Title:	School-based budgeting and management
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Question: What is school-based budgeting and management? Specifically, what impacts or effects have been seen in this reform approach? What important implementation considerations are involved with such an approach? What are some examples of places that have implemented such reforms?

Response:

REL West at WestEd conducted a search of the research literature on school-based budgeting and management using the Education Resources Information Center (ERIC), an online digital library of education research and information sponsored by the Institute of Education Sciences (IES) of the U.S. Department of Education. We also referred to earlier REL West publications as well as those from other Regional Educational Laboratories on this topic. To learn more about implementation sites, we reviewed program websites and other materials available online. A brief synthesis of our review follows.

What is school-based budgeting and management?

Decentralizing budgetary and other management authority to the school level has been a hotly debated school reform approach for decades. Over time, terms like school-based budgeting (SBB), school-site management (SSM), school-based management (SBM), and decentralization have been used to characterize the different sets of reforms involved. In general, these have included:
- Offering schools greater flexibility over the use of categorical program funds that are provided by the state;
- Organizing and authorizing school site councils to develop school policies via a more participatory style of decision-making;
- Delivering funds to schools via weighted per-pupil funding (also known as a weighted student formula); and
- Giving schools full autonomy, as is the case with charter schools.

These reform strategies are not mutually exclusive and may entail combinations of changes. For instance, a weighted student funding formula could be used to target resources to schools without the use of school-based budgeting and management (and vice versa); or the number of charter schools in a district could be expanded while other public schools are encouraged to establish school councils. In yet another scenario, a district could promote the organization of school councils but withhold budgetary authority from those

councils — a point of contention among some early advocates of SBM reforms (Ouchi, 2004, 2006; Hansen & Roza, 2005). Moreover, implementing these types of reforms often involves an array of localized decisions and considerations (see section 3), so caution should be exercised when generalizing across contexts.

Nonetheless, the general theory behind school-based budgeting and management is that greater autonomy at the school level can promote equity because staffing and resource decisions are more productively tailored to meet the specific needs of the students in the school (Ouchi, 2004; Roza, Davis, & Guin, 2007). Two key dimensions are involved: first, authority (that is, to whom the power is transferred) and, second, decision-making (that is, what types of decisions they are authorized to make) (Patrinos et al., 2008). Proponents of school-based budgeting often point to the complexities of current administrative requirements, which, they argue, inhibit the most effective use of funds. Conversely, critics caution that school leaders may lack the training or the interest needed for effective management of school budgets and that such added administrative demands may detract from a focus on instruction.

Table 1. Models of school-based budgeting and types of school-level authority

	District has full fiscal authority (traditional system)	Decentralization via school site councils	Weighted student funding	Charter schools
School determines curriculum,* schedule, and instructional practices	X	X	X	X
School assigns personnel to responsibilities (teachers, non-teaching professionals, etc.)	Sometimes	X	X	X
School allocates resources across categories (pupil support, administration, extra curriculars, etc.)		Generally	X	X
School controls number of teachers		Sometimes	X	X
School controls teacher compensation				X
School has full fiscal authority				X

* This is a generalization. For example, in some states, such as California, schools must use state-approved textbooks for certain subjects.

What impacts or effects have been seen in this reform approach?

Comments on Research Limitations and Considerations
Rigorously evaluating these types of governance and management reforms can be quite difficult because of the complex variables involved. Impacts over time often cannot be differentiated from other parallel changes (such as new educational laws), and rarely are control groups available to make thorough comparisons. Nonetheless, numerous studies have examined the effects of different school-based budgeting and management approaches, and to date, conclusions have varied. In their comprehensive review of the literature on the topic, Plank and Smith (2008) wrote: "Overall, the record suggests that outcomes range from the insignificant to the modestly positive" (p. 407).

A prominent proponent of school-based budgeting is UCLA Professor William Ouchi, who suggests more notable outcomes than those identified by Plank and Smith. "Although the comparisons between centralized and decentralized districts on student achievement are fragmentary and the number of districts is small, the pattern is consistent," Ouchi (2006) writes. "The evidence supports the view that decentralized districts outperform centralized districts both in overall student performance and in reducing achievement gaps between racial groups" (p. 306). However, critics of Ouchi's work, which compares the average test scores (as opposed to the individual student achievement gains on comparable measures) in major cities like Houston and Seattle that use weighted student formulas to cities like Chicago, New York, and Los Angeles that do not, are "grossly oversimplified and empirically flawed" (Baker & Thomas, 2006, p. 9). The debate highlights the difficulty in evaluating the effects of specific educational reforms on student learning.

Indeed, making comparisons between districts and states that participate in school-based budgeting and management and those that do not is a complex endeavor. First, beyond the variation in organizational and management structure, districts tend to differ dramatically in their student demographics, total resources, and other circumstances affecting the administration and cost of education. And schools implementing school-based budgeting have varying amounts of actual budget and management flexibility, from partial to full authority. So all else is not necessarily equal in the districts under investigation. Second, to truly evaluate any impact on student achievement, comparable measures and student-level longitudinal data must be used for students in treatment and control groups (Baker & Thomas, 2006). Thirdly, there can be biases — in program placement, self-selection, and sorting — in the way(s) that communities, schools, and students end up participating. For example, when communities or schools choose to take part in a reform like school-based budgeting and management, this self-selection can confound the effects of the intervention with initial differences in the participant characteristics (such as motivation). Further, comparisons between different communities can be affected by changes that occur during the intervention, such as amendments to educational laws or an economic recession (Patrinos et al., 2008).

<u>Student achievement impacts</u>

While no rigorous empirical research has determined a causal effect of school-based budgeting on student achievement, several studies have attempted to validate whether SBB can be correlated with changes in student achievement. The evidence of the impact of school-based budgeting on student test scores is inconclusive, with few direct positive effects reported (Baker & Thomas, 2006; Patrinos et al., 2008; Roza, Davis, & Guin, 2007). For example, Baker and Thomas (2006) report that "to date, there is no existing, substantive, rigorous empirical research to validate either the pros or cons of decentralized budgeting with respect to student outcomes or other school quality measures" (p. 8). Similarly, Roza, Davis, and Guin (2007) state that "findings thus far about student performance are mixed, at best, but as some analysts have claimed, almost none of the early decentralization initiatives gave school-level leaders control over money and staff" (p. 4). And according to Plank and Smith (2008), although school-site management may lead to greater sense of involvement and efficacy (see below), it seems to produce "little direct impact on teaching behaviors or student outcomes" (p. 407).

<u>Other outcomes</u>

School-site management (SSM) has been associated with positive effects such as commitment to local priorities, teacher engagement, and communication (Plank & Smith, 2008):

> "When skillfully supported with fiscal and other resources, [school site management] reforms have been found to manifest some hoped for effects, such as a stronger sense of efficacy... greater commitment to local priorities... and enhanced teacher effectiveness and engagement... Some studies suggest that SSM can stimulate improved relations between schools, parents, and their communities." (p. 407)

Similarly, in their recent review of literature for the World Bank, Patrinos and colleagues (2008) noted that some studies found that school-based management policies changed the dynamics of the school, "either because parents got more involved or because teachers' actions changed" (p. 12).

Furthermore, recent research in Ohio (Roza, Davis, & Guin, 2007) has found that autonomous schools tend to use resources *differently*, most often to obtain maximum flexibility in human resources:

> Principals "with the greatest control over funds, such as those in private, charter, and district-decentralized schools, hire larger numbers of teachers but pay lower salaries on average than principals in district-run schools, who have no choices about whom to hire. Our study also showed that principals who have greater control of funds also focus their spending on generalist classroom teachers and part-time teachers and, relative to district-run schools, employ fewer administrators, classroom aides, and full-time specialist teachers." (p. 13)

What important implementation considerations are involved with such an approach?

Some researchers have noted that school-based budgeting has been limited in its implementation to date, in part because true decentralization requires that full authority over resources (including budgets, personnel, and staffing) shift from the district office to the school (see, for instance, Ouchi, 2004, 2006; Roza, Davis, & Guin, 2007). But carrying out that shift is not an easy task. It can involve untangling a web of complex issues, ranging from altering the underlying infrastructure (i.e., the systems and technology related to budget, evaluation, and compensation) to changing the skills, responsibilities, and practices of the various individuals involved. Some core implementation-related considerations are listed below.

Local capacity

Principals who can effectively facilitate and manage change are necessary for school-based budgeting and management to work (Odden & Busch, 1998). However, many school leaders simply lack the knowledge, skills, or tools they need to manage school resources effectively, as this does not tend to be a primary focus of administrator licensing and training programs (NWG, 2008). "Rules and regulations have long served as substitutes for technical knowledge in schools," Plank and Smith (2008) explain. "It does not follow, however, that reducing the regulatory burden on schools will create or increase the knowledge available to educators" (p. 411).

As a result, districts and states making these types of transitions will need patience, giving principals the opportunity to lead. Some districts have tried to build capacity through intensive professional development and strong oversight. For example, Cincinnati designed a hands-on management training course for principals when it shifted to weighted student funding, focusing on teaching them to use the new budget system and to connect decision-making with instructional priorities, while Houston gave schools access to specially trained business managers (Thomas B. Fordham Institute, 1996). For these types of reforms to work, Plank and Smith (2008) conclude, "relentless attention" must be paid to the development of school leaders and teachers, including "continuous retraining in response to staff turnover... persistence toward full implementation and unyielding attention to staff focus and commitment." The extensive development of "technologies for data use, planning, and assessment" also is vital (p. 412).

Issues with teacher pay and seniority rights

Across the U.S., with some exceptions, the authority to hire, assign, and fire teachers remains constrained by the retention of strong seniority rights in teacher contracts (Plank & Smith, 2008). For example, in their work in Ohio, Roza, Davis, and Guin (2007) found that schools in decentralized districts tended to lack freedom over teacher salaries, which subsequently constrained the scope of their other freedoms. They also found that schools with flexibility in staffing among functional categories "chose hiring more teachers and fewer specialists" (p. 15). This issue was also addressed in Fordham's 2006 *Fund the Child*

report, which suggested that school leaders "be allowed to select the teachers they think can get the results they need with the school's specific group of students" (pp. 40–41).

<u>Within-school changes</u>

In addition to the larger, infrastructure-related considerations listed above, the effective implementation of school-based budgeting and management also involves changes within the school walls. According to Briggs and Wohlstetter (2003) and Odden (1998), these reforms might involve:

- *Developing a vision for teaching and learning* that is aligned with district and state standards for student academic performance, as a way to set a purpose and establish expectations;
- *Sharing school leadership* to foster greater engagement among local participants and support improved instruction and student learning;
- *Collecting and communicating information* related to school priorities to all school stakeholders;
- *Using data to inform decisions* about teaching and learning, such as setting goals, identifying innovative approaches to boosting student literacy, or assessing student academic performance;
- *Acknowledging individual and group progress* toward school goals, as well as improvements in teaching and learning; and
- *Accessing resources from outside the school* through involvement in professional networks or connections with local business groups and universities.

What are some examples of places that have implemented such reforms?

Summarized below are five examples of decentralization efforts: Chicago, Hawaii, Ohio, San Francisco, and Seattle. These sites were selected because they represent different contexts (statewide vs. districtwide implementation), governance structures, and types of school-based budgeting and management reform. Since not all of the sites referenced were subjects of evaluations focused on the impact of the school-based budgeting and/or management reform, this section is purely descriptive and does not comment on outcomes.

CHICAGO

The Chicago School Reform Act of 1988 introduced site-based management whereby each school acquired its own elected local school council. These school councils, which included parents, community members, teachers, the school principal, and a student, had major decision-making power in three areas: principal evaluation and selection, budgeting, and school improvement planning. Budgets were allotted to schools in total, and local councils were given discretion over how to spend the funds. In 1996, the Illinois Governor and legislature granted the Mayor centralized power over the Chicago Public Schools. Although local school councils nominally remained in place, the district returned to a high degree of central control until more recently.

In 2004, an initiative called Renaissance 2010 (Ren10) was launched to create 100 new schools in underserved neighborhoods by 2010. The schools would operate independently, with freedom over budget, curriculum, length of school day and year (Chicago Public Schools, 2007). In exchange for complete budget control, Ren10 schools are held accountable to a five-year performance agreement. These schools are piloting a weighted funding formula that gives more control over their money. School support teams provide information and resources to Ren10 schools, while local school councils govern them.

HAWAII

Unlike other states, Hawaii operates its schools as one centralized public school district, using weighted student formulas to allocate funds to individual school sites (Baker & Thomas, 2006). In school year 2008–09 there were 288 schools, including 31 charter schools, for a total enrollment of 177,871. Hawaii's public education system is the only one in the U.S. to receive its funding primarily from state and federal sources; the state is not dependent on local property taxes as a major revenue source.

In 2004, the Hawaii state legislature enacted a weighted student formula as a statewide program that is part of a larger restructuring effort called the Reinventing Education Act for the Children of Hawaii (REACH). A group of educators and community members make up the Committee on Weights that annually recommends a weighted student formula, taking into account such factors as which student characteristics will be weighted, the specific student weights, and which funds should be distributed via the weighted student formula. For the 2009–10 school year, the weighted student formula allocation represents about 41 percent of the Department of Education's total budget (Hawaii Public Schools, 2009). The Board of Education maintains centralized control over some areas of school budgets, retains a uniform salary schedule for teachers and other school staff, and exercises full control over staff contracts. School site officials do, however, have greater control over the hiring process itself than they did previously. Principals have autonomy over certain parts of the school budgets and receive mandatory management support through an ongoing training program. School site councils also are mandated.

OHIO

Ohio has both centralized and decentralized school districts. In the state's decentralized school districts, schools have control over the allocation of personnel to responsibilities, the allocation of resources across functional categories (student support, administration, etc.), and control over the number of teachers (but not over teacher compensation).

One of the first districts to decentralize, the Cincinnati school district implemented student-based budgeting districtwide in 1999. Principals are given autonomy over budgets but not hiring. Each school has a school site council, and school leadership development is provided to teachers, principals, and the school site councils. In 2009, Cincinnati suspended the student-based budgeting process for fiscal year 2009 due to a large budget deficit. The district is reinstating student-based budgeting for the 2009–2010 school year.

SAN FRANCISCO

Since the 1970s, California has had a state centralized system of school finance, with approximately 20 percent of school funding coming from local sources in 2004 (Timar, 2006). How much money California's approximately 1,000 districts have to spend each year is determined almost entirely by the legislature. But while the state determines funding levels and allocates some funds via categorical programs with specific requirements, districts still retain general authority to determine how funds are used.

San Francisco Unified School District encompasses the city of San Francisco, which is also the County of San Francisco, and has just over 100 schools serving the K–12 population of 55,000 students. In 2001, a weighted student formula policy was implemented at 27 pilot sites to increase equity and to allow for more school-level autonomy in decision-making (Shambaugh, Chambers, & DeLancey, 2008). The next year it was implemented throughout the district as part of a larger set of reform efforts to improve academic achievement known as Excellence for All.

Each school must have an elected School Site Council (SSC), whose responsibilities include reviewing and analyzing student achievement data, gathering community input, and helping to develop, as well as monitor, the implementation of the Academic Plan and the school site budget. In addition to the SSC, some schools are required to have other elected advisory committees, depending on the characteristics of their student populations, in order to help underrepresented students and their families play a larger role in school governance. Despite declining revenues at all levels, currently there is strong support for San Francisco's weighted student formula policy among educators and school and district officials.

SEATTLE

Seattle Public Schools experienced a dramatic enrollment decline in the 1970s after the onset of forced busing, with enrollment decreasing from nearly 100,000 students in 1970 to only 39,000 in 1990 (Ouchi, 2004). The district educated 45,496 students at 97 schools in the 2006–07 school year (Nielson, 2007). The first large, urban district in the U.S. to do so, Seattle implemented weighted student funding in 1997 (Baker & Elmer, 2009). The three basic principles for Seattle's weighted funding formula were that resources a) followed the student, b) were denominated in dollars (not FTE staff), and c) were allocated according to the personal characteristics of individual students, such as poverty, language, special needs, or gifted status (Nielsen, 2005; Baker & Elmer, 2009). In each school, a Building Leadership Team (BLT), led and facilitated by the principal, would collaboratively prepare and submit the school's budget, involving in this process certificated and classified staff, parents, community members, and middle school and high school students (Nielson, 2007).

Seattle shifted away from its decentralized system in 2007, in part because it was too "cumbersome"; it required "school principals and staff to spend many hours developing the budget," and because the school-based nature of the approach made it "difficult to develop

carefully coordinated strategies between the District and schools" (Seattle Public Schools, 2007, p. 1). With the weighted student funding system effectively dismantled in 2007, Seattle has shifted to more of a "core staffing" process (Seattle Public Schools, 2007).

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