

“Weighted Student Formula” Concept

ENLIVENS SCHOOL FINANCE DEBATE

The hot new phrase in school finance in California is “weighted student formula” (also known as “student-based budgeting”). Proponents of this concept believe it could eventually help the state develop a straightforward approach to school funding that is more equitable and effective. Skeptics, on the other hand, question the extent to which its effectiveness has been proven and how applicable it is in California, particularly as the basis for a policy to be implemented statewide in 9,000 schools serving 6 million children.

This publication briefly defines the terms being used, placing them in a California context. It also documents what is known about this reform and how it fits into the broader concepts of funding adequacy and decentralization. Finally, it raises questions that should be considered as part of California’s ongoing examination of its finance system and the best approach to improving it.

The basic concept is simple and well established

Ideas about funding equity—and differential support for disadvantaged students—have a long history. California’s *Serrano v. Priest* court decision in the 1970s focused on equalization of tax effort among districts. In the years following *Serrano*, the idea of site-based management gained attention as a strategy for improving student performance, including an initiative in the Los Angeles Unified School District called

LEARN. That conversation has largely taken a back seat in recent years as the state focused on standards and accountability. Today, however, a new lawsuit—*Williams v. California*—has once again put equity issues on the table, but this time with a focus at the school-site level. The suit charges that the state has failed to fulfill its responsibility to provide basic educational services to all students.

Related to both equity and decentralization, the phrase “weighted student formula” gained visibility in California at the end of 2003 when Gov. Arnold Schwarzenegger named former Los Angeles Mayor Richard Riordan his Secretary for Education. Soon after his appointment, Riordan called for a major reform of California’s educational system that would include streamlining the finance system, empowering school site principals, and making sure extra funds follow the neediest students to the schools they attend. Riordan’s recommendations are expected to be consistent with work by UCLA management Professor William Ouchi. (See the box on page 2.) At the end of April 2004 the Republican administration had yet to present legislation that included these concepts, but many observers expect a formal proposal during the 2004 legislative session.

The central concept of a weighted student formula is rather simple. It calls for allocating dollars directly to schools on a per-pupil basis. The amount is calculated using a base amount for the

“average student” to which is added money determined by weights assigned to various categories of students, such as high-poverty students and English learners. Those characteristics have been selected and weighted differently in various school districts and states. They almost always include some differential for students learning English, those from low-income families, and those with disabilities. Some jurisdictions have added a premium for certain grade levels and others for students identified as gifted. Still others distribute funds for vocational and other special programs using the same approach. Weights are sometimes expressed as a dollar amount and sometimes as a percentage of the base. For example, the “average student” gets an allocation of 1.0 and an English learner might get an allocation of 1.2.

The notion of providing extra funding based on student characteristics is not new. Many existing categorical funding programs—from Special Education to Economic Impact Aid (EIA) to Gifted and Talented Education (GATE)—start from the assumption that additional funds need to be allocated for the education of children with special needs. Adequacy or “costing-out” studies going on throughout the country attempt in part to determine what level of funding schools need if they are to provide fair opportunities to each category of student they serve. As it is expressed in the Annenberg Institute for School

The funding process is just one element in success stories related to weighted student formula

In *Making Schools Work*, author and UCLA management Professor William Ouchi makes a case for weighted student formula as part of a larger set of reforms. He cites research findings that not all districts with decentralized management systems or weighted student formulas had improved performance. He identifies “seven keys to success” that must be present for a school district to use a weighted student formula effectively. He stresses that reforms can be phased in step by step but that the blueprint for change needs to include all seven.

Every principal is an entrepreneur. The principal has the freedom to organize the school in whatever way best meets student and staff needs. Doing that effectively includes analyzing student needs, designing a staffing plan that meets those needs, arranging the school schedule to fit the plan, and choosing instructional materials that fit the students.

Every school controls its own budget. Principals receive funding based on a weighted student formula and have the autonomy to decide how to allocate the money for resources that include teaching staff, other employees, and extra services.

Everyone is accountable for student performance and budgets. Accountability means openness. All stakeholders get regular, understandable, and credible reports on student performance, budget performance, and customer satisfaction.

Everyone delegates authority to those below. This involves both empowering staff and providing them with a strong professional network within a school. The ability to do so confidently requires strong, well-trained principals and teachers who are willing and able to take responsibility.

There is a burning focus on student achievement. This “monomaniacal commitment to student achievement” requires an “underlying belief that every student can learn and that, if the school does its job correctly, every student will learn.” In such a belief system, school staffs take responsibility if students fail, and they have control over the strategies they use to help them succeed.

Every school is a community of learners. The school staff shares a common belief about what the school should be in order for students to succeed and is willing to extend its own knowledge to create that kind of school. Staff members commit to continuous learning about the expectations of the community they serve and the work of their colleagues within the school.

Families have real choice among a variety of unique schools. Giving principals autonomy leads to schools that are different from each other. Giving parents choice allows them to choose the school they feel is best for their children. Choice also creates a market-driven system within the public schools that will support approaches that serve students best.

can occur within school districts. Often inadvertent, these inequities reflect common district practices that allocate resources to each individual school but keep budgetary control at the district level where decisions by district administrators, school board members, and teacher union leaders hold sway. In particular, decisions about the distribution of experienced teachers among schools are part of the collective bargaining agreement in most districts.

Reforms focus on the distribution of resources to school sites

Currently the state does not control how funds get to individual school sites. Rather, the state’s 982 school districts act as fiscal agents with responsibility for school operations. Title I (of the No Child Left Behind Act) and EIA are to some degree an exception, as they include requirements for school-level spending plans along with specific rules for how schools can spend the funds they receive. Within the context of this district-controlled system, the use of weighted student formula to affect school-level resources is necessarily part of a much larger reform discussion that centers on the concept of decentralizing budgetary control of schools within a strong framework of accountability for performance.

A March 2004 briefing report from the California State Senate Republican Caucus summarizes the key aspects of weighted student formula as it applies to school sites:

“Budgetary control over per pupil funding is granted to individual schools where it is calibrated to the specific needs of the students. Funding decisions are based on three principles: resources follow the student; resources are denominated in dollars, not in staff ratios; and the allocation of resources varies by the education characteristics of the needs [of students]. The goal is to ensure more equitable distribution of resources while providing the flexibility necessary to meet the educational needs of different students.”

Reform’s report, *First Steps to a Level Playing Field: An Introduction to Student-based Budgeting*:

“If equality is about leveling the playing field and providing all students the same opportunity, then weighting student funding to achieve this goal can be considered fair, even when it means that some students receive more dollars than others.”

The way funds are distributed from the state to school districts is important. It has typically been the focus of school finance discussions in California, including work to create an adequacy model here. More recently the discussion about weighted student formula in California and elsewhere reflects concerns about inequities that

In this vision, school site leaders, usually in conjunction with teachers and parents, decide how to spend the funds the site receives. In theory, accountability for the success of those decisions is built into the system in various ways. For one, the district superintendent can hold principals accountable for the performance of their schools based on measures such as test results. The Republican caucus cites a more market-oriented impact as well, saying that “if schools fail to provide effective programs, students will leave—and their money follows them. Thus the arrival and/or departure of every student impacts a school’s budget.”

School leaders and researchers who have studied this decentralized approach to budgeting authority caution that it is not a panacea but rather an essential part of a much larger school reform agenda. The other items on that agenda include academic standards, clear accountability, meaningful school choice for parents, and appropriate training for school site leaders—all of which can be directly affected by school district policies and actions.

Some who support reform believe that it is also essential to determine that the resources allocated to schools are adequate to the task. In California, state lawmakers have set up a Quality Education Commission charged with doing a costing-out study to provide an estimate of the level of funding schools need. As this report goes to print, the education community is awaiting Schwarzenegger’s decision about who will serve as his appointees on that commission.

Experience and evidence of success is limited

As noted above, the ideas of weighted student formula and decentralization have been part of the education landscape for many years. In a 1998 policy brief for the Consortium for Policy

Research in Education (CPRE), Allan Odden, co-director of the Wisconsin Center for Education Research, wrote:

“Studies have shown that schoolwide restructuring through comprehensively designed school-based management is linked to increased student achievement. This same research concludes that providing schools with budget authority is crucial to an effective restructuring process.”

Other researchers have come to similar conclusions.

To date, few school districts and no states have converted these ideas into the kind of comprehensive reform Ouchi envisions in *Making Schools Work*. In his book and more generally, the Edmonton School District in Alberta, Canada, stands out as the exemplar for successfully decentralized schools. There, the system has evolved over almost 30 years and through the tenure of three superintendents. It began in 1974 as an experiment with a few schools and expanded to a districtwide approach five years later. Since then it steadily evolved with changes over time in the funding process, staffing procedures, and parent-choice options. Ouchi reports that student performance is quite high today in the Edmonton public schools, in contrast to 30 years ago. “In Edmonton Public today, 87% of first graders, 88% of seventh graders, and 92% of twelfth graders score at or above grade level on the Alberta Provincial standardized test,” he writes.

Most of the work that has been done around school-level weighted student formula has focused on large urban school districts like Edmonton, which has 80,000 students. Ouchi’s research cites two other districts as success stories based on student performance gains—Houston and Seattle. The results from these districts are less clear-cut than Edmonton’s achievements. Seattle began using this approach in the mid-1990s. Since then

it has faced both personnel and financial challenges, though student tests scores have risen. Houston only implemented weighted student formula budgeting recently—in 2001–02—and some early reports about achievement gains have come under suspicion, perhaps unfairly according to Ouchi.

In California, several of the state’s largest school districts have either instituted or are considering site-level budgeting procedures that have at least some aspects of a decentralized, weighted student formula. San Francisco, San Diego, and Sacramento unified school districts have implemented these approaches independent of any state policy action. In San Francisco, the district saw notable test-score growth (as measured by the state’s Academic Performance Index), particularly among its lowest-performing schools. Similar proposals have also been a topic of discussion in Los Angeles and Oakland, but specific policies have not been adopted.

An increasing number of districts are looking at the idea of weighted student formula for allocating funds to their schools. And 28 states have either considered or implemented the concept as part of adequacy formulas that focus on the system for allocating funds to districts. None has used state policy to address directly the role of the district in distributing funds to schools. Legislation for doing so was passed in Hawaii in spring 2004 and is awaiting action by the governor. However, Hawaii is unusual among the states because it has a single statewide school district.

Critical questions await Californians

Any action to dramatically redesign California’s approach to funding K–12 education could have far-reaching and long-lasting impacts on public schools. Policymakers considering such action would have to address a number of questions.

Some of the questions relate to how the specifics of a weighted student formula would play out. Deciding on which student characteristics are included in the weighting system—and how much extra funding they drive—is as much a political challenge as an analytical one. Along with examples from other states, California could draw on work currently underway by various researchers, including the Public Policy Institute of California (PPIC). The notion of using a weighting system to distribute funds to schools also runs counter to current practices that place decisions about such things as teacher assignments and class sizes at the district level. Greater decision-making power at the site level could conflict with federal regulations on Special Education and Title I.

If the state were to follow the advice of decentralization proponents and

incorporate the notion of a weighted student formula with school-level management and control, another set of issues needs to be explored. Perhaps most pressing is the question of principal capacity. Does the state have a sufficient number of administrators capable of assuming full budgetary control of their schools? Or what investment in professional development and perhaps higher salaries would be required to make sure it did? In addition, balancing site flexibility with accountability for school performance is a major assumption of decentralization. Would the state's current accountability mechanisms—combined with a presumed market pressure based on parental choice—be sufficient to ensure that every child has the same educational opportunities?

In a state with such a large number of school districts of such varied sizes, a reform like weighted student formula would play out very differently depending on the community. Currently about 23% of the state's school districts have just one school. Most of them are in far-flung rural areas, but some are in the midst of urban centers. Only 12 districts have more than 50,000 students. (Weighted student formula and decentralization have usually been attempted in large districts.) That leaves more than 700 school districts in California that fit neither extreme but represent a wide variety of configurations. Regions also vary substantially, from San Francisco—where the district, city, and county lines are all contiguous—to Los Angeles, which has more than 70 separate districts but is dominated by Los Angeles Unified. Does a single approach to school funding,

decentralization, and accountability make sense in this context? Should the state pilot reforms and evaluate them rather than embarking on what amounts to a state-level experiment?

The chairs of the Legislature's two education committees—State Senator John Vasconcellos and Assemblywoman Jackie Goldberg—have included questions regarding the ideas of a weighted student formula and decentralization within a larger agenda being developed to serve as “A Road Map toward Accomplishing Comprehensive K–12 Education Improvement.” The questions in this road map focus first and foremost on the need to consider changes in the finance system within the larger context of K–12 education as a whole and the state's recent reforms.

Many policymakers and researchers believe that California's school finance system is ripe for reform. The idea of a weighted student formula is the latest in a long succession of proposals. In recent years, those have included the consolidation of state categorical programs and the development of a state-level, costing-out model related to funding adequacy. Meanwhile, the *Williams v. California* lawsuit seeks to hold the state accountable for ensuring that every child in California receives a basic education. Settlement of that suit could have a substantial influence over any reforms the state considers. ■■

EdSource thanks the William and Flora Hewlett Foundation for its support of this project and its investment in our mission.

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● To Learn More

- The briefing on weighted student formula from the Senate Republican Caucus can be downloaded at: <http://republican.sen.ca.gov/pubs.asp>
- *Making Schools Work* by William Ouchi (2003) can be ordered online at: www.williamouchi.com
- See the May 2004 EdSource report, *Rethinking How California Funds Its Schools*, for background regarding the ongoing debates about school finance reform in California. www.edsource.org
- The proposed agenda to serve as “A Road Map toward Accomplishing Comprehensive K–12 Education Improvement” can be downloaded at: <http://democrats.sen.ca.gov/senator/vasconcellos/> It is located in the “press room” section.
- Allan Odden's 1998 policy brief, “Creating School Finance Policies that Facilitate New Goals,” is listed under publications at the Consortium for Policy Research in Education at: www.cpre.org