

Achieving Equity and Transparency at the School Level



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Executive Summary

This report serves to frame the topic for ASBO New York's [2018 symposium](#) on weighted student funding. It provides background information on how weighted student funding addresses variations in student need and local resources, its use in state aid and school district-level funding allocation, and how state and district-level policies can promote funding practices that maximize achievement for all students regardless of need. It shows how weighted student funding can be a part of strategic, cost-effective use of resources. The paper offers do's and don'ts for school districts interested in exploring weighted student funding and a discussion of key concerns. The state also has a vital role to play. It is critical that the state fully fund the Foundation Aid formula which provides general support for P-12 education, while promoting financial transparency, and supporting the local control of boards of education to direct resources to their schools.

What are weighted student funding formulas and why should school districts use them?

Weighted student funding is a purposeful, strategic approach to allocating funds from school districts to schools. As such it departs from traditional school funding approaches such as continuing existing distributions or a flat per-pupil resource allocation.

Weighted student funding formulas begin with a base amount that is weighted based on defined criteria that often include factors like the incidence of students with disabilities, English learners, economically disadvantaged students, etc. as well as variations in local resources. New York State's Foundation Aid formula is a prominent example of a weighted student funding model.

The establishment of state level weighted formulas in many states has led to increased attention on how school districts distribute resources to their schools, which is the focus of this paper and a related symposium that will debate the issues in a public forum. Do districts distribute resources in a manner similar to the way state funds are distributed or are other methods used, and what are they? Does the distribution of state and local funds from districts to schools meet local needs and further the overarching goal of educating all students? Does weighted student funding make a difference in student learning and are there best practices emerging about this?

At the district-to-school level, weighted student formulas can ensure funds are targeted to schools with the greatest levels of need. To better understand directions state and district-level policies should take, it is first important to start with a general understanding of current state funding policies. Following an overview of New York's Foundation aid formula, the paper then explores weighted student funding at the school district level, offering some do's and don'ts, answering key questions, and discussing more focused technical issues. Finally, the paper concludes with recommendations for state level policy that preserve the delicate balance of promoting weighted student funding while maintaining the crucial role of local control.

New York context

New York adopted the Foundation Aid formula in 2007 in response to legal challenges about the state's role in providing an adequate education through the distribution of state aid. In creating the formula, the state developed a base, or foundation, cost of educating students in successful schools. The formula allocates additional funds by weighting this foundation amount for student economic hardship, students with disabilities, and English language learners and then adjusting for levels of income and property wealth present in a district. The formula adjusts the aid amount to reflect an increase in inflation, regional cost differences, and the amount of the formula to be phased in. The formula directs more resources to higher need students to ensure they

have access to the supports required to provide them an adequate education. After more than a decade, the Foundation Aid formula is only partially funded and remains \$3.5 billion short of being fully funded.

While state Foundation Aid incorporates variations in student need and local resources, New York school districts control the allocation of resources among schools and there are no formal regulations addressing intra-district resource distribution. A survey of ASBO members found that 83 percent of districts either use per pupil or established distributions to allocate resources among schools.

Two recent policies, one federal and one state-level, are focusing attention on intra-district resource allocation. The policies on school level financial reporting are:

1. a per-pupil school level expenditure reporting requirement after the close of the school year mandated by the federal ESSA law and
2. a per-pupil school level budgeting requirement before the start of the school year mandated by New York State Education Law section 3614.

New York's ESSA implementation will require all school districts receiving federal funds under the act to report per pupil school level expenditures beginning with the 2018-19 school year by December 31, 2019.

The per-pupil budget reporting requirement was introduced in the 2018-19 enacted state budget and will be phased in over a three-year period. Seventy-six school districts are required to report school level budget information before the start of the 2018-19 school year. Three hundred six districts will do this reporting before the start of the 2019-20 school year, and all school districts will be required to report before the 2020-21 school year. The State Education Department and the Division of Budget have 30 days to review and approve these submissions. If the state determines the districts submission is incorrect or incomplete, districts will have 30 days to resubmit. If they are not submitted and approved, the state will withhold the district's aid increase until there is an approved budget plan.

While most New York school districts are not currently using weighted student formulas, at the end of this paper we offer three brief overviews of school districts that have adopted these approaches.

Why use weighted student funding formulas?

Weighted student funding formulas can help school districts align fund distribution with student need. Being responsive to changes in student need allows school districts to tailor programs to meet student needs thereby increasing student learning and the overall productivity of the district. While weighted student funding formulas are a common sense and cost-effective method of allocating resources, to help the district get the most student learning for every dollar spent, they must be accompanied by complementary district efforts to strengthen teacher and principal capacity, align curriculum with state standards, and implement programs of proven effectiveness with at risk students.

Research Literature

There are a number of important research and guidance documents related to school level financial reporting including weighted student funding. Works include weighted student funding at the state, city, and district levels, weighted student funding implementation internationally, the relationship of resources to economic and student outcomes, ESSA financial reporting and school level budgeting. A separate annotated bibliography provides readers within an overview of the research literature.

Best Practices for School Districts

This section discusses emerging do's and don'ts in school level financial reporting, the alignment of school level reporting on budgets with school level reporting on spending, factors to incorporate and not to incorporate in school allocation formulas, and how to work with the community on interpreting school level financial reporting.

Do's

School districts should:

- Consider factors that affect their schools' ability to educate students, including economic disadvantage, English proficiency rates, disability status, traumatic incidents, etc. and use this data to determine levels of student need in schools.
- Promote conversations between school officials, parents, the board of education, instructional staff, and the community. Topics include the district's mission, student needs and costs, student achievement results, programs to increase student learning, and programs the district can discontinue funding as it increases funding in other areas. This will involve educating the community about the challenges and opportunities in both educational programming and school finance and how the district can best use its resources to support program directions. Building understanding and support amongst the varied stakeholders is important for any change involving resource distribution.
- Set up the school district accounting system to identify the location (that is, school) where funds are spent. School-level location codes should be applied to salaries, supplies and materials, textbooks, computer software and hardware, as well as other areas required for reporting for New York State Education Law section 3614 or the federal ESSA law.
- Ensure that school level allocations and spending reflect the unique needs and priorities of the local school district and community.
- Review school level financial reporting results repeatedly in public sessions to ensure the information is properly presented and understood. Provide for public feedback in public sessions and for materials posted on the Internet.
- Educate the public about requirements imposed on school districts that may affect the interpretation of school level financial data and discuss possible solutions. For example, teacher contracts allowed by law may allow more senior teachers to have a choice in the selection of schools in which to teach, thus taking the allocation of teacher talent out of the control of school districts. Possible solutions could include amending teacher contracts in collective bargaining negotiations or establishing a pay incentive for teachers to teach in high need schools.

Don'ts

- Don't wait for state guidance to act. Don't wait to set up location codes in the school district accounting system.
- Don't wait to have conversations with school officials and the community about how to assess needs of schools.

Key Questions for School Districts

Should school-level reporting on budgets be aligned with school-level reporting on expenditures?

Absolutely. Definitions of measures and the structure of elements should be aligned in various reporting systems to the extent possible. In addition to providing transparency to the public about the use of resources, school level financial reporting can be an aid to school business officials in improving the budgeting process and supporting the strategic use of school resources at the school level. In New York City and other states, weighted student funding approaches have placed new emphasis on the role of principals in school budgeting and resource use as an integral part of the school improvement process. School level financial reporting should be streamlined and facilitate the incorporation of school district financial data in order to reduce administrative burden and increase accuracy.

What factors should be incorporated in a within-district weighted student funding formula for schools?

A weighted student funding formula should incorporate measures of need, outside of the school's control, that affect a school's ability to successfully educate students. Economic disadvantage, the incidence of disability, and lack of English proficiency are examples of circumstances that affect the time and cost to achieve successful student outcomes.

What factors should not be incorporated?

Factors within the control of schools should not be used to distribute funds. For example, student achievement is a measure schools are charged with enhancing. To base funding on the basis of poor student achievement sends a mixed message about the role of the school. If they do worse, they get funding; if they do better, they lose funding. This backwards type of incentive should be avoided.

How can we work with the community on understanding school level funding?

School business officials should work carefully with the instructional leadership of the school district to ensure that school level financial reporting is clear and linked to school district instructional goals. Communications personnel in school districts and BOCES should work to ensure that this information is effectively presented for maximum public understanding.

A rule of less is more should be followed. Business office staff should have full grasp and understanding of all data that is summarized for public consumption. This information can be simplified for working with school district instructional staff and the school superintendent; then further simplified for presentation to and discussion with the board of education and school community.

The treatment of instructional salaries

Because instructional salaries represent the bulk of school-level expenditures, how a district accounts for them shapes the degree to which its allocation formulas are able to accurately distribute resources based on student need. Actual salaries are the most equitable, because they capture differences in actual instructional costs and suggest the need for strategies to allocate the resource of teachers, the most important education resource, to address a district's priorities and needs. Although average salaries provide more stability, they minimize the effectiveness of weighted student formulas to direct resources to need. Some districts use bands of salaries, in order to get a mix of experience (and presumably skill level) among schools.

Challenges with using actual salaries include: while teacher contracts vary, experienced teachers often have more say about where they teach, which limits a district's ability to redistribute them. Possible ways of addressing this include offering teachers additional stipends for teaching in high-need schools and using the additional funds freed up by less expensive (and less experienced) teachers to increase master teachers and professional development in these schools.

Districts should seek to include actual salaries to the extent that they are contractually able to do so.

State Level Policy Concerns

School level financial reporting holds the promise of providing greater transparency and invigorating public discussion and understanding about aligning resources in each school district community. However, moving from a district-based system to a school-based system is a multi-faceted and complex task. Policy concerns include:

1. *Don't put the cart before the horse.* The state provides the resources needed to complement local funding, within the constraints of the tax cap, that school districts need to educate students. State resources are used to level the playing field by recognizing local ability to pay and extraordinary student needs. Once the state has provided the resources it should focus on how school districts allocate resources to schools. Fully funding Foundation Aid is a critical part of this process. To date, \$3.5 billion remains for full funding of the formula. Most school districts can do their job if and only if the state does its job.
2. *Respect local control.* New state requirements in Education Law section 3614 require state officials to approve school district allocations to schools and to temporarily withhold the district's aid increase if they don't comply with the reporting requirement. As written the law requires transparency and is silent on how districts allocate funding. It is important that this remain so. School boards are charged with allocating resources to meet student needs that are responsive to each school community's priorities. This essentially local process should remain local and should not evolve into a system where the state tells local districts how to spend their resources. The state should instead focus its attention on school accountability systems that focus attention on student learning outcomes and ways to maximize student learning.
3. *Promote best practices.* Given the scale of the change that must take place to move from a school district accounting system to a school-based accounting system, expertise will be needed in several areas including:
 - Options and best practices for allocating central expenses to school buildings
 - Options for allocating resources to schools, such as weighted student funding approaches and mixed methods of allocating resources

- Options for allocating teacher capacity to schools to meet student needs
- Best practices for communicating with the public on the interpretation of school level financial reporting data
- Best practices for working with principals on the management and effective use of school level budgets especially in schools with concentrations of student need.
- Research and evaluation of the impact of resource allocation strategies including weighted student funding formulas on student learning. What works?
- Streamlined approaches for complying with state and federal reporting mandates such as conforming the structure of federal reporting with state reporting using state of the art applications that facilitate the connection with existing school district financial data.

State Level Recommendations

As school districts with multiple schools begin calculating their per-pupil school level budgets and spending, we encourage them to review these numbers through the lens of weighted student funding to see if exploring such a model could be worthwhile. In order to support school districts considering such a move, the state should:

1. *Fully fund Foundation Aid* on an expedited schedule and make annual adjustments to the formula to ensure it effectively allocates funds to school districts with the greatest student need and least fiscal capacity. Implement recommendations by a statewide ASBO New York Foundation Aid Task Force.
2. *Establish an Extraordinary Needs Reserve Fund (S.7689 Young/A.9871 Abinanti)*- This legislation would allow school districts to establish reserve funds for the unanticipated costs associated with high-need students resulting from an influx of students into a district unexpectedly.
3. *Develop an effective reporting system that minimizes burden on school officials.* The State should develop a reporting system that provides guidance sufficient for uniform procedures and accounting, secure access and approval by school officials, facilitates access to pre-existing school district data, and allows for the creation of reports that can readily be understood by the public.
4. *Continue to promote best practices.* The state should promote the development of best practices in resource allocation, communication and strategic resource use through collaborations with ASBO, other educational associations and researchers.

What New York State School Districts are Doing

Survey results

ASBO surveyed our members to better understand school level allocation practices in New York State school districts. 52 school districts completed the survey. It is not considered representative of all New York State school districts because the sample was not randomly selected; however, it does give us some insight into school level allocation practices of school districts.

Of the 52 districts in the survey, only two currently use weighted student funding and a third district is considering it. We asked how districts allocate funds to schools. The results are summarized in Figure 1. Districts were able to select multiple methods, so answers do not add up to 100 percent. Districts that selected other most frequently cited programming, student need, square footage, overall staff, and using multiple approaches

Figure 1

Survey Responses Regarding Within District Funding Allocation

Method	Number of Districts	Percent
Per Student Allocation	20	43%
Per Teacher Allocation	4	9%
Continue Existing Distribution	19	40%
Other	11	23%

simultaneously.

While weighted student funding is not currently widely used in New York State, there are a handful of districts working to shift towards this approach, the most notable of which is New York City’s Fair Student Funding model.

New York City School District

Fair Student Funding covers instructional needs and is allocated to each school based on the number and need attributes of students at the school, adjusted for the school’s funding percentage (New York City Department of Education, 2017). All money allocated through Fair Student Funding can be used at the principal’s discretion. The formula was originally introduced by former New York City Mayor Michael Bloomberg and New York City Schools Chancellor Joel Klein more than a decade ago (Scherer, 2018) to accompany a move to give principals more control over school spending. The formula has moved gradually from the previous distribution of funds to funds distributed on the basis of Fair Student Funding such that currently about one-third of funding is distributed with the weighted student funding formula (Scherer, 2018).

Schenectady City School District

Schenectady City School District is a small city school district with a fiscal capacity of about a third of the state average. Ninety-eight percent of New York school districts have more fiscal capacity than Schenectady, and 73 percent of districts have less student need as measured by students living in economic disadvantage, English language learners, and geographic sparsity. Schenectady is in the bottom three percent of districts statewide in its ability to meet its student need with local resources. Economic disadvantage and student need are pervasive throughout the district, with only small differences from school to school. Despite this, Schenectady City School District’s leadership saw the need to allocate available resources strategically to schools recognizing variations in student need and to strengthen principal capacity to manage school budgets.

The district took assertive action to begin the process of allocating resources to schools strategically by incorporating location codes in its accounting system for the General and Special Aid Funds. This allowed them to begin distributing the maximum possible funding by formula to its school buildings. The District’s building-level equity analysis examines the expenses attributed to individual schools as well as the allocation of centralized costs to schools.

Steps have been taken to ensure that principals are aware of their budgets. Higher need schools received a larger share of the available increase in funding. The district seeks to level up all schools to the average expenditure per pupil. School officials created a Building Needs Index consisting of a variety of different student measures

(poverty, achievement, English language learners, students with disabilities, etc.) with four rating levels (1 through 4). Level 1 schools got no additional funding; levels 2-4 schools received weighted increases, with level 4 schools receiving the largest increases. The district looked for factors that affected funding variations. For example, the district found that unfilled positions often skewed the data. They have allocated discretionary increased funds using the Building Need Index level for the 2018-19 school year and intend to continue using this approach.

Syracuse City School District

Aligning resource allocation and student need by implementing a weighted student funding formula is one of the Syracuse City School District's current strategic initiatives. The district uses factors including school enrollment, number of special education students and English language learners, grade levels, and other factors that are determined to be significant in providing services to students. The key element in determining the equity of resource distribution is the weight that is placed on varying student groups.

Implementing a fully integrated weighted student funding model is a major undertaking that will require a multi-year financial investment in analysis, technical assistance, system modification, and professional development. Resource allocation information will need to be seamlessly integrated with indicators of student and building need to assess where investments should be targeted, and extensive staff training and technical assistance will be required. The district will need to determine what part of the budget needs to be controlled centrally and what could be pushed out to the schools.

In the interim, the district is taking steps to lay the groundwork for a weighted student funding model. A Joint Committee on Enrollment Projections has been established and is charged with developing an enrollment projection with broad-based review and engagement. The enrollment projection is one of the data elements used to drive resource allocation decisions.

In addition, measures of student need are incorporated into instructional supply allocations. School building leaders have discretion to spend these funds on things that they feel will have the largest positive impact on student achievement, teacher practices, and student behavior.

Finally, the budget department conducts need assessment meetings and prepares various reports that seek to continuously improve the alignment of budgetary resources to need. The district is also participating in a national weighted student funding working group convened by Georgetown University to share information and problem solve. Through taking these steps, the district is developing readiness and capacity to implement a weighted student funding model of resource allocation.

Conclusion

School level financial reporting and weighted student funding approaches to distributing resources from districts to schools are in their infancy in New York State. New school level financial reporting requirements will increase transparency and public understanding of school spending. Being thoughtful and strategic about resource distribution has the potential to enhance student learning and promote cost-effective use of school resources. The state has an important role in providing adequate funding and setting policies that support and encourage effective resource allocation strategies, while respecting the role of local boards of education in determining the distribution of funds. Research needs to continue to assess the impact of different funding approaches on equity, adequacy, and student learning.

References

NYC Department of Education, Fair Student Funding, <https://www.schools.nyc.gov/about-us/funding/funding-our-schools>, visited 9/11/18.

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