Fair Student Funding and Other Reforms

Baltimore's Plan for Equity, Empowerment, Accountability and Improvement

Superintendent Andrés A. Alonso arrived in Baltimore in 2007 with a vision for improving the city's struggling schools. His vision included empowering school leaders and creating accountability for student learning through a series of reforms that center around a new system for giving resources to schools, called Fair Student Funding (FSF). FSF attempts to create equity across schools and students by targeting resources according to student needs—academic and social-emotional—and build a system of school-based autonomy and flexibility focused on fulfilling those needs. Instead of awarding employees to schools based on staffing ratios, under the leadership of Alonso in 2008-2009, Baltimore City Public Schools (City Schools) adopted a per pupil funding formula. This gave dollars to schools with the amount weighted to vary based on estimates of student learning need and the schools' respective needs. Since the rapid implementation of FSF and related reforms, City Schools has moved off the federal "needs improvement" list. The district has celebrated a 50% decline in the drop-out rate (from 9% to 4%), a notable improvement in student performance, and the reversal of a decades-long enrollment decline.

With the rapid implementation and encouraging results, FSF and related reforms continue to be a work-in-process, as Baltimore City Public Schools adjusts student weights, renegotiates contracts and builds capacity and support at the school level. At the request of Carnegie Corporation of New York and with the cooperation of City Schools, Education Resource Strategies (ERS) set out to examine Baltimore's implementation of FSF and the reforms that accompanied it. In the summary that follows, ERS shares the extent to which City Schools has met the objectives of FSF and related reforms (included below) and summarizes key lessons learned.

The Objectives of FSF and Related Reforms

- Develop a new formula (called FSF or Fair Student Funding) [1] for awarding dollars to schools that
  - creates a more equitable distribution of dollars
  - gives more dollars to schools by devolving them from district departments
  - awards dollars instead of staff positions
  - grants more flexibility to school leaders to match resource use to school needs
- Close schools in order to:
  - shift students away from failing schools to higher performing schools
  - remove principals of schools that are failing

[1] The FSF system reform itself is a specific name for a type of weighted per-pupil formula that replaces traditional staffing formulas with dollars. Such reforms are sometimes called weighted student formulas or student-based budgeting.

- reorganize, downsize and refocus the district office to better support the newly empowered school principals

Meeting the Objectives of FSF

At the highest level, the FSF and related reforms in City Schools have succeeded in creating a more equitable distribution of dollars across schools in Baltimore than in any other district ERS has studied. City Schools has created a level playing field from which the principals can be held accountable for improving student performance outcomes. Although some barriers to school resource flexibility still exist, City Schools has pushed the majority of district funds to the school level, paving the way for principals to organize their resources—people, time, and dollars—in ways more likely to improve performance. Finally, the district office continues to reorganize to support schools as principals learn to make the most of the devolved resources.

Here is a summary of what ERS learned in our recent analysis:

School Closures to Create Equity of Opportunity

- As part of its efforts to create equity and improve student performance, City Schools closed failing and under-enrolled schools, shifting 8,600 students (11% of total students) into higher-performing schools, which placed more students in favorable positions to learn.

Funding Equity

- School-to-school funding equity improved to the point that over 80% of Baltimore schools fall within 10% of the median-funded school, after accounting for student needs, the highest percentage among comparison districts.
- Changes to the funding weights resulted in a shift of spending toward students with disabilities. This increased spending was a result of an incentive in the funding formula to shift students with disabilities to less restrictive settings by giving schools more resources to serve them in inclusive settings.
- The district maintained pre-reform spending on ELL and poverty students with weights of 1.4 and 1.1 respectively, where 1.0 is the spending on a general education student.
- The district chose not to address inequities resulting from differences in teacher salary, which is currently driven by experience. The district realized that while salary differences can be significant, they are not closely correlated either to overall school funding or to teacher or student performance. However, as the district implements comparable measures of teacher effectiveness, a repeat study should be considered to ensure that effectiveness is equitably distributed across schools, student groups, and teacher teams.

More Resources to Schools

- Baltimore City Public Schools pushed a significant amount ($70M) of dollars to school budgets during the first year of reform and unlocked many positions in an effort to increase principal authority. In some cases, however, contractual obligations have prevented complete staffing authority over some of the technically "unlocked" positions. For certain positions (such as custodians) it was difficult to eliminate the staff not selected by the school, and the district continued paying these staff members' salaries at a cost of millions of dollars. This problem is not unique to Baltimore, and an effective solution requires changes to district-employee contract clauses.

Greater School Leader Flexibility to Match Resource Use to Needs

- School leaders shifted toward buying temporary positions and contracted services to gain flexibility around hiring and removing ineffective staff and in some cases to avoid the paying of benefits. This is typical of districts across the country, especially during the recent tough financial times.
- Many City Schools principals made specific resource changes to support a school need. Although these changes were often tactical rather than strategic in nature, their positive effect on school climate and mission has created a favorable environment for deeper transformative work.

Reorganizing Central Support Systems

- District office reinvention efforts attempted to provide better support for schools and to create system-wide accountability by creating a network structure that aimed to push decisions closer to schools and give principals a one-stop place for support. However, the network support structure, which deliberately separated school leader support from evaluation, confused the line of authority for principals who needed district support.
- To respect and communicate principal autonomy, City Schools deliberately provided principals with limited requirements, guidance or data around school-level resource use. However, by not processing and reporting information on school practices, they hindered their ability to use data to support the principals' capacity to build schedules and staffing around critical student needs.

Sharing Lessons on FSF for the Field

Baltimore's bold work provides many important lessons to districts working on similar challenges. Here is a summary of key lessons learned:

- **A strong theory of action is critical to the implementation of a Fair Student Funding strategy**. City Schools' theory of action, empowerment and accountability for school leaders, has driven the details for the district's FSF system, which are: equity of financial resources that mean a

level playing field for schools and students, significant flexibility at the school level, and quick support or removal of failing principals and schools.

- **Equity can be created by shifting students as well as dollars across schools.** In contrast to other districts that focused primarily on shifting money across schools, the Baltimore reform also shifted students across schools. By shifting 11% of students from under-enrolled, failing schools to higher performing situations, and by shifting dollars through the FSF, the district created more equity than we have seen in any other district studied and put more students in favorable positions to learn.
- **A Fair Student Funding system is an important precursor to creating accountability for student learning.** By ensuring equitable dollar resources, City Schools attempted to set a context for holding schools accountable for student learning. By closing failing schools, replacing low-performing principals, and establishing a cadre of strong school leaders with resources adjusted to their individual school contexts, Baltimore proved its commitment to holding adults accountable for how much students learn. The next step will be to support leaders to ensure equitable levels of teaching and leadership capacity.
- **Fair Student Funding is an ongoing, iterative process, not a one-time activity.** Although the Baltimore City Public Schools team implemented the FSF formula in one year and stopped the district offices from telling schools how to use resources, all would agree that new school decision-making rights did not yield immediate results or transformational change in schools. City Schools has needed time to renegotiate contracts, "unlock" positions, and create the support structures required for effective decisions around people, time and dollars at the school level. They also continue to review and refine the specific student weights.
- **School-based flexibility and decision making need to be combined with guidance and information-sharing for school leaders.** In its efforts to avoid mandating inputs, the district deliberately did not provide staffing or budget templates or examples or invest in metrics and reports (e.g., time students spend in various subjects and grades) that schools need to improve resource use. We see this as an important next step for the district.

- **FSF formulas can reinforce or discourage certain school improvement strategies.**
  Small Schools: Small schools, although often more expensive on a per-student basis, are frequently linked to higher performance and more personalized learning. By not providing subsidies to cover the higher administrative costs of small schools and enabling schools to recruit students, City Schools forced small schools to be more deliberate about their size and staffing while giving them the choice of how to adapt, whether by regulating their size or finding cost efficiencies (e.g., cost sharing with other schools). This was a different approach than taken by many districts that mandate a size floor for schools (no less than 250 students) or that provide a foundation allocation for small schools to ensure they can survive at any size—an approach which ensures higher spending levels regardless of outcomes.

  Special Education: Although decentralizing special education dollars felt like a risky proposition given court mandates and federal penalties that result from inappropriate changes in spending

on special education, City Schools worked hard to include special education dollars in the FSF formula by the second year of the reform. Giving more dollars to inclusion was an attempt to improve outcomes by shifting students to less restrictive environments. While these environments are often less costly, by providing a financial incentive, City Schools ensured they would be costlier. It will be important to leverage this investment by creating effective models of service that integrate with the general education curriculum and improve performance for all students in those classrooms.

- **Academic Weights require accurate and objective data**. Academic weights can be more accurate and direct when they rely on academic readiness measures as opposed to demographic proxies such as poverty, provided the system has accurate and objective scores and applies the weights only to students entering a school to avoid inadvertently creating a financial incentive for poor performance.

- **Implementing in-district FSF can inform state funding reform.** Transparency in spending by pupil type enabled City Schools to push back against the state formula for funding charter schools, which created a significant funding disadvantage for most in-district students.

- **Pushing dollars and flexibility to the school level requires bold action, dramatic district reorganization, and constant re-evaluation.** City Schools' assumption that dollars belong to the schools with the district office retaining them only in compelling instances resulted in $70M going to schools in year one of the reform. Since then, City Schools has continued to work to provide appropriate support for schools and to create a district office culture that supports and empowers school innovation over compliance. But more progress is needed.

Conclusion and Next Steps

Baltimore's aggressive reform efforts provide an exciting model for school systems looking to jumpstart school turnaround and improvement. Although City Schools continues to iron out the details of implementation and support, the district has made steady progress toward the goals of FSF. The new funding formulas combined with school closures and the redistribution of students have helped level the playing field for learning and set the stage for the transparency and flexibility needed to begin holding schools accountable for improvement. In addition to renegotiating teacher contracts for true staffing flexibility, City Schools will increase the potential for success as it continues to build the support and infrastructure for effective school designs and resource decisions. Ongoing efforts to educate and support principals will enhance the ability to make decisions about staff, schedules, and dollars within the district's larger reform agenda. The strength of FSF is not as a stand-alone initiative, but as an integral part of a larger coherent district strategy that includes supporting effective school designs, improving teaching effectiveness, developing a new career ladder based in part on how well students learn, and creating meaningful accountability not around inputs, but around student learning outcomes.