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The Claremont Letter

Examining current issues in education that highlight the ongoing work of the faculty of the School of Educational Studies at Claremont Graduate University.

Fixing School Finance

Jacob E. Adams Jr.

"States will never educate all students to high standards unless they first fix the finance systems that support America's schools."

That's the conclusion of the National Working Group on Funding Student Learning, a collaboration of distinguished scholars and education reformers which I chaired, and the culminating activity of the School Finance Redesign Project, a multi-year study that examined how K-12 finance can be redesigned to better support student performance.

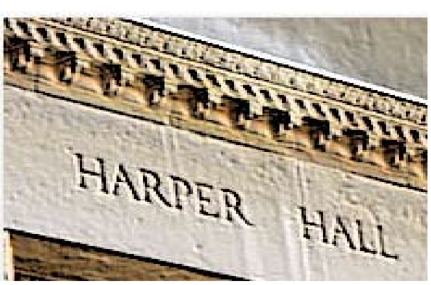
"These systems dictate how much we spend, who gets what, how resources are used, and which outcomes we track," explained the Working Group's recent report. "Unfortunately, the way they do these things no longer matches the results we expect from schools." [1]

New Approach Needed

State and federal policy now demands that all students, regardless of race, language, economic status, or disability, must achieve a level of success in core academic subjects that has never been broadly accomplished. Educators have made incremental gains toward these goals, and a few locations tout big leaps forward. But by and large, America's schools fall far short of these heightened expectations.

At the same time, spending on elementary and secondary schools keeps going up. Between 1990 and 2005, average inflation-adjusted expenditures increased 29% to almost $11,000 per student. Americans now spend more than $500 billion a year on elementary and secondary schools, making K-12 education the largest expenditure in most state budgets.

With heightened expectations and greater funding as backdrop, one would expect elected officials and educators to ensure that America's substantial investment in public education is used effectively to accomplish its ambitious new goals. Conventional modes of funding school improvement, however, such as across-the-board salary increases, class-size reduction, and targeted spending programs, have resulted in greater costs without offsetting gains in performance; and both high- and low-spenders get good and bad outcomes. Something is preventing educators and elected officials from translating resources into results.



School of Educational Studies at Claremont Graduate University

For more than 75 years, the School of Educational Studies (SES) at Claremont Graduate University (CGU) has been a leader in providing graduate education. Many of our more than 5,700 alumni have held positions as college presidents, superintendents, principals, award-winning teachers, and tenured professors at colleges and universities around the world.

Outdated Finance Systems

Part of the problem is that today's finance systems were never designed to support such uniformly high levels of student learning, particularly when the task calls for closing achievement gaps and making the greatest gains with students who have been poorly served. Instead, these systems were constructed piecemeal over decades to fund enrollment, build schools, support programs, hire staff, and provide extra dollars to needy students. They pay salaries fairly, protect against financial wrongdoing, promote resource equity, and accommodate intergovernmental funding. All these ends are reasonable, but none inherently promotes greater learning.

What's more, the way these systems operate actually impedes better results. For instance, funding arrangements are so complex and decisions are made in so many places that it is difficult to deploy resources strategically or to track their effects. In fact, the connection between dollars and students is easily lost at the district level where central office managers translate dollars into programs, services, and complex staffing arrangements.

At the same time, resource fairness remains a problem. States have tried for decades to distribute dollars more equitably across school districts but with only limited success in terms of equalizing educational opportunity. Recent analyses have documented how schools within the same district also receive widely varying levels of support, while others showed how conflicting government agendas can prevent targeted aid from reaching the targeted students.[2] The largest resource inequities actually occur across states, but this issue has been largely ignored.

Where educators have good ideas about matching resources with needs, they often lack the flexibility to use resources in those effective ways. Targeted spending programs and traditional collective bargaining agreements apply one-size-fits-all solutions to schools facing different challenges and levels of funding.

Finance system incentives are out of kilter, too, promoting personal and program interests over student learning. Program participation rules, for example, which dictate how money flows, create perverse incentives to over-identify students with problems or to keep them in specially funded programs longer than necessary.

Even if incentives pushed in the right direction, local educators often lack the knowledge, skills, or tools they need to manage resources effectively. To paraphrase one principal: "I know how to use money accurately [meaning according to his budget], I just don't have anything in place that helps me use it effectively." The system simply hasn't done much to make effective resource use part of educators' routines.

At the far end of the resource pipeline, conventional accounting practices reveal little about whether and how resources are used to achieve academic results, and financial accountability promotes compliance with spending rules, not whether spending boosts student achievement.

The upshot is that today's education finance systems constitute a haphazard collection of agendas, components, and practices that miss the connection between resources and learning. In effect, the rise of ambitious learning goals for all students changed the context of education finance, and conventional finance systems suddenly became mismatched with public expectations.

If the system is the problem, then funding student success requires more than merely adjusting funding levels, tinkering with distribution formulas, creating new programs, imposing another sanction, or singling out hot-button issues. The system itself must be transformed so that resources can better support the ambitious learning goals the public now demands. This task requires new ways of thinking and acting.

Integrating Resources with Learning Through Continuous Improvement

Cementing the connection between resources and student learning requires foremost the integration of resource decisions with

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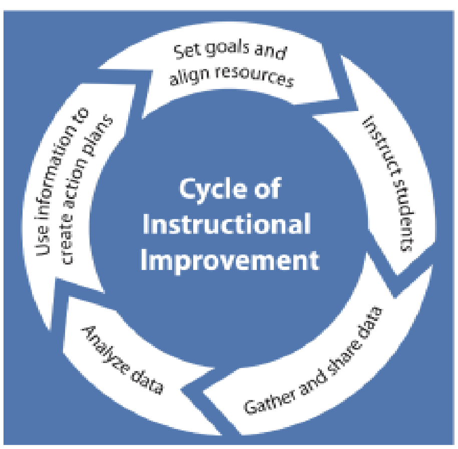
"The faculty of the School of Educational Studies believes a socially just nation educates all its diverse citizenry through networks of effective and accountable organizations that interact responsibly with families and communities..."

From our mission statement

instruction and school improvement plans, activities, and accounts. In short, when student learning matters, resources must be used explicitly and strategically to accomplish results.

As a practical matter, resources must support learning in classrooms, schools, and districts where educators are striving to accomplish new and higher outcomes, where student and teacher needs vary, and where ultimate success is a distant goal. Educators and elected officials need a strategic framework broad enough to organize these endeavors across different settings and clear enough to accommodate their respective roles. "Continuous improvement" provides just such a framework.

Continuous improvement positions teachers, principals, and superintendents to consistently improve teaching and student outcomes through a cycle of goal setting and resource alignment, instruction, assessment, analysis, and adaptation. Here's how it works:[3]



First, working within the structure of state content and performance standards, principals and teachers, supported by superintendents, set learning goals that move their students closer to the academic proficiencies the state expects them to achieve. With goals clearly established, principals and superintendents then must align their resources with these goals. Alignment represents a fundamental way of connecting education's means and ends.

With school and classroom goals and resources in place, the second step in continuous improvement is for teachers to do what they do best: engage students with good teaching and high-quality curriculum.

Third, teachers, principals, and superintendents gather information that tracks students' academic performance. Such information helps teachers identify student progress and sticking points, helps them collaborate to improve instruction, informs principals and superintendents about struggling teachers and professional development needs, and highlights gaps or weaknesses in the curriculum.

The fourth step in the continuous improvement process calls on teachers, principals, and superintendents to analyze that performance information so they can assess the strengths and weaknesses of teaching and learning.

The last step in the process is for those same teachers, principals, and superintendents, now informed by their careful examination of the data, to develop new goals and resource plans that build on the instructional and performance strengths they observed, address the weaknesses they uncovered, and propel the cycle into another round of teaching, testing, analyzing, and planning.

Continuous improvement may not be a new concept to effective educators, but it is a fundamentally different institutional process for managing educational resources. It shifts the resource focus from districts to students and moves resource accountability beyond compliance to student learning. It promotes learning directly by blending resources and resource adaptations with high-quality information about teaching practices and student results, knowledge about what to do with the information, and flexibility to act accordingly.

Changes for Educators

Because continuous improvement is fundamentally different from conventional practice, its success depends on changes in both policy and practice. Teachers, principals, and superintendents can support continuous improvement in two fundamental ways.

1. Adopt continuous improvement as the core resource strategy for schools and districts.

This step requires that educators develop the inclinations and skills that make collaborative goal setting, resource alignment, instruction, assessment, analysis, and adaptation part and parcel of each school's routine and each district's expectation.

2. Move resources from less effective to more effective uses.

Educators can begin with a "first approximation" of effective resource deployment, and they can make resource tradeoffs that support core instructional goals and needs. For instance, they can

- invest in teacher quality (through hiring, professional development, job structure, collaborative planning time, performance incentives, or new uses of on-line materials)
- create more individual attention and support for students (through differentiated learning, smaller group sizes, and reduced teacher loads in high-need areas)
- use student time strategically (longer blocks, for example, or varying time and instructional programs to meet needs)
- flexibly organize staff and other resources to support instructional programs (via flexible job definitions, work schedules, and part-time staff; integrating categorical program resources; or leveraging expertise inside and outside schools).[4]

Though not a resource prescription or a solution to the system design problems identified earlier, these first actions signal that steps can be taken immediately, with available knowledge and within existing finance arrangements, to get better results.

Changes for Elected Officials

The policy challenge for elected officials is to remove the structures, rules, or practices that prevent educators from using resources effectively. From a systems standpoint, decision makers can support continuous improvement by making four key changes.

1. Deliver resources transparently and flexibly.

One way to create transparent and flexible funding is to convert federal, state, and local general and categorical dollars (except severe disability, which remains a separate funding stream) into student-based funding that supports students' basic and special needs, then adjust this amount for regional cost differences.

The additional step of depositing student-based funding into school-linked accounts connects resources and students even further. The school-linked accounts ensure that dollars reach students' schools, bypassing the multiple allocation formulas, salary averaging, and well meaning decision makers that divert these funds to other purposes.

Underpinnings of Conventional & Learning-Oriented Finance Systems

System Attribute	Conventional Finance System	Learning-Oriented Finance System
Resource Target	District	Student
Link Between Resources & Educational Programs	Separate	Integrated
Institutional Process (resource management)	Program Fidelity (spending in required categories)	Continuous Improvement (effective use)
Accountable Outcome	Compliance	Student Learning
Link Between Resources & Student Outcomes	Missing	Transparent

2. Focus and enable educators' work.

Once resources reach schools, continuous improvement can succeed only to the extent that teachers, principals, and superintendents focus on ambitious levels of student learning, have good data to inform their resource choices, and possess the knowledge and skills to make these choices wisely and the flexibility to act accordingly. Elected officials and departments of education can promote these conditions by taking these steps:

- Develop performance incentives for adults and students, incentives that make sense within school and classroom contexts and that reorient their work toward the standards that define success.
- Create information systems that link student performance, finance, and human resource information.
- Build educators' abilities to align and adapt resources effectively.
- Explore reform-oriented collective bargaining, that is, bargaining that views union-management relationships as collaborative and student learning as a joint responsibility.[5]

3. Expand resource knowledge and experiment with new methods.

To move beyond "first approximations" of effective resource deployment, elected officials, together with educational leaders, philanthropists, and analysts, must define and fund a research and development agenda that expands the boundaries of resource knowledge and practice. They must strengthen charter laws or create other mechanisms to test outside-the-box experiments regarding resource and school options. They must continue to investigate how much money it takes to get all students to standards. And they must expand the R&D agenda to link education with the broader array of resources available to children and youth.

4. Redesign resource accounting and accountability.

To remove the final set of impediments from conventional finance systems, the U.S. Department of Education should revise governmental accounting and financial reporting standards and practices to reflect outcome principles and measures. Using these transparent and meaningful measurements, elected officials then can clearly define resource responsibilities and structure contingencies on jobs, schools, and funding. Accountability at this level has to fit the circumstances, and all parties must view it as legitimate.

Importantly, it takes the sum of these actions, not isolated experiments, to create learning-oriented school finance systems. In other words, the system is the key to funding student learning.

Funding student learning is hard work. It represents system-wide change, redefines the resource roles and responsibilities of elected officials and educators, and challenges interests that benefit from the status quo.

But it's also necessary. The consequence of business as usual is student learning well below expectations, and worse performance among poor and minority students. In the parlance of the day, the status quo leaves many children behind.

Given the nation's ambitions for public education, its commitment of resources, and its obligation to responsible stewardship, the time has come to rethink the finance practices that support America's schools. The time has come to fund student learning.

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NOTES

1. This Claremont Letter is excerpted from The National Working Group on Funding Student Learning. *Funding Student Learning: How to Align Education Resources with Student Learning Goals.* (Seattle: University of Washington, Center on Reinventing Public Education, School Finance Redesign Project, 2008). The full report is available at www.crpe.org.

2. Marguerite Roza, Kacey Guin, and Tricia Davis. *What Is the Sum of the Parts? How Federal, State, and District Funding Streams Confound Efforts to Address Different Student Types*. Working Paper No. 9. (Seattle: University of Washington, Center on Reinventing Public Education, School Finance Redesign Project, 2007).

3. Joanne Weiss. *Conditions for Student Success: The Cycle of Continuous Instructional Improvement*. Working Paper No. 4. (Seattle: University of Washington, Center on Reinventing Public Education, School Finance Redesign Project, 2007).

4. See Stephen Frank and Karen Hawley Miles. *District Resource Allocation Modeler: A Web-Based Tool Supporting the Strategic Use of Educational Resources*. Working Paper No. 19. (Seattle: University of Washington, Center on Reinventing Public Education, School Finance Redesign Project, 2007. See also, www.erstools.org/Dream/index.cfm).

5. See Julia E. Koppich. 2007. *Resource Allocation in Traditional and Reform-Oriented Collective Bargaining Agreements*. Working Paper No. 18. Seattle: University of Washington, Center on Reinventing Public Education, School Finance Redesign Project.

Professor Adams came to CGU in 2006 from the University of Washington's Daniel J. Evans School of Public Affairs and, before that, from Peabody College, Vanderbilt University. He studies how educational policies and implementation practices influence the capacity of schools and districts to improve student learning. Most recently Adams directed the School Finance Redesign Project (schoolfinanceredesign.org), which explored ways to re-tool education finance structures and practices to better support today's higher ambitions for student performance. In that context, he chaired the National Working Group on Funding Student Learning, whose work is profiled in this Claremont Letter.

Prior to his academic career, Adams served in government positions at federal, state, and local levels, including the Committee on Ways & Means in the U.S. House of Representatives and the campaign and administrative staffs of California's former state superintendent, Bill Honig. He was the first associate director of Policy Analysis for California Education (PACE), a research center at UC Berkeley and Stanford, and he served on national advisory boards for Standard & Poor's and the National Governors Association. Adams chaired the boards of directors of the Kentucky Institute for Education Research and Abintra Montessori School (Nashville), and he has served as consultant to the National Commission on Governing America's Schools and the National Forum on Accountability. He holds degrees from Pitzer College (B.A.), Claremont Graduate School (M.A.), and Stanford University (Ph.D.).

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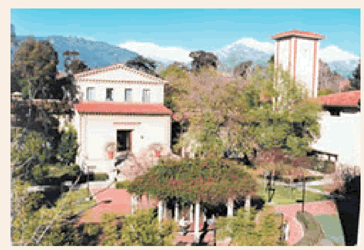

Claremont Graduate University
School of Educational Studies
Harper Hall 202
150 East Tenth Street
Claremont, CA 91711

Phone
(909) 621-8075

Fax
(909) 621-8734

E-mail
ses@cgu.edu

Web
http://www.cgu.edu/ses

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School Finance Redesign Project

center on **reinventing** public education

"The bottom line is that education finance needs to be redesigned to support student performance. To get there, a more fundamental analysis and approach to resource management is needed, one that steps back from incremental funding increases, new programs, and conventional practices to tackle the more basic question: How can resources support the nation's ambitions for student learning?"

"As a practical matter, resources must support learning in classrooms, schools, and districts where educators are striving to accomplish new and higher outcomes, where student and teacher needs vary, and where ultimate success is a distant goal. Educators and elected officials need a strategic framework broad enough to organize these endeavors across different settings and clear enough to accommodate their respective roles. "Continuous improvement" provides just such a framework."

Funding Student Learning

HOW TO ALIGN EDUCATION RESOURCES

WITH STUDENT LEARNING GOALS

"Adopting continuous improvement, moving resources from less effective to more effective uses, delivering resources transparently and flexibly, focusing and enabling educators' work, expanding resource knowledge and experimenting with new methods, and redesigning resource accounting and accountability create finance systems that integrate educational resources with student learning. . . . Taken together, these recommendations create a new learning-oriented system for education finance."

National Working Group on Funding Student Learning

to download the full report, visit http://www.crpe.org/cs/crpe/view/csr_pubs/247