 | 2 | 3 | 3 | 3 | 3 | 2 | 4 |
| Middle Poverty | 2 | 2 | 2 | 2 | 4 | 6 | 9 | 9 |
| High Poverty | 2 | 2 | 2 | 3 | 7 | 7 | 5 | 4 |

| San Francisco | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| **Elementary** | **76** | **76** | **75** | **75** | **75** | **75** | **73** | **71** |
| Low Poverty | 16 | 15 | 16 | 15 | 15 | 13 | 13 | 14 |
| Middle Poverty | 37 | 38 | 38 | 38 | 39 | 39 | 40 | 34 |
| High Poverty | 23 | 23 | 21 | 22 | 21 | 23 | 20 | 23 |
| **Middle** | **17** | **17** | **17** | **17** | **18** | **18** | **17** | **15** |
| Low Poverty | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Middle Poverty | 8 | 8 | 7 | 8 | 9 | 9 | 8 | 8 |
| High Poverty | 6 | 6 | 7 | 6 | 6 | 6 | 6 | 4 |
| **High** | **14** | **14** | **14** | **13** | **14** | **14** | **14** | **14** |
| Low Poverty | 3 | 3 | 3 | 3 | 3 | 4 | 3 | 3 |
| Middle Poverty | 5 | 5 | 5 | 4 | 5 | 4 | 7 | 7 |
| High Poverty | 6 | 6 | 6 | 6 | 6 | 6 | 4 | 4 |

## *Classified and Certified Staff Information*

### School Information Form (SIF) Section A, D, and E

The SIF Section A, D, and E files provide data on classified staff counts, disaggregated by ethnicity and gender. The classified staff counts in the SIF A, D, and E files are categorized by type and by status. Classified staff types are as follows: 1) paraprofessionals, including teaching assistants, teacher aides, pupil services aides, and library aides; 2) clerical, including school secretaries; and, 3) other including non-certified staff such as custodians, bus drivers, and cafeteria workers. For the purposes

of our analyses, the disaggregated SIF data were collapsed into a database with observations by CDS code and by year.

**Professional Assignment Information Form (PAIF)**
The Professional Assignment Information Form (PAIF) data files provide detailed staff information, disaggregated by staffing records and assignments for teachers, administrators, and pupil service staff. The course file contains course data by assignment code for each staff record.

The staff characteristics file includes the following characteristics for each staff member: ethnicity, years of educational and district experience, and authorization status. The assignment code file contains the assignment code and assignment code names listed in the Administrative Manual for CBEDS Coordinators and School Principals. The assignment code and name from the assignment code file identifies the course or assignment assigned to the certified staff.

The staff characteristics data files were merged with their corresponding course data files by record identification and CDS code for the following school years: 1999-00, 2000-01, 2001-02, 2002-03, 2003-2004, 2004-2005, 2005-2006, and 2006-07. The assignment code data file was merged with the staff characteristics and course database by the assignment code variable available in the course data file.

The PUBSCHLS, CalWORKS, and SIF data mentioned above that were compiled into a school- and year-specific demographics database were merged with the databases of classified and certified staff information. Records with demographics data were included in the final database. All schools observed in the demographics database were matched with classified and certified staff information. Refer to Exhibit A3 for the count of schools included in the analyses of resource patterns.

## Expenditure Data

The quantitative analyses involving schooling expenditures make use of school-level information from the California Standardized Account Code Structure (SACS) fiscal data. Under California's education code, all local education agencies (LEAs) are required to follow a chart of accounts called Standardized Account Code Structure (SACS) when reporting their financial activities to the CDE.[2] SACS classifies expenditure revenues, expenditures, assets, liabilities, and fund balances through using the following seven identifiers:

- *Fund* – Identifies the funding source from which expenditures are paid out or in which revenues are received. Examples include: General Fund, Child Development Fund, and Cafeteria Special Revenue Fund.
- *Resource* – Used to track activities that are funded with revenues with special accounting or reporting requirements or that are legally restricted. Examples include: Unrestricted, Bilingual Education, Educational Technology, and Other Restricted Federal.
- *Goal* – Used to identify costs by instructional goals and objectives of an LEA. Goal groups costs by population, setting, and/or educational mode. Examples include: include regular education K–12, continuation schools, and migrant education.
- *Function* – Identifies activities or services performed to support or accomplish one or more goals. Examples include instruction, school administration, and pupil transportation.

[2] An in-depth description of SACS is available in the California School Accounting Manual (CSAM), which is publically available for download at http://www.cde.ca.gov/fg/ac/sa/documents/csam2008updateonly.pdf.

- *Object* – Used to classify revenues by source/type (e.g., revenue limit sources, federal revenue, other state revenue, and contracts) and expenditures by type of commodity or service (e.g., certificated salaries, classified salaries, employee benefits, books/supplies).
- *School* – Identifies a specific, physical school structure or group of structures that form a campus under a principal's direct responsibility.
- *Year* - Identifies the reporting year for a project that has more than one reporting year during the LEA's fiscal year.

As mentioned above, the quantitative analysis concerning expenditures employs school-level data in order to be able to identify levels of spending by school level (elementary, middle, and high), need (i.e., student poverty) and size. While districts must necessarily collect expenditure data at the school level and the *School* identifier is required to be built into their accounting systems, districts are not currently required to report this fiscal data at the school building level and there are currently relatively few that do,. To this end, the study research team obtained several years of SACS data (2002-03 to 2006-07 for Oakland) and (2000-01 to 2006-07 for San Francisco) directly from the central district offices. These data include expenditures not only for schools, but also those incurred at the central district office itself.

In order to isolate the expenditures from the fiscal files, only line items identified by Fund = 1 (Government Funds) and Object = 1000 to 7999 (Expenditures) were preserved. The extracted expenditure data were validated by first aggregating (summing) the school-level expenditure line items within the object-specific categories listed in Exhibit A4 to the district level:

### Exhibit A4: Definitions of Major Expenditure Data Object Categories

**1. Certified Personnel Salaries (Object = 1000 to 1999)** – Includes Salaries for Certified Supervisors, Administrators, Pupil Support Staff, and Teachers

**2. Classified Personnel Salaries (Object = 2000 to 2999)** – Includes Salaries for Classified Supervisors, Administrators, and Support and Clerical Staff

**3. Employee Benefits (Object = 3000 to 3999)** – Includes Benefits for Retirement, Health, Unemployment, and Other Benefits

**4. Books and Supplies (Object = 4000 to 4999)** – Includes Expenditures for Curricula and Materials, Equipment, and Food

**5. Services and Other Operating Expenditures (Object = 5000 to 5999)** – Includes Expenditure for Memberships and Non-Capitalized Improvements and Communications

The following is a comprehensive list of all object codes:

**1000–1999 Certificated Personnel Salaries**
1100 Certificated Teachers' Salaries
1200 Certificated Pupil Support Salaries
1300 Certificated Supervisors' and Administrators' Salaries
1900 Other Certificated Salaries

**2000–2999 Classified Personnel Salaries**
2100 Classified Instructional Salaries
2200 Classified Support Salaries
2300 Classified Supervisors' and Administrators' Salaries
2400 Clerical, Technical, and Office Staff Salaries
2900 Other Classified Salaries

**3000–3999 Employee Benefits**
3101 State Teachers' Retirement System, certificated positions
3102 State Teachers' Retirement System, classified positions
3201 Public Employees' Retirement System, certificated positions
3202 Public Employees' Retirement System, classified positions
3301 OASDI/Medicare/Alternative, certificated positions
3302 OASDI/Medicare/Alternative, classified positions
3401 Health and Welfare Benefits, certificated positions
3402 Health and Welfare Benefits, classified positions
3501 State Unemployment Insurance, certificated positions
3502 State Unemployment Insurance, classified positions
3601 Workers' Compensation Insurance, certificated positions
3602 Workers' Compensation Insurance, classified positions
3701 OPEB, Allocated, certificated positions
3702 OPEB, Allocated, classified positions
3751 OPEB, Active Employees, certificated positions
3752 OPEB, Active Employees, classified positions
3801 PERS Reduction, certificated positions
3802 PERS Reduction, classified positions
3901 Other Benefits, certificated positions
3902 Other Benefits, classified positions

**4000–4999 Books and Supplies**
4100 Approved Textbooks and Core Curricula Materials
4200 Books and Other Reference Materials
4300 Materials and Supplies
4400 Noncapitalized Equipment
4700 Food

**5000–5999 Services and Other Operating Expenditures**
5100 Subagreements for Services
5200 Travel and Conferences
5300 Dues and Memberships
5400 Insurance
5440 Pupil Insurance
5450 Other Insurance
5500 Operations and Housekeeping Services
5600 Rentals, Leases, Repairs, and Noncapitalized Improvements
5700–5799 Transfers of Direct Costs
5710 Transfers of Direct Costs
5750 Transfers of Direct Costs—Interfund
5800 Professional/Consulting Services and Operating Expenditures
5900 Communications

**6000–6999 Capital Outlay**
6100 Land
6170 Land Improvements
6200 Buildings and Improvements of Buildings
6300 Books and Media for New School Libraries or Major Expansion of School Libraries
6400 Equipment
6500 Equipment Replacement

6900 Depreciation Expense (for proprietary and fiduciary funds only)

**7000–7499 Other Outgo**
7100–7199 Tuition
7110 Tuition for Instruction Under Interdistrict Attendance Agreements
7130 State Special Schools
7141 Other Tuition, Excess Costs, and/or Deficit Payments to Districts or Charter Schools
7142 Other Tuition, Excess Costs, and/or Deficit Payments to County Offices
7143 Other Tuition, Excess Costs, and/or Deficit Payments to JPAs
7200–7299 Interagency Transfers Out
7211 Transfers of Pass-Through Revenues to Districts or Charter Schools
7212 Transfers of Pass-Through Revenues to County Offices
7213 Transfers of Pass-Through Revenues to JPAs
7221 Transfers of Apportionments to Districts or Charter Schools
7222 Transfers of Apportionments to County Offices
7223 Transfers of Apportionments to JPAs
7280 Transfers to Charter Schools in Lieu of Property Taxes (Obsolete as of 2007-08)
7281 All Other Transfers to Districts or Charter Schools
7282 All Other Transfers to County Offices
7283 All Other Transfers to JPAs
7299 All Other Transfers Out to All Others
7300–7399 Transfers of Indirect Costs (Effective 2008-09)
7310 Transfers of Indirect Costs
7350 Transfers of Indirect Costs—Interfund
7370 Transfers of Direct Support Costs (Valid through 2007-08)
7380 Transfers of Direct Support Costs—Interfund (Valid through 2007-08)
7430–7439 Debt Service
7432 State School Building Repayments
7433 Bond Redemptions
7434 Bond Interest and Other Service Charges
7435 Repayment of State School Building Fund Aid—Proceeds from Bonds
7436 Payments to Original District for Acquisition of Property
7438 Debt Service—Interest
7439 Other Debt Service—Principal

**7600–7699 Other Financing Uses**
7600–7629 Interfund Transfers Out
7611 From General Fund to Child Development Fund
7612 Between General Fund and Special Reserve Fund
7613 State School Building Fund/County School Facilities Fund from All Other Funds of the District
7614 From Bond Interest and Redemption Fund to General Fund
7615 From General, Special Reserve, and Building Funds to Deferred Maintenance Fund
7616 From General Fund to Cafeteria Fund
7619 Other Authorized Interfund Transfers Out
7630–7699 All Other Financing Uses
7651 Transfers of Funds from Lapsed/Reorganized LEAs
7699 All Other Financing Uses

The aggregated district-level expenditure data were compared to similar publicly available figures from the EdData website (http://www.ed-data.k12.ca.us). The research team was able to perfectly

validate all of the information obtained from the district central offices except for the Oakland data for fiscal years 2003-04 and 2004-05.[3]

The validated data were then matched to the demographics database described above (see Demographic Data Used in Quantitative Analysis, above). Exhibit A5 and A6 contain the counts of schools by year, schooling level, and poverty category that were found in both data sources.[4]

### Exhibit A5: Counts of Oakland Schools With Enrollment, Demographic and Expenditure Data

| Oakland | | | | | | |
|---|---|---|---|---|---|---|
| | | Year | | | | |
| | Poverty Category | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
| Elementary | Low | 21 | - | 17 | 14 | 15 |
| | Middle | 22 | - | 24 | 30 | 29 |
| | High | 12 | - | 11 | 10 | 14 |
| | **Total** | **55** | **-** | **52** | **54** | **58** |
| Middle | Low | 4 | - | 4 | 4 | 3 |
| | Middle | 7 | - | 9 | 10 | 9 |
| | High | 6 | - | 5 | 4 | 9 |
| | **Total** | **17** | **-** | **18** | **18** | **21** |
| High | Low | 3 | - | 3 | 2 | 4 |
| | Middle | 1 | - | 5 | 9 | 9 |
| | High | 2 | - | 7 | 5 | 4 |
| | **Total** | **6** | **-** | **15** | **16** | **17** |

[3] We were able to validate all of the Object-specific categories in fiscal year 2003-04 except for Employee Benefits, where our aggregated expenditure was approximately $98 per pupil larger than that contained in the EdData database. The case of the 2004-05 Oakland data was just the opposite, where the compiled per-pupil expenditure across all of the Object-specific categories was far smaller than the official figures. We worked in earnest with the district to resolve these discrepancies, but were unable to perfectly validate these data. While the 2004-05 figures could be used without seriously biasing our results, we decided that the 2003-04 could not be used in our analysis.

[4] The San Francisco enrollment/demographics were also merged with data obtained directly from the central district office containing school-level counts of special education students.

## Exhibit A6: Counts of San Francisco Schools With Enrollment, Demographic and Expenditure Data

| San Francisco | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Year | | | | | | |
| | Poverty Category | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
| Elementary | Low | 15 | 15 | 14 | 14 | 13 | 12 | 14 |
| | Middle | 35 | 36 | 36 | 37 | 35 | 39 | 34 |
| | High | 20 | 19 | 20 | 19 | 22 | 19 | 23 |
| | Total | 70 | 70 | 70 | 70 | 70 | 70 | 71 |
| Middle | Low | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| | Middle | 6 | 5 | 5 | 6 | 7 | 6 | 7 |
| | High | 4 | 5 | 5 | 5 | 4 | 5 | 4 |
| | Total | 13 | 13 | 13 | 14 | 14 | 14 | 14 |
| High | Low | 3 | 3 | 3 | 3 | 4 | 3 | 3 |
| | Middle | 4 | 3 | 4 | 5 | 4 | 6 | 6 |
| | High | 5 | 6 | 5 | 5 | 5 | 4 | 4 |
| | Total | 12 | 12 | 12 | 13 | 13 | 13 | 13 |

# Appendix B: Methodology

**Pupil-Weighted Resource Averages**
Averages are calculated as pupil-weighted means (i.e., weighted by school enrollment). Weighting the average school resource usage by enrollment was necessary to provide a more representative picture of district-wide resource allocation. Taking straight averages might distort the calculated average by giving equal weight to schools serving larger and smaller student populations.

**Teacher Experience Methodology**
Years of professional experience for certified staff were taken from the PAIF staff files. A variable indicating the total years of public and private educational service in the current school district and elsewhere was used to calculate the average years of educational experience for certified staff by school level and year. A pupil-weighted average number of years of educational experience was calculated by each school-level and demographic group combination for the following three certified staff types: administrators, pupil and instructional support, and teachers.

Staff type was defined by the following indicators:[5]

- Teacher – An employee of the school district who holds a position requiring certification and whose duties require direct instruction to the pupils in the school(s) of that district.
- Administrator – An employee of the district in a position requiring certification but who is not required to provide direct instruction to pupils or direct services to pupils.
- Pupil and Instructional Support – An employee of the district in a position requiring a standard designated services credential, health, development credential, or a librarian credential and who performs direct services to pupils.

**Full-Time-Equivalents (FTE) Methodology**
Classified Staff: Classified staff data from the SIF A, D, and E files and the student enrollment data from the SIF B file were used to calculate school- and year-specific FTEs per 100 students. A pupil-weighted average FTE-per-100-students was calculated for the following three classified staff types: paraprofessional, clerical, and other.

The SIF files only provide total counts of part-time and full-time classified staff. Therefore, we approximated that part-time is equivalent to 0.5 FTE and full-time is equivalent to 1.0 FTE in order to convert classified staff counts into FTE units.

The total FTE-per-100-students for each school by year was calculated as follows:

$$Classified\ Staff\ \ FTE\ \ per\ 100\ Pupils = \frac{\left( Fulltime\ Count + \frac{Parttime\ Count}{2} \right)}{Total\ Enrollment} \times 100$$

[5] Definitions taken from online documentation found at http://www.cde.ca.gov/ds/ss/cb/fspaif06.asp.

**Certified Staff Methodology**

Certified staff data from the PAIF files and the student enrollment data from the SIF B file were used to calculate school- and year-specific FTE-per-100-students by administrative, pupil service and teaching staff types. Unlike the data for classified staff, the PAIF provides actual FTEs rather than counts of full- and part-time staff. A pupil-weighted average FTE-per-100-students for each of these staff types was then calculated for each school-level and demographic group combination.

**Distinguishing Expenditures at the District- Versus School-Levels**

Exhibits 14 and 15 show the split in expenditure thought to be under the discretion of the central district office versus schools in San Francisco and Oakland, respectively. To perform the analysis, the Standard Account Code Structure fiscal files obtained from the two districts were used to perform the following steps:

1) For each year, operational expenditures (total expenditures minus Capital Outlay, Other Financing Uses or Other Outgoing Expenditures) were tracked by site code to schools in our sample versus the central office (the latter defined from the fiscal files as SITE>900).
2) Next, each of these year-specific aggregated expenditures for sample schools and the central district office was divided by the total enrollment for our sample schools and total district enrollment, respectively, to provide school and district per-pupil expenditures. These are termed per-pupil expenditure under school discretion (*PPEXP* and per-pupil expenditure under district discretion, respectively.
3) The two measures of discretion, school- and district-level percents of expenditure, listed in the two exhibits were then defined as follows:

$$School-Level\ Percent\ of\ Expenditure = \frac{Per-Pupil\ Expenditure\ Under\ School\ Discretion}{Per-Pupil\ Expenditure\ Under\ School\ Discretion + Per-Pupil\ Expenditure\ Under\ District\ Discretion}$$

and

$$District-Level\ Percent\ of\ Expenditure = \frac{Per-Pupil\ Expenditure\ Under\ District\ Discretion}{Per-Pupil\ Expenditure\ Under\ School\ Discretion + Per-Pupil\ Expenditure\ Under\ District\ Discretion}$$

Note that these measures represent our best estimate of the share of total expenditure that is *definitively* under the discretion of schools versus the central district office.

However, we also provide numbers that show our best estimates of the proportion of expenditure that is being spent at the school versus district levels. In this case we cannot make a definitive distinction with respect to discretion—only a claim about where these resources occur.

We make the determination of where expenditures occur by simply reassigning district-level expenditures (i.e., those with SITE>900) that were deemed to be clearly going towards school-level purposes as school-level expenditures in step 1), above. The following are the district-level site codes whose expenditures were reassigned as expenditures devoted to school-level purposes:

| Site Code | Site Description |
|---|---|
| 908 | CURRICULUM |
| 909 | PROFESSIONAL DEVELOPMENT |
| 912 | SECONDARY EDUCATION |
| 920 | ELEMENTARY EDUCATION |
| 926 | CURRIUCULUM & INSTRUCTION |
| 927 | PEER ASSISTANCE AND REVIEW |
| 929 | VOCATIONAL EDUCATION |
| 930 | NEW TEACHER SUPPORT PROG |
| 932 | ROTC |
| 933 | OAL/OGAL |
| 937 | SUMMER HOURLY PROGRAM |
| 950 | STATE AND FEDERAL PROGRAMS |
| 967 | HIGH SCHOOL NETWORK |
| 968 | HEALTH SERVICES |
| 969 | STUDENT, FAMILY, COMM. SRVS |
| 975 | SPECIAL EDUCATION |
| 986 | TECHNOLOGY SERVICES |
| 998 | SITE SUPPORT |

Exhibits A26 and A27 show that our best estimates of the percent of expenditure *occurring* at the school-level over the periods under investigation ranged from 78 to 85 percent for San Francisco and 83 to 87 percent for Oakland.

**Implicit Weight Analysis Methodology**

As mentioned in chapter 6, we conducted an analysis that measured the school-level per pupil expenditure relationships with student need and school size for 2002-03 and 2004-05 to 2006-07 in Oakland, and 2000-01 to 2006-07 for San Francisco. For the two districts we investigated the relationships for each year of available data using the following model:

$$\textit{School-Level Per-Pupil Expenditure} = f(\textit{Student Need, Enrollment})$$

Simple regression analysis was used to identify if there were any systematic patterns in school-level per-pupil expenditure that could be explained by student need or enrollment, and whether the expenditure/need and expenditure/enrollment relationships changed over time. The regressions estimated year-specific implicit weights for student need and scale, which represented how school-level per-pupil expenditure varied on average with respect to levels of student poverty and total school enrollment. Moreover, the regressions were run on unrestricted, restricted, and total (both unrestricted and restricted) per-pupil expenditure separately. For Oakland the regressions using total and unrestricted expenditure were also run with and without veteran teacher subsidies. The formal

regression specifications estimated for elementary and middle/high schools, respectively, were as follows.[6]

For Elementary Schools

$$\ln\left(Per\ Pupil\ Expenditure\right)_{s,t} = \alpha + \beta_1 \ln\left(1 + FRL_{s,t}\right) + \beta_2 ENR_{s,t} + \beta_3 ENR^2{}_{s,t} + \sum_{t=1}^{T} \delta_t YEAR_t + \sum_{t=1}^{T} \phi_t \ln\left(1 + FRL_{s,t}\right) YEAR_t + \sum_{t=1}^{T} \varphi_t ENR_{s,t} YEAR_t + \sum_{t=1}^{T} \gamma_t ENR^2{}_{s,t} YEAR_t + \varepsilon_{s,t}$$

For Middle/High Schools

$$\ln\left(Per\ Pupil\ Expenditure\right)_{s,t} = \alpha + \beta_1 \ln\left(1 + FRL_{s,t}\right) + \beta_2 ENR_{s,t} + \beta_3 ENR^2{}_{s,t} + \beta_4 HIGH_{s,t} + \sum_{t=1}^{T} \delta_t YEAR_t + \sum_{t=1}^{T} \phi_t \ln\left(1 + FRL_{s,t}\right) YEAR_t + \sum_{t=1}^{T} \varphi_t ENR_{s,t} YEAR_t + \sum_{t=1}^{T} \gamma_t ENR^2{}_{s,t} YEAR_t + \sum_{t=1}^{T} \pi_t HIGH_{s,t} YEAR_t + \varepsilon_{s,t}$$

where,

- $s$ = index of school-specific observations
- $t$ = index of year-specific observations
- *FRL* = ln(1 + School-Level Percent of Pupils Eligible or Receiving Free/Reduced Price Lunch)[7]
- *ENR* = Total School Enrollment
- *HIGH* = High School Dummy Indicator Equal to 1 for High Schools and 0 for Middle Schools.
- *YEAR* = Year-Specific Dummy Indicator Equal to 1 for year $t$ and 0, otherwise.
- $\alpha$ = The average per-pupil expenditure for elementary or middle schools (depending on regression) in the specified pre-implementation reference year (2002-03 for Oakland and 2001-02 for San Francisco).
- $\beta_1$ = Estimated implicit student need weight for specified pre-implementation reference year.
- $\beta_2$, $\beta_3$ = Estimated implicit enrollment weights (linear and quadratic) for specified pre-implementation reference year.
- $\beta_4$ = Marginal impact of high school status on average per-pupil expenditure relative to middle school average per-pupil expenditure (i.e., $\alpha + \beta_4$ equals average per-pupil expenditure for high schools in reference year).
- $\delta_t$ = Marginal impact of year $t$ relative to specified pre-implementation reference year.
- $\phi_t$ = Marginal impact of student need in year $t$ relative to estimated implicit student need weight for specified pre-implementation reference year.

[6] The analysis was run for elementary schools separately and middle/high schools combined. The upper two schooling levels were pooled together due to a lack of sufficient numbers of schools to support individual regressions at the middle and high school levels.

[7] Note: "ln" is the expression for the natural logarithm.

- $\varphi_t$, $\gamma_t$ = Marginal impacts of (linear and quadratic) enrollment in year *t* relative to estimated implicit enrollment weight for specified pre-implementation reference year.
- $\pi_t$ = Marginal impact of high school status in year *t* relative to estimated implicit student need weight for specified pre-implementation reference year.
- $\varepsilon_{s,t}$ = School-level random error term.[8]

Year-specific combinations of the estimated parameters lead to implicit weight measures across the years. Note, that estimation of the year-specific implicit weights can (and has) been performed more directly by running individual year-specific regressions of the following forms (notice the dropping of *YEAR* and the *t* subscripts, as this is equation is estimated separately for each year):

$$\ln\left(Per\ Pupil\ Expenditure\right)_s = \alpha + \beta_1 \ln\left(1 + FRL_s\right) + \beta_2 ENR_s + \beta_3 ENR^2{}_s + \varepsilon_s$$

$$\ln\left(Per\ Pupil\ Expenditure\right)_s = \alpha + \beta_1 \ln\left(1 + FRL_s\right) + \beta_2 ENR_s + \beta_3 ENR^2{}_s + \beta_4 HIGH_s + \varepsilon_s$$

Aside from being more intensive in terms of having to run a regression for each year, this approach does not lend itself to testing for significant differences in implicit weights across years. Nevertheless, the year-specific regressions do allow one to directly examine the individual implicit weight estimates from year to year. To this end, Exhibits A57 and A58 contains output of the year-specific regressions run for each district.

The regression results were then used to formulate the following equations capable of calculating the expected per-pupil expenditure for school *i* in each year *t*:

$$\begin{aligned} \textit{School-Level Per-Pupil Expenditure}_{i,t} = {} & \textit{Average Per-Pupil Expenditure}_t \times \\ & \textit{Implicit Student Need Adjustment}_{i,t} \times \\ & \textit{Implicit Enrollment Adjustment}_{i,t} \end{aligned}$$

where the adjustments are based on a school's need/enrollment and the estimated implicit weights for the given year. The implicit student need adjustment simply dictates how much more a school with a given level of poverty is expected to spend per-pupil relative to a school with zero poverty. Similarly, the implicit enrollment adjustment denotes, on average, how much more or less a school with a given enrollment spends relative to the average sized school.

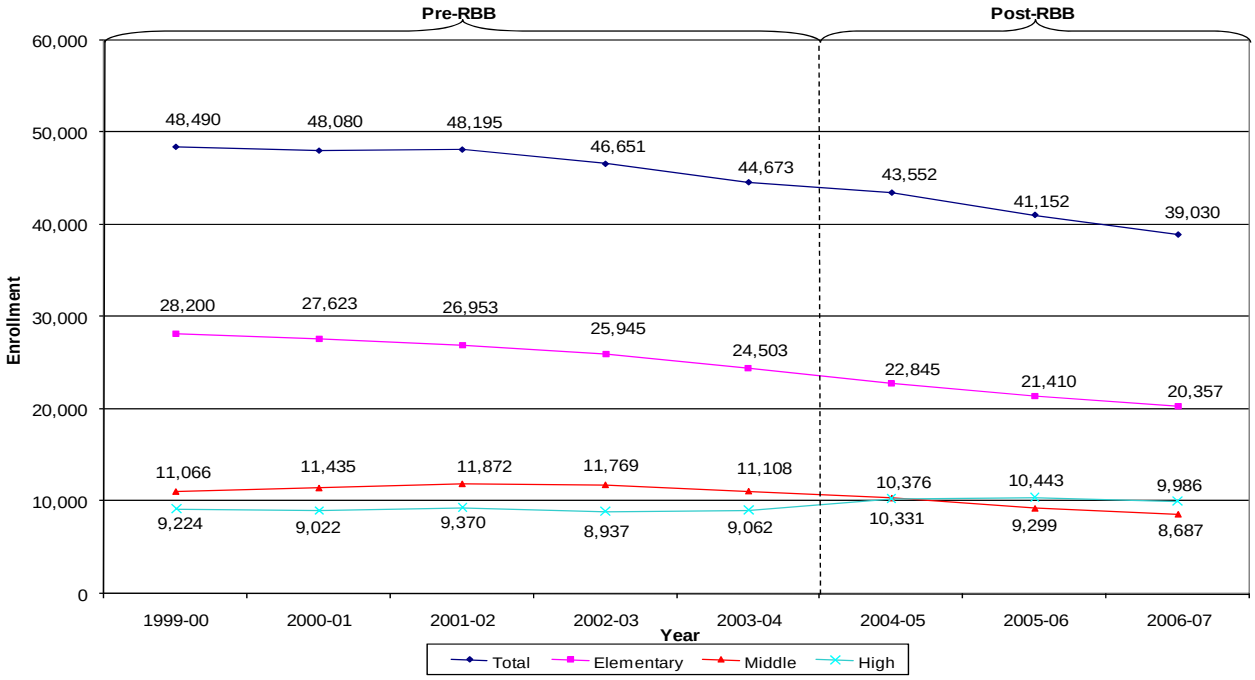
Evaluation of the implicit student need adjustment profiles over the full range of poverty (i.e., from 0 to 100 percent) across years shows whether the relationship between student need and expenditure became stronger with the advent of the policies. The analysis therefore uses the magnitude of the estimated expenditure/student need relationship as a gauge to answer the question of whether the policies implemented were associated with an increase in the equity with which resources were distributed (i.e., a stronger relationship between expenditure and student need implies an increase in resource equity). Appendix C contains the results of formal significance tests of the equality of the estimated year-specific implicit student need weights.

[8] The error terms are assumed to be independent across schools, but not within schools across years. To this end, robust standard errors are calculated for all of the regressions that take into account this form of group-clustered heteroskedasticity, where the group is an individual school. Standard errors that do not adjust for clustered error terms tend to overstate the precision with which parameters are estimated.

# Appendix C: Additional Analyses

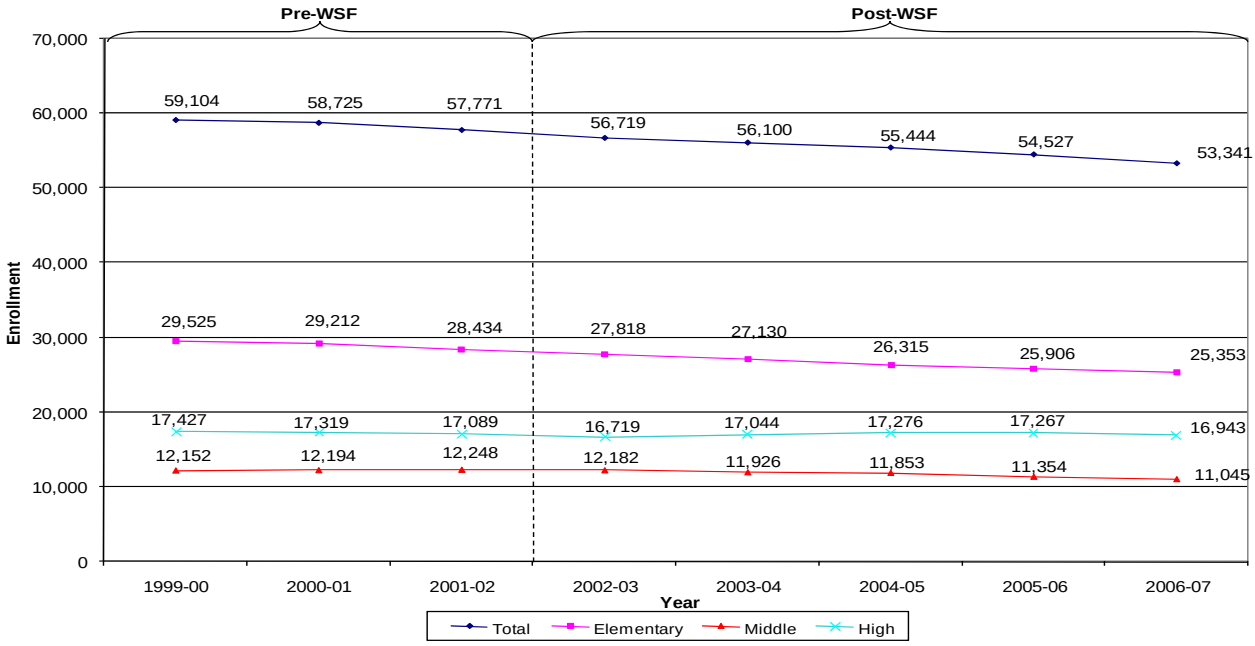
## Total and Average Enrollment Trends

Exhibit A7: Total Enrollment of Oakland Elementary, Middle and High Schools from 2000-01 to 2006-07



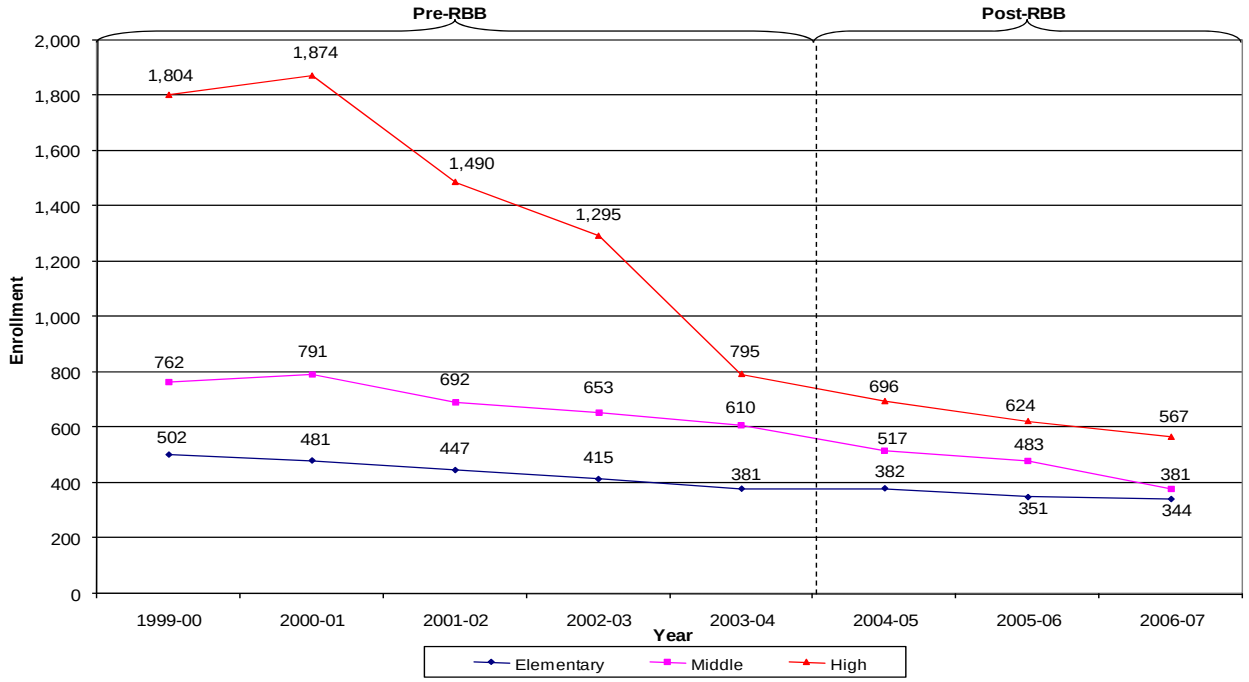

Source: California Department of Education (CDE) School Information Form, Section B database available online at http://dq.cde.ca.gov/DataQuest/downloads/sifenr.asp.

Exhibit A8: Total Enrollment of San Francisco Elementary, Middle and High Schools from 2000-01 to 2006-07



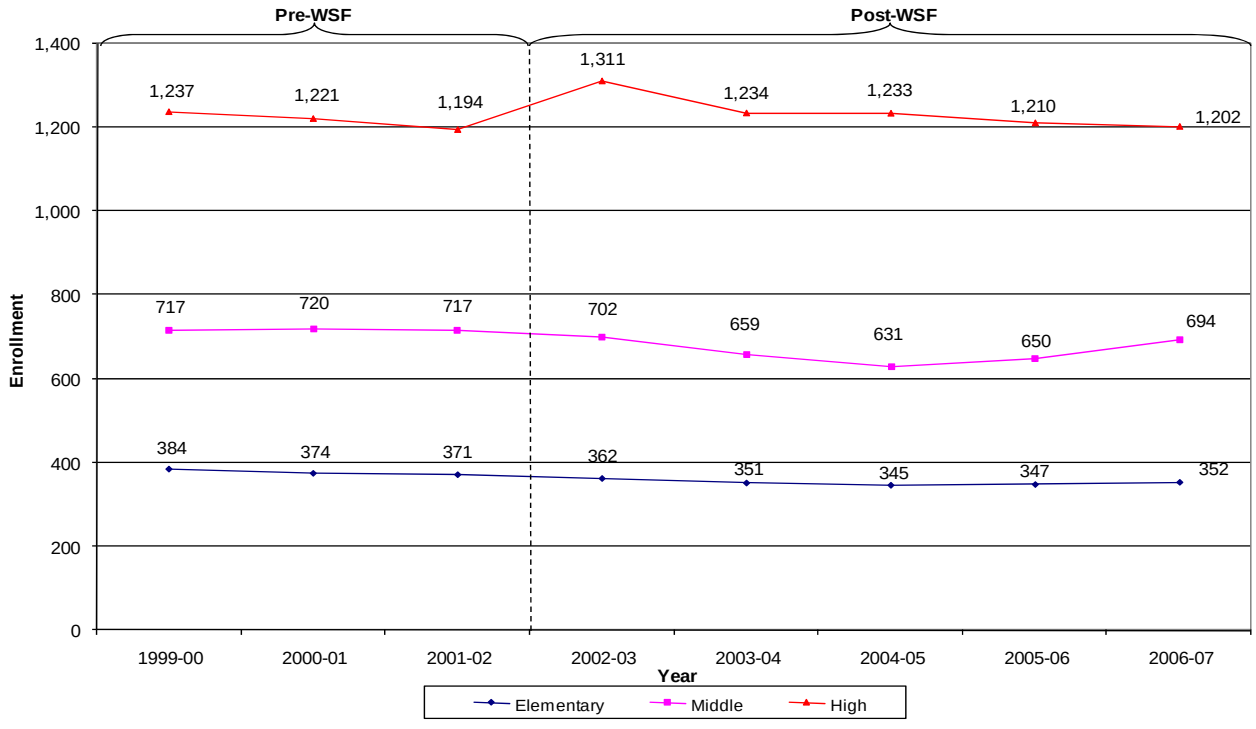

Source: California Department of Education (CDE) School Information Form, Section B database available online at http://dq.cde.ca.gov/DataQuest/downloads/sifenr.asp.

**Exhibit A9: Average Enrollment of Oakland Elementary, Middle and High Schools from 2000-01 to 2006-07**




Source: California Department of Education (CDE) School Information Form, Section B database available online at http://dq.cde.ca.gov/DataQuest/downloads/sifenr.asp.

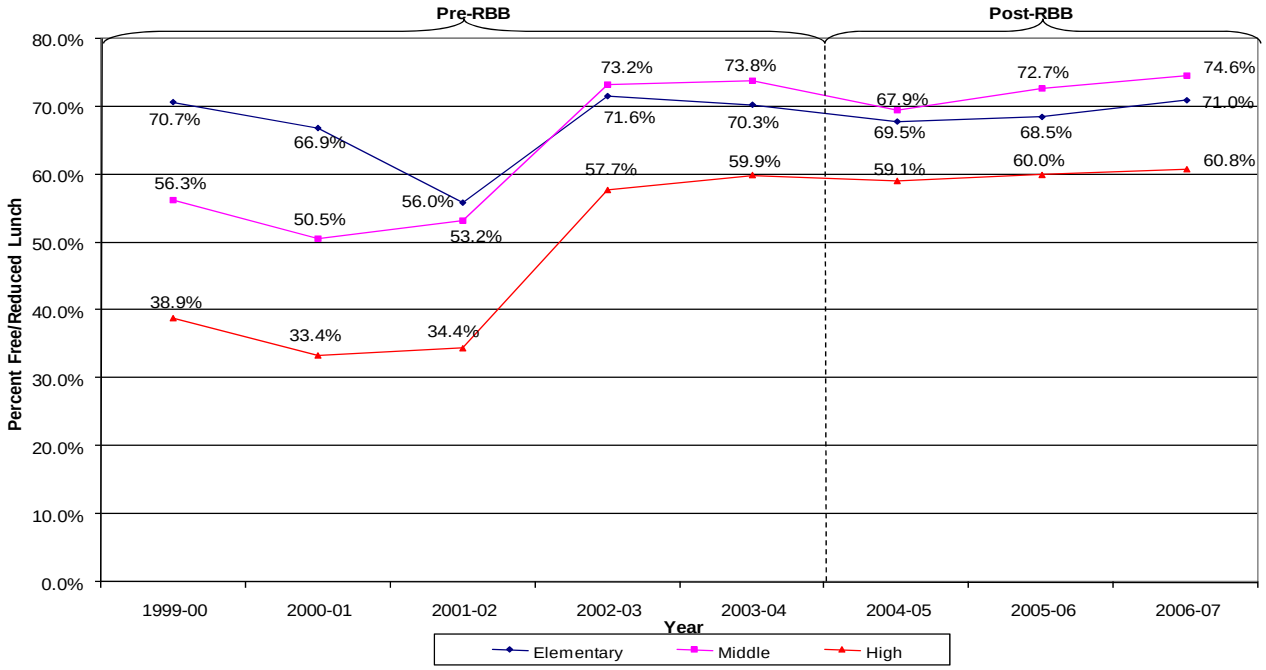
**Exhibit A10: Average Enrollment of San Francisco Elementary, Middle and High Schools from 2000-01 to 2006-07**




Source: California Department of Education (CDE) School Information Form, Section B database available online at http://dq.cde.ca.gov/DataQuest/downloads/sifenr.asp.

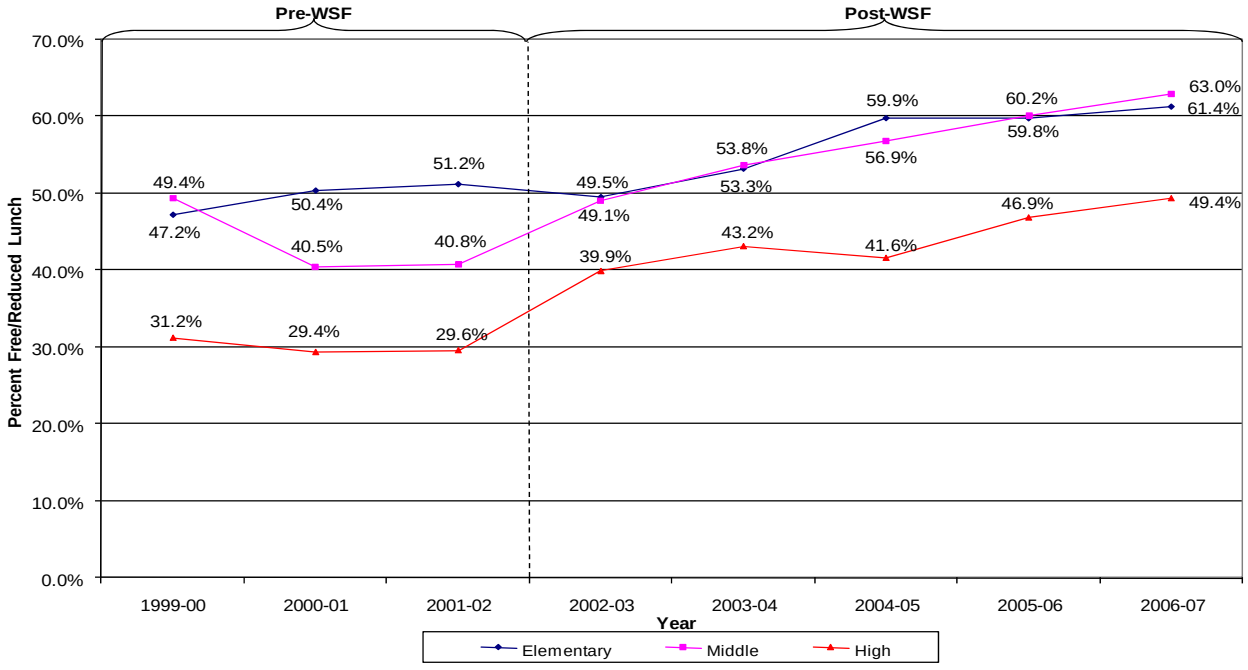
## Poverty Trends

**Exhibit A11: Average Percent of Students Eligible for Free/Reduced Lunch in Oakland Elementary, Middle and High Schools from 2000-01 to 2006-07**




Source: California Work Opportunity (CalWORKS) data file available online at http://www.cde.ca.gov/ds/sh/cw/filesafdc.asp.

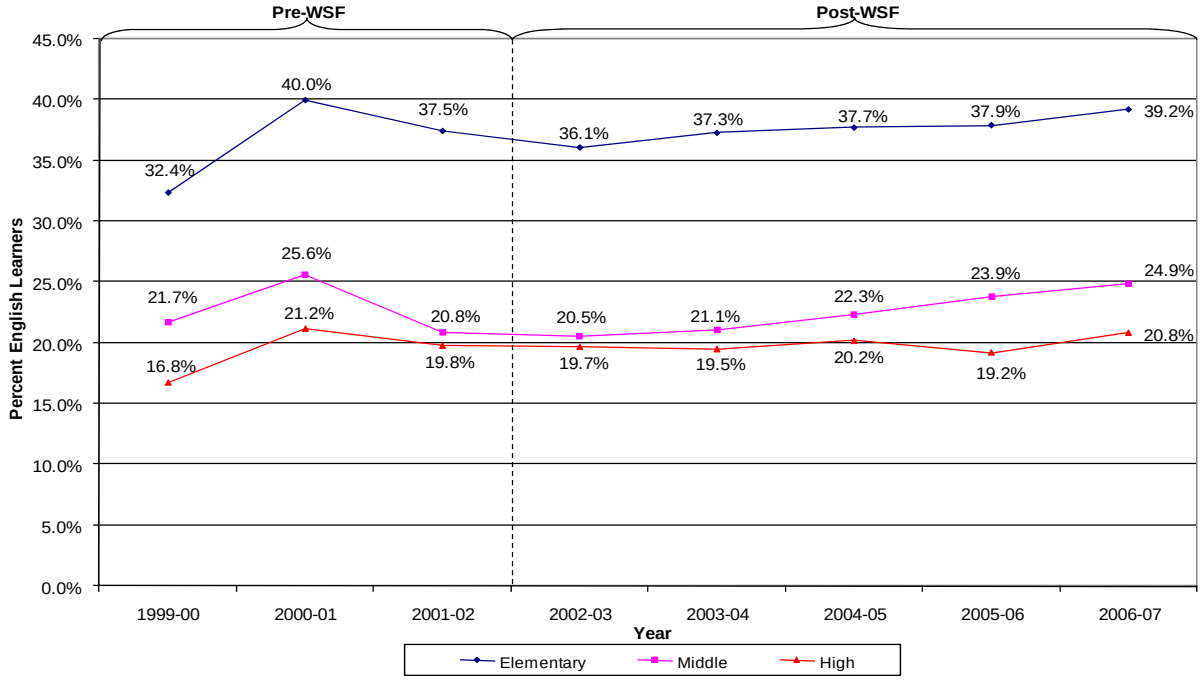
**Exhibit A12: Average Percent of Students Eligible for Free/Reduced Lunch in San Francisco Elementary, Middle and High Schools from 2000-01 to 2006-07**




Source: California Work Opportunity (CalWORKS) data file available online at http://www.cde.ca.gov/ds/sh/cw/filesafdc.asp.

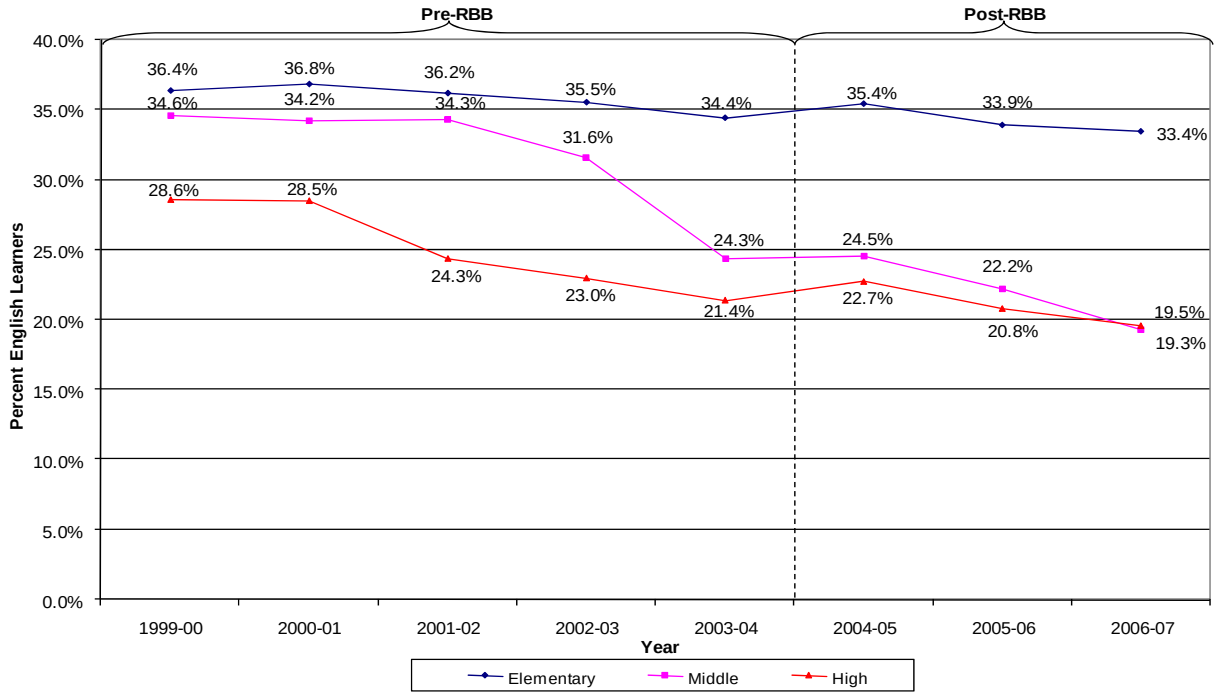
## English Learner (EL) Trends

Exhibit A13: Average Percent of English Learners in San Francisco Elementary, Middle and High Schools from 2000-01 to 2006-07




Source: California Department of Education (CDE) Base Academic Performance Index (API) available online at http://www.cde.ca.gov/ta/ac/ap/apidatafiles.asp.

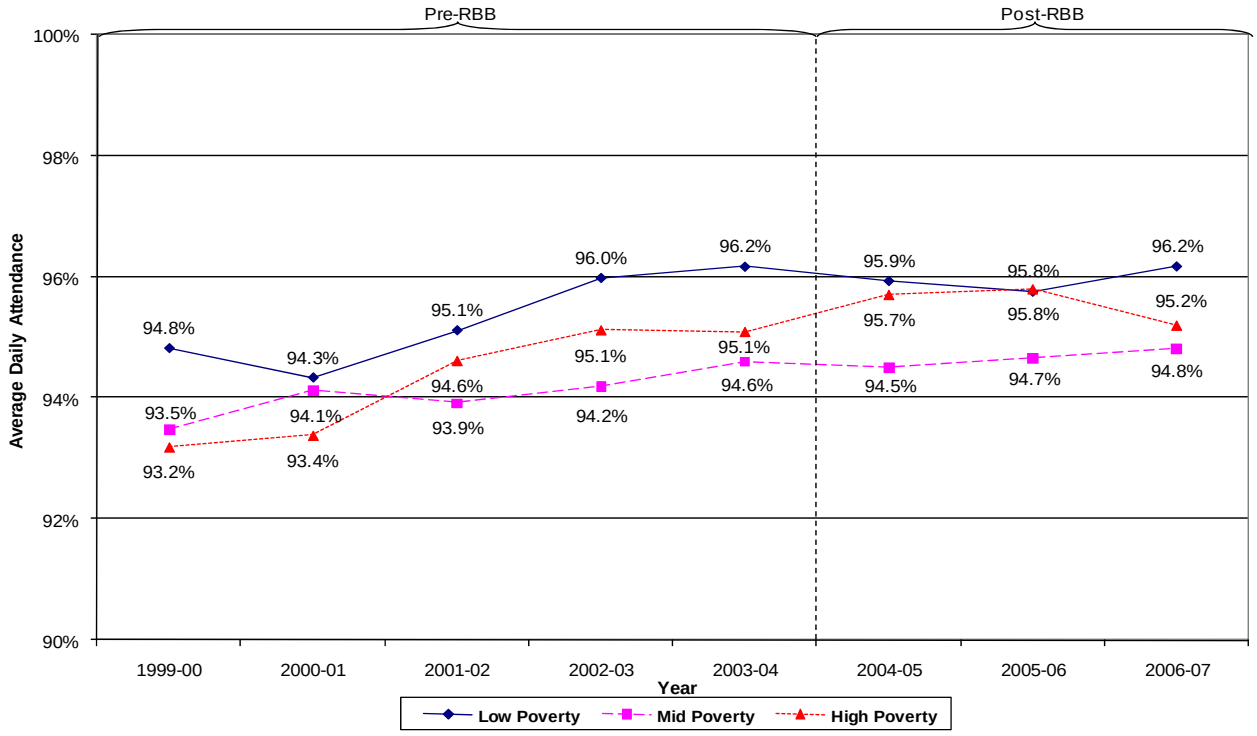
Exhibit A14: Average Percent of English Learners in Oakland Elementary, Middle and High Schools from 2000-01 to 2006-07




Source: California Department of Education (CDE) Base Academic Performance Index (API) available online at http://www.cde.ca.gov/ta/ac/ap/apidatafiles.asp.

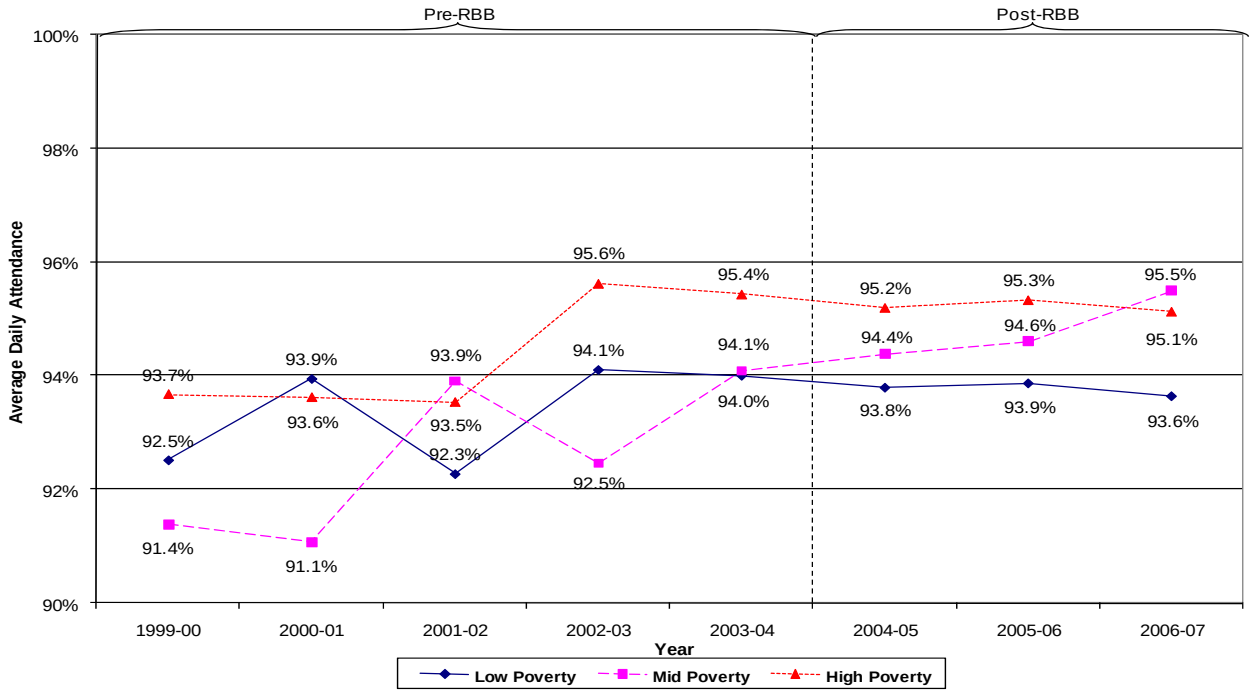
## Average Daily Attendance (ADA) in Oakland

Exhibit A15: Average Daily Attendance (ADA) for Oakland Elementary Schools from 1999-2000 to 2006-07



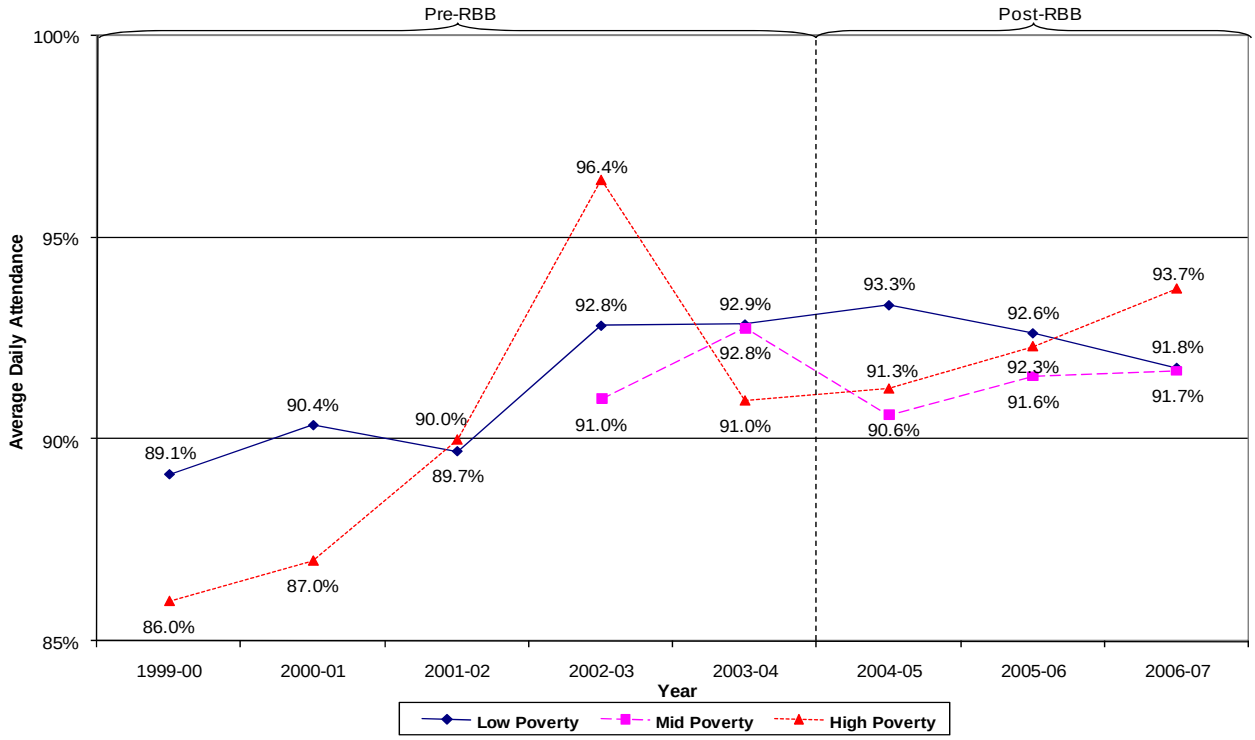

Source: District-provided average daily attendance, 1999-2000 through 2006-07

Exhibit A16 – Average Daily Attendance (ADA) for Oakland Middle Schools from 1999-2000 to 2006-07




Source: District-provided average daily attendance, 1999-2000 through 2006-07

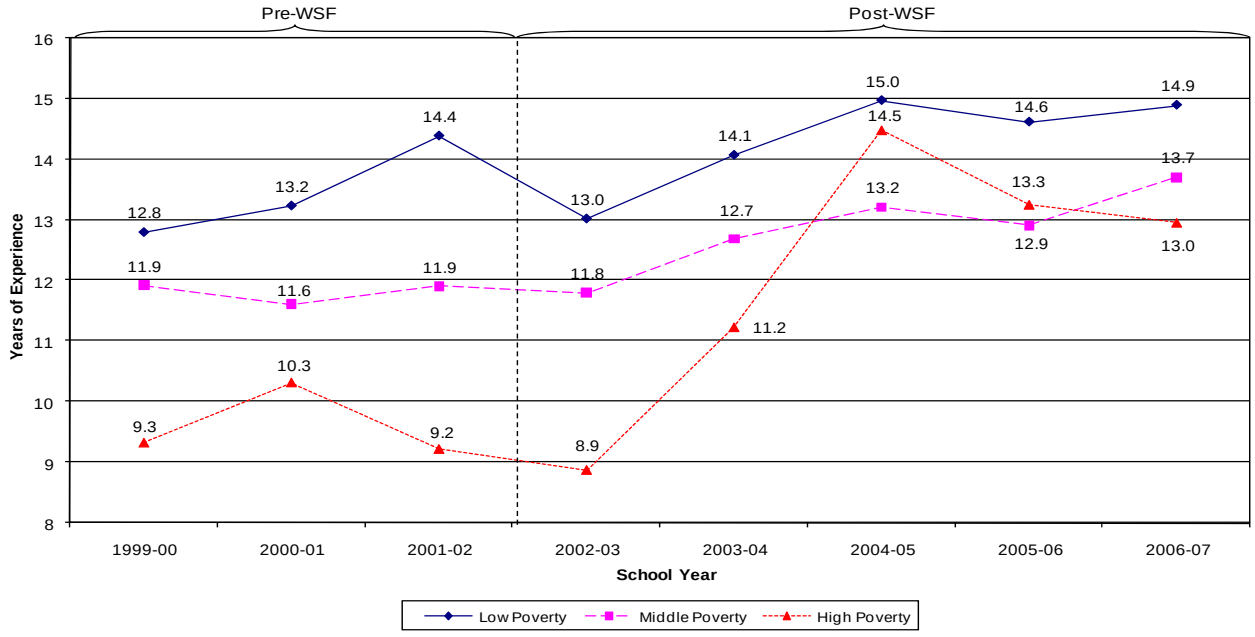
Exhibit A17 – Average Daily Attendance (ADA) for Oakland High Schools from 1999-2000 to 2006-07




Source: District-provided average daily attendance, 1999-2000 through 2006-07

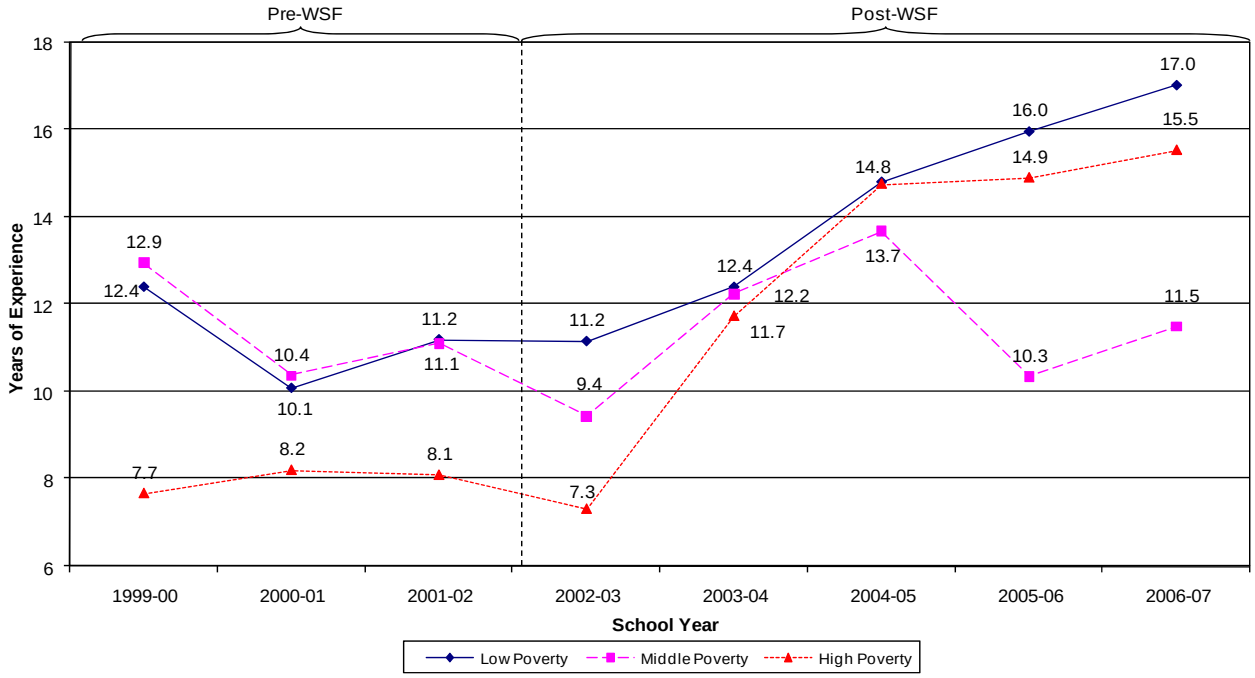
## Distribution of Teacher Experience

**Exhibit A18: Average Years of Teaching Experience for San Francisco Teachers Authorized and Assigned in Elementary Education**



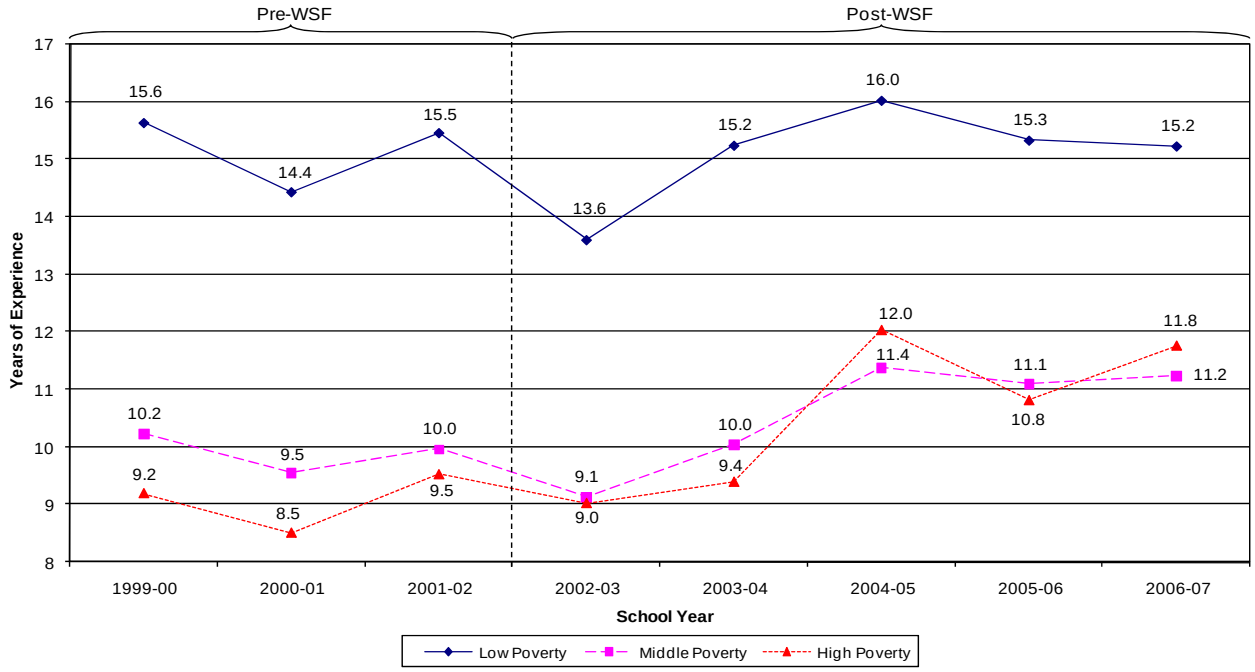

Source: California Department of Education (CDE) Personnel Assignment Information File 1999-00 through 2006-07 and California Work Opportunity (CalWORKS). Data files available online at http://www.cde.ca.gov/ds/ss/cb/filespaif.asp and http://www.cde.ca.gov/ds/sh/cw/filesafdc.asp, respectively.

**Exhibit A19: Average Years of Teaching Experience for San Francisco Middle School Teachers Authorized and Assigned in 5 Core Courses**



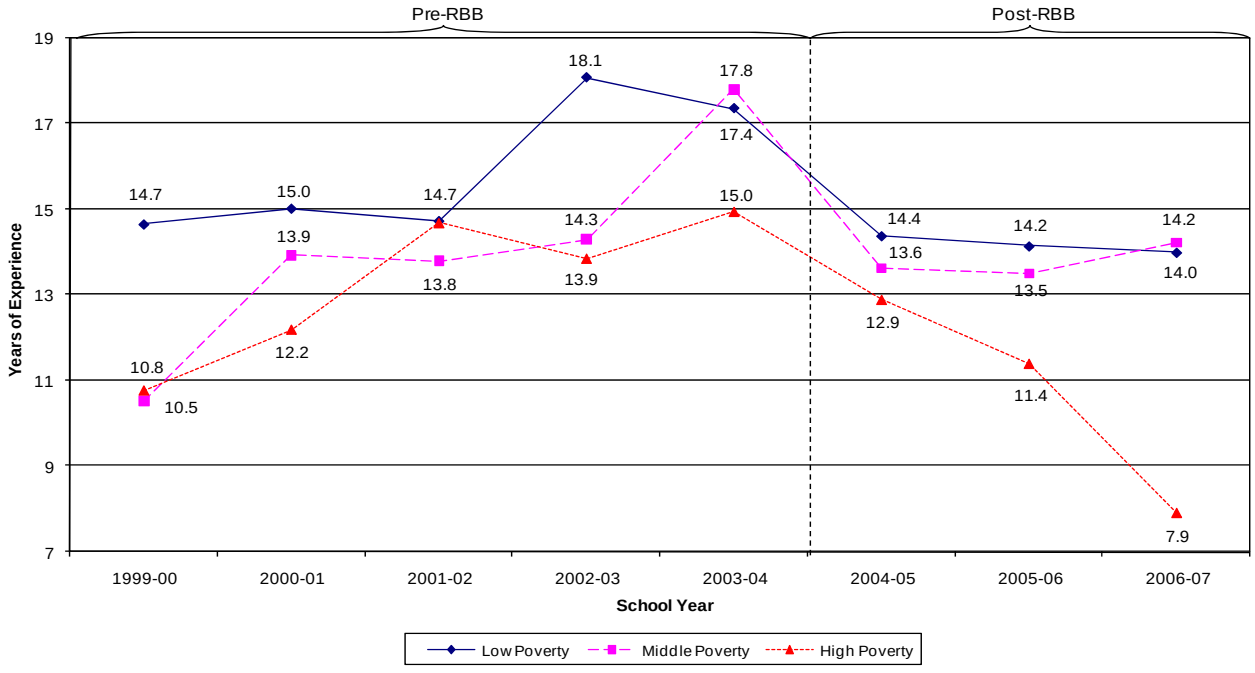

Source: California Department of Education (CDE) Personnel Assignment Information File 1999-00 through 2006-07 and California Work Opportunity (CalWORKS). Data files available online at http://www.cde.ca.gov/ds/ss/cb/filespaif.asp and http://www.cde.ca.gov/ds/sh/cw/filesafdc.asp, respectively.
Note: Core subjects include English, Math, Science, Social Studies and Foreign Languages.

**Exhibit A20: Average Years of Teaching Experience for San Francisco High School Teachers Authorized and Assigned in 5 Core Courses**



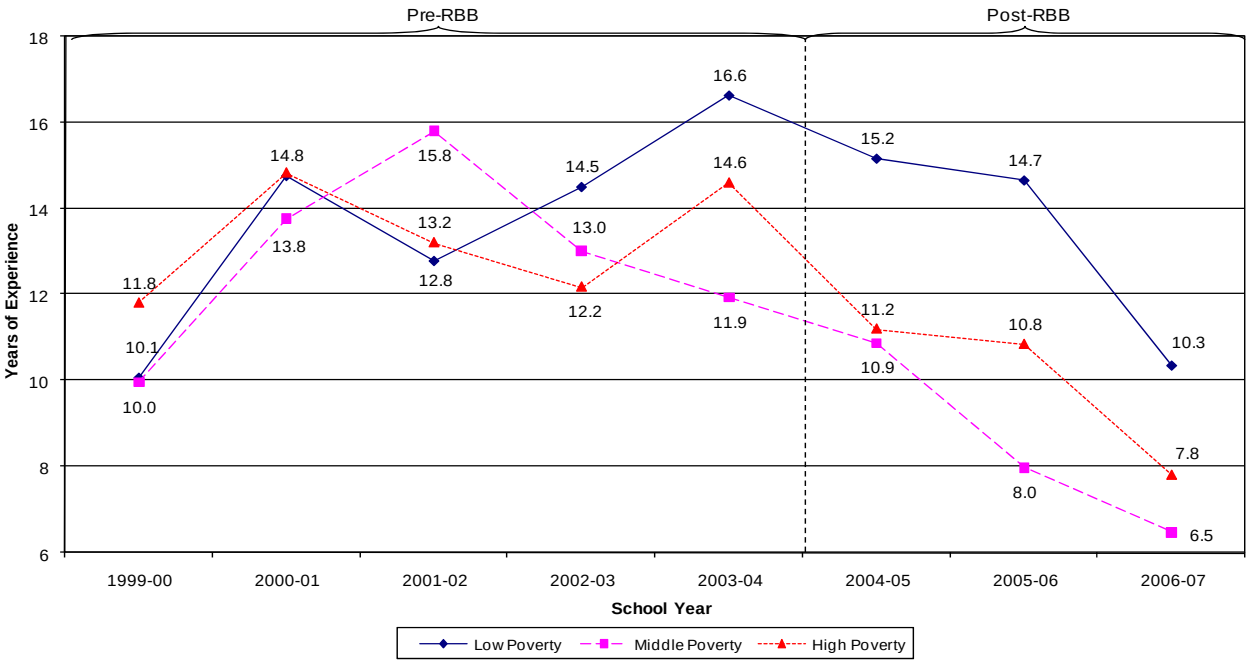

Source: California Department of Education (CDE) Personnel Assignment Information File 1999-00 through 2006-07 and California Work Opportunity (CalWORKS). Data files available online at http://www.cde.ca.gov/ds/ss/cb/filespaif.asp and http://www.cde.ca.gov/ds/sh/cw/filesafdc.asp, respectively.
Note: Core subjects include English, Math, Science, Social Studies and Foreign Languages.

**Exhibit A21: Average Years of Teaching Experience for Oakland Teachers Authorized and Assigned in Elementary Education**



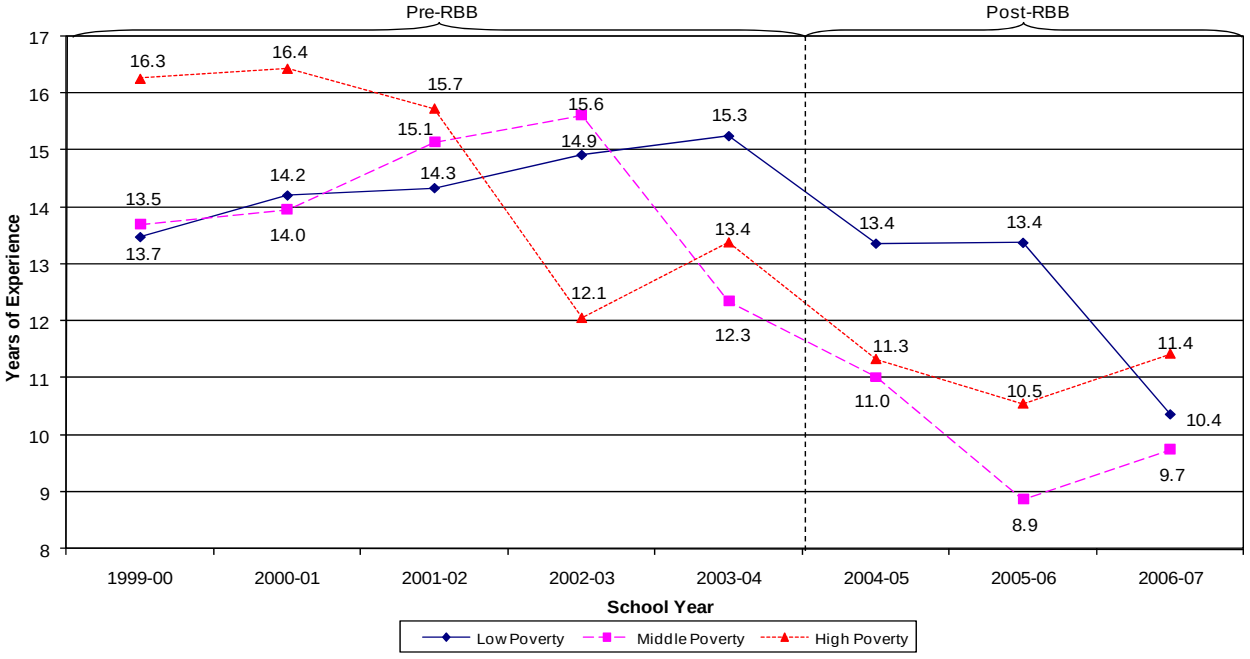

Source: California Department of Education (CDE) Personnel Assignment Information File 1999-00 through 2006-07 and California Work Opportunity (CalWORKS). Data files available online at http://www.cde.ca.gov/ds/ss/cb/filespaif.asp and http://www.cde.ca.gov/ds/sh/cw/filesafdc.asp, respectively.

**Exhibit A22: Average Years of Teaching Experience for Oakland Middle School Teachers Authorized and Assigned in 5 Core Courses**




Source: California Department of Education (CDE) Personnel Assignment Information File 1999-00 through 2006-07 and California Work Opportunity (CalWORKS). Data files available online at http://www.cde.ca.gov/ds/ss/cb/filespaif.asp and http://www.cde.ca.gov/ds/sh/cw/filesafdc.asp, respectively.
Note: Core subjects include English, Math, Science, Social Studies and Foreign Languages.

**Exhibit A23: Average Years of Teaching Experience for Oakland High School Teachers Authorized and Assigned in 5 Core Course**




Source: California Department of Education (CDE) Personnel Assignment Information File 1999-00 through 2006-07 and California Work Opportunity (CalWORKS). Data files available online at http://www.cde.ca.gov/ds/ss/cb/filespaif.asp and http://www.cde.ca.gov/ds/sh/cw/filesafdc.asp, respectively.
Note: Core subjects include English, Math, Science, Social Studies and Foreign Languages.

## Exhibit A24: Average Teaching Experience by Schooling and Poverty Level for Oakland Schools (** and * Denote Significant Differences Between Low and High Poverty Schools at 5%- and 10%-Levels, Respectively)

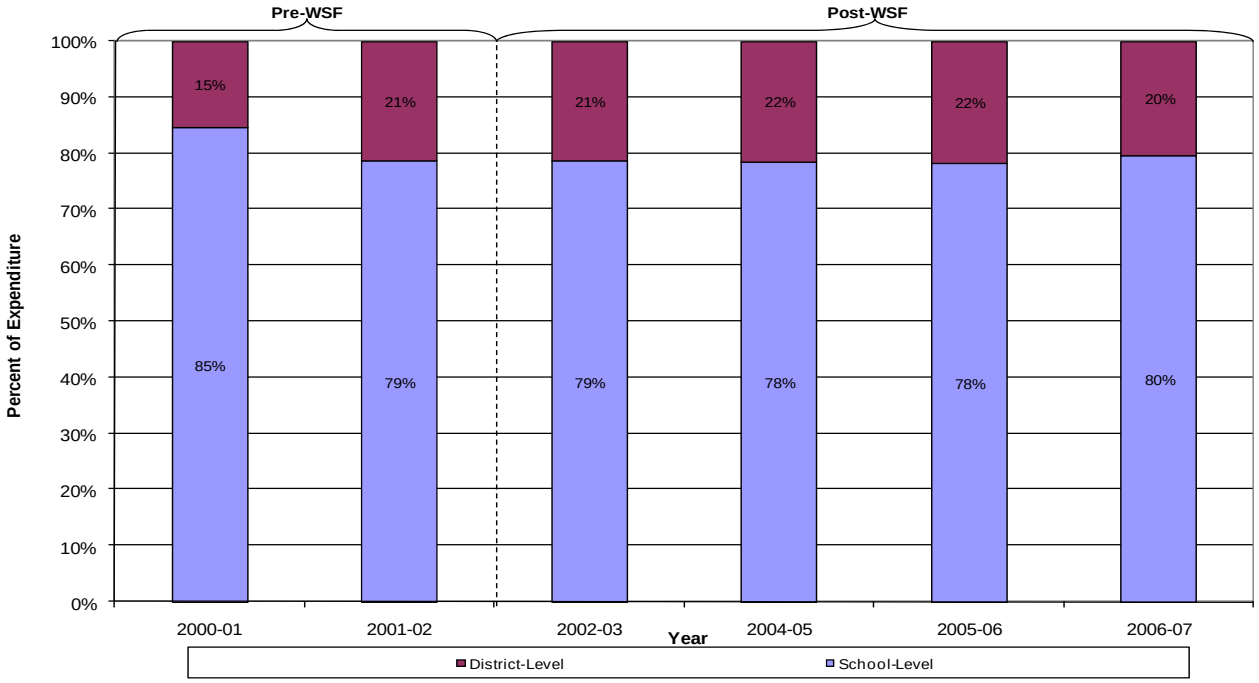
| District | Schooling Level | Year | Low Poverty | Middle Poverty | High Poverty | Low/High Poverty Difference |
|---|---|---|---|---|---|---|
| Oakland | Elementary | 1999-00 | 14.94 | 11.23 | 11.52 | -3.42** |
| | | 2000-01 | 14.18 | 13.39 | 12.06 | -2.12* |
| | | 2001-02 | 13.65 | 13.30 | 13.36 | -0.29 |
| | | 2002-03 | 15.68 | 12.72 | 13.19 | -2.49** |
| | | 2003-04 | 14.93 | 14.70 | 12.54 | -2.38** |
| | | 2004-05 | 14.18 | 14.32 | 13.06 | -1.12 |
| | | 2005-06 | 14.91 | 13.88 | 12.11 | -2.8* |
| | | 2006-07 | 15.26 | 14.37 | 8.40 | -6.85** |
| | Middle | 1999-00 | 10.73 | 9.73 | 10.59 | -0.14 |
| | | 2000-01 | 11.34 | 10.32 | 10.89 | -0.45 |
| | | 2001-02 | 11.96 | 10.82 | 9.36 | -2.6 |
| | | 2002-03 | 13.23 | 9.77 | 9.47 | -3.76** |
| | | 2003-04 | 14.03 | 10.93 | 11.51 | -2.52 |
| | | 2004-05 | 14.43 | 10.63 | 9.86 | -4.57** |
| | | 2005-06 | 13.85 | 9.21 | 9.44 | -4.41** |
| | | 2006-07 | 12.37 | 7.32 | 8.40 | -3.97** |
| | High | 1999-00 | 13.73 | 14.47 | 16.74 | 3.02 |
| | | 2000-01 | 14.86 | 15.47 | 17.06 | 2.21 |
| | | 2001-02 | 15.03 | 15.69 | 16.52 | 1.49 |
| | | 2002-03 | 14.56 | 15.95 | 12.56 | -2 |
| | | 2003-04 | 15.69 | 12.63 | 15.19 | -0.5 |
| | | 2004-05 | 14.08 | 12.80 | 12.36 | -1.72 |
| | | 2005-06 | 13.88 | 9.15 | 12.57 | -1.31 |
| | | 2006-07 | 12.52 | 10.25 | 11.34 | -1.19 |

## Exhibit A25: Average Teaching Experience by Schooling and Poverty Level for San Francisco Schools (** and * Denote Significant Differences Between Low and High Poverty Schools at 5%- and 10%-Levels, Respectively)

| District | Schooling Level | Year | Low Poverty | Middle Poverty | High Poverty | Low/High Poverty Difference |
|---|---|---|---|---|---|---|
| San Francisco | Elementary | 1999-00 | 12.89 | 11.84 | 9.62 | -3.27** |
| | | 2000-01 | 12.87 | 10.91 | 9.81 | -3.06** |
| | | 2001-02 | 13.56 | 11.62 | 9.66 | -3.91** |
| | | 2002-03 | 12.45 | 11.50 | 9.06 | -3.39** |
| | | 2003-04 | 13.48 | 12.54 | 11.14 | -2.34** |
| | | 2004-05 | 14.52 | 13.42 | 14.68 | 0.15 |
| | | 2005-06 | 14.26 | 13.23 | 13.42 | -0.84 |
| | | 2006-07 | 14.58 | 13.32 | 13.44 | -1.15 |
| | Middle | 1999-00 | 13.78 | 13.74 | 11.57 | -2.21 |
| | | 2000-01 | 12.60 | 12.04 | 11.67 | -0.93 |
| | | 2001-02 | 14.08 | 12.50 | 10.92 | -3.16 |
| | | 2002-03 | 13.00 | 10.78 | 10.16 | -2.85 |
| | | 2003-04 | 13.61 | 11.29 | 13.80 | 0.19 |
| | | 2004-05 | 15.36 | 13.61 | 14.58 | -0.77 |
| | | 2005-06 | 16.91 | 11.52 | 14.88 | -2.03 |
| | | 2006-07 | 17.51 | 11.42 | 15.03 | -2.48 |
| | High | 1999-00 | 16.99 | 12.01 | 10.54 | -6.45** |
| | | 2000-01 | 15.90 | 11.61 | 9.19 | -6.71** |
| | | 2001-02 | 16.22 | 11.10 | 10.33 | -5.88** |
| | | 2002-03 | 14.29 | 9.65 | 10.24 | -4.05** |
| | | 2003-04 | 15.55 | 10.70 | 10.85 | -4.69** |
| | | 2004-05 | 16.60 | 12.39 | 12.83 | -3.77* |
| | | 2005-06 | 16.19 | 12.07 | 12.34 | -3.85* |
| | | 2006-07 | 16.09 | 12.46 | 12.88 | -3.21 |

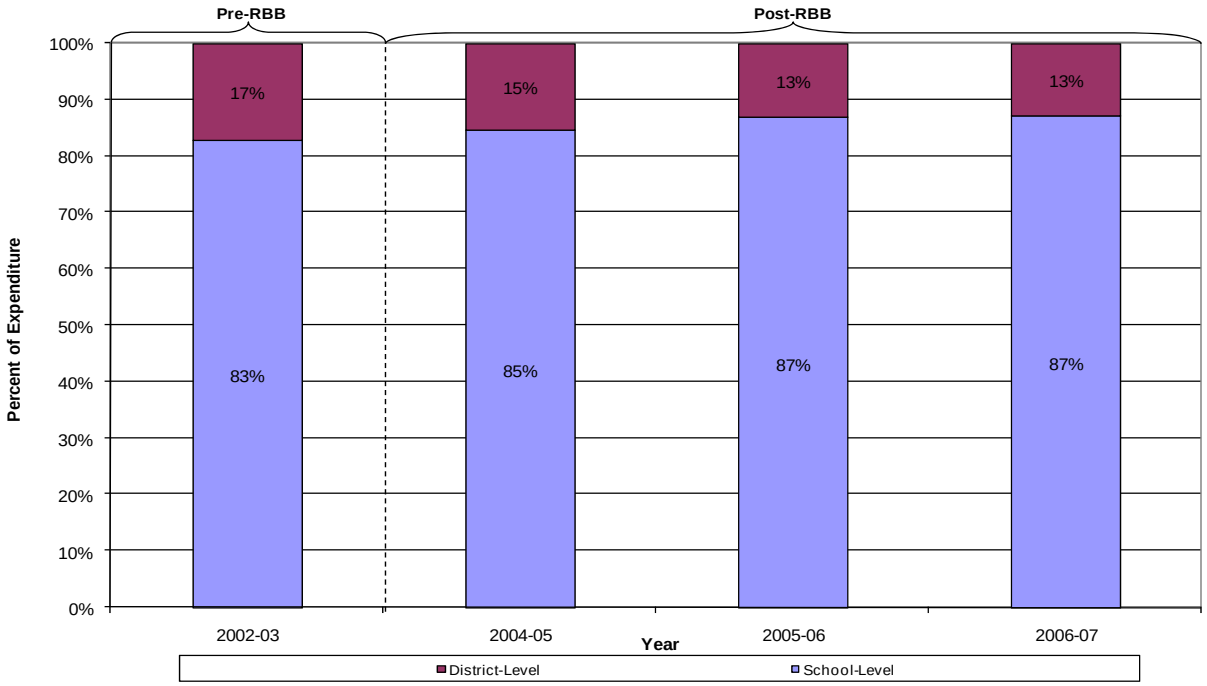
## Alternative Analyses of Budgetary Discretion

**Exhibit A26: Share of Selected San Francisco Per-Pupil Expenditure* by Alternative Measure of District/School Discretion from 2002-03 to 2006-07**




Source: District-provided Standardized Account Code Structure (SACS) fiscal data, 2000-01 through 2006-07.
* Expenditure does not include the following object categories: Capital Outlay, Other Financing Uses or Other Outgoing Expenditures.

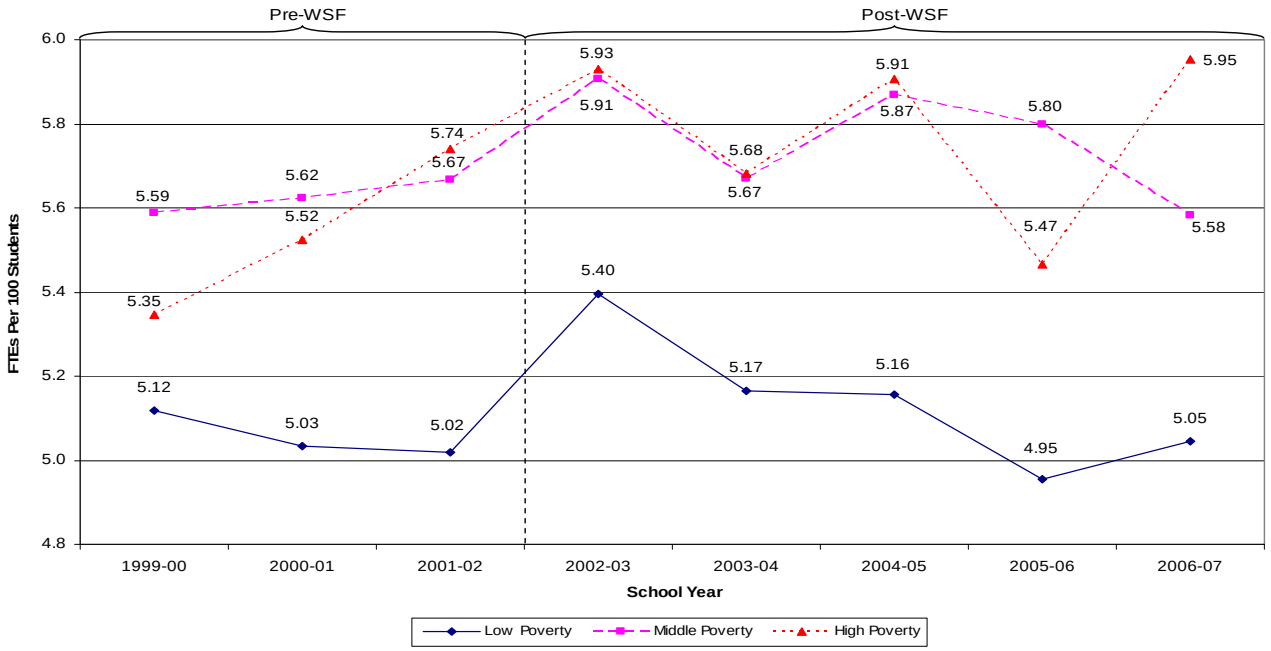
**Exhibit A27: Share of Selected Oakland Per-Pupil Expenditure* by Alternative Measure of District/School Discretion from 2002-03 and 2004-05 to 2006-07**




Source: District-provided Standardized Account Code Structure (SACS) fiscal data, 2002-03 and 2004-05 through 2006-07.
* Note: Expenditure does not include the following object categories: Capital Outlay, Other Financing Uses or Other Outgoing Expenditures.

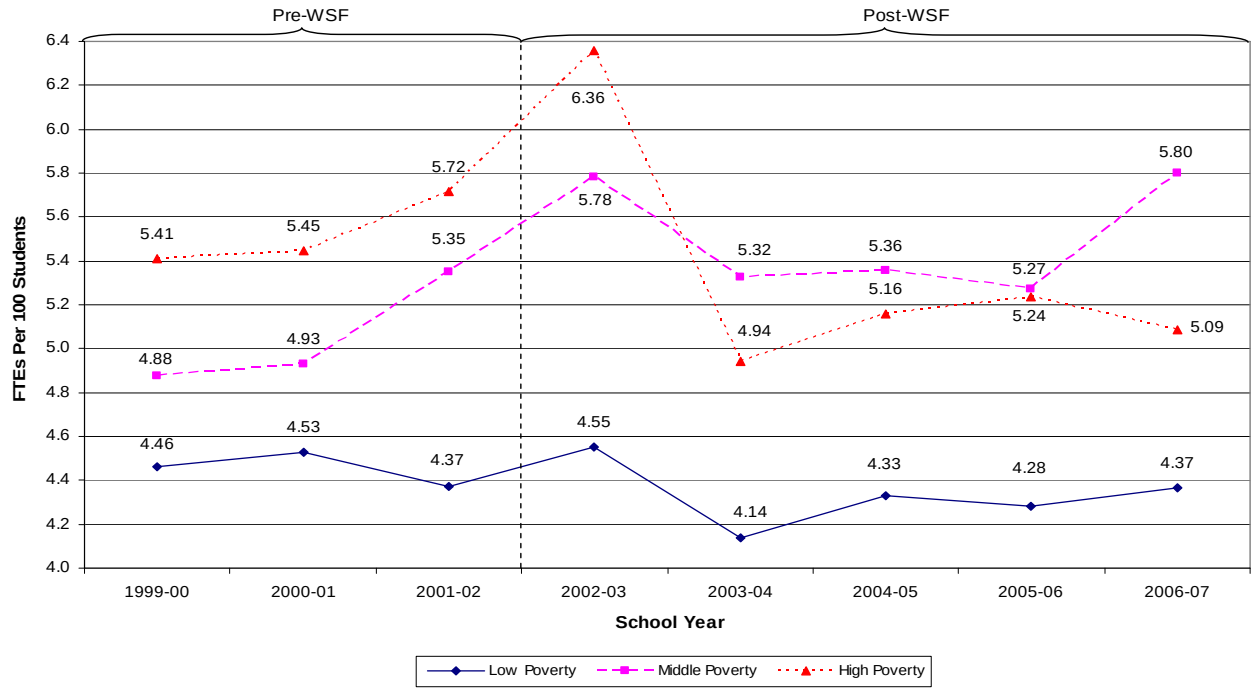
## Analysis of FTE-per-100 Students

**Exhibit A28: Teacher FTEs Per 100 Students for San Francisco Elementary Schools**



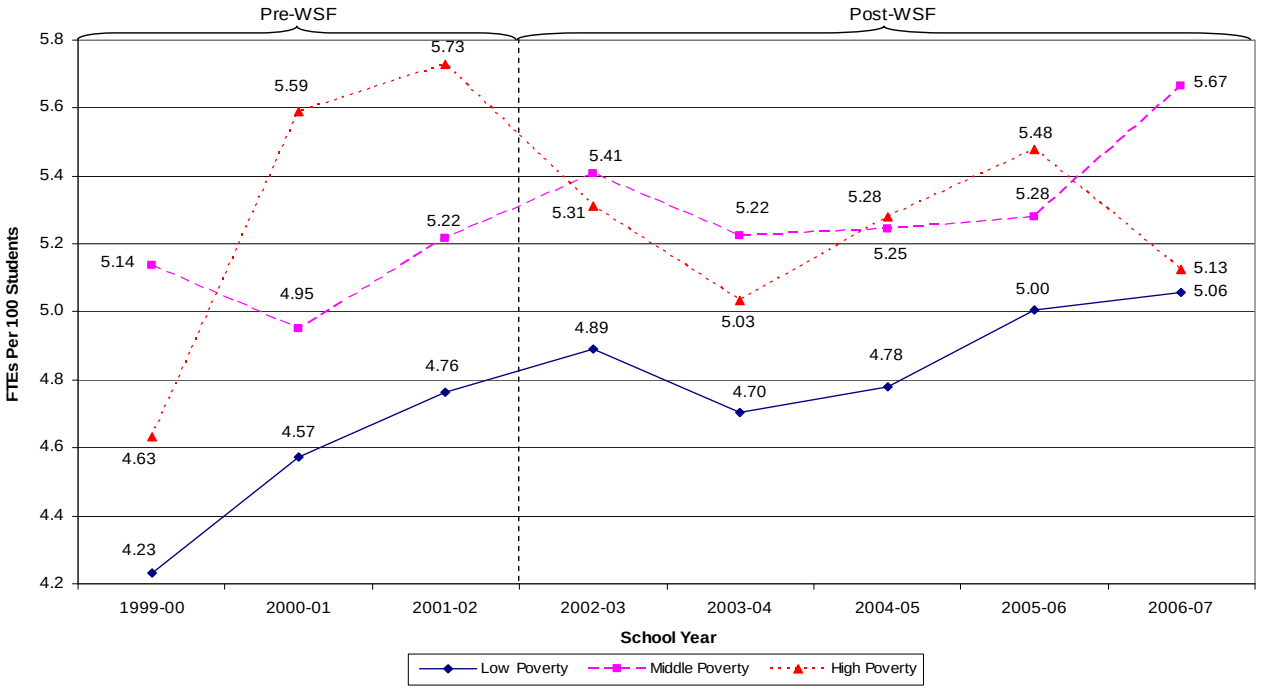

Source: California Department of Education (CDE) Personnel Assignment Information File 1999-00 through 2006-07 and California Work Opportunity (CalWORKS). Data files available online at http://www.cde.ca.gov/ds/ss/cb/filespaif.asp and http://www.cde.ca.gov/ds/sh/cw/filesafdc.asp, respectively.

**Exhibit A29: Teacher FTEs Per 100 Students for San Francisco Middle Schools**



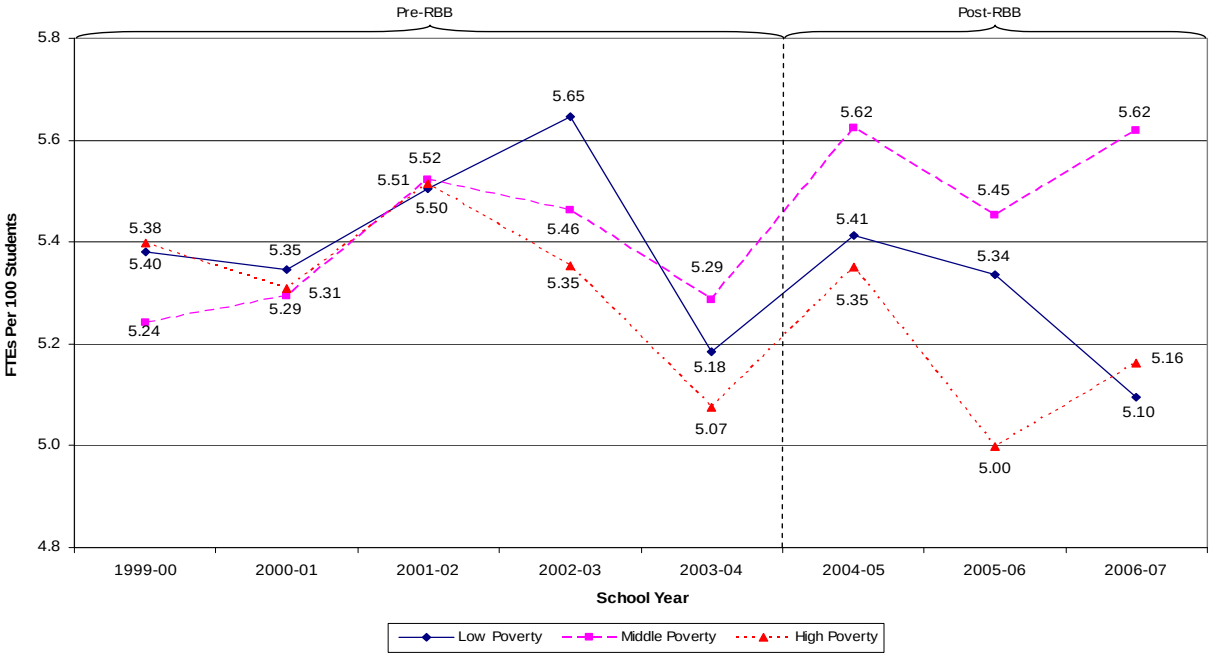

Source: California Department of Education (CDE) Personnel Assignment Information File 1999-00 through 2006-07 and California Work Opportunity (CalWORKS). Data files available online at http://www.cde.ca.gov/ds/ss/cb/filespaif.asp and http://www.cde.ca.gov/ds/sh/cw/filesafdc.asp, respectively.

**Exhibit A30: Teacher FTEs Per 100 Students for San Francisco High Schools**



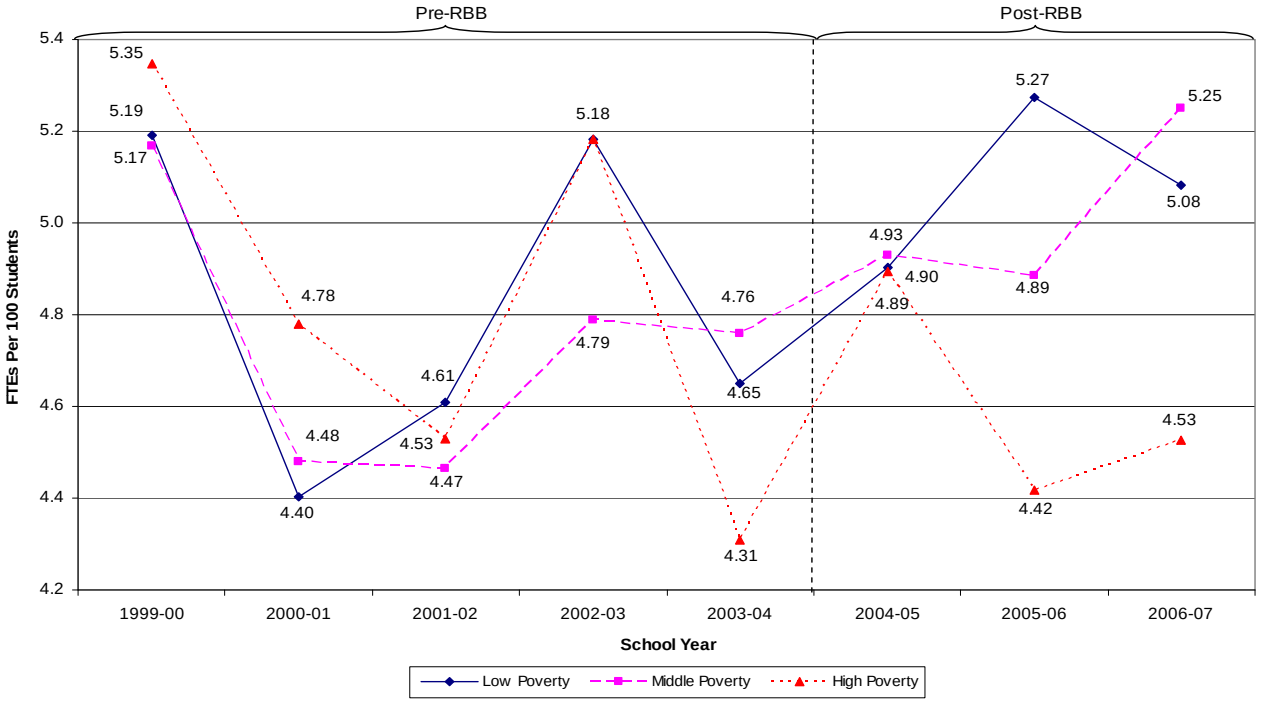

Source: California Department of Education (CDE) Personnel Assignment Information File 1999-00 through 2006-07 and California Work Opportunity (CalWORKS). Data files available online at http://www.cde.ca.gov/ds/ss/cb/filespaif.asp and http://www.cde.ca.gov/ds/sh/cw/filesafdc.asp, respectively.

**Exhibit A31: Teacher FTEs Per 100 Students for Oakland Elementary Schools**



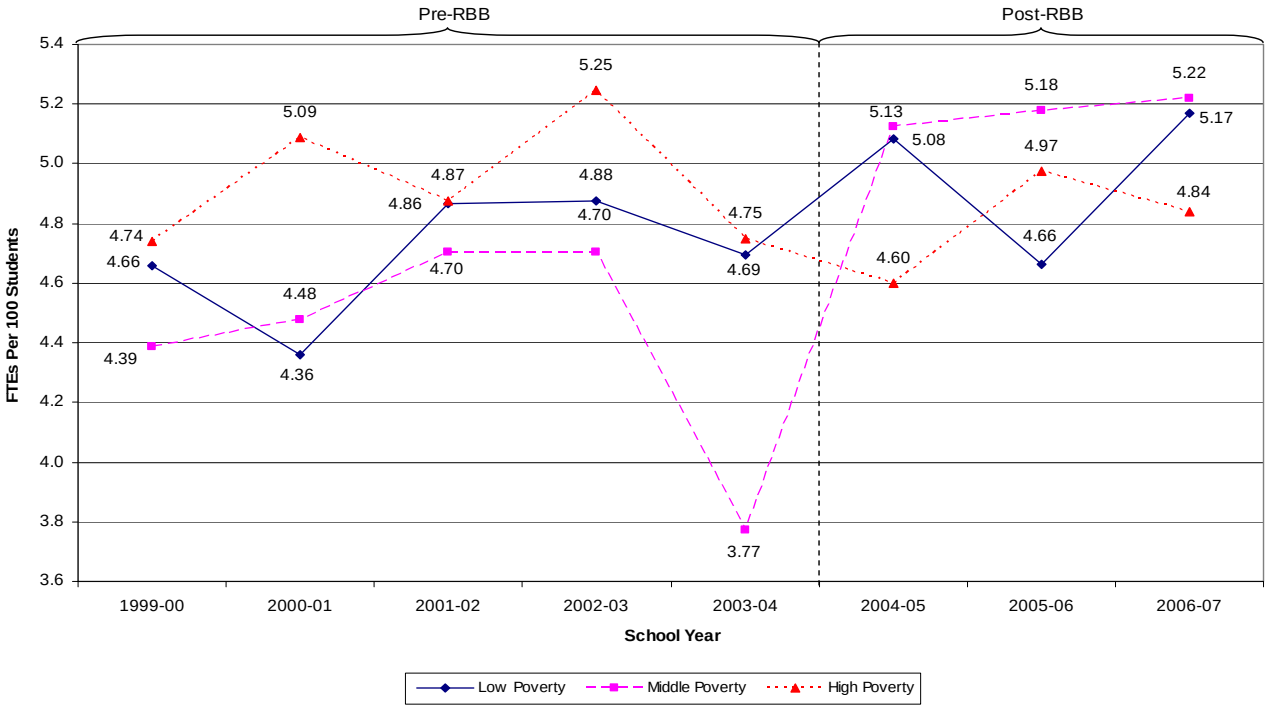

Source: California Department of Education (CDE) Personnel Assignment Information File 1999-00 through 2006-07 and California Work Opportunity (CalWORKS). Data files available online at http://www.cde.ca.gov/ds/ss/cb/filespaif.asp and http://www.cde.ca.gov/ds/sh/cw/filesafdc.asp, respectively.

**Exhibit A32: Teacher FTEs Per 100 Students for Oakland Middle Schools**




Source: California Department of Education (CDE) Personnel Assignment Information File 1999-00 through 2006-07 and California Work Opportunity (CalWORKS). Data files available online at http://www.cde.ca.gov/ds/ss/cb/filespaif.asp and http://www.cde.ca.gov/ds/sh/cw/filesafdc.asp, respectively.

**Exhibit A33: Teacher FTEs Per 100 Students for Oakland High Schools**




Source: California Department of Education (CDE) Personnel Assignment Information File 1999-00 through 2006-07 and California Work Opportunity (CalWORKS). Data files available online at http://www.cde.ca.gov/ds/ss/cb/filespaif.asp and http://www.cde.ca.gov/ds/sh/cw/filesafdc.asp, respectively.

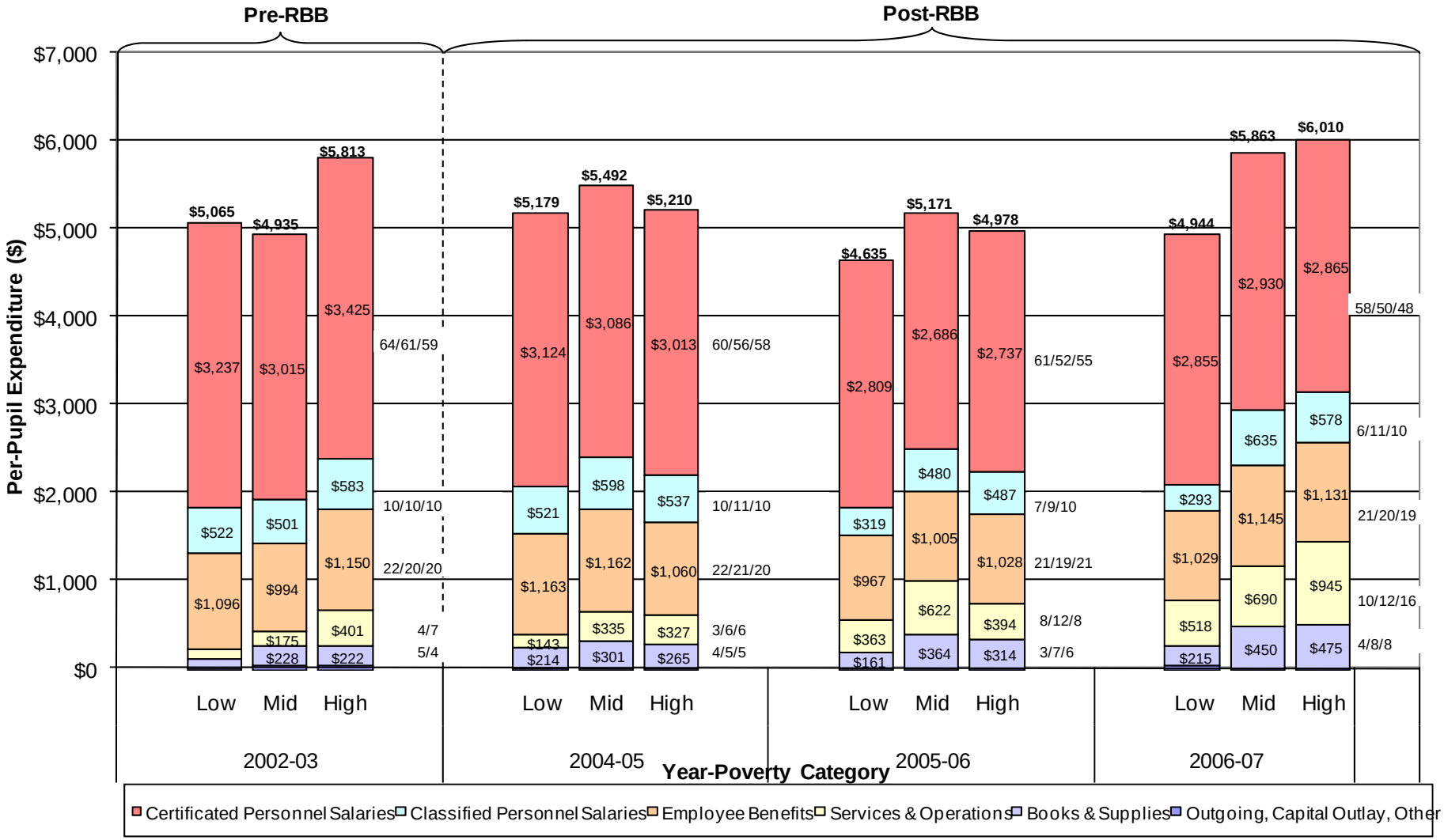
## Exhibit A34: Estimates of Inflation for San Francisco and Oakland's Per-Pupil Spending

| San Francisco | 2000-01 | 2006-07 | % increase |
|---|---|---|---|
| | **Per pupil spending** | | |
| Elementary schools | $ 4,003 | $ 5,037 | 26% |
| Middle schools | $ 3,577 | $ 4,444 | 24% |
| High schools | $ 4,176 | $ 4,401 | 5% |
| | **Indices of inflation** | | |
| Consumer Price Index in the SF Bay Area* | 100 | 114 | 14% |
| Employment Cost Index** | 100 | 125 | 25% |
| **Oakland** | **2002-03** | **2006-07** | |
| | **Per pupil spending** | | |
| Elementary schools | $ 5,383 | $ 6,310 | 17% |
| Middle schools | $ 5,196 | $ 5,564 | 7% |
| High schools | $ 4,895 | $ 5,111 | 4% |
| | **Indices of inflation** | | |
| Consumer Price Index in the SF Bay Area* | 107 | 114 | 7% |
| Employment Cost Index** | 111 | 125 | 13% |

*The Consumer Price Index may be found at http://www.abag.ca.gov/abag/overview/datacenter/retail/cpi.html

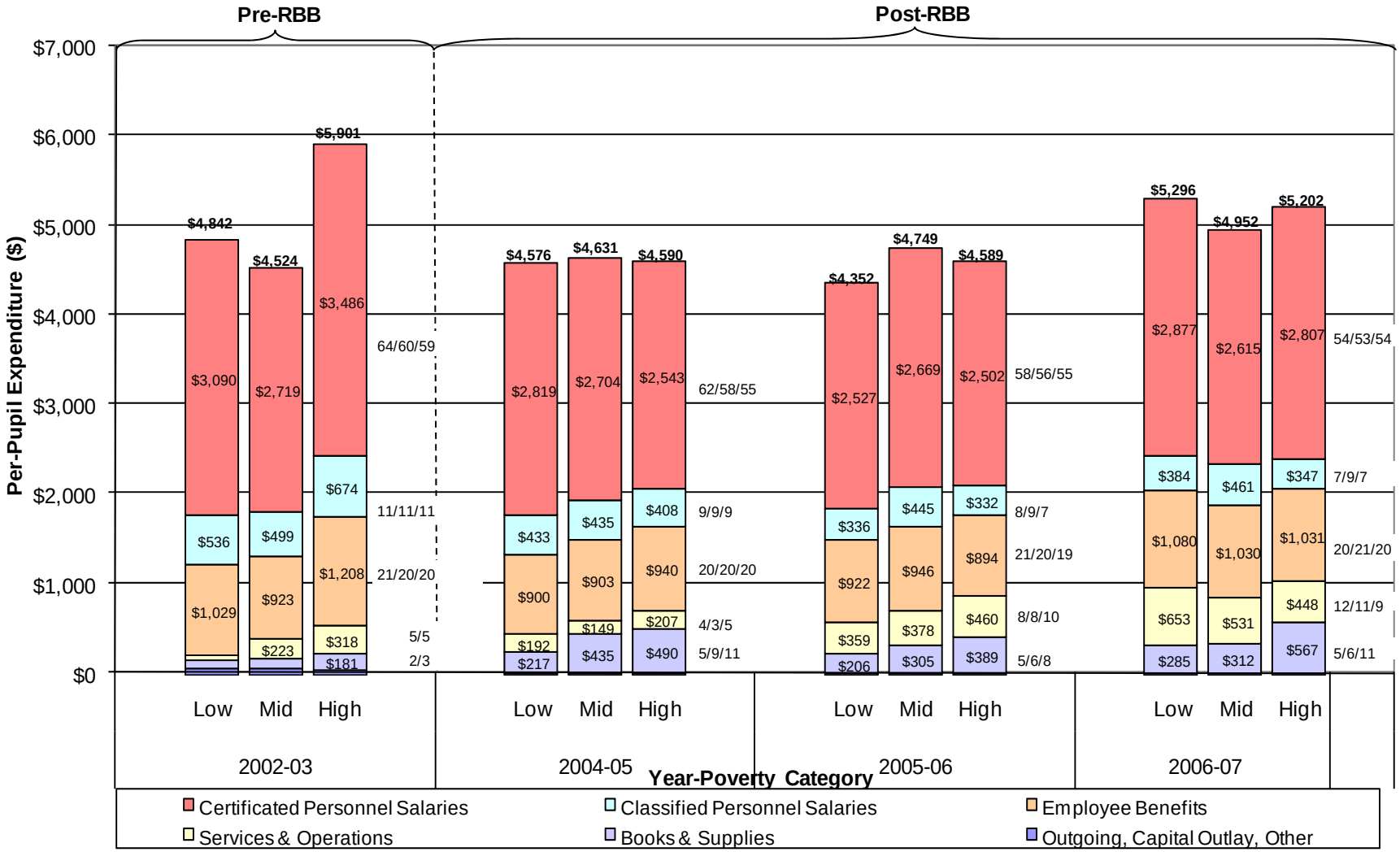
**The Employment Cost Index was derived from fttp//ftp.bls.gov/pub/suppo/eci.echistrynaics.txt

## Exhibit A35: Distribution of Oakland Middle School Per-Pupil Expenditure Across Spending Object by Poverty Category for 2002-03 and 2004-05 to 2006-07



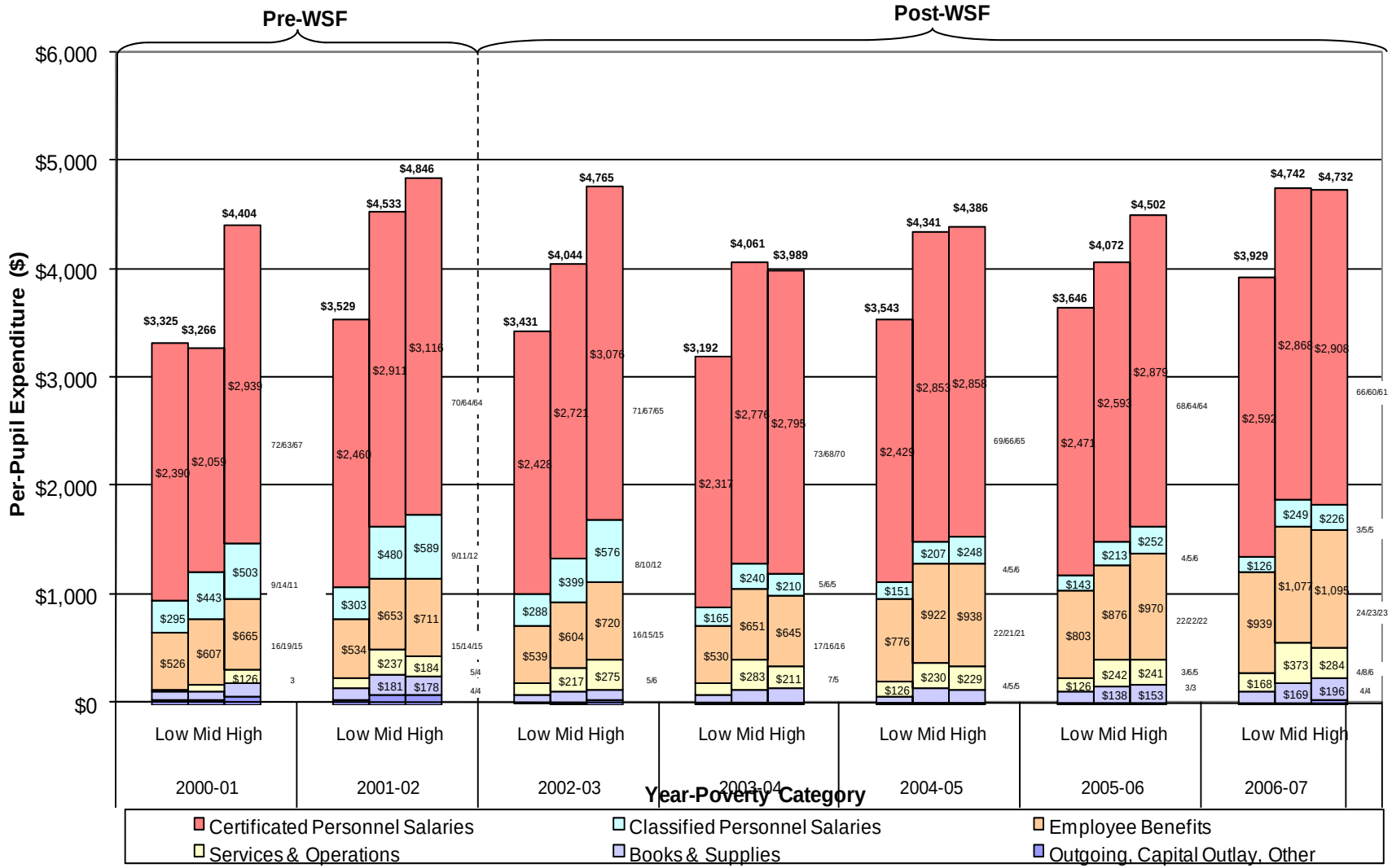

Source: District-provided Standardized Account Code Structure (SACS) fiscal data, 2002-03 and 2004-05 to 2006-07.
Note: Labels for dollar values below $125 and corrsponding expenditure shares not displayed.

## Exhibit A36: Distribution of Oakland High School Per-Pupil Expenditure Across Spending Object by Poverty Category for 2002-03 and 2004-05 to 2006-07



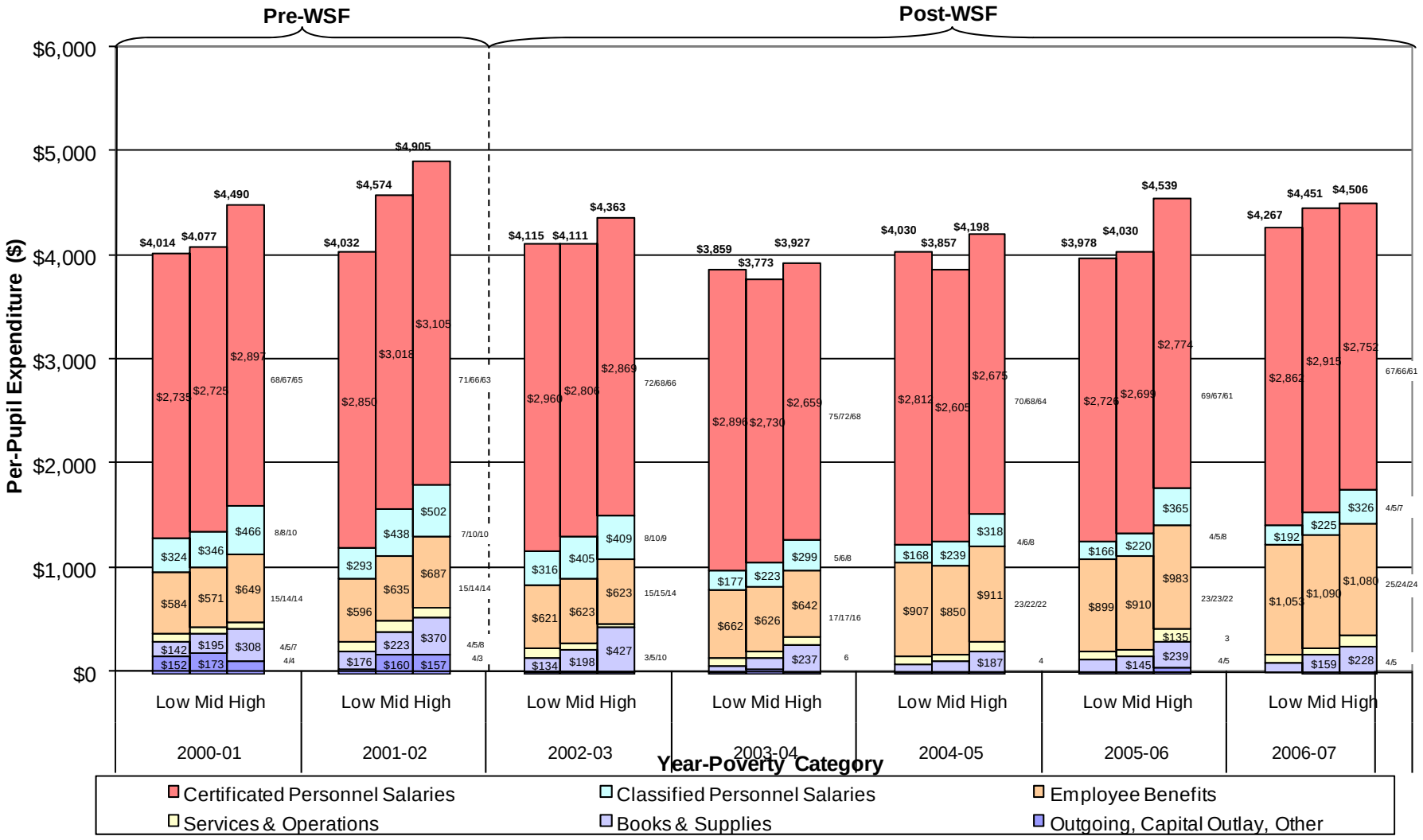

Source: District-provided Standardized Account Code Structure (SACS) fiscal data, 2002-03 and 2004-05 to 2006-07.
Note: Labels for dollar values below $125 and corrsponding expenditure shares not displayed.

## Exhibit A37: Distribution of San Francisco Middle School Per-Pupil Expenditure Across Spending Object by Poverty Category for 2000-01 to 2006-07 (Total Per-Pupil Expenditure in Bold, Shares to the Right of Bars)



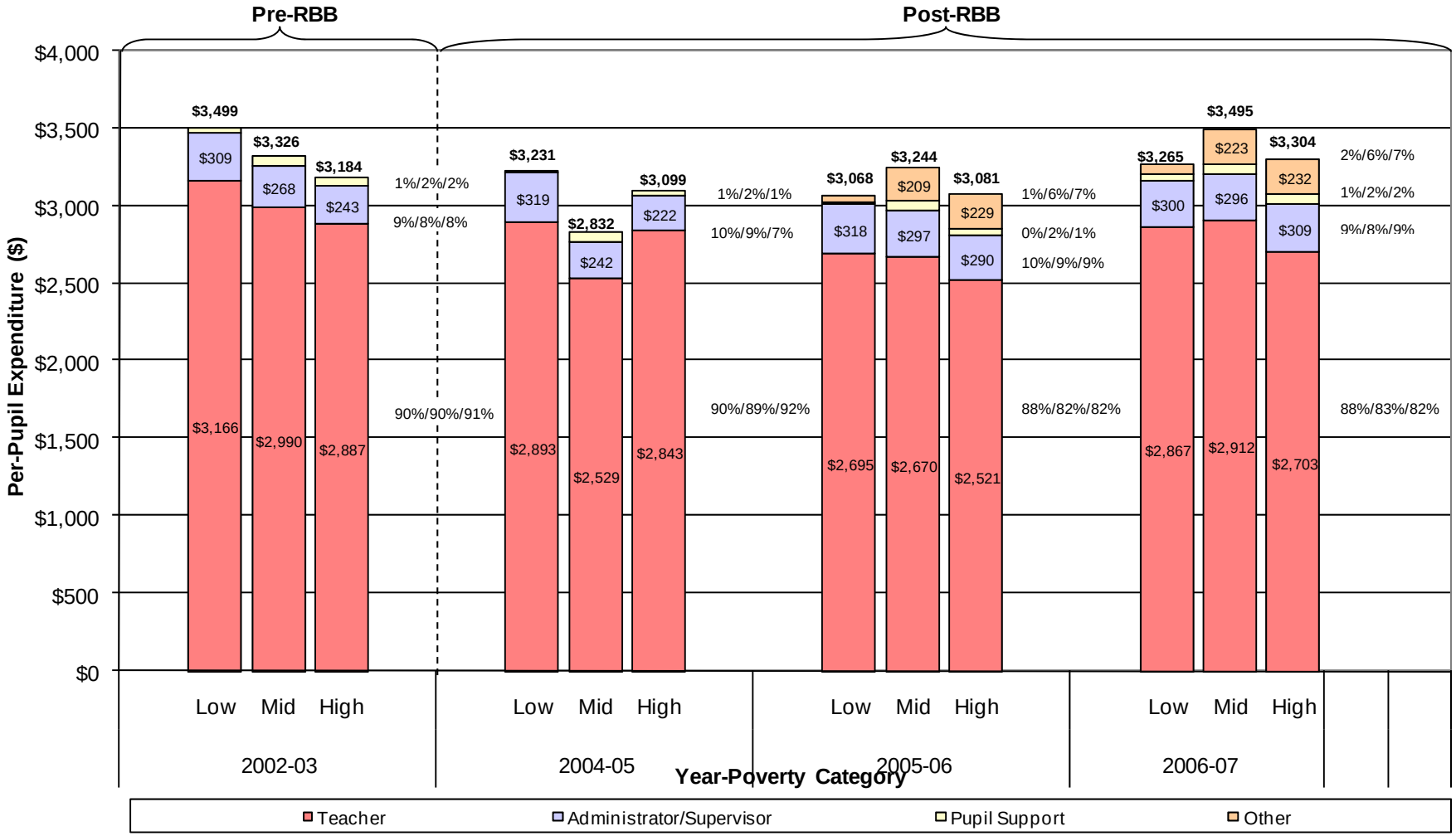

Source: District-provided Standardized Account Code Structure (SACS) fiscal data, 2000-01 to 2006-07.
Note: Labels for dollar values below $125 and corrsponding expenditure shares not displayed.

## Exhibit A38: Distribution of San Francisco High School Per-Pupil Expenditure Across Spending Object by Poverty Category for 2000-01 to 2006-07 (Total Per-Pupil Expenditure in Bold, Shares to Right of Bars)



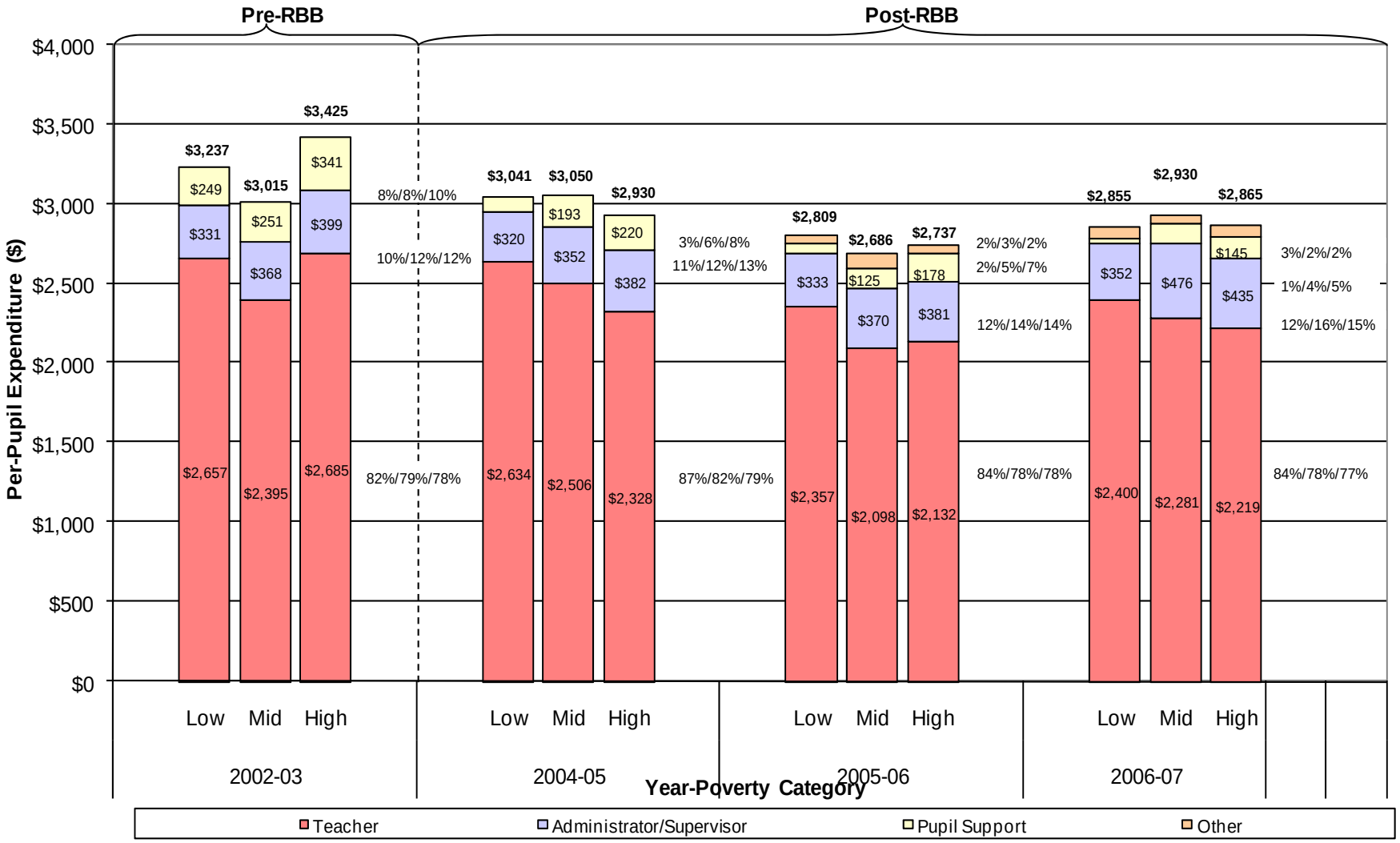

Source: District-provided Standardized Account Code Structure (SACS) fiscal data, 2000-01 to 2006-07.
Note: Labels for dollar values below $125 and corrsponding expenditure shares not displayed.

## Exhibit A39: Distribution of Oakland Elementary School Per-Pupil Certified Salary Expenditure Across Spending Object by Poverty Category for 2002-03 and 2004-05 to 2006-07



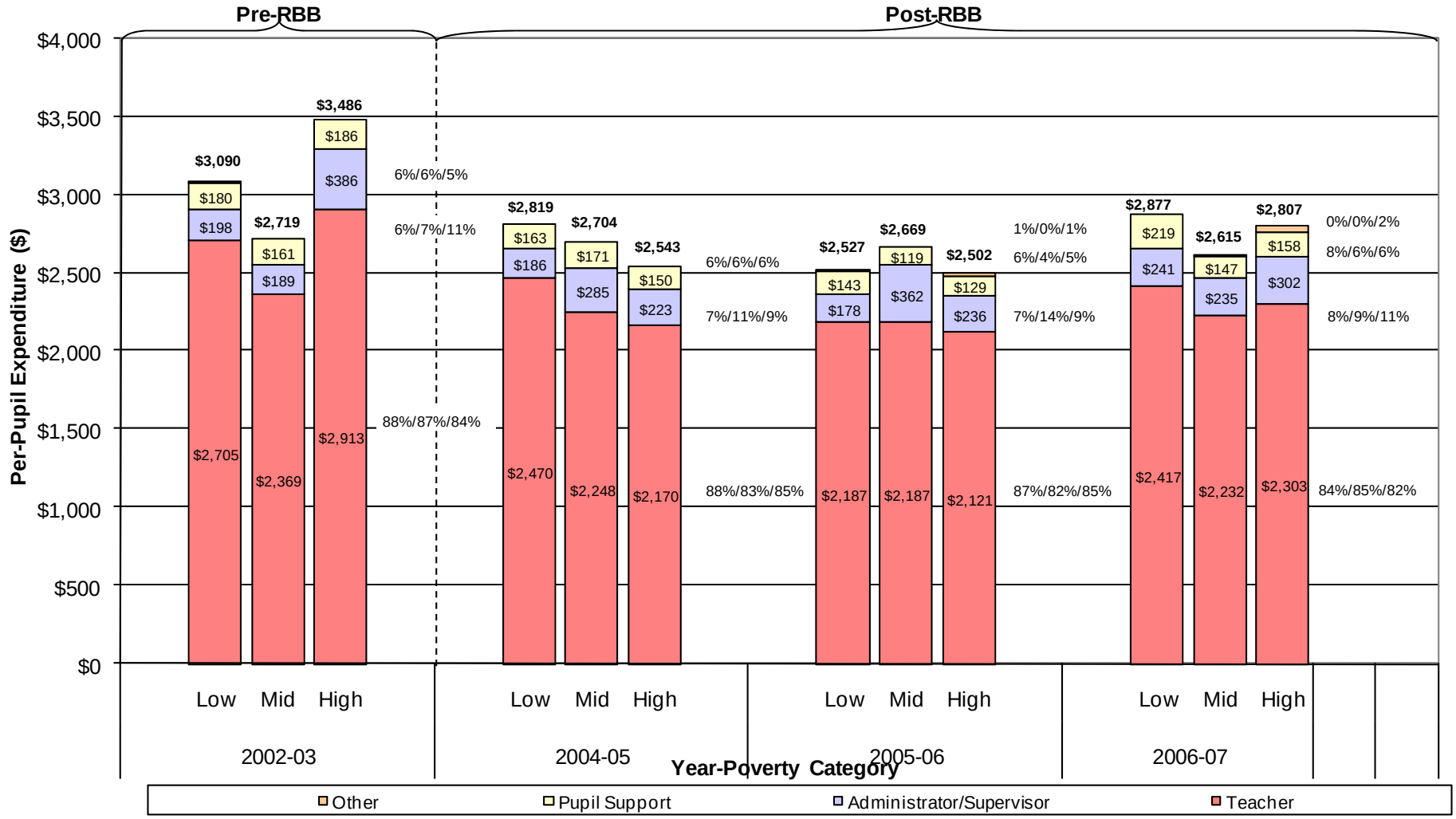

Source: District-provided Standardized Account Code Structure (SACS) fiscal data, 2002-03 and 2004-05 to 2006-07.
Note: Labels for dollar values below $125 not displayed.

## Exhibit A40: Distribution of Oakland Middle School Per-Pupil Certified Salary Expenditure Across Spending Object by Poverty Category for 2002-03 and 2004-05 to 2006-07



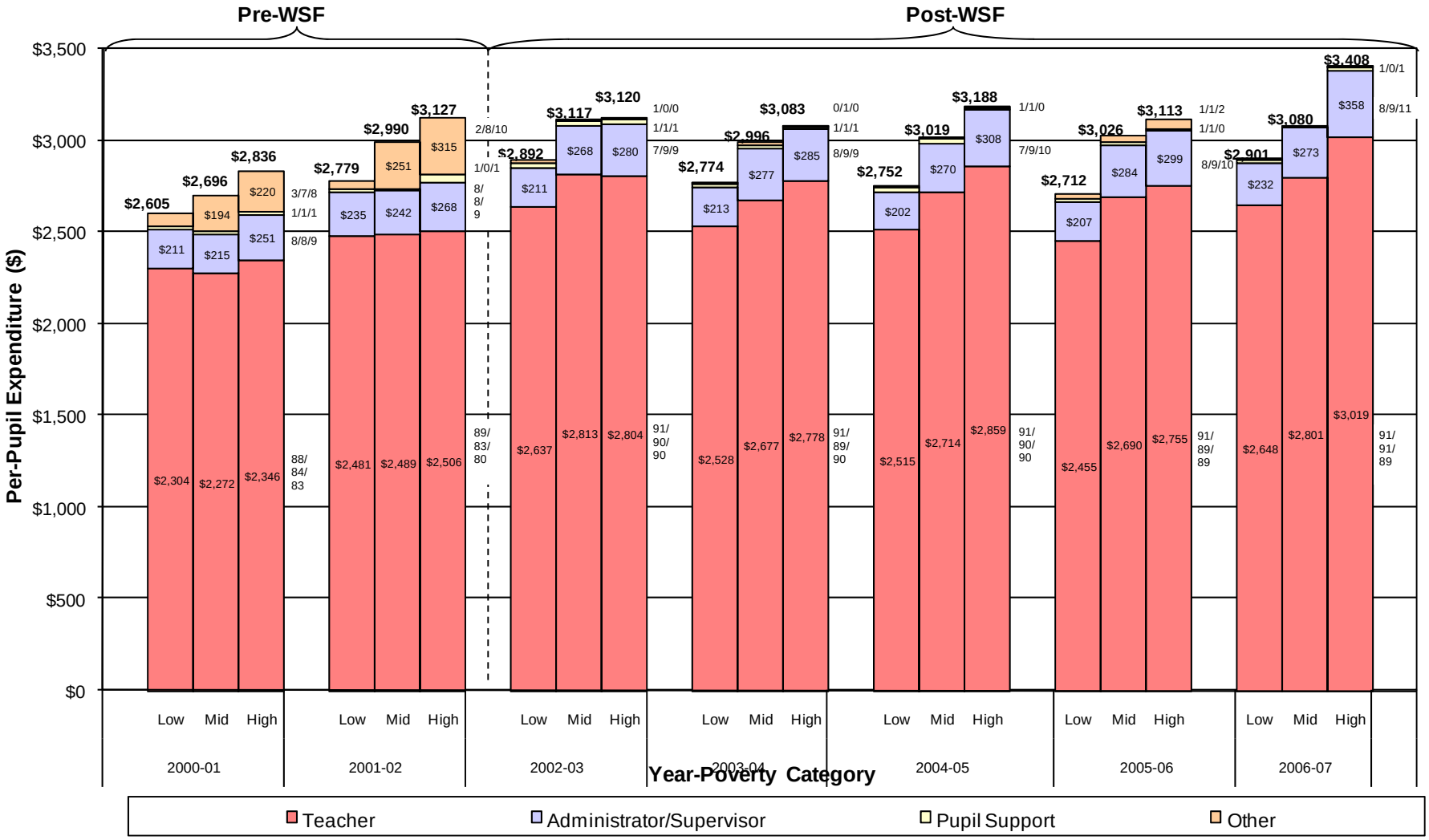

Source: District-provided Standardized Account Code Structure (SACS) fiscal data, 2002-03 and 2004-05 to 2006-07.
Note: Labels for dollar values below $125 not displayed.

## Exhibit A41: Distribution of Oakland High School Per-Pupil Certified Salary Expenditure Across Spending Object by Poverty Category for 2002-03 and 2004-05 to 2006-07



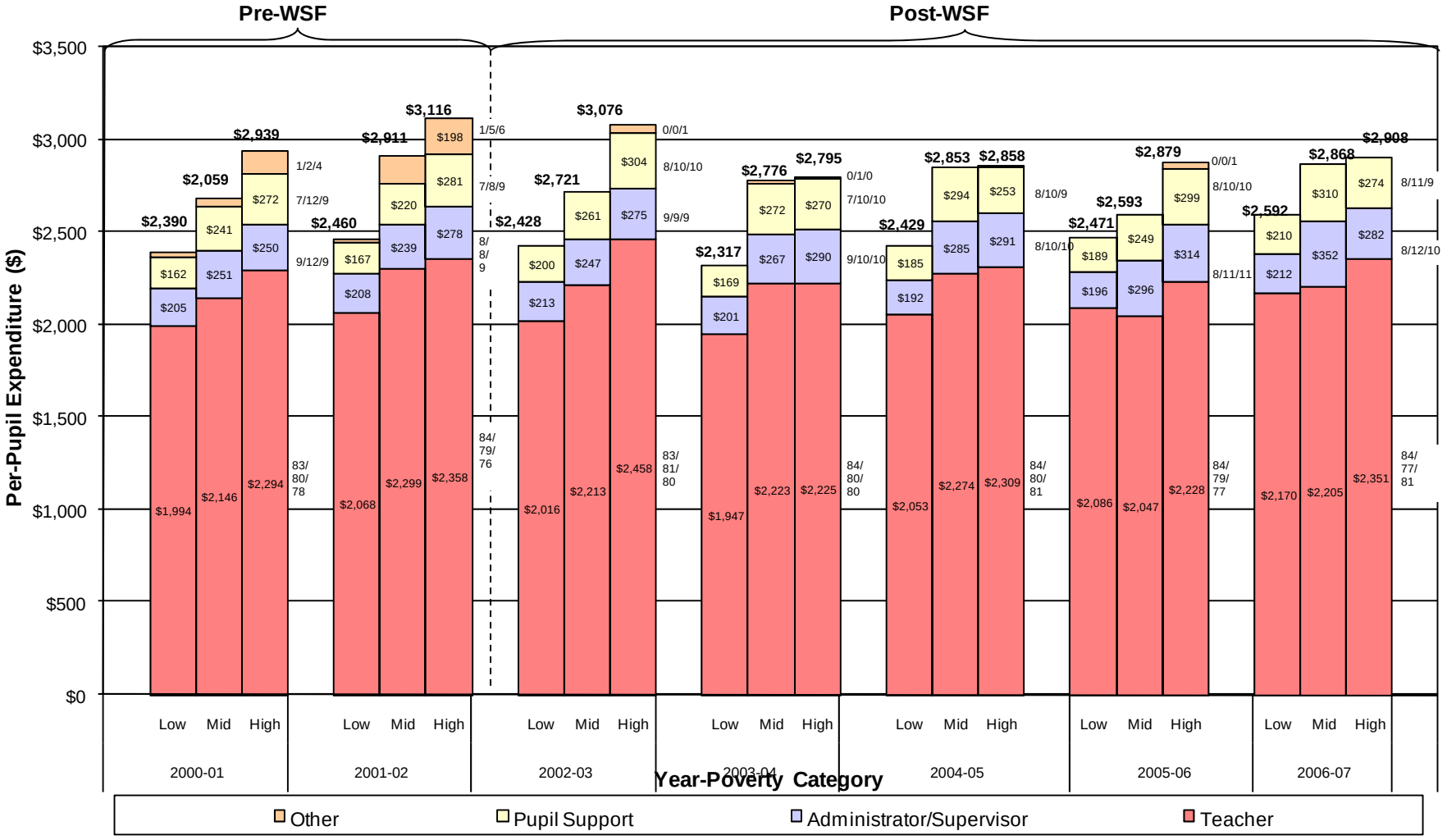

Source: District-provided Standardized Account Code Structure (SACS) fiscal data, 2002-03 and 2004-05 to 2006-07.
Note: Labels for dollar values below $125 not displayed.

## Exhibit A42: Distribution of San Francisco Elementary School Per-Pupil Certified Salary Expenditure Across Spending Object by Poverty Category for 2000-01 to 2006-07



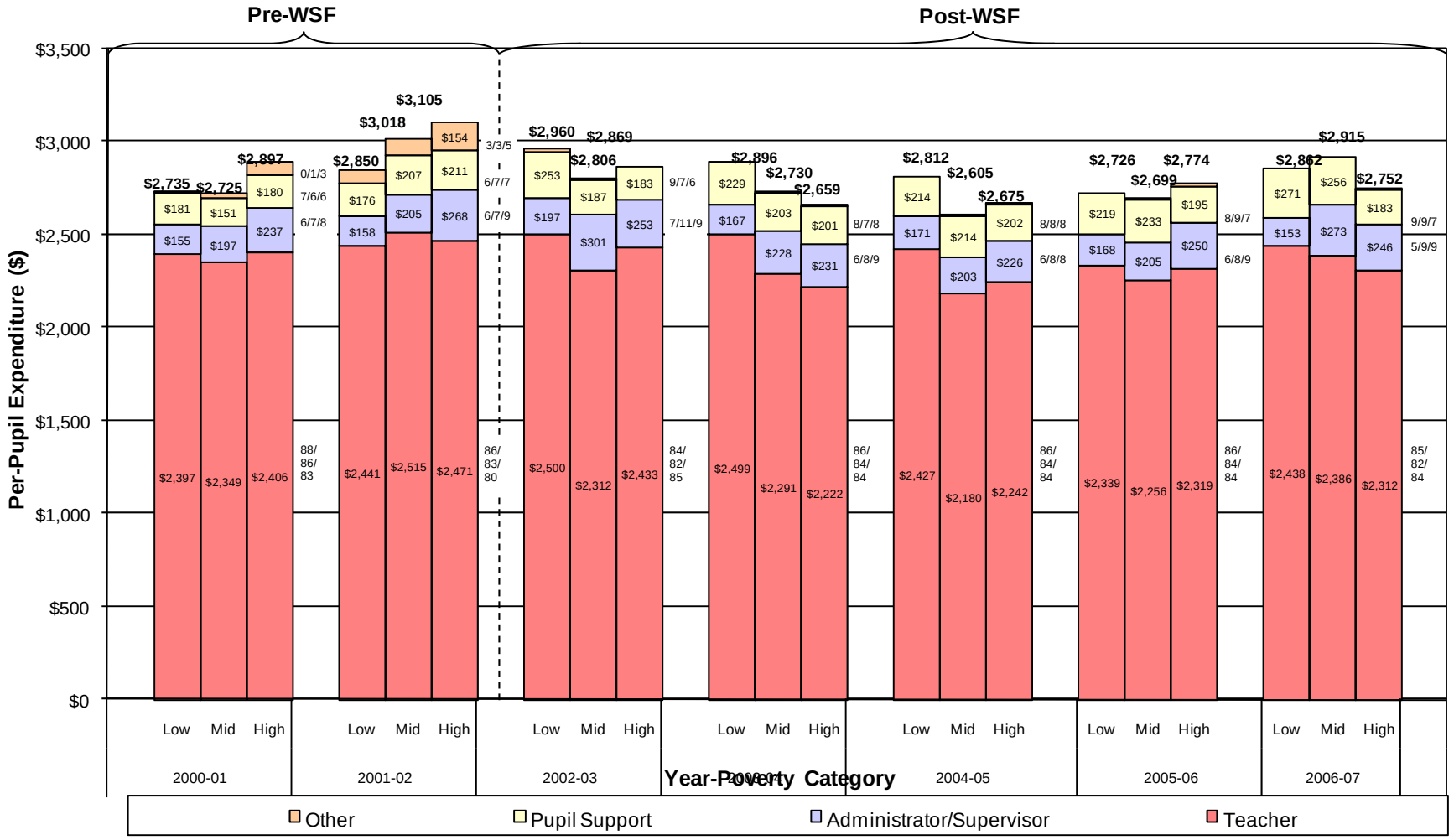

Source: District-provided Standardized Account Code Structure (SACS) fiscal data, 2000-01 to 2006-07.
Note: Labels for dollar values below $125 not displayed.

## Exhibit A43: Distribution of San Francisco Middle School Per-Pupil Certified Salary Expenditure Across Spending Object by Poverty Category for 2000-01 to 2006-07




Source: District-provided Standardized Account Code Structure (SACS) fiscal data, 2000-01 to 2006-07.
Note: Labels for dollar values below $125 not displayed.

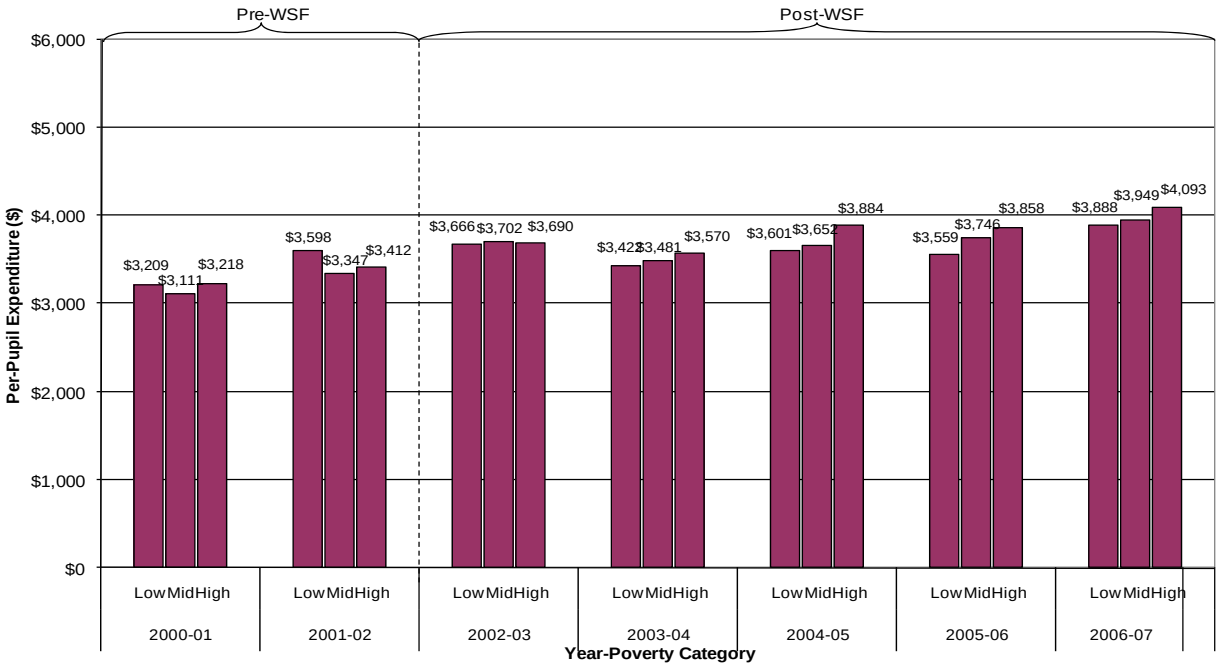
## Exhibit A44: Distribution of San Francisco High School Per-Pupil Certified Salary Expenditure Across Spending Object by Poverty Category for 2000-01 to 2006-07




Source: District-provided Standardized Account Code Structure (SACS) fiscal data, 2000-01 to 2006-07.
Note: Labels for dollar values below $125 not displayed.

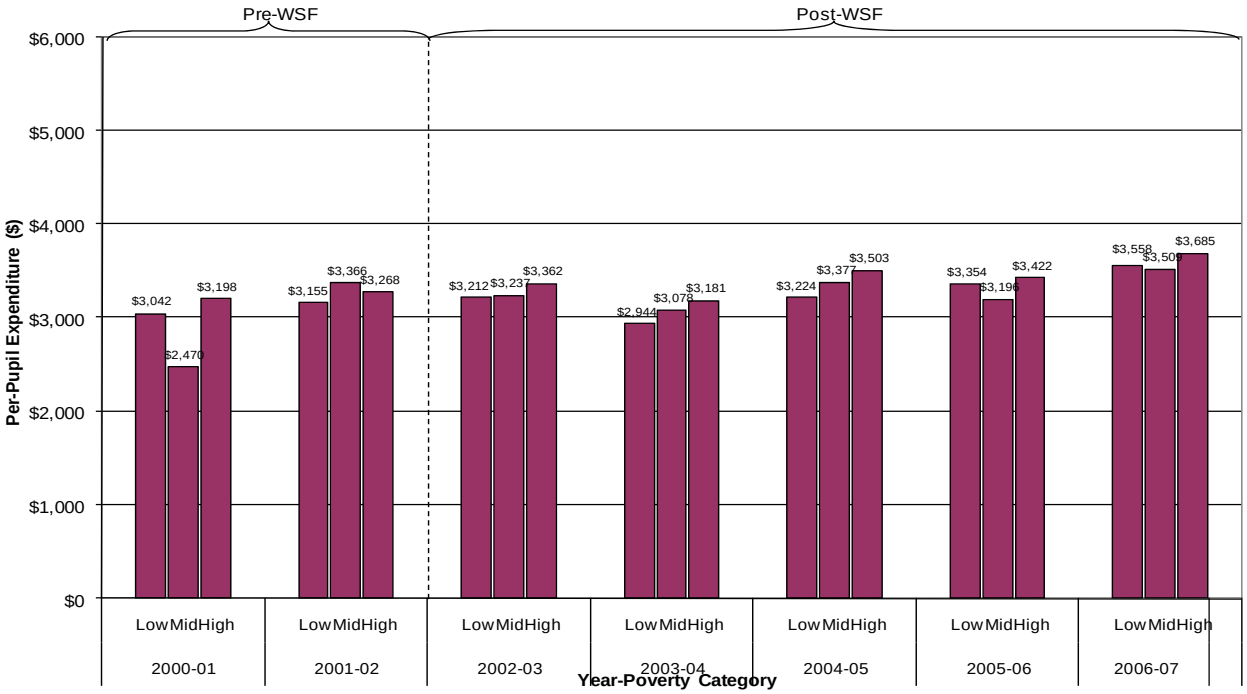
## Resource Distributions (Restricted vs. Unrestricted)

**Exhibit A45: Distribution of San Francisco Elementary School Per-Pupil Unrestricted Expenditure across Resource Types by Poverty Category from 2000-01 to 2006-07**



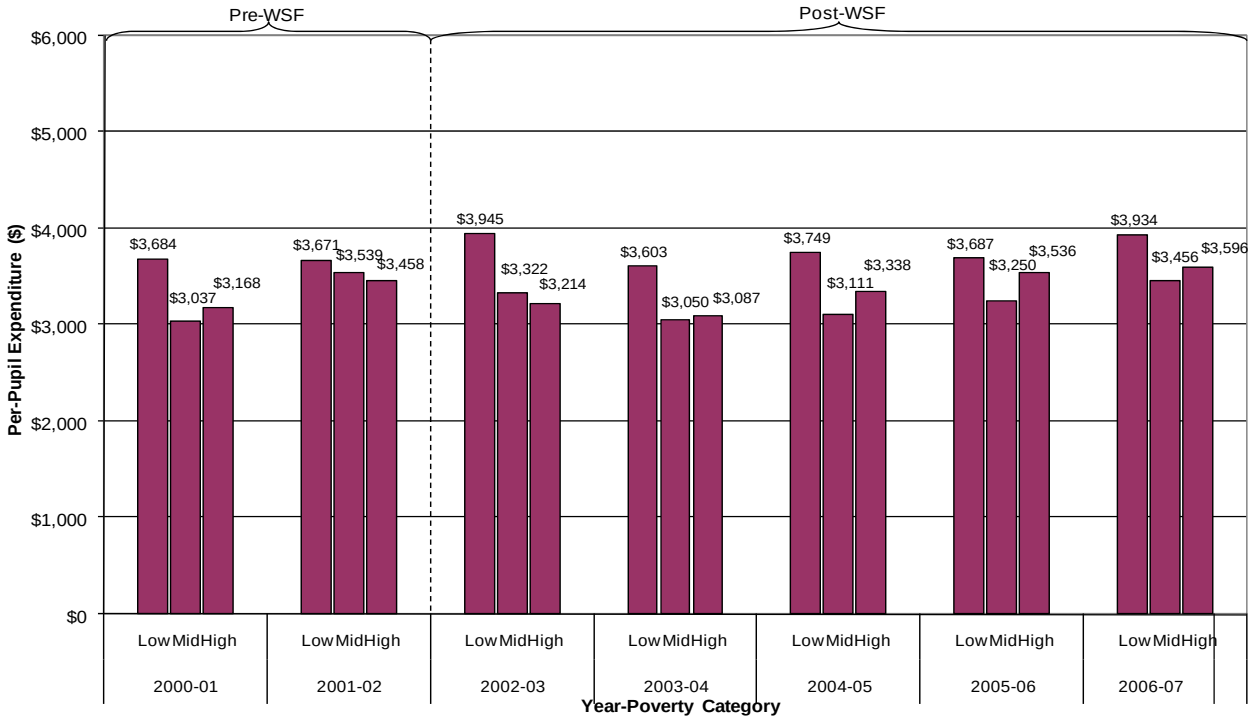

Source: District-provided Standardized Account Code Structure (SACS) fiscal data, 2000-01 through 2006-07.

**Exhibit A46: Distribution of San Francisco Middle School Per-Pupil Unrestricted Expenditure across Resource Types by Poverty Category from 2000-01 to 2006-07**



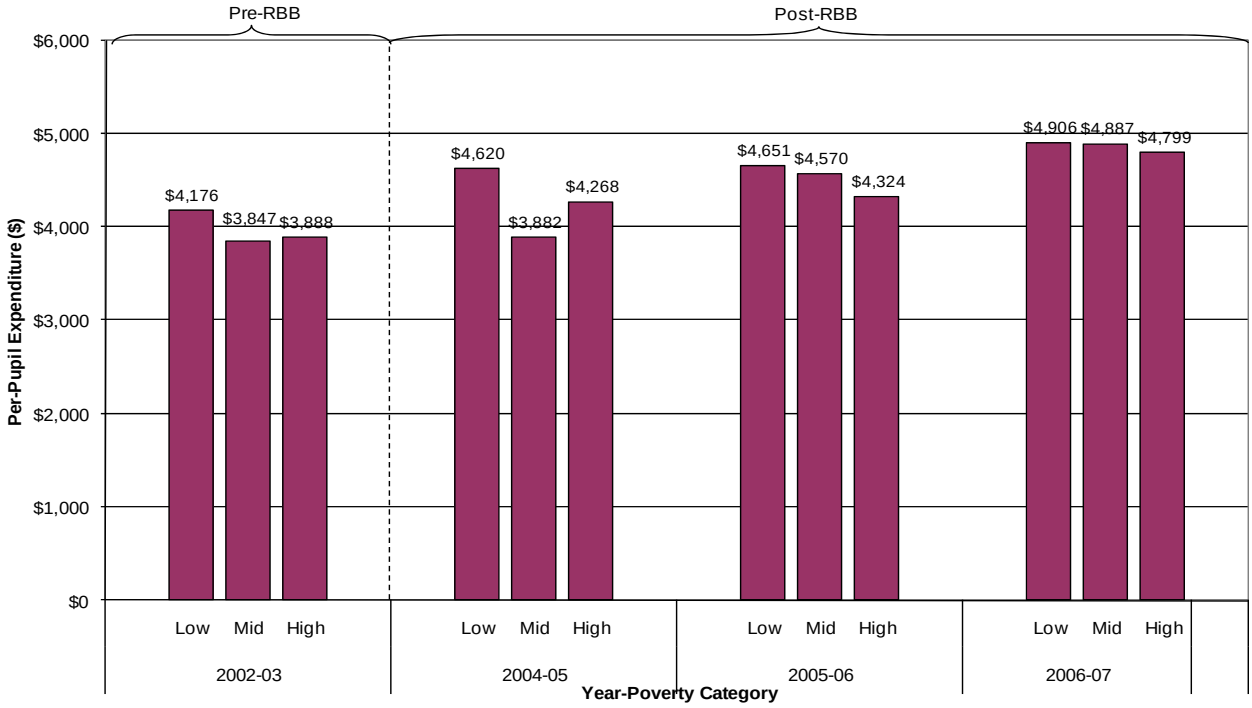

Source: District-provided Standardized Account Code Structure (SACS) fiscal data, 2000-01 through 2006-07.

**Exhibit A47: Distribution of San Francisco High School Per-Pupil Unrestricted Expenditure across Resource Types by Poverty Category from 2000-01 to 2006-07**



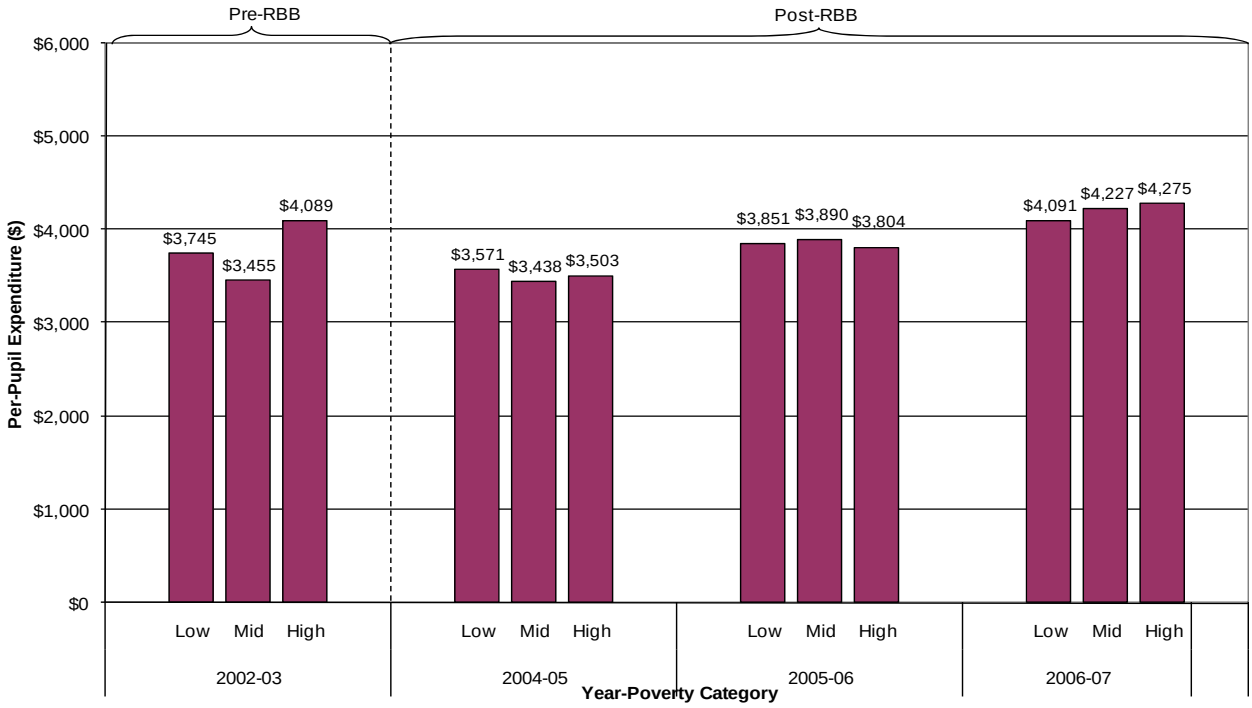

Source: District-provided Standardized Account Code Structure (SACS) fiscal data, 2000-01 through 2006-07.

**Exhibit A48: Distribution of Oakland Elementary School Per-Pupil Unrestricted Expenditure across Resource Types by Poverty Category from 2002-03 and 2004-05 to 2006-07**



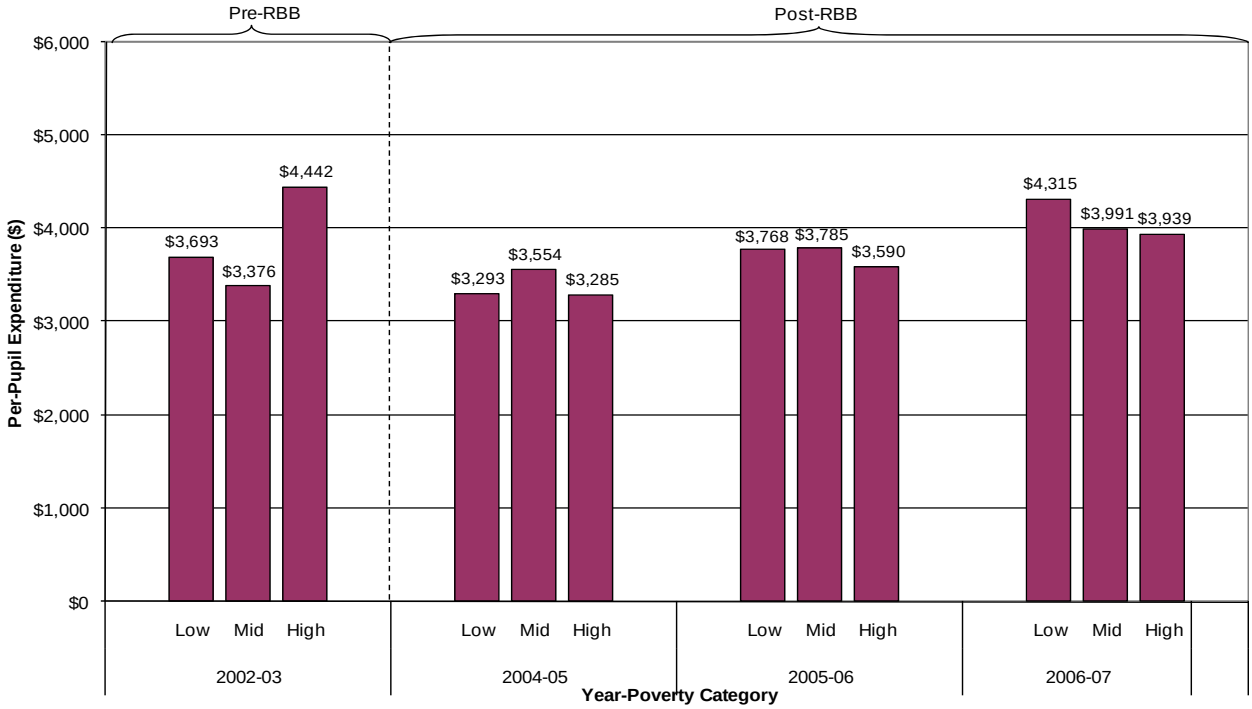

Source: District-provided Standardized Account Code Structure (SACS) fiscal data, 2002-03 and 2004-05 through 2006-07.

**Exhibit A49: Distribution of Oakland Middle School Per-Pupil Unrestricted Expenditure across Resource Types by Poverty Category from 2002-03 and 2004-05 to 2006-07**



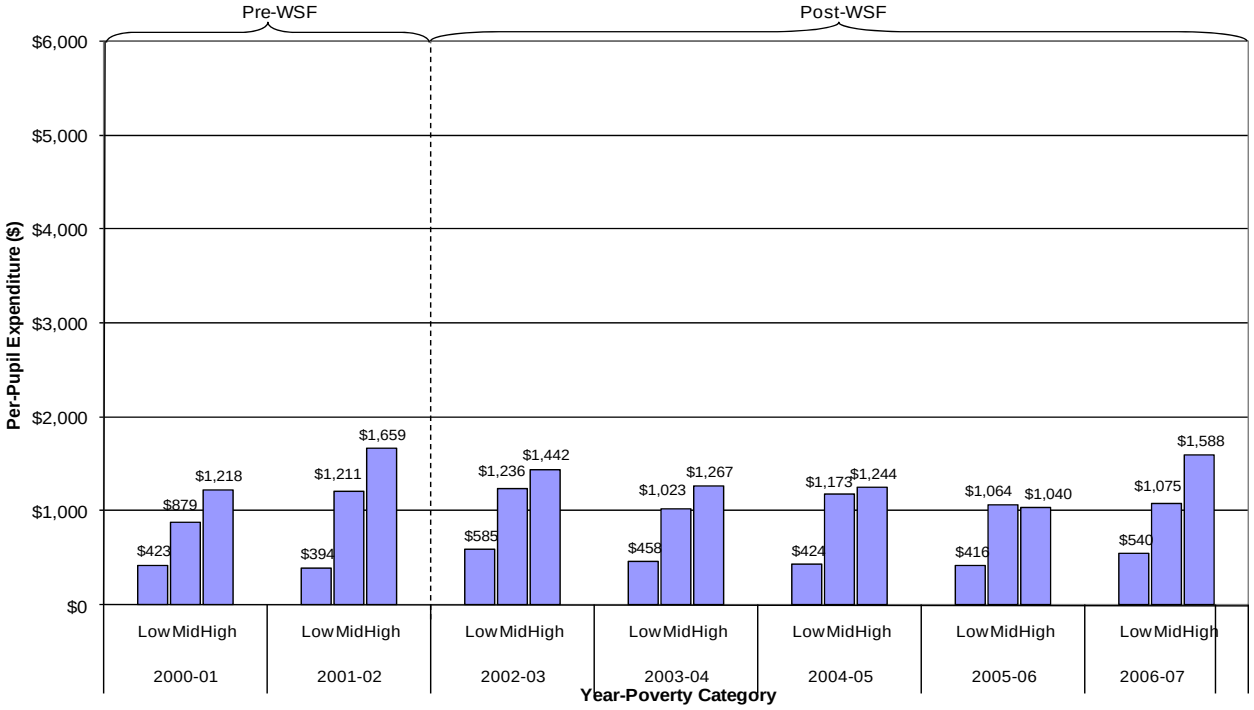

Source: District-provided Standardized Account Code Structure (SACS) fiscal data, 2002-03 and 2004-05 through 2006-07.

**Exhibit A50: Distribution of Oakland High School Per-Pupil Unrestricted Expenditure across Resource Types by Poverty Category from 2002-03 and 2004-05 to 2006-07**



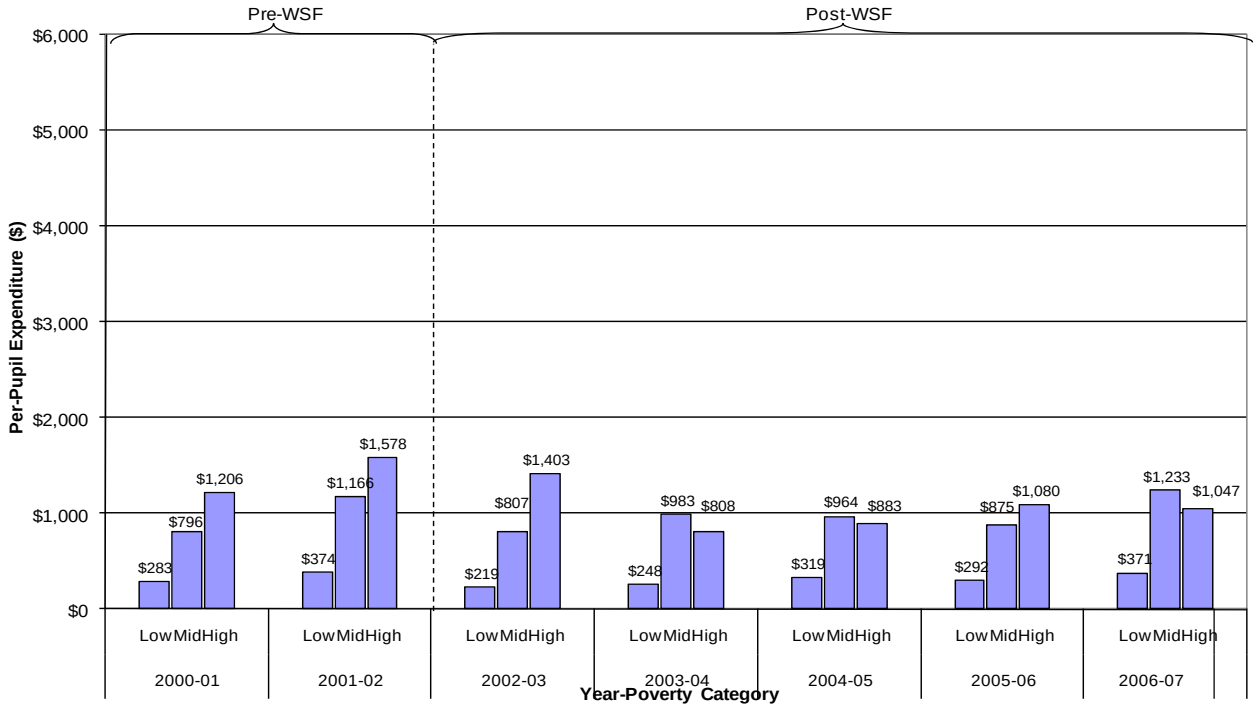

Source: District-provided Standardized Account Code Structure (SACS) fiscal data, 2002-03 and 2004-05 through 2006-07.

**Exhibit A51: Distribution of San Francisco Elementary School Per-Pupil Restricted Expenditure across Resource Types by Poverty Category from 2000-01 to 2006-07**



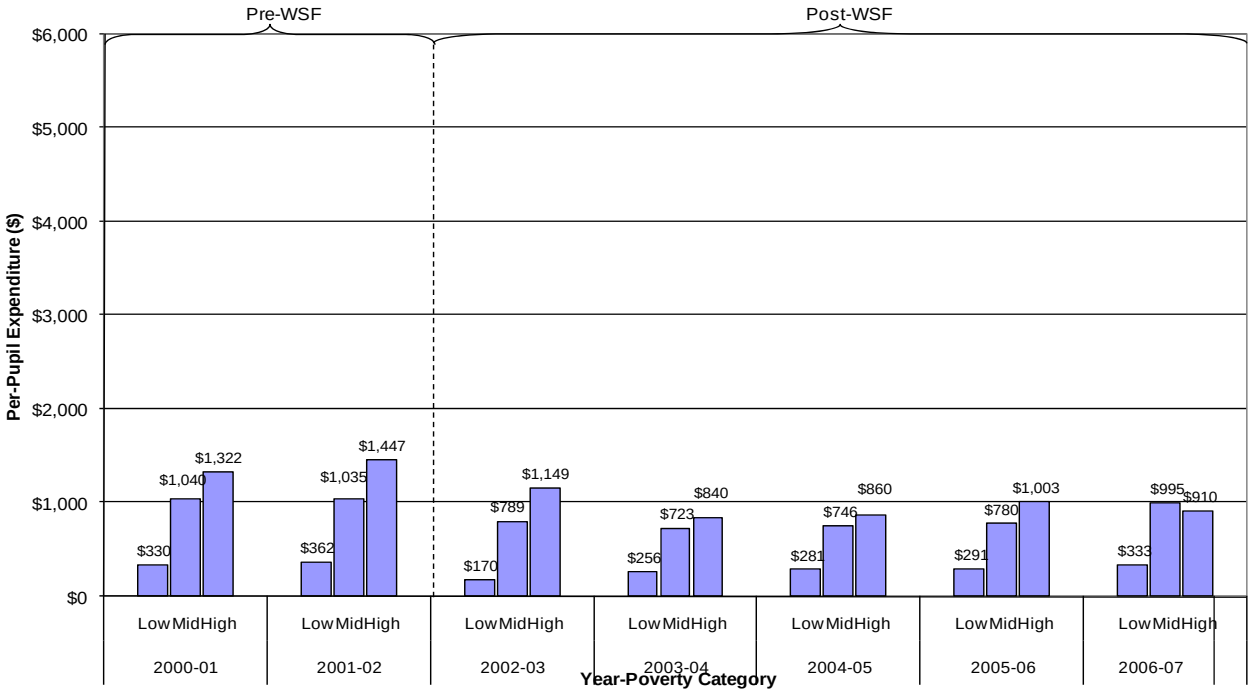

Source: District-provided Standardized Account Code Structure (SACS) fiscal data, 2000-01 through 2006-07.

**Exhibit A52: Distribution of San Francisco Middle School Per-Pupil Restricted Expenditure across Resource Types by Poverty Category from 2000-01 to 2006-07**



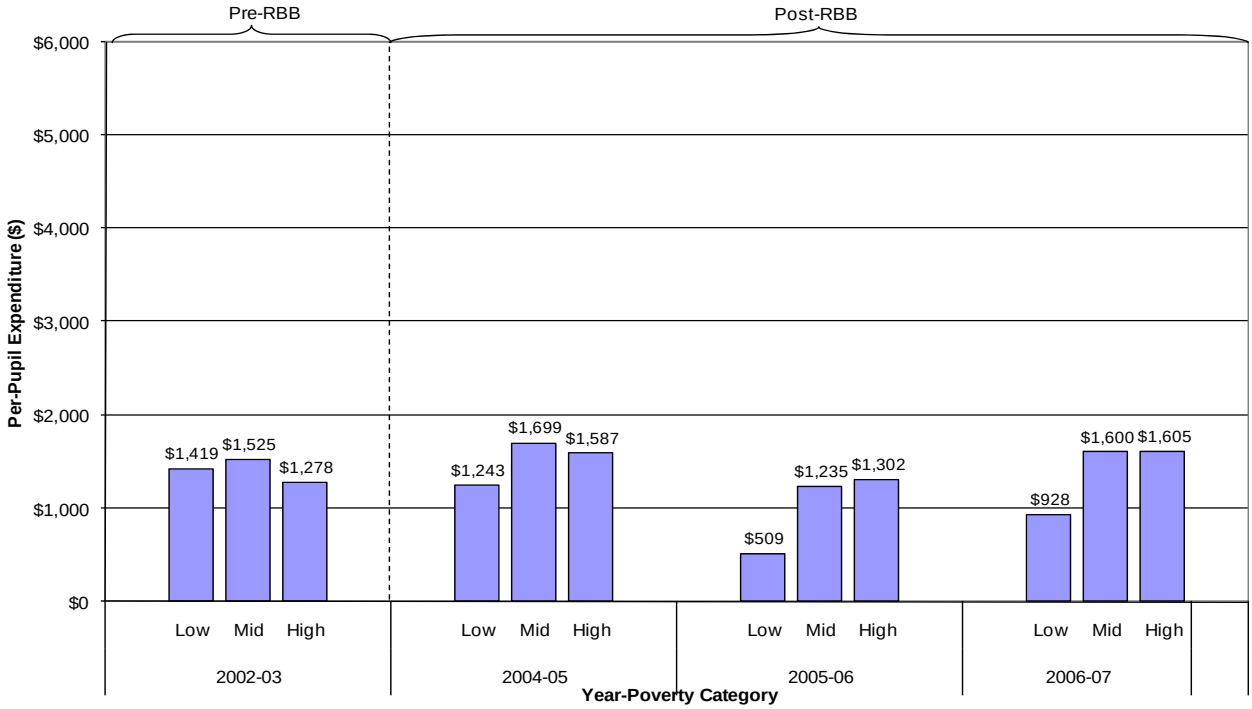

Source: District-provided Standardized Account Code Structure (SACS) fiscal data, 2000-01 through 2006-07.

**Exhibit A53: Distribution of San Francisco High School Per-Pupil Restricted Expenditure across Resource Types by Poverty Category from 2000-01 to 2006-07**



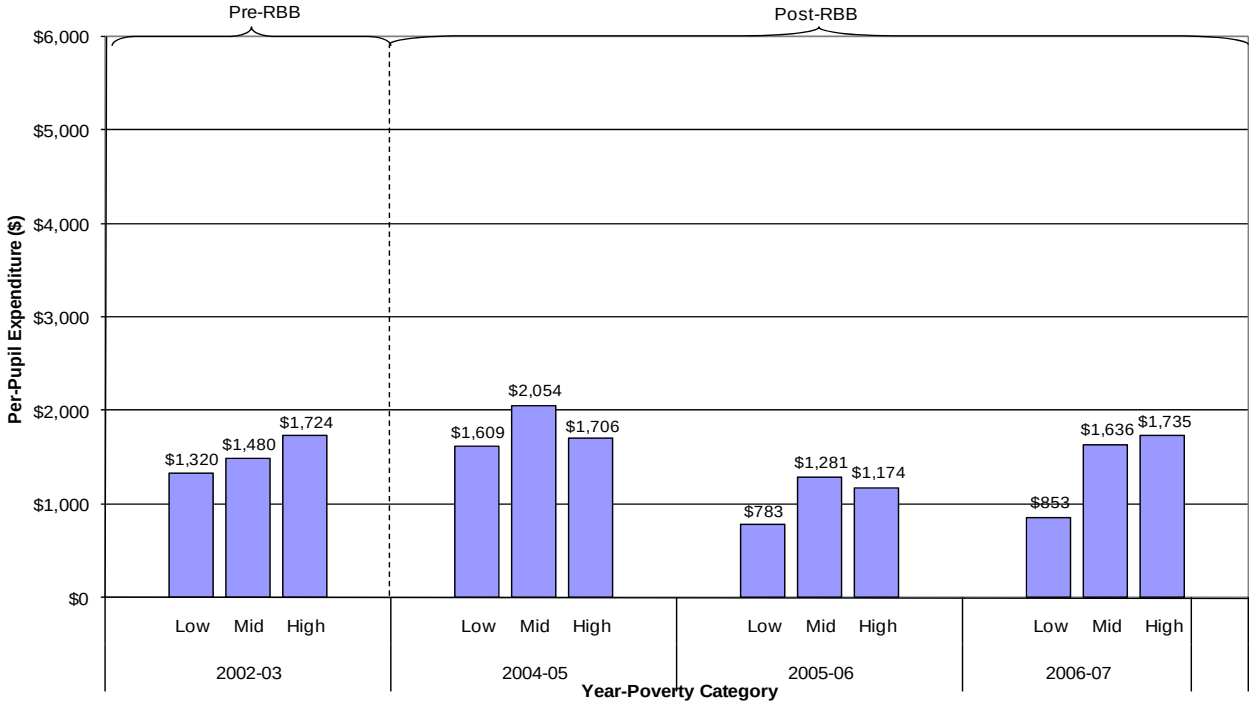

Source: District-provided Standardized Account Code Structure (SACS) fiscal data, 2000-01 through 2006-07.

**Exhibit A54: Distribution of Oakland Elementary School Per-Pupil Restricted Expenditure across Resource Types by Poverty Category from 2002-03 and 2004-05 to 2006-07**



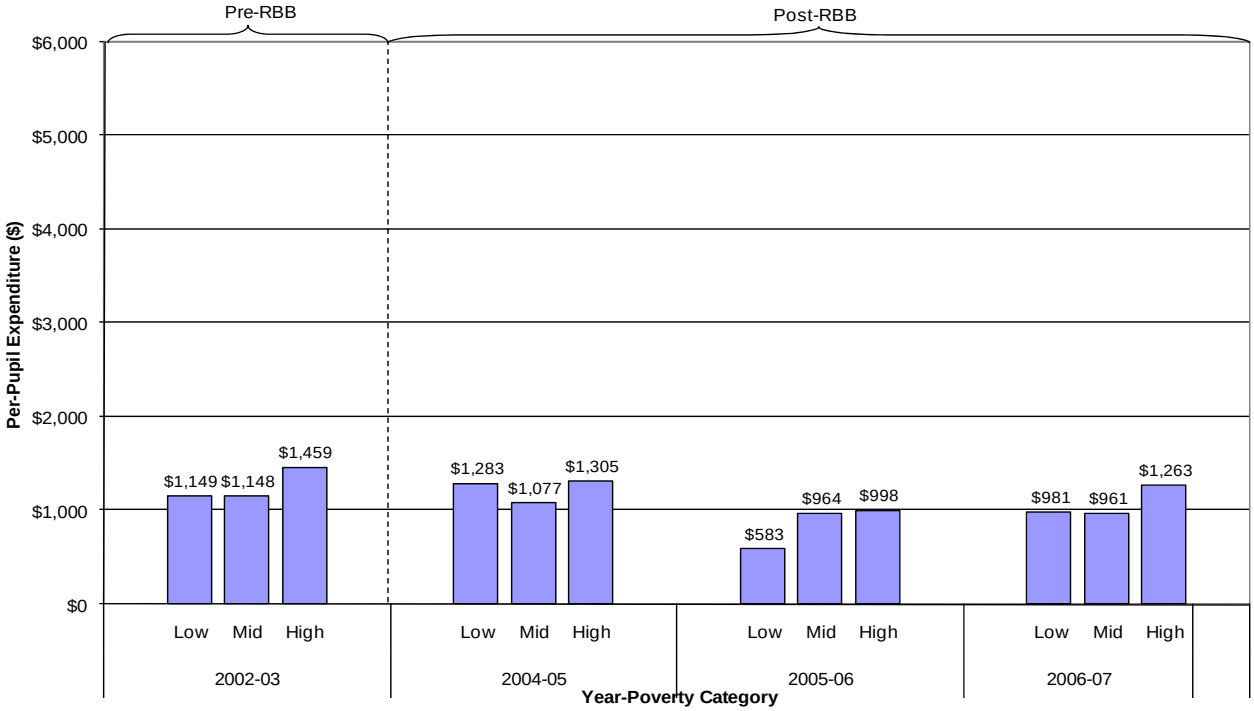

Source: District-provided Standardized Account Code Structure (SACS) fiscal data, 2002-03 and 2004-05 through 2006-07.

**Exhibit A55: Distribution of Oakland Middle School Per-Pupil Restricted Expenditure across Resource Types by Poverty Category from 2002-03 and 2004-05 to 2006-07**




Source: District-provided Standardized Account Code Structure (SACS) fiscal data, 2002-03 and 2004-05 through 2006-07.

**Exhibit A56: Distribution of Oakland High School Per-Pupil Restricted Expenditure across Resource Types by Poverty Category from 2002-03 and 2004-05 to 2006-07**




Source: District-provided Standardized Account Code Structure (SACS) fiscal data, 2002-03 and 2004-05 through 2006-07.

## Regression Output

Each table is specific to a given schooling level and the type of expenditure being examined (i.e., unrestricted, restricted, or total).

**Exhibit A57: Output for Oakland Implicit Weight Regression Estimation (***, ** and * Denote Significance at the 1-, 5- and 10-Percent Levels, Respectively)**

| Elementary Schools - Total (Unrestricted and Restricted) Funding With Teacher Subsidies | | | | |
|---|---|---|---|---|
| | 2002-03 | 2004-05 | 2005-06 | 2006-07 |
| ln(1+Free/Reduced Lunch) | 0.111 | 0.0395 | 0.3404*** | 0.4493*** |
| Enrollment/100 | -0.0981* | -0.1832** | -0.0750** | -0.1273*** |
| Enrollment/100 Squared | 0.0062 | 0.0138* | 0.0053 | 0.0102*** |
| Constant | 8.8285*** | 9.1049*** | 8.6578*** | 8.8283*** |
| Number of Observations | 55 | 52 | 54 | 58 |
| Adjusted R2 | 0.2231 | 0.2074 | 0.3438 | 0.5828 |
| | | | | |
| Elementary Schools - Total (Unrestricted and Restricted) Funding Without Teacher Subsidies | | | | |
| | 2002-03 | 2004-05 | 2005-06 | 2006-07 |
| ln(1+Free/Reduced Lunch) | 0.111 | 0.1321 | 0.3644*** | 0.4660*** |
| Enrollment/100 | -0.0981* | -0.2295*** | -0.0843** | -0.1270*** |
| Enrollment/100 Squared | 0.0062 | 0.0185** | 0.0062 | 0.0101*** |
| Constant | 8.8285*** | 9.0789*** | 8.6496*** | 8.8140*** |
| Number of Observations | 55 | 52 | 54 | 58 |
| Adjusted R2 | 0.2231 | 0.2759 | 0.3705 | 0.5944 |
| | | | | |
| Middle/High Schools - Total (Unrestricted and Restricted) Funding With Teacher Subsidies | | | | |
| | 2002-03 | 2004-05 | 2005-06 | 2006-07 |
| ln(1+Free/Reduced Lunch) | 0.3774* | 0.0235 | 0.1986 | 0.1622 |
| Enrollment/100 | -0.0111 | -0.0305** | -0.0791*** | -0.0529*** |
| Enrollment/100 Squared | 0.0001 | 0.0013* | 0.0032*** | 0.0018*** |
| Constant | 0.0519 | -0.2153*** | -0.1522*** | -0.0496 |
| Number of Observations | 23 | 33 | 34 | 38 |
| Adjusted R2 | 0.1818 | 0.4915 | 0.6063 | 0.5163 |
| | | | | |
| Middle/High Schools - Total (Unrestricted and Restricted) Funding Without Teacher Subsidies | | | | |
| | 2002-03 | 2004-05 | 2005-06 | 2006-07 |
| ln(1+Free/Reduced Lunch) | 0.3774* | 0.0161 | 0.2044 | 0.1866 |
| Enrollment/100 | -0.0111 | -0.0259* | -0.0779*** | -0.0515*** |
| Enrollment/100 Squared | 0.0001 | 0.0011* | 0.0031*** | 0.0017*** |
| Constant | 0.0519 | -0.1930*** | -0.1478*** | -0.0455 |
| Number of Observations | 23 | 33 | 34 | 38 |
| Adjusted R2 | 0.1818 | 0.448 | 0.5995 | 0.5231 |

## Exhibit A57 (Continued): Output for Oakland Implicit Weight Regression Estimation (***, ** and * Denote Significance at the 1-, 5- and 10-Percent Levels, Respectively)

| Elementary Schools - Unrestricted Funding With Teacher Subsidies | | | | |
|---|---|---|---|---|
| | 2002-03 | 2004-05 | 2005-06 | 2006-07 |
| ln(1+Free/Reduced Lunch) | -0.0127 | -0.3854** | -0.1144* | 0.0147 |
| Enrollment/100 | -0.0823*** | -0.2736** | -0.0805 | -0.1138*** |
| Enrollment/100 Squared | 0.0049** | 0.0225* | 0.0057 | 0.0109*** |
| Constant | 8.5484*** | 9.1743*** | 8.6910*** | 8.7345*** |
| Number of Observations | 55 | 52 | 54 | 58 |
| Adjusted R2 | 0.3871 | 0.2091 | 0.2657 | 0.2548 |
| | | | | |
| Elementary Schools - Unrestricted Funding Without Teacher Subsidies | | | | |
| | 2002-03 | 2004-05 | 2005-06 | 2006-07 |
| ln(1+Free/Reduced Lunch) | -0.0127 | -0.3092* | -0.0948 | 0.0319 |
| Enrollment/100 | -0.0823*** | -0.3500*** | -0.0925 | -0.1136*** |
| Enrollment/100 Squared | 0.0049** | 0.0301*** | 0.0068 | 0.0108*** |
| Constant | 8.5484*** | 9.1897*** | 8.6875*** | 8.7185*** |
| Number of Observations | 55 | 52 | 54 | 58 |
| Adjusted R2 | 0.3871 | 0.2659 | 0.2869 | 0.2647 |
| | | | | |
| Middle/High Schools - Unrestricted Funding With Teacher Subsidies | | | | |
| | 2002-03 | 2004-05 | 2005-06 | 2006-07 |
| ln(1+Free/Reduced Lunch) | -0.0678 | -0.1891 | -0.2518** | -0.2978* |
| Enrollment/100 | -0.0298** | -0.0257** | -0.0568*** | -0.0271** |
| Enrollment/100 Squared | 0.0007 | 0.0008* | 0.0023*** | 0.0008 |
| Constant | 0.0974* | -0.0674** | -0.1132*** | -0.0212 |
| Number of Observations | 23 | 33 | 34 | 38 |
| Adjusted R2 | 0.379 | 0.2661 | 0.5851 | 0.2133 |
| | | | | |
| Middle/High Schools - Unrestricted Funding Without Teacher Subsidies | | | | |
| | 2002-03 | 2004-05 | 2005-06 | 2006-07 |
| ln(1+Free/Reduced Lunch) | -0.0678 | -0.1986* | -0.2444** | -0.2662* |
| Enrollment/100 | -0.0298** | -0.0188** | -0.0548*** | -0.0249* |
| Enrollment/100 Squared | 0.0007 | 0.0006 | 0.0022*** | 0.0008 |
| Constant | 0.0974* | -0.0339 | -0.1068*** | -0.0148 |
| Number of Observations | 23 | 33 | 34 | 38 |
| Adjusted R2 | 0.379 | 0.2317 | 0.5523 | 0.1841 |

## Exhibit A57 (continued): Output for Oakland Implicit Weight Regression Estimation (***, ** and * Denote Significance at the 1-, 5- and 10-Percent Levels, Respectively)

| Elementary Schools - Restricted Funding | | | | |
|---|---|---|---|---|
| | 2002-03 | 2004-05 | 2005-06 | 2006-07 |
| ln(1+Free/Reduced Lunch) | 0.4962 | 1.2967*** | 3.5222*** | 2.6170*** |
| Enrollment/100 | -0.1587 | 0.0352 | 0.029 | -0.2056* |
| Enrollment/100 Squared | 0.0119 | -0.0061 | -0.0047 | 0.0106 |
| Constant | 7.3676*** | 6.6357*** | 5.0212*** | 6.4309*** |
| Number of Observations | 54 | 52 | 54 | 58 |
| Adjusted R2 | 0.008 | 0.2154 | 0.6061 | 0.7806 |
| | | | | |
| Middle/High Schools – Restricted Funding | | | | |
| | 2002-03 | 2004-05 | 2005-06 | 2006-07 |
| ln(1+Free/Reduced Lunch) | 2.1558*** | 0.4644 | 2.8394*** | 2.2587*** |
| Enrollment/100 | 0.0644 | -0.0449 | -0.1306** | -0.1149*** |
| Enrollment/100 Squared | -0.002 | 0.0026 | 0.0053** | 0.0038** |
| Constant | -0.1297 | -0.6016*** | -0.144 | -0.0174 |
| Number of Observations | 23 | 33 | 34 | 38 |
| Adjusted R2 | 0.456 | 0.5217 | 0.5425 | 0.6478 |

## Exhibit A58: Output for San Francisco Implicit Weight Regression Estimation (***, ** and * Denote Significance at the 1-, 5- and 10-Percent Levels, Respectively)

| Elementary Schools - Total (Unrestricted and Restricted) Funding | | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
| ln(1+Free/Reduced Lunch) | 0.4929*** | 0.5518*** | 0.4743*** | 0.4521*** | 0.5599*** | 0.4864*** | 0.4840*** |
| Enrollment/100 | -0.2897*** | -0.2143*** | -0.1728*** | -0.1650*** | -0.2248*** | -0.1750*** | -0.2710*** |
| Enrollment/100 Squared | 0.0305*** | 0.0211*** | 0.0147** | 0.0136*** | 0.0213** | 0.0150** | 0.0265*** |
| Constant | 8.7204*** | 8.6841*** | 8.7173*** | 8.6150*** | 8.7029*** | 8.6343*** | 8.8936*** |
| Number of Observations | 70 | 70 | 70 | 70 | 70 | 70 | 71 |
| Adjusted R2 | 0.5074 | 0.6337 | 0.487 | 0.563 | 0.6413 | 0.5549 | 0.6663 |
| | | | | | | | |
| Middle/High Schools - Total (Unrestricted and Restricted) Funding | | | | | | | |
| | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
| ln(1+Free/Reduced Lunch) | 0.053 | 0.0441 | 0.1949 | 0.3033 | 0.4833*** | 0.9756*** | 0.8980*** |
| Enrollment/100 | -0.0861* | -0.0487*** | -0.0592*** | -0.0520*** | -0.0297** | -0.0309 | -0.0562*** |
| Enrollment/100 Squared | 0.0024* | 0.0012* | 0.0016*** | 0.0015*** | 0.0008* | 0.0009 | 0.0017*** |
| High School Indicator | 0.2191* | 0.1083 | 0.0832 | 0.0562 | 0.056 | 0.1281** | 0.0921 |
| Constant | 8.7010*** | 8.7026*** | 8.6267*** | 8.4388*** | 8.2955*** | 8.0420*** | 8.2950*** |
| Number of Observations | 25 | 25 | 25 | 27 | 27 | 27 | 27 |
| Adjusted R2 | 0.2374 | 0.3416 | 0.4403 | 0.4789 | 0.3969 | 0.3919 | 0.5187 |
| | | | | | | | |
| Elementary Schools - Unrestricted Funding | | | | | | | |
| | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
| ln(1+Free/Reduced Lunch) | -0.1101 | -0.0549 | -0.0791 | 0.0313 | 0.1169 | 0.1472* | 0.0542 |
| Enrollment/100 | -0.4049*** | -0.3859*** | -0.2993*** | -0.2191*** | -0.2599** | -0.1622*** | -0.1827** |
| Enrollment/100 Squared | 0.0429*** | 0.0415*** | 0.0302*** | 0.0223*** | 0.0279** | 0.0157*** | 0.0190** |
| Constant | 8.9692*** | 8.9676*** | 8.9044*** | 8.6173*** | 8.6938*** | 8.5171*** | 8.6467*** |
| Number of Observations | 70 | 70 | 70 | 70 | 70 | 70 | 71 |
| Adjusted R2 | 0.4848 | 0.4792 | 0.5761 | 0.4414 | 0.3774 | 0.4278 | 0.3406 |
| | | | | | | | |
| Middle/High Schools - Unrestricted Funding | | | | | | | |
| | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
| ln(1+Free/Reduced Lunch) | -0.4218 | -0.4863** | -0.4676** | -0.042 | 0.0378 | 0.6704 | 0.7932 |
| Enrollment/100 | -0.1416*** | -0.0806*** | -0.0785*** | -0.0255** | -0.0408*** | -0.0327** | -0.0396* |
| Enrollment/100 Squared | 0.0044** | 0.0025*** | 0.0024*** | 0.0009** | 0.0014*** | 0.0012** | 0.0015** |
| High School Indicator | 0.164 | 0.086 | 0.0732* | 0.038 | 0.0118 | 0.0838 | 0.0688 |
| Constant | 8.9065*** | 8.7405*** | 8.7560*** | 8.1833*** | 8.3259*** | 7.9522*** | 7.9851*** |
| Number of Observations | 25 | 25 | 25 | 27 | 27 | 27 | 27 |
| Adjusted R2 | 0.3072 | 0.4252 | 0.5267 | 0.2224 | 0.3302 | 0.3193 | 0.2813 |

## Exhibit A58 (continued): Output for San Francisco Implicit Weight Regression Estimation
### (***, ** and * Denote Significance at the 1-, 5- and 10-Percent Levels, Respectively)

| Elementary Schools - Restricted Funding | | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
| ln(1+Free/Reduced Lunch) | 3.5274*** | 3.0339*** | 2.9169*** | 2.4690*** | 3.0014*** | 2.5405*** | 2.5216*** |
| Enrollment/100 | 0.241 | 0.4790** | 0.3677 | 0.2473 | 0.0334 | -0.0747 | -0.3810* |
| Enrollment/100 Squared | -0.0315 | -0.0649** | -0.0541* | -0.0495 | -0.0175 | -0.0054 | 0.028 |
| Constant | 4.6802*** | 4.8299*** | 5.1523*** | 5.4999*** | 5.5137*** | 5.8284*** | 6.6173*** |
| Number of Observations | 70 | 70 | 70 | 70 | 70 | 70 | 71 |
| Adjusted R2 | 0.4365 | 0.481 | 0.3875 | 0.464 | 0.513 | 0.3499 | 0.5168 |

| Middle/High Schools - Restricted Funding | | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
| ln(1+Free/Reduced Lunch) | 2.9707** | 2.7382** | 4.4798*** | 2.669 | 3.2115* | 3.0897 | 1.6846 |
| Enrollment/100 | 0.1338 | 0.0974 | 0.1059 | -0.1064 | 0.0345 | 0.0194 | -0.099 |
| Enrollment/100 Squared | -0.005 | -0.0045 | -0.0045 | 0.0022 | -0.0025 | -0.0022 | 0.0016 |
| High School Indicator | 0.2398 | 0.1049 | 0.1619 | 0.1684 | 0.3017 | 0.3927 | 0.2093 |
| Constant | 4.8372*** | 5.5166*** | 4.2054*** | 6.0410*** | 5.0002*** | 5.0450*** | 6.5885*** |
| Number of Observations | 25 | 25 | 25 | 27 | 27 | 27 | 27 |
| Adjusted R2 | 0.1519 | 0.2722 | 0.4514 | 0.3124 | 0.2692 | 0.2204 | 0.3223 |

## Exhibit A59: p-Values from Pairwise t-Tests of Equality of Implicit Student Need Weight Estimates Between Pre- and Post-RBB Years

| Elementary Schools - Total (Unrestricted and Restricted) Funding With Teacher Subsidies | | | | |
|---|---|---|---|---|
| | 2002-03 | 2004-05 | 2005-06 | 2006-07 |
| 2002-03 | | | | |
| 2004-05 | 0.555 | | | |
| 2005-06 | 0.072 | 0.031 | | |
| 2006-07 | 0.001 | 0.001 | 0.071 | |

| Elementary Schools - Total (Unrestricted and Restricted) Funding Without Teacher Subsidies | | | | |
|---|---|---|---|---|
| | 2002-03 | 2004-05 | 2005-06 | 2006-07 |
| 2002-03 | | | | |
| 2004-05 | 0.862 | | | |
| 2005-06 | 0.051 | 0.105 | | |
| 2006-07 | 0.001 | 0.007 | 0.094 | |

| Middle/High Schools - Total (Unrestricted and Restricted) Funding With Teacher Subsidies | | | | |
|---|---|---|---|---|
| | 2002-03 | 2004-05 | 2005-06 | 2006-07 |
| 2002-03 | | | | |
| 2004-05 | 0.305 | | | |
| 2005-06 | 0.545 | 0.380 | | |
| 2006-07 | 0.537 | 0.509 | 0.851 | |

| Middle/High Schools - Total (Unrestricted and Restricted) Funding Without Teacher Subsidies | | | | |
|---|---|---|---|---|
| | 2002-03 | 2004-05 | 2005-06 | 2006-07 |
| 2002-03 | | | | |
| 2004-05 | 0.280 | | | |
| 2005-06 | 0.556 | 0.311 | | |
| 2006-07 | 0.574 | 0.386 | 0.926 | |

| Elementary Schools - Unrestricted Funding With Teacher Subsidies | | | | |
|---|---|---|---|---|
| | 2002-03 | 2004-05 | 2005-06 | 2006-07 |
| 2002-03 | | | | |
| 2004-05 | 0.028 | | | |
| 2005-06 | 0.142 | 0.115 | | |
| 2006-07 | 0.632 | 0.017 | 0.033 | |

| Elementary Schools - Unrestricted Funding Without Teacher Subsidies | | | | |
|---|---|---|---|---|
| | 2002-03 | 2004-05 | 2005-06 | 2006-07 |
| 2002-03 | | | | |
| 2004-05 | 0.081 | | | |
| 2005-06 | 0.239 | 0.218 | | |
| 2006-07 | 0.440 | 0.039 | 0.034 | |

## Exhibit A59 (continued): p-Values from Pairwise t-Tests of Equality of Implicit Student Need Weight Estimates Between Pre- and Post-RBB Years

| Middle/High Schools - Unrestricted Funding With Teacher Subsidies | | | | |
|---|---|---|---|---|
| | 2002-03 | 2004-05 | 2005-06 | 2006-07 |
| 2002-03 | | | | |
| 2004-05 | 0.680 | | | |
| 2005-06 | 0.504 | 0.673 | | |
| 2006-07 | 0.482 | 0.608 | 0.768 | |

| Middle/High Schools - Unrestricted Funding Without Teacher Subsidies | | | | |
|---|---|---|---|---|
| | 2002-03 | 2004-05 | 2005-06 | 2006-07 |
| 2002-03 | | | | |
| 2004-05 | 0.626 | | | |
| 2005-06 | 0.516 | 0.716 | | |
| 2006-07 | 0.531 | 0.721 | 0.888 | |

| Elementary Schools - Restricted Funding | | | | |
|---|---|---|---|---|
| | 2002-03 | 2004-05 | 2005-06 | 2006-07 |
| 2002-03 | | | | |
| 2004-05 | 0.037 | | | |
| 2005-06 | 0.000 | 0.000 | | |
| 2006-07 | 0.000 | 0.000 | 0.014 | |

| Middle/High Schools - Restricted Funding | | | | |
|---|---|---|---|---|
| | 2002-03 | 2004-05 | 2005-06 | 2006-07 |
| 2002-03 | | | | |
| 2004-05 | 0.038 | | | |
| 2005-06 | 0.422 | 0.000 | | |
| 2006-07 | 0.923 | 0.006 | 0.313 | |

## Exhibit A60: p-Values from Pairwise t- Tests of Equality of Implicit Student Need Weight Estimates Between Pre- and Post-WSF Years

**Elementary Schools - Total (Unrestricted and Restricted) Funding**

| | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
|---|---|---|---|---|---|---|---|
| **2000-01** | | | | | | | |
| **2001-02** | 0.368 | | | | | | |
| **2002-03** | 0.883 | 0.470 | | | | | |
| **2003-04** | 0.747 | 0.344 | 0.736 | | | | |
| **2004-05** | 0.571 | 0.932 | 0.473 | 0.263 | | | |
| **2005-06** | 0.960 | 0.559 | 0.910 | 0.702 | 0.362 | | |
| **2006-07** | 0.940 | 0.501 | 0.934 | 0.741 | 0.355 | 0.977 | |

**Middle/High Schools - Total (Unrestricted and Restricted) Funding**

| | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
|---|---|---|---|---|---|---|---|
| **2000-01** | | | | | | | |
| **2001-02** | 0.974 | | | | | | |
| **2002-03** | 0.705 | 0.353 | | | | | |
| **2003-04** | 0.499 | 0.195 | 0.554 | | | | |
| **2004-05** | 0.343 | 0.099 | 0.139 | 0.396 | | | |
| **2005-06** | 0.131 | 0.038 | 0.031 | 0.051 | 0.046 | | |
| **2006-07** | 0.200 | 0.088 | 0.092 | 0.106 | 0.169 | 0.648 | |

**Elementary Schools - Unrestricted Funding**

| | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
|---|---|---|---|---|---|---|---|
| **2000-01** | | | | | | | |
| **2001-02** | 0.377 | | | | | | |
| **2002-03** | 0.716 | 0.743 | | | | | |
| **2003-04** | 0.149 | 0.329 | 0.061 | | | | |
| **2004-05** | 0.041 | 0.072 | 0.041 | 0.259 | | | |
| **2005-06** | 0.009 | 0.025 | 0.005 | 0.097 | 0.655 | | |
| **2006-07** | 0.079 | 0.197 | 0.091 | 0.691 | 0.381 | 0.081 | |

**Middle/High Schools - Unrestricted Funding**

| | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
|---|---|---|---|---|---|---|---|
| **2000-01** | | | | | | | |
| **2001-02** | 0.847 | | | | | | |
| **2002-03** | 0.906 | 0.846 | | | | | |
| **2003-04** | 0.398 | 0.029 | 0.013 | | | | |
| **2004-05** | 0.396 | 0.070 | 0.027 | 0.684 | | | |
| **2005-06** | 0.165 | 0.032 | 0.017 | 0.101 | 0.025 | | |
| **2006-07** | 0.150 | 0.039 | 0.024 | 0.101 | 0.037 | 0.448 | |

## Exhibit A60 (continued): p-Values from Pairwise t-Tests of Equality of Implicit Student Need Weight Estimates Between Pre- and Post-WSF Years

**Elementary Schools - Restricted Funding**

| | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
|---|---|---|---|---|---|---|---|
| **2000-01** | | | | | | | |
| **2001-02** | 0.228 | | | | | | |
| **2002-03** | 0.322 | 0.760 | | | | | |
| **2003-04** | 0.072 | 0.125 | 0.096 | | | | |
| **2004-05** | 0.355 | 0.932 | 0.860 | 0.212 | | | |
| **2005-06** | 0.117 | 0.328 | 0.485 | 0.885 | 0.191 | | |
| **2006-07** | 0.095 | 0.296 | 0.478 | 0.919 | 0.252 | 0.967 | |

**Middle/High Schools - Restricted Funding**

| | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
|---|---|---|---|---|---|---|---|
| **2000-01** | | | | | | | |
| **2001-02** | 0.755 | | | | | | |
| **2002-03** | 0.057 | 0.000 | | | | | |
| **2003-04** | 0.877 | 0.964 | 0.264 | | | | |
| **2004-05** | 0.804 | 0.592 | 0.211 | 0.728 | | | |
| **2005-06** | 0.913 | 0.741 | 0.201 | 0.811 | 0.891 | | |
| **2006-07** | 0.158 | 0.297 | 0.004 | 0.586 | 0.087 | 0.042 | |

## SBF and Economies of Scale

Exhibit A61: Implicit Enrollment Weights Using Total Expenditures for San Francisco Elementary Schools from 2000-01 to 2006-07 (Implicit Weight Centered at Enrollment=365)

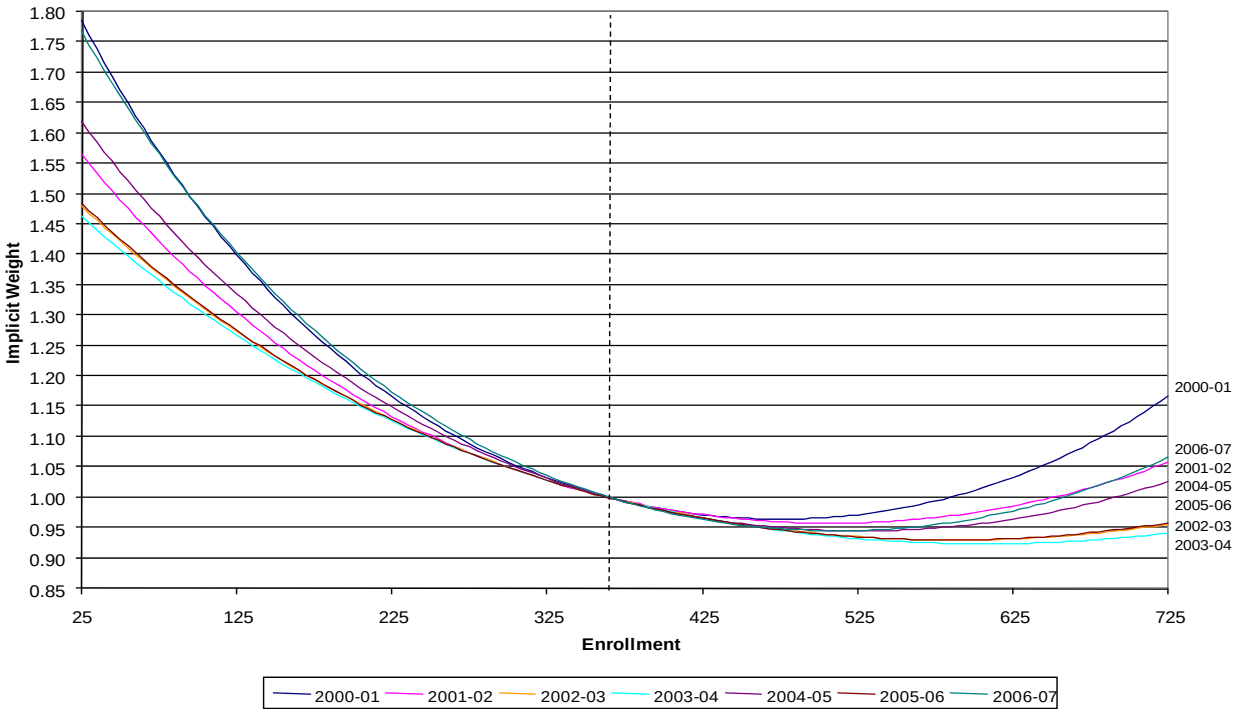



Exhibit A62: Implicit Enrollment Weights Using Total Expenditures for San Francisco Middle and High Schools from 2000-01 to 2006-07 (Implicit Weight Centered at Enrollment=1,000)

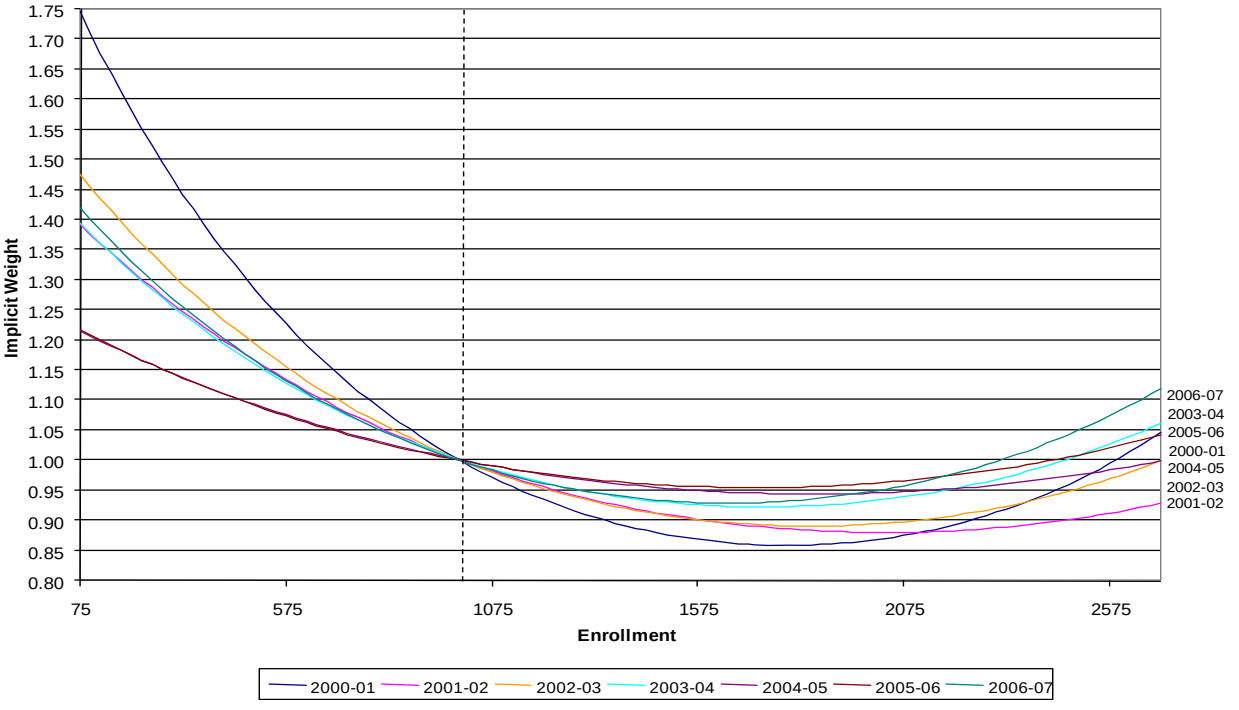


Exhibit A63: Implicit Enrollment Weights Using Total Expenditures for Oakland Elementary Schools from 2000-01 to 2006-07 (Implicit Weight Centered at Enrollment=365)

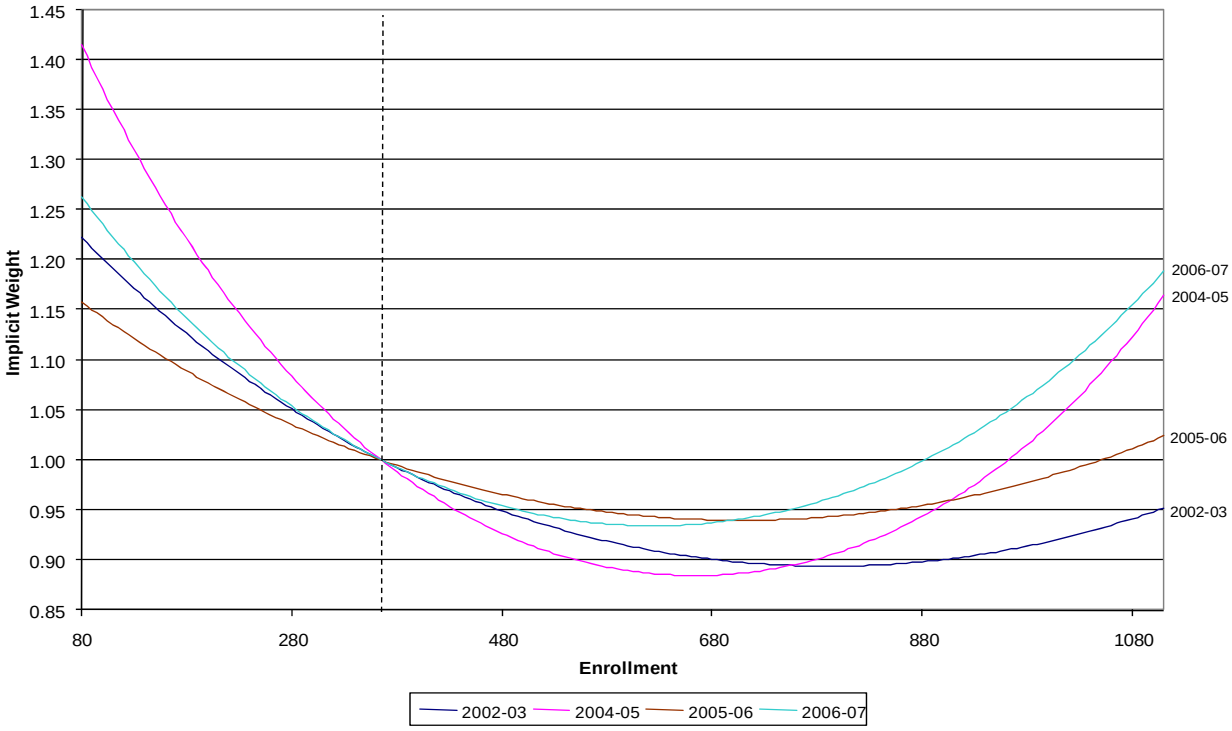
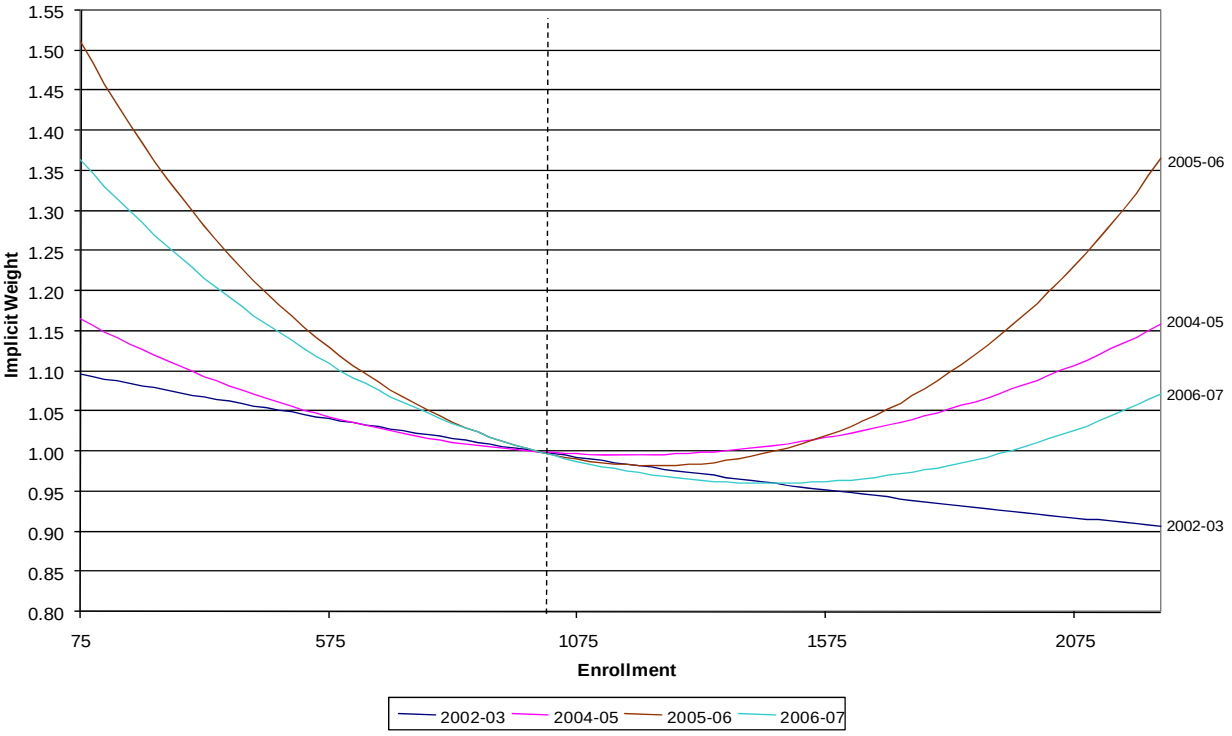



Exhibit A64: Implicit Enrollment Weights Using Total Expenditures for Oakland Middle and High Schools from 2000-01 to 2006-07 (Implicit Weight Centered at Enrollment=1,000)



## Additional Analyses Available Upon Request

In addition to the data we analyzed for the report, we also produced the following analyses that are not included in the appendix. Results from these analyses are available upon request.

### Exhibit A65: List of Additional Analyses Not Included in this Report

| Examined Resources |
|---|
| FTEs per 100 Students – Administrator |
| FTEs per 100 Students – Pupil Support |
| FTEs per 100 Students –Teachers |
| FTEs per 100 Students – Paraprofessional |
| FTEs per 100 Students – Clerical |
| FTEs per 100 Students – Other Classified |
| Experience – Administrator |
| Experience – Pupil Support |
| Experienced (Three or More Year) Teacher FTEs Per 100 Students |
| Experience – Teachers Authorized and Assigned in Elementary Education |
| Experience – Middle/High Teachers Authorized and Assigned in Core Subjects |
| Experience – Teachers Authorized by Subject |
| Experience – Teachers Assigned in Subject |
| Status –Teachers (Tenured, Probationary, and Long-Term Substitute, or Temporary Employee) |
| Credential –Teachers |