

# Fund the Child

BRINGING EQUITY, AUTONOMY, AND PORTABILITY TO OHIO SCHOOL FINANCE

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by

**PUBLIC IMPACT**

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In June 2006, the Thomas B. Fordham Institute released a bipartisan manifesto, signed by 75 educators and policymakers, entitled *Fund the Child: Tackling Inequity and Antiquity in School Finance*. It called for rethinking how America funds its public schools.

Initial signers included three former U.S. Secretaries of Education, a former Secretary of the Treasury, a former Chief of Staff to President Clinton, and two former governors. This extraordinary coalition urged “a new method of funding our public schools – one that finally ensures the students who need the most receive it, that empowers school leaders to make key decisions, and that opens the door to public school choice.”

This new method of funding is called weighted student funding (WSF). It asks that the amount of allocated school dollars vary with the needs of individual children; that those dollars – all of them – follow those children to the schools they actually attend; and that the school determines how best to spend its resources. WSF represents a fundamental shift in the financing of public education, from paying for programs, buildings, and staff positions to paying for the education of children.

We swiftly realized that this new approach to education finance could and should have a profound impact on Ohio’s protracted debates about school funding. In 2006, then-gubernatorial candidate (now Governor) Ted Strickland was telling voters that his future administration would be a failure if it did not mend the system of school finance in the Buckeye State. School funding has been one of the most contentious political issues in Ohio since at least 1997 when, as noted by the *Columbus Dispatch* in 2007, “Supreme Court justices first told state elected leaders that they were not meeting their obligation to pay for the ‘thorough and efficient’ education required by the Ohio Constitution.”<sup>1</sup>

Three times thereafter, the Ohio Supreme Court declared the state’s funding system unconstitutional. In response, the legislature undertook several rounds of repairs. In 1997, the General Assembly set up the state’s school facilities program, which has already spent more than \$5 billion on building new schools. Poor districts were first in line for these dollars. In 2001, the General Assembly created the Parity Aid program that earmarked more state funding for the poorest 80 percent of Ohio school districts. In 2005, the state implemented its Poverty Based Assistance program, which sought to direct funds to educational programs and services that contribute to increased academic achievement among disadvantaged pupils.

Through these efforts the state has undeniably made gains in closing the resource-equity gap between the richest and poorest districts. These gains are reported in ratings from national groups like Editorial Projects in Education (publisher of *Education Week*) and the Education Trust. In its 2008 *Funding Gap* report, the Education Trust cites Ohio as one of just ten states that has successfully decreased the gaps between low- and high-poverty districts.

Despite these gains, however, serious inequities remain – between districts, but even more so among schools within districts. Ohio’s funding system is also antiquated; it has not kept pace with student mobility or with important advances on the school-choice front. Families increasingly change schools over their children’s academic careers and select options other than

their assigned district schools, such as magnet schools, community (aka charter) schools, or STEM (Science, Technology, Engineering, and Math) schools. Yet because funding does not follow children directly to schools, there is no mechanism to ensure that as students move from one school to another, resources move, too.

Ohio could remain content with the progress it has made, or it could work to lead the nation in re-conceptualizing its approach to paying for public education. There are at least five reasons why state leaders should opt for the latter course:

- First, Ohio has seen per-pupil expenditures, using inflation-adjusted dollars, rise 25 percent in ten years (from \$7,500 to about \$10,000). Something needs to change or the state's budget will balloon beyond its capacity, and children – especially the state's neediest children – still won't be learning all they need to be successful.
- Second, despite generous spending, Ohio is still plagued by serious achievement gaps, with white-black gaps exceeding 25 percentage points in eighth-grade reading and math scores on the National Assessment of Educational Progress.<sup>2</sup>
- Third, Ohio has already moved toward “weighting” (though not portability) because lawmakers realize that both children and their learning needs differ. The state has incorporated some of the principles of WSF in its special education formula, and the state and its school districts are gaining familiarity with the concept.
- Fourth, Ohio now has a highly mobile student population and lots of school choice, and there are obvious points of friction between that reality and its outdated approach to budgeting and paying for schools.
- Fifth, an increasing number of thoughtful groups are urging the state to move toward WSF. These include McKinsey & Company, Achieve, the School Funding Subcommittee of the Ohio State Board of Education, the Buckeye Institute, and the Ohio Grantmakers Forum.

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Making WSF work in Ohio will require talented leaders and policymakers who are willing to roll up their sleeves and commit to the hard work, and trial and error, of developing new and creative solutions to the state's school funding challenge. We hope the information and recommendations included in this report will help to shift the topic of discussion from concept to action. Weighted student funding can deliver a more equitable system of school financing and set the conditions for improved student performance in the Buckeye State.

*Chester E. Finn, Jr., President*

*Terry Ryan, Vice President for Ohio Programs & Policy*

*March 12, 2008*

## ACKNOWLEDGMENTS

We are indebted to many people for their time, effort, and insightful thinking that made this document possible.

To examine the implications of weighted student funding in Ohio, we called upon Professor Dan Raisch, a school finance expert at the University of Dayton. In late 2006, Dr. Raisch agreed to undertake an initial analysis of what WSF could mean for Ohio. In this effort he enlisted U. D. professors Dr. Barbara De Luca and Dr. Steven Hinshaw. Together, they scoured public sources of information, talked to experts around the country, and in mid-2007 provided us with a draft analysis, which we then shared with knowledgeable reviewers in Ohio and beyond. We received dozens of pages of comments and ideas about how to improve the document, where to look for more information, and what pitfalls to avoid.

To provide a national perspective, we engaged Dr. Bryan Hassel of Public Impact, a highly regarded research organization based in North Carolina. Dr. Hassel is an author of the original *Fund the Child* manifesto and one of the nation's premier thinkers on school finance and WSF. He has also recently worked with South Carolina's governor on that state's effort to move toward WSF.

At the Ohio Department of Education, we turned to Associate Superintendent for the Center for School Options and Finance, Paolo DeMaria, one of the state's top school finance experts. His expertise, along with that of his staff, was critical in providing access to historical data, in pointing out the flaws and challenges in some of the data, and in offering key insights into the legislative and administrative history of school finance in Ohio.

We also wish to thank also the many reviewers who provided valuable guidance along the way: Ross Wiener, the Education Trust; Marguerite Roza, Center on Reinventing Public Education; Susan Sclafani, Chartwell Education Group; Todd Ziebarth, the National Alliance for Public Charter Schools; Michael Strembitsky, former Superintendent of Edmonton Public Schools (Alberta, Canada) – the school district with North America's most highly developed WSF system; Joseph Olchefske, American Institutes for Research; and William Ouchi, Graduate School of Management at UCLA.

At the Fordham Institute, we thank Kristi Phillips-Schwartz, Emmy Partin, and Eric Osberg for their critical role in helping to conceptualize, research, and edit this report, and to former Fordham Institute staffer Quentin Suffren for his editing skills. We also thank Emi Ryan for her design skills.

Despite nearly two decades of blue ribbon commissions, expert analyses, passionate op-eds and speeches, a series of court rulings, reams of legislative changes, and the expenditure of billions more dollars, Ohio still does not have a school funding system that delivers the results the Buckeye State urgently needs. Student achievement still remains far too low for the rapidly globalizing world that young Ohioans will enter. Severe achievement gaps continue to undermine the promise of educational opportunity for all.

To address these vexing issues, state policymakers need to move toward a system that *funds the child*, one in which:

- dollars follow students to the public schools they choose to attend,
- funding is weighted according to each student's educational needs, and
- schools have flexibility to spend the funds in ways that maximize results for their pupils.

This system has the potential to address lingering inequities, to bring education funding into line with the modern era of school choice and student mobility, and to liberate schools and educators to close achievement gaps and boost learning for all students.

### The Case for Change

8 | Too many of Ohio's children are not achieving at nearly the levels they need to compete in the technology- and knowledge-driven job market they will enter as adults. Girls and boys in the state's larger cities, in particular, simply do not have the schools they need to succeed in this new economy. In 2006-07, 46 percent of 183,000 students in Cincinnati, Cleveland, Columbus, and Dayton attended schools rated "academic watch" or "academic emergency" by the state, the two lowest possible performance categories. Poor students and children of color score dramatically lower than their more affluent and white peers on all measures of academic success.

Money alone cannot solve these enduring problems. Indeed the increased expenditures on the state's school system raises an important question: Is Ohio getting the best possible return on the \$16.8 billion it spends annually for public education? Unfortunately, the answer is "no." Two fundamental flaws in the current school finance system make it impossible for the system to provide a maximum return on investment.

First, the funding system remains **deeply inequitable**, failing to direct funds to students with the greatest educational challenges – this despite the fact that Ohio's policymakers have made significant strides toward equity in recent years. (In 2000, *Education Week* gave Ohio a D+ for school funding equity; in 2008, Ohio had risen into the top half of states with a grade of B-) Yet serious inequities remain. Consider two forms of inequity constraining Ohio's public schools:

- *Lingering inter-district inequities.* Despite the state's efforts to equalize funding, well-to-do communities can afford to supplement state resources. As a result, high-wealth districts spend in excess of \$11,000 per student, while low-wealth districts have only \$8,000 - \$9,000 to spend.

- *Persistent within-district inequities.* Within districts, the funding that flows to individual schools is often deeply inequitable, with more dollars flowing to schools educating less needy pupils. The result is that schools serving the most challenging students, and operating in the toughest neighborhoods, rarely receive funding allocations equal to the challenges of serving them effectively.

Second, Ohio funds schools in an **antiquated** fashion, one that has not kept pace with student mobility or with important policy advances on the school choice front. Families increasingly change schools over their children's academic careers and select options other than their assigned district schools, such as magnet schools, community (aka charter) schools, or STEM (Science, Technology, Engineering, and Math) schools. Yet because funding does not follow children directly to schools, there is no mechanism to ensure that as students move from one school to another, resources move, too. Community schools in particular are short-changed, receiving an estimated 70 percent of what district schools receive.

Ohio's school finance system is also antiquated from an operations standpoint. It vests little decision-making power at the school level – the very level that is increasingly held accountable for results by state and federal policymakers. In other sectors, matching authority to accountability is recognized as the most effective system of management and governance. Yet school leaders in Ohio have little control over how dollars are spent in their schools.

## **Fixing an Inequitable and Antiquated System: Weighted Student Funding**

One solution that would help systematically to reduce funding inequities at the school and district levels while simultaneously addressing the antiquated nature of the system has garnered bipartisan support from three former U.S. Secretaries of Education, governors of other states, and a host of policymakers and education officials across the nation: **weighted student funding (WSF)**.

WSF incorporates three key principles:

- full state funding follows the child to the public school that he or she attends;
- per-pupil funding amounts are weighted according to children's individual needs and circumstances; and
- resources arrive at the school as real dollars that can be spent flexibly with an emphasis on results, rather than on predetermined and inflexible programs or activities.

WSF offers solutions to the state's remaining school finance challenges. Specifically, it would

- direct more funds to schools that serve high proportions of disadvantaged children, regardless of where they live;
- ensure that a student's school receives all of the resources generated by that student, whether the school is a district school, a magnet school, a STEM school, or a community school and

whether it's located in a poor or affluent neighborhood, in a tranquil suburb or a tough urban neighborhood; and

- allow school-level leaders and educators to allocate resources in ways that meet the needs of their specific children, aligning authority and responsibility in a modern, performance-oriented management system.

Because of the political and technical challenges of implementation, WSF cannot be implemented overnight. But Ohio can immediately start working toward *funding the child* by addressing the toughest issues, like how to set weights for different students and how to transition to the new system. In the process, it can finish the job that Ohio policymakers started almost a decade ago: finally giving the Buckeye State's schoolchildren – and taxpayers – the education finance system they need and deserve.

Despite nearly two decades of blue ribbon commissions, expert analyses, passionate op-eds and speeches, a series of court rulings, reams of legislative changes, and the outlay of billions more dollars, Ohio still does not have a school funding system that delivers the results that the Buckeye State needs. Student achievement remains too low for the rapidly globalizing world that young Ohioans will enter. Achievement gaps continue to undermine the promise of educational opportunity for all. Ohio's current school funding arrangement falls short of meeting these challenges. Like public education finance schemes in many states, Ohio's is antiquated; it was designed for an age that tolerated achievement gaps, that understood "equity" in simplistic ways, that did not have to contend with significant student mobility, that assumed just about everyone would attend a district-operated neighborhood school, and that entrusted nearly all management decisions to district "central offices." Matched against the education reform realities and challenges of today's knowledge-driven economy, however, this type of funding system turns out to be both inequitable and inefficient. Indeed, it can fairly be termed a brake on the forward momentum of education reform and economic growth in the Buckeye State.

To give Ohio's students the education funding system they need, state policymakers should move toward a system of "weighted student funding" in which dollars follow students to the public schools that they choose to attend, weighted according to each student's educational needs. Coupled with school-level flexibility to spend funds in ways that achieve results for their pupils, weighted student funding has the potential to address lingering inequities, bring education funding into line with the modern era of school choice and pupil mobility, and liberate schools and educators to close achievement gaps and boost learning for all students.

This report makes the case for dramatically altering Ohio's system of school funding, explains how the new system would work, and points to lessons learned elsewhere about implementing weighted student funding – lessons that can inform future Ohio efforts.

# THE CASE FOR CHANGE

As the economy globalizes and becomes increasingly technology- and knowledge-based, mastery of academic content and skills becomes even more urgent for workers and citizens. Yet Ohio's education system continues to leave behind too many of its students, especially its most vulnerable youngsters. Children in the state's major cities, in particular, simply do not have the schools they need to succeed in this new world. In 2006-07, almost half of the students in Cincinnati, Cleveland, Columbus, and Dayton attended schools rated "academic watch" or "academic emergency" by the state, the two lowest possible performance categories. In the entire rest of Ohio, only 75,000 students attended schools with such rankings.

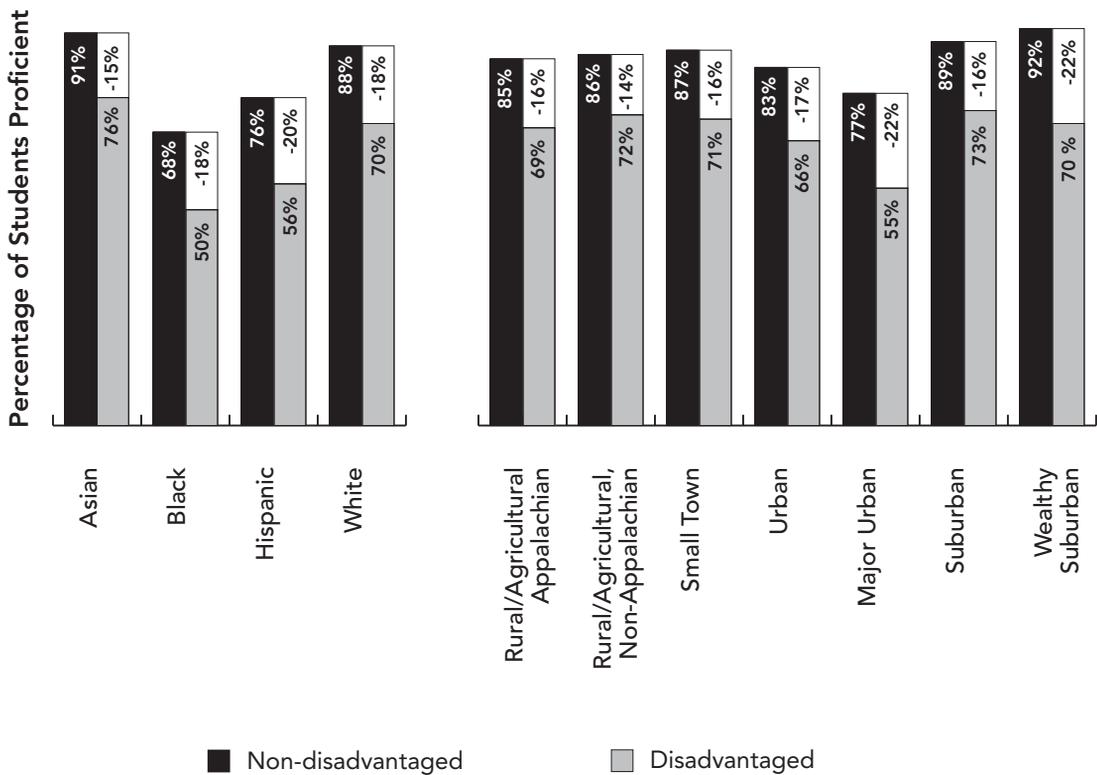
Across the state, children from low-income households are falling far short in terms of academic achievement. An analysis by Achieve, Inc. and McKinsey & Co., and captured in Figure 1, tells the story: across all racial groups and school types, poor students perform dramatically worse on Ohio's state achievement tests. The same goes for youngsters with disabilities or learning English.

FIGURE 1. Achievement Gaps Between Economically Disadvantaged and Non-disadvantaged Students in 4th Grade Reading, 2006

Gaps exist within all major racial subgroups. . .

. . .and within all district types

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Source: Ohio Department of Education - Interactive Local Report Card

FIGURE 2. Percent of Ohio Students Proficient on the National Assessment of Educational Progress in Math, 2007

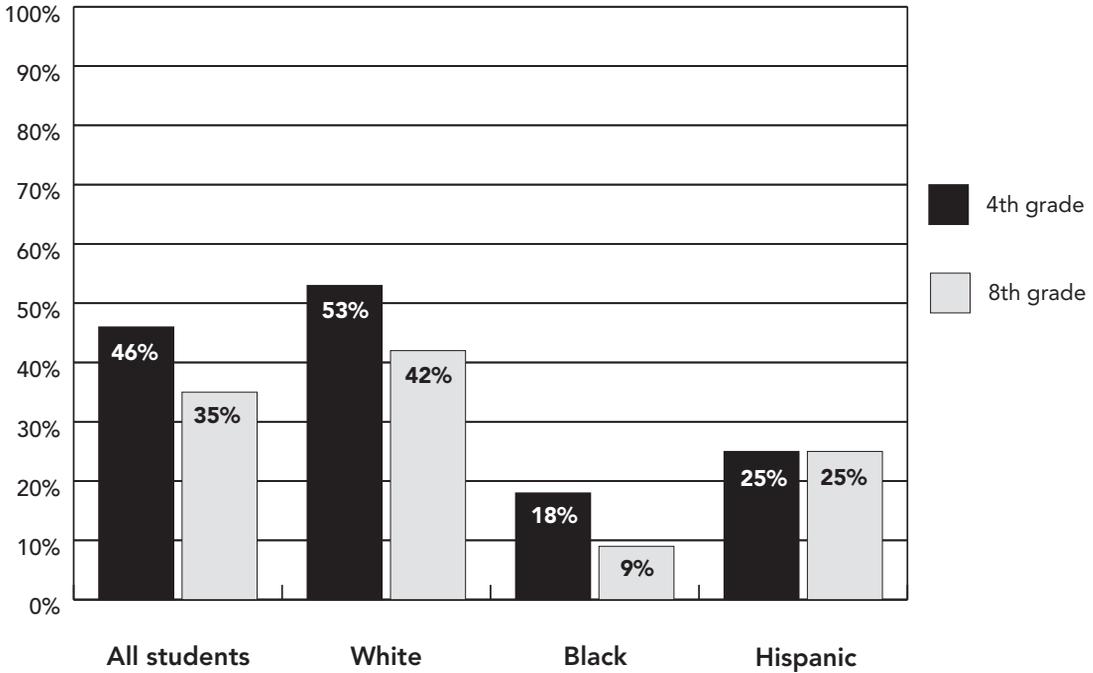
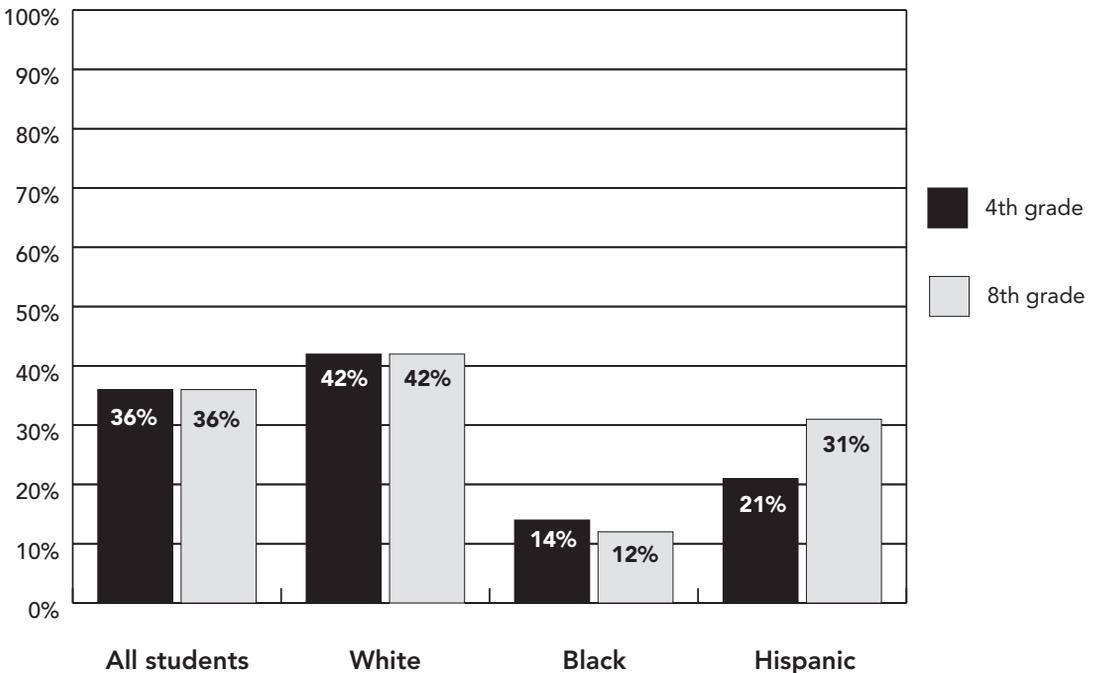


FIGURE 3. Percent of Ohio Students Proficient on the National Assessment of Educational Progress in Reading, 2007

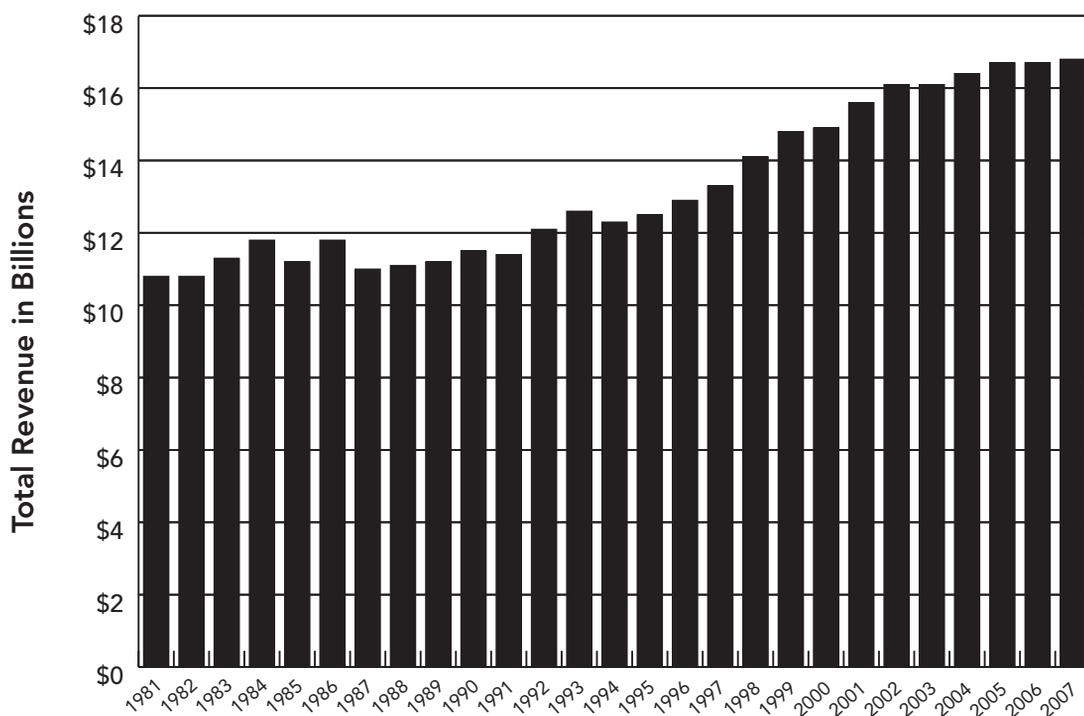


Source: U.S. Department of Education, Institute of Education Sciences, National Center for Education Statistics, National Assessment of Educational Progress (NAEP), 2007 Assessment

These achievement gaps are wide, and they persist or widen further over students' careers. Ohio has made some progress in reducing these gaps, but they remain in double digits, with white-black and non-disabled-disabled gaps still exceeding 25 percentage points.<sup>3</sup> At the current rate of progress, a generation or more of disadvantaged students will pass through school without obtaining the education they urgently need. Ohio shows a similar pattern on the National Assessment of Educational Progress (NAEP), also known as "the nation's report card" (see Figures 2 and 3). Overall, fewer than half of Ohio's fourth- and eighth-graders are proficient on this national exam. But the results for children of color are substantially lower – and lower still in later grades, with near one in ten black students proficient by the eighth grade.

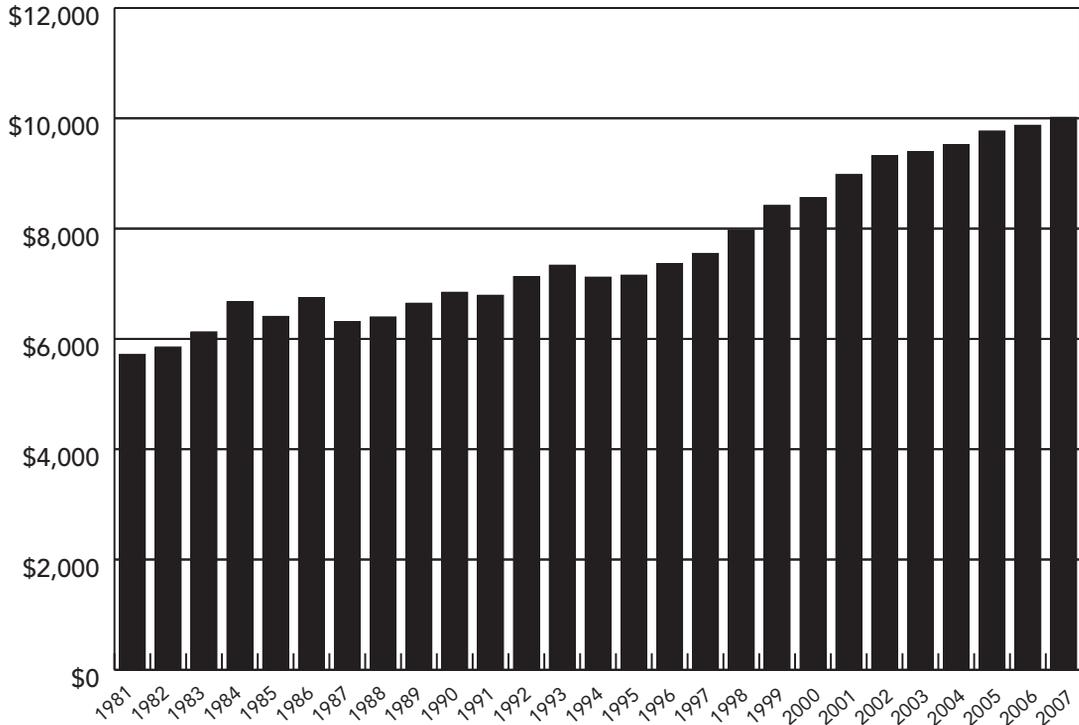
Money alone cannot solve these enduring problems. Indeed, because Ohio spends \$16.8 billion annually on public education – some \$1,930 for every adult living in the state – it is essential that policymakers ask a critical question: Is our investment bringing the returns it should in relation to the state's achievement gaps and other education performance challenges? Ohioans are digging deep into their pockets to pay for their schools. According to *Education Week's* latest cross-state analysis, Ohio spends about 4.2 percent of its taxable resources on

FIGURE 4. Inflation-adjusted Total Revenue for K-12 Public Education in Ohio, 1981-2007



Source: Ohio Department of Education, Center for School Options & Finance, Simulation, Foundation & Analysis Unit, adjusted using the Bureau of Labor Statistics' consumer price index inflation calculator (<http://data.bls.gov/cgi-bin/cpicalc.pl>)

FIGURE 5. Inflation-adjusted Per-pupil Revenue for K-12 Public Education in Ohio, 1981-2007

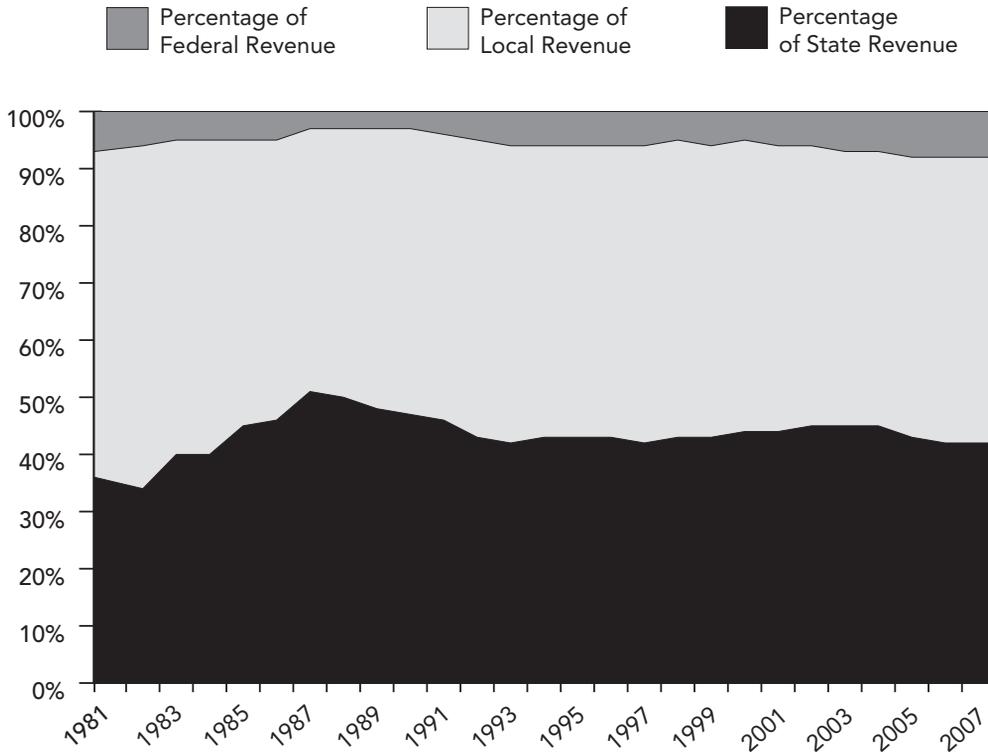


Source: Ohio Department of Education, Center for School Options & Finance, Simulation, Foundation & Analysis Unit, adjusted using the Bureau of Labor Statistics' consumer price index inflation calculator (<http://data.bls.gov/cgi-bin/cpicalc.pl>)

K-12 education – ranking it fifth among all states. Spending has also risen substantially in Ohio over the past quarter century, in both overall and per-pupil terms (see Figures 4 and 5). As Figure 5 shows, Ohio now spends over \$10,000 per pupil on its public schools. In short, Ohioans have been paying more and more for their public schools without getting the results that they seek. As illustrated in Figure 6, these funds come from a mixture of local, state, and federal sources, and the proportion of state funds has increased somewhat over the last quarter of a century. Requests for greater education outlays are typically accompanied by promises of rising performance, yet student achievement has remained stubbornly low – especially for disadvantaged students.

Further analysis makes clear that two fundamental flaws in the current school finance system make it impossible for Ohio's sizeable investment to pay off as it should. First, the funding system remains deeply **inequitable**, failing to direct funds to students with the greatest educational challenges. Second, Ohio funds schools in an **antiquated** fashion, one that has not kept pace with family mobility or with important policy advances on the school-choice front. Each of these flaws is discussed below.

FIGURE 6. Local, State, and Federal Shares of Ohio K-12 Spending, 1981-2007



Source: Ohio Department of Education, Center for School Options & Finance, Simulation, Foundation & Analysis Unit

## Remaining Inequities in Ohio's Funding System

Students arrive at school with widely varying educational needs. Some begin kindergarten ready to read and compute; others have already mastered these basics; still others have a great deal of catching up to do even at this early point in their school careers. A significant number of children have some kind of disability, ranging from common learning disabilities to much rarer and more severe impairments. And a growing proportion of pupils come to school from homes in which a language other than English is spoken.

In this context of diverse student needs, what would it mean for a school finance system to be “equitable”? In the age of No Child Left Behind, Americans now ask their schools to bring *all children*, regardless of their starting points and circumstances, up to a common level of achievement. It seems clear that these differing starting points and circumstances, however, call for different educational experiences, with some students needing more intensive interventions than others. More intensive interventions often require additional resources. For instance, a child who comes to school years behind her peers will need to “catch up,” perhaps through some

combination of longer school days and years, tutoring, and other special assistance. All of that costs money. The same goes for youngsters who, because of disabilities, cannot benefit from the regular classroom without additional support, and for students who must master English as they seek to master other academic subjects. Many contend that advanced or “gifted” pupils also need more resources in order to capitalize on their potential, and so on.

Equity, then, would appear to require sending more funding to schools that educate more students who are starting behind or whose circumstances create greater educational challenges. Ironically, school finance almost everywhere has traditionally operated in exactly the opposite manner, and Ohio is no exception. Because so much of education funding in the Buckeye State has long depended on local revenue from property tax levies, school districts have historically enjoyed widely varying amounts of financial support. This was especially true in Ohio at the time the *DeRolph* school funding case was filed in 1991 – and cited as one reason the state’s Supreme Court deemed the state’s education funding system unconstitutional. Since then, policymakers and legislators have modified that system to reduce inter-district inequities.

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## OHIO’S SCHOOL FUNDING SYSTEM: A BRIEF HISTORY

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*Since 1935, Ohio, like most states, has employed a “foundation program” as the core of its public education funding system. Under this program, public education is funded with both state and local monies. In Ohio, the General Assembly establishes a per-pupil spending level each year, which is intended to underwrite a basic education for each student. Responsibility for coming up with that dollar amount is then shared by the state and the local school district. The district contributes its share based on local property values, assuming the existence of 23 mills of taxation in each district. Whatever portion of the foundation amount the local district is unable to fund, the state then contributes.*

*Reliance on local property taxes to fund public education has long been a source of controversy in the Buckeye State and elsewhere. Indeed, it was one of the bases for *DeRolph v. the State of Ohio*, which alleged that the state was not providing adequate funding to ensure that Ohio’s children received the “thorough and efficient” education mandated by the state’s constitution. In 1991, the year of the first *DeRolph* filing, the portion of property value used for tax purposes ranged from \$16,169 per pupil (Huntington Local in Ross County) to \$275,155 per pupil (Cuyahoga Heights Local in Cuyahoga County). Thus 1 mill of tax garnered \$16 per pupil in Huntington and \$275 per pupil in Cuyahoga Heights.*

*The first Ohio Supreme Court decision (1997) sided with the plaintiffs and identified the following reasons for its ruling: inadequate school facilities; dysfunctional components of the foundation program; excessive emphasis on local property tax as the funding base; lack of relationship between funding levels and the “actual” cost of education (though this actual cost still remains elusive); and revenue that schools appear to be receiving but really are not (phantom revenue). The high court concluded by deeming the entire school funding structure unconstitutional and demanding its “complete systematic overhaul.”*

Over the next decade, state leaders took steps to modify and improve the basic education funding structures. By 2002, the year the Ohio Supreme Court washed its hands of DeRolph, a school facilities program had been implemented, the funding formula had been changed several times, and a small amount of additional money (about \$50 per child) targeted at specific student and school characteristics had been infused into the system via the “Building Blocks of School Funding” program.<sup>4</sup>

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**Progress toward inter-district equity.** The primary way that policymakers have moved toward equity is by ensuring the state provides greater funding to poorer districts than richer districts. How this works in practice is complicated, but here are the basics. A formula determines how much per-pupil funding a district needs. This formula begins with a base level, \$5,451 per student in 2007.<sup>5</sup> The state then determines how much of this funding will come from state versus local coffers. The higher a district’s property wealth (the basis for property taxes) the smaller share the state will pay. Relatively low-wealth Campbell City, for instance, received 80 percent of its foundation amount from the state in FY2006, while the state picked up just 5.2 percent of the tab in higher wealth Chagrin Falls. Some wealthy districts received no state funding at all for this foundation portion of school funding. This sliding scale is the primary way Ohio aims to enhance equity in its allocation of funding.

Base funding is just the beginning, however, and accounts for barely half of average total revenues for school districts. The state adds other sums of funding to the base amount to pay for special education, career-technical education, gifted education, and transportation. In addition, the state has two programs specifically designed to direct more funding to poorer districts. One is Parity Aid, which provides added resources to districts in inverse relationship to their property wealth. The other is Poverty Based Assistance (PBA), which adds more state money according to the proportion of needy families in a district. PBA pays specifically for certain activities and approaches, including class-size reduction in the early grades, all-day kindergarten, “extra” professional development, programs for English language learners, and intervention for struggling students.

Figure 7 illustrates how state funding works in two districts: Rocky River City (near Cleveland) and Cambridge City (in Guernsey County, on the edge of the Appalachians in eastern Ohio). These two districts had similar enrollments in 2005-06 (“average daily membership” of around 2,500), yet very different fiscal relationships with the state. Rocky River is relatively high-wealth, while Cambridge is relatively low-wealth. As Figure 7 demonstrates, the state’s system begins by calculating the basic funding needed by each district, largely based on enrollment. At this point, the two districts look similar; Rocky River’s funding is somewhat higher (\$14.1 million vs. \$13.3 million) because it has slightly more students and a cost-of-living adjustment raises its assumed costs. But then the two columns diverge. Because of Cambridge’s relatively low wealth, the state picks up 65 percent of this cost (\$8.6 million) – versus nothing for Rocky River. While their allocations for Gifted Aid are similar, Cambridge receives substantial sums for special education, career-technical education, Poverty Based Assistance, and Parity Aid –

totaling about \$2 million – while Rocky River receives none. Cambridge also receives more for transportation. Rocky River brings in more in a couple of areas, preschool and special education transportation. It also receives a substantial payment called a “Transitional Aid Guarantee,” which keeps a district’s basic state funding from going down from one year to the next. Still, the bottom line shows that total state funding for the public schools of Cambridge (\$12 million) dwarfs that of Rocky River’s (\$1.3 million).

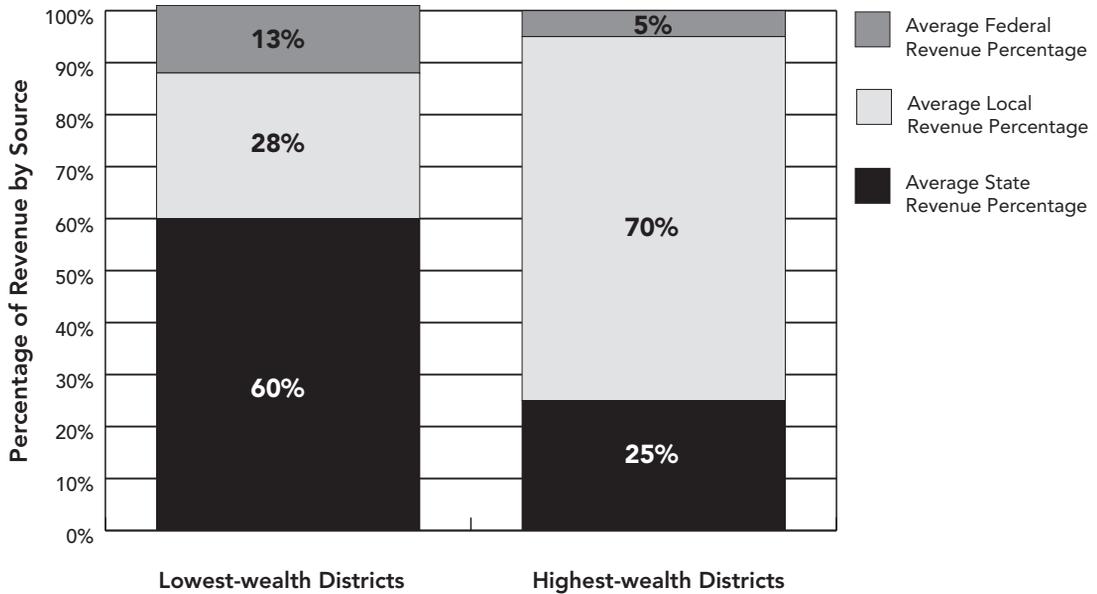
FIGURE 7. Comparison of State Funding Calculations in a Low- and High-Wealth District

	Cambridge City (lower wealth)	Rocky River City (higher wealth)
Enrollment (ADM)	2,483	2,546
State-provided Share of Base Funds Needed (based on district wealth)	64.7%	0%
District's Contribution (based on wealth)	\$4,691,790	\$15,476,627
Total Formula Aid from State	\$8,585,436	\$0
Gifted Funding	\$40,622	\$46,642
Special Education Funding	\$787,180	\$0
Career-technical Education Funding	\$48,469	\$0
Poverty Based Assistance	\$694,704	\$0
Parity Aid	\$1,317,706	\$0
Transportation		
General	\$498,646	\$344,529
Special Education	\$7,868	\$52,228
Preschool	\$0	\$50,249
Transitional Aid Guarantee	\$0	\$818,648
Other	\$33,667	\$20,224
<b>Total State Foundation Aid</b>	<b>\$12,014,298</b>	<b>\$1,332,520</b>

Source: Ohio Department of Education SF-3 Reports (FY 2007)

This pattern holds true across Ohio, with the state providing a larger share of funding in lower wealth districts. As Figure 8 shows, the poorest districts receive 60 percent of their funds from the state, while the richest receive just 25 percent. This is, in fact, exactly how a well-crafted “foundation” program is supposed to work, and at the state level Ohio has made real progress in improving educational equity across districts.

FIGURE 8. Revenue by Source by District Wealth, Fiscal Year 2007



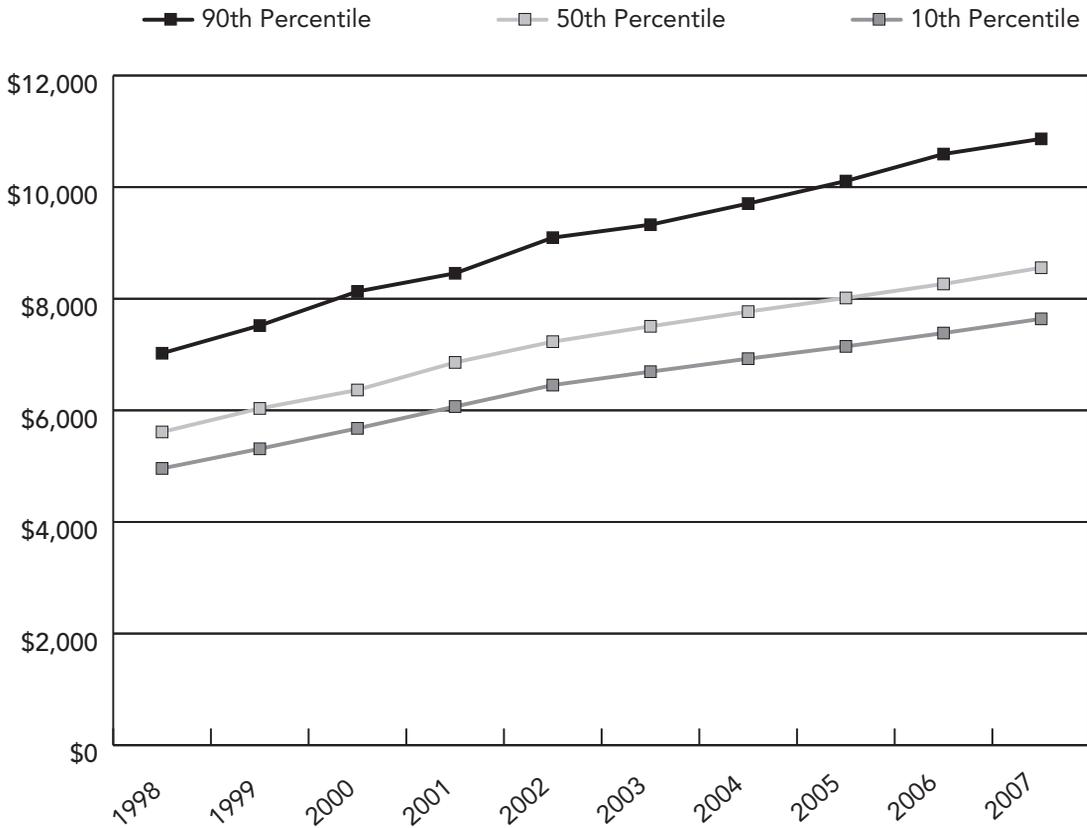
Source: Ohio Department of Education SF-3 Reports (FY2007)

In addition to shoring up low-wealth districts' operating budgets in this way, the state has provided considerable additional resources to help poor districts pay for school construction and renovation. Created in 1997, the Ohio School Facilities Commission formed a unique partnership between the state and local school districts to renovate and replace deteriorating and inefficient school facilities. As of 2006, the commission had completed work on over 480 school buildings with another 300 in progress and had spent nearly \$5 billion. The state's poorest districts were first in line for these facilities dollars.

**Remaining inter-district inequities.** These changes have contributed to a more equitable public school funding system for Ohio at the district level. In 2000, *Education Week* gave Ohio a grade of D+ for school funding equity. In 2008, Ohio had reached the top half of the states with a grade of B-. On one of *Education Week's* indicators of equity – the gap in funding between districts at the 95th and 5th funding percentiles – Ohio's gap was \$2,644, the nation's eighth smallest gap and far below the national average of \$4,725. And in the most recent edition of its annual *Funding Gap* report, Education Trust cites Ohio as one of just ten states that have decreased the funding gaps between low- and high-poverty districts.<sup>6</sup>

Despite these improvements, inter-district inequities remain. They are the result of local decision-making, local priorities and, perhaps above all, local resources. Consider the real bottom line in the two districts profiled in Figure 7. While Cambridge City received over \$10 million more in state funding than Rocky River received in FY 2006, Rocky River ended up spending about \$28 million overall, compared to Cambridge's \$24 million – a gap of almost \$1,500 per

FIGURE 9. Expenditure Per Pupil by High-, Median-, and Low-spending Ohio Districts, 1998-2007



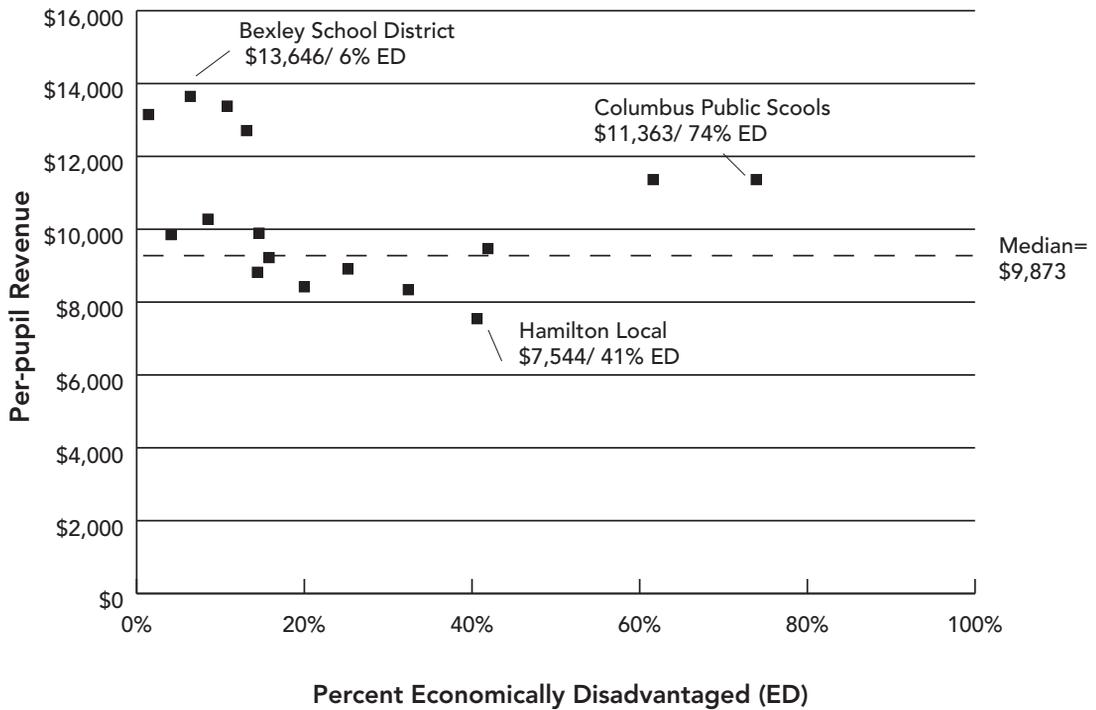
Source: Ohio Department of Education, Center for School Options & Finance, Simulation, Foundation & Analysis Unit

pupil. The difference? Local funding added to the mix by Rocky River. Cambridge taxpayers added \$3,070 per pupil to what the state provided while Rocky River’s citizens chipped in \$8,750 per child. The gap in local funding more than exceeded Cambridge’s edge in state funding, resulting in higher overall spending in Rocky River despite the state’s equalization effort.

The experience of high- and low-spending districts over the past 10 years (see Figure 9) illustrates that significant funding gaps persist despite praiseworthy state attempts to close them.

In 1998, a high-spending district in Ohio (one at the 90th percentile of spending) spent 25 percent more than a median-spending district. A low-spending district (at the 10th percentile) spent 12 percent less than a median-spending district. In 2007, the spending of a 90th percentile district was 27 percent above the median; a 10th percentile district was 11 percent below. Thus in almost a decade, the gap between high-spending and low-spending districts has hardly changed, in percentage terms. Ohio’s gap on this measure is relatively modest by national standards, yet it persists.

FIGURE 10. District Per-pupil Revenue in Franklin County, Ohio (2005-06)



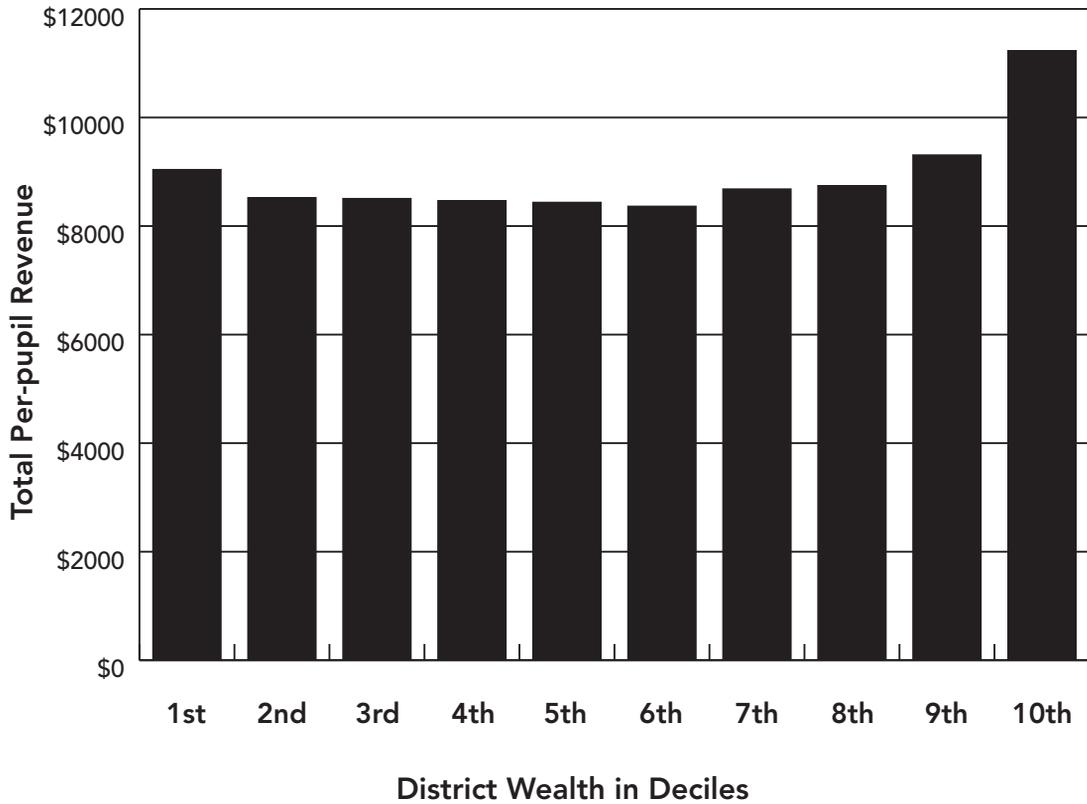
Source: Ohio Department of Education - Interactive Local Report Card

To see how this inter-district inequity plays out in one county, see Figure 10’s display of how Franklin County’s districts fare. While some relatively poor districts, like Columbus, had relatively high per-pupil revenue, a cluster of districts on the left side of the chart – with very little poverty – brought in the most revenue per pupil. Enrolling 40 percent poor children, Hamilton Local brought in \$6,000 less than Bexley, yet they are just nine miles apart.

A critical part of this story is that local districts, with voter approval, may add funds beyond the amount generated by the state’s foundation program and various state and federal categorical programs. Of course, wealthier districts are in a much stronger position to do this than are poorer districts. So while the state’s equity efforts have helped poorer districts obtain more resources, a large gap in resources available for education remains between high- and low-wealth communities. As Figure 11 shows, the highest tenth of districts in Ohio still spend substantially more than other districts. The poorest districts have been boosted by state efforts, but overall funding remains lower in the bottom four-fifths of districts. In sum, well-heeled suburbs have opted to spend more of “their own” money on the education of their children, even as the state sends more of their tax dollars to poorer communities.

**Intra-district inequities.** Consequential as they have been, the state’s fiscal equalization initiatives have only affected equity among districts. The great injustices that remain in Ohio’s school

FIGURE 11. Total Per-pupil Revenue by District Wealth, Fiscal Year 2006



Source: Ohio Department of Education - Interactive Local Report Card

finance system now arise *within* districts, not among them. Once funding reaches a district, no mechanism exists to assure that the district allocates dollars equitably across its schools. This is not a unique Buckeye State problem, by any means. Scholars such as Marguerite Roza and Paul Hill and prominent organizations such as the Education Trust have documented how districts all over America, especially large urban districts, allocate resources in ways that typically favor schools with more affluent populations.<sup>7</sup>

The chief culprit in these intra-district inequities is the way that school staffing and teacher pay works. In most places, including most Ohio districts, the lion's share of teacher pay (and accompanying benefits) depends upon how much experience a teacher has and what kind of degrees or credentials he or she has obtained. Thus a veteran teacher earns substantially more than a novice, and a teacher with a master's degree or doctorate earns substantially more than a teacher with only a bachelor's degree. If teachers with different experience levels and credentials were evenly distributed around a district, per-pupil spending on teacher pay would be about equal from school to school. But in reality, many studies have shown that teachers tend to gravitate toward more affluent schools (and schools attended by better-behaved children,

often in wealthier neighborhoods) as they accumulate experience and degrees. The result is that schools serving the most challenging pupils, and operating in the toughest neighborhoods, rarely receive funding allocations equal to the challenges of serving their students effectively. Thus youngsters with the greatest needs for experienced staff, specialized programs, and additional resources get shortchanged due to these intra-district inequities.

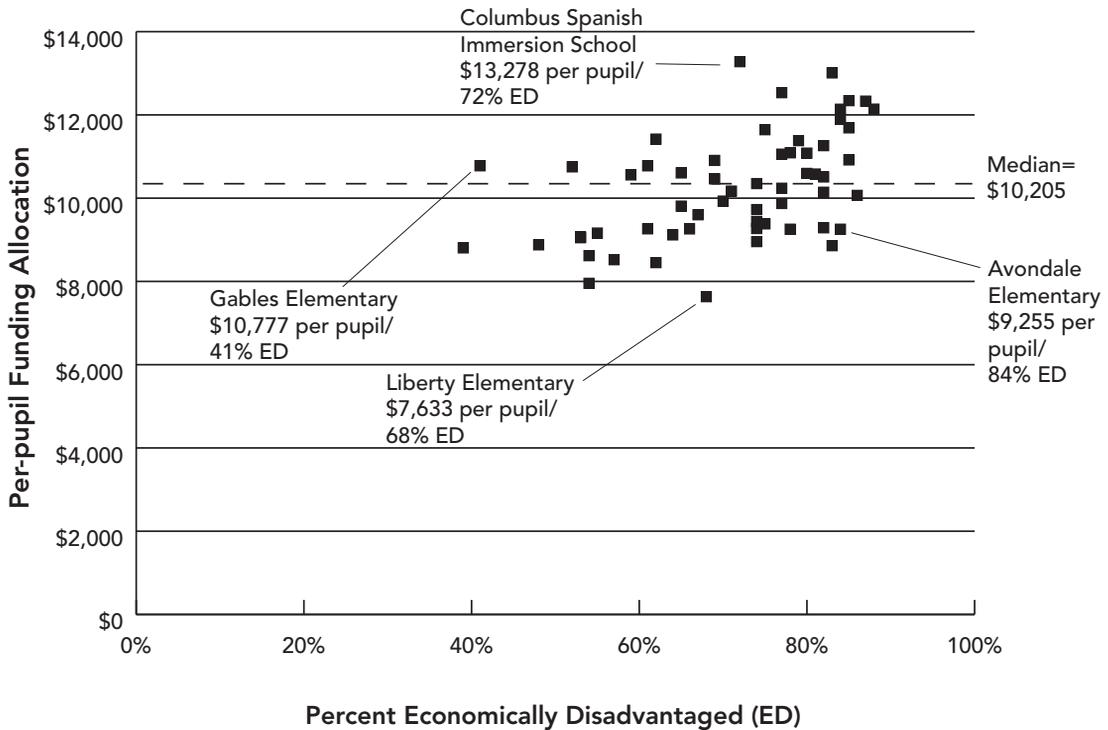
Unfortunately, as in many states, Ohio has no reliable statewide data about building-level revenues or expenditures. This dearth of information follows from the way that district finances typically work. Instead of actually sending money to schools, districts typically spend most of it *on behalf* of their schools. So districts hire and pay teachers and other personnel; provide staff benefits; operate bus and food services; and finance most other activities that go on in schools. Schools generally receive just a small portion of overall school funding in the form of real dollars that they can spend as they see fit. For instance, elementary school principals in one Ohio district receive only a three-line budget: one line each for supplies, equipment, and professional development. While the total budget per elementary school was \$2.3 million to \$3.3 million, the money that the principal sees and controls amounts to under \$12,000. The rest of the school's resources come in the form of staff positions and services rendered. Consequently, it is difficult – if not impossible – to determine how much is spent at a particular school site.

In some districts, however, one can obtain school-level data. Figure 12 shows the per-pupil funding allocation for a sample of the Columbus Public Schools (CPS) in 2005-06; it also shows the wide budgetary range from one school to the next. While some schools in the city receive funding similar to that of Bexley – the highly funded Franklin County district at the top of Figure 10 – others more closely resemble the funding of poorer Hamilton Local. It turns out that, in terms of funding, which school a student attends within CPS is just as important as which Franklin County district she calls home.

It would be one thing if the better-funded schools were those with the greatest needs. But Figure 12 also shows that funding levels are only loosely related to the proportion of a school's students that live in poverty. For instance, despite educating a pupil population (of similar numbers) that is predominantly low-income (84 percent), CPS's Avondale Elementary receives \$1,500 less per-pupil than Gables Elementary, whose student population is just 41 percent disadvantaged. While critics of such a comparison may argue that students with special needs could cause the "appearance" of intra-district inequities, Figure 12 includes only those elementary schools with relatively small numbers of disabled student populations. See Appendix B for specific schools and their information used in the sample.

Such intra-district inequities in funding – along with lingering inter-district imbalances – create serious obstacles to improving the academic and financial prospects of disadvantaged students and producing a talented workforce that will help Ohio compete globally. To alter this situation, the state must focus far greater efforts on designing a system that will better deliver an equitable education for all students, a system that affords all young Ohioans an equal opportunity to succeed.

FIGURE 12. Per-pupil Allocations – Columbus Elementary School Sample (2005-06)



Source: Ohio Department of Education - Interactive Local Report Card  
 Note: Limited to those with 5-15% disabled populations

## A System Out of Step with Today's Realities

As severe as these equity challenges are, they are only half of the problem with Ohio's school funding system. The other half is the antiquated nature of a system built to work in a time when most students attended their assigned, district-operated neighborhood schools throughout their K-12 careers. In reality, however, the proportion of students opting for schools other than their assigned district school has grown substantially with the advent of public school-choice options (as well as vouchers, home schooling, and such). Community schools, often known as charter schools, are one source of these choices and represent an option that over 76,000 Ohio children now select. The proportion of children attending district schools in Ohio has declined slightly over the past ten years to its current level of about 86 percent.

Families also have more options within school districts – through magnet programs, the opportunity to request transfers from their assigned schools, and new choices such as STEM high schools. One study of the Columbus Public Schools found that over 41 percent of CPS students (9,847) in grades one through five were *not* attending their address-assigned schools in

2005; that figure did not even include charter school attendees.<sup>8</sup> Many Ohio districts have moved to offer more public school options. For example, in Cincinnati there are no high school assignments based on residence – every student chooses a high school to attend. Elementary and middle school students have numerous alternatives as well.<sup>9</sup>

Despite these historic developments in matching students with schools, funding systems have not kept pace. School funding still flows primarily to districts, which then parcel out dollars to schools or spend funds on their behalf. If a student moves from one school to another within the district, the district may or may not move resources. Typically, districts do not have any explicit mechanism for shifting funds in this manner and are more apt to keep the bulk of resources where their teachers are rather than where their pupils are. The result is that a school of choice within a district could easily end up with a much larger or smaller share of resources than one might think it needs based on its student population. A magnet school, for example, that ends up attracting a higher-than-average share of needy students, would not automatically receive more funding as a consequence. And as enrollment shifts over time among district schools, few districts have mechanisms to ensure that funding follows children who need it to the schools they actually attend.

When a student opts out of a district altogether to attend a community (aka charter) school, there is an explicit mechanism through which money is supposed to “follow the child” to the new school, but it is deeply flawed. In Ohio, the state and federal funds actually follow the child to community schools, while the vast majority of local tax dollars stay behind in the district. The state seeks to make up for the shortfall by providing the community school with more dollars per pupil than it ordinarily would provide to the district – but these funds only partially close the gap. And community schools in Ohio receive no help whatsoever with facility costs. A Fordham Institute analysis of community school revenue in 2002-03 in Dayton and Cleveland found that these schools received 31 percent less in overall revenue than their host districts. This variance made Ohio one of the most inequitable states for charter school finance. Nationally, the average gap was 22 percent. Ohio’s per-pupil gap amounted to \$2,564 per student; that means a 250-student community school received \$641,000 less than it would if operated under the district finance system.<sup>10</sup> So while a growing number of students now take advantage of public school choice in its proliferating varieties, Ohio’s finance system has not kept pace. Its funding mechanisms leave community schools and their students with substantially less resources, and schools of choice of all sorts find themselves with resource levels unmatched to the needs of their pupils.

## FIXING AN INEQUITABLE AND ANTIQUATED SYSTEM: WEIGHTED STUDENT FUNDING

Transforming Ohio's education finance arrangements into a 21st century system designed to foster excellence and equity would require a complex set of changes. This report does not claim to tackle every issue associated with a weighted student funding (WSF) system. Instead, it focuses on a set of changes that would help systematically to reduce funding inequities at the school and district levels while simultaneously addressing the antiquated nature of the system. Nor did this idea arise for the first time in these pages. A recent report by Achieve, Inc. and McKinsey & Co. cites WSF as a linchpin of Ohio's needed education transformation into a "world class" model.<sup>11</sup> And a school funding subcommittee of Ohio's State Board of Education has expressed significant interest in such a reform.

WSF rests on three key principles:

- full state funding follows the child to the public school that he or she attends;
- per-pupil funding amounts are weighted according to students' specific needs and circumstances; and
- resources arrive at the school as real dollars (not teaching positions, programs, etc.) that can be spent flexibly with emphasis on results, rather than predetermined and inflexible programs or activities.<sup>12</sup>

The core of today's finance system in Ohio is based on a foundation amount per student, which would be the starting point of a WSF system as well. The current system also "weights" some students, namely those with disabilities, providing districts with more money as their disabled populations rise. Other add-ons recognize higher costs for students in poverty, students learning English, and gifted students.<sup>13</sup> Yet Ohio's present system falls short in several critical respects:

- **State funds only.** The state's effort to allocate money in line with students needs involves only state and federal funds. Local funds – half the money – are not part of the package. By contrast, a fully implemented WSF system would provide incentives for localities to allocate their funding according to weighted, student-based principles as well.
- **Minimal weighting.** Even when distributing state funds, Ohio's present system incompletely addresses differing student needs. Special education students are the only children that directly generate additional money for a district or community school. Districts with more poor students receive more total money but not through a direct money-following-the-child mechanism. Instead, districts with lower wealth or higher proportions of families in poverty receive more money under a complicated set of formulas. Under WSF, all students would generate certain amounts of funding for the schools they attend based on individual children's needs and circumstances.
- **Funds not following children to schools.** To the extent that money follows children who need it, under Ohio's present arrangement it follows them only to the district level. Districts then may or may not allocate funds to the schools that the students generating the funds attend. And when students choose community schools, less than 100 percent of funding follows them. Under WSF, all funding generated by a child would flow to that child's public

school, regardless of what kind of school it is or where it is located. If a student changes schools, funding moves as well.

- **Strings attached.** Much of the money intended to help needy students comes to districts in forms that must be spent in prescribed ways (e.g., for professional development or dropout prevention). Districts cannot simply allocate the extra money in whatever ways they believe will meet the needs of their students. And unless their districts decide otherwise—far from the norm in Ohio today—schools have even less flexibility in how to spend funds. Under WSF, schools could spend their resources as they see fit to maximize the chances that their particular students will succeed.
- **Lack of transparency.** Because of Byzantine formulas and the fact that few districts account for their education budgets or outlays at the school level, it is almost impossible to tell how funds are being raised and spent. Under WSF, a transparent data system would make it easy to determine how much each student generates, how much each school receives, and why.

A true WSF system in Ohio would promote greater financial equity among and within school districts, modernize the state’s antiquated education funding system, and foster greater transparency. In the process, WSF could greatly improve the conditions for meaningful student-centered education reform in Ohio to succeed.

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## HOW WSF DIFFERS FROM POVERTY BASED ASSISTANCE

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*Ohio’s Poverty Based Assistance (PBA) program provides additional funds to schools to serve economically disadvantaged students. How does it differ from funding the child? We find three major distinctions:*

- *PBA addresses inter-district funding equity gaps by funneling additional state dollars to districts based on their poverty rates. However, Ohio’s PBA program does not address intra-district inequities as districts are not obliged to spend the added funds in the buildings that disadvantaged students attend.*
- *Under PBA, districts qualify (or not) for funding based on the proportion of needy families living within the district, so how much money is available for an individual student hinges on the district’s overall poverty rate. An economically disadvantaged student in a poor district will generate more funding than a similar student in a wealthier district, although both students face similar education challenges. Under WSF, funding is allocated per economically disadvantaged pupil and accompanies that child to the building she or he attends, regardless of the overall poverty level in the district.*
- *The state dictates the activities on which PBA dollars may be spent. Under WSF, schools could decide how best to deploy the funding to meet the needs of their disadvantaged students.*

**It's important to note that WSF is not concerned with "adequacy."** Many recent legal cases around the country have been based on an effort to define an "adequate" level of per-pupil spending for public education and then use the courts to order that amount be made available to schools or districts whose funding currently falls short. The assumption underlying such cases is that "if we add more resources to the current system of schooling, somehow our schools will produce higher results." These cases too often rest on questionable methods for calculating what is "adequate." For example, one common method asks educators to devise what they regard as an optimal education system, and then attaches a cost to the resulting wish list. "Adequate," so construed, actually means "everything we educators deem necessary!" Other methods are somewhat more rigorous, such as examining research about what school practices "work" and what those cost, or looking at how much successful schools actually spend. Yet all these methods sidestep the fundamental point that it is elected officials, not judges or experts, who must determine how much the public will pay for public education. WSF is a mechanism for allocating in an equitable, rational fashion whatever level of resources is available. Policymakers can then determine what level of resources to devote to K-12 overall, with money following children within the WSF system's assumptions.

Important components of WSF have been implemented elsewhere. Several large school districts –including San Francisco, Cincinnati, Houston, Edmonton (Canada), Seattle, and Denver – either are using or plan to implement finance systems adhering to some of the primary WSF principles. To date, however, no *state* has undertaken the task of designing, implementing and evaluating such a system statewide. (One exception is Hawaii, yet because the entire state consists of only one school district, its experiences are atypical.)

From these experiences we have learned that there is no sure way to establish how much money each child “needs” to be properly educated. Yet experience has certainly taught valuable lessons about the comparative costs of educating children from different circumstances, with differing needs and different starting points. WSF is designed to ensure that all children carry with them an amount of education funding that is proportional to their education needs. The amount attached to each student is calculated by taking a base sum and adding funds determined by “weights” assigned to various categories of student need, so the weights take the form of a percent of the per-pupil base payment. For instance, if the per-pupil base were \$5,000, a child with a specific kind of disability might have \$1,000 dollars added, an amount equal to 20 percent of the base. Overall, this student would be weighted at 1.2 – the sum of 1 as a base amount plus 0.2 for the special need characteristic. A student living in poverty might generate an additional \$1,250 and therefore be weighted at 1.25. A student with more than one need characteristic would generate the combination of supplements. As a result, schools that enroll the students with the greatest educational needs would generate the most funding. For more on how WSF would work in practice, and how it would affect different kinds of schools and districts, see Appendix A.

Ohio, like many states, currently bases part of its school funding formula on methods like this. As described above, however, Ohio’s current system falls far short of the WSF idea. If the child moves to another district, the dollars do not, in general, follow her. If she moves to a community school, only a portion of the dollars follow. And of course, there is no guarantee that the dollars allocated for special student characteristics will find their way to the particular school that the child attends. Under WSF, all dollars would follow the child if he or she moves from one school or district to another as well as from building to building within a district.

In principle, revenue for WSF could come from any source. It could be all local, all state, or some mix. To tap the full power of WSF, however, policymakers would design a system in which all or nearly all of public funding for public education – \$10,000-plus per student in Ohio – is allocated according to student needs as duly weighted. That kind of full implementation may not be politically feasible in Ohio (or any state) in the short run, but policymakers could make significant progress by allocating all *state* dollars in this way. Given the heft of local funding, however, such a compromise would leave a huge portion of funding in the inequitable and antiquated system of the past. As a result, Ohio policymakers should also consider ways to encourage districts to allocate their own supplemental dollars according to WSF principles and weights. For example, state funding for a district might rise along with the percentage of local funding that the district allocates via WSF. Districts

would still control local funds, but they could garner more state resources by using WSF for those local dollars.

## **WSF, Principal Autonomy, and Site-based Management**

As funds in a WSF system follow each child to school, they do so as spendable, flexible dollars – not as teacher salaries or staff positions. Therefore, an important question arises: Who makes key spending decisions? In a WSF system, the aim is to place this decision-making authority at the building level, so that school leaders can tailor the instructional program in their buildings to the educational needs of their pupils. Because dollars follow students to the school level, principals would gain far greater budgetary autonomy – and with it, the solemn responsibility for making decisions vital to the interests of their pupils as well as increased expectations and accountability for success. For example, school leaders would determine their staffing needs and make hiring decisions, as well as decide academic program offerings, scheduling and the use of school time, and such issues as whether to “buy” professional development from the district or from other “vendors” (see Figure 13).

Placing greater authority in the hands of school leaders makes good sense on a host of grounds unrelated to school finance systems. Pressing authority downward to the actual performance unit is a key tenet of modern management across practically all enterprises. Typically, the increased authority brings with it increased accountability for results—and the authority is needed if the principal is successfully to shoulder responsibility for his or her school’s results. In education, recent reforms (including No Child Left Behind) have already vested responsibility for results at the school level – but districts have not delegated the commensurate authority for schools to produce high results. Moving authority to the building level in conjunction with WSF would therefore complete the authority-accountability pairing that is so integral to high-performing organizations.

For most schools and districts, granting principals this much discretion would mark a radical departure from central office-dictated spending and top-down management. Not every school leader is ready (or eager) to shoulder such authority today. Hence, devolution of responsibilities and decision-making should be implemented gradually and based on a benchmarked process for deciding which schools and principals are prepared for the challenges of site-based management. At the outset, for example, schools might develop their own budgets and academic plans – and then seek central office approval before implementing them. Yet the aim of WSF is to move as quickly as feasible toward a system in which schools possess budgetary and management authority commensurate with their accountability for student results. As the Achieve, Inc. and McKinsey & Co. Ohio report affirms, “districts should provide principals the time, resources, and authority to lead a transition [to a world-class education system] that the State can support with targeted resources.” Empowered principals who are granted such authority and held to strict accountability measures of success comprise an integral part of high-performing education systems in America and across the globe.

FIGURE 13. Types of Principal Discretion Made Possible by a WSF System

<b>Staffing needs</b>	Deciding how many teacher, administrator, and other positions the school building should have and at what levels of pay
<b>Staff hiring decisions</b>	Recruiting and hiring the best teachers for the school – within their budgets, balancing, for example, the number of more expensive and experienced teachers with younger, less expensive teachers, as well as aides, tutors, and other staff members
<b>Academic program offerings</b>	Choosing the courses to be offered, the curricula to be used, and instructional strategies to be employed
<b>Scheduling/use of time</b>	Selecting a schedule that provides students with the needed instructional time in workable configurations
<b>Non-academic decisions</b>	Deciding how to provide such ancillary services as maintenance and food services

The role of principal must change for a WSF system to bear full fruit. Under WSF a school’s principal is both chief executive officer and chief academic officer. Principals would possess and deploy resources in accord with their decisions regarding best practices to be implemented in the building to meet their pupils’ education needs. They would also be able to target resources at coaching and developing teachers, all in the interest of improved student achievement.

Filling this new role will not come easily to some current school leaders, whose training rarely prepares them for such autonomy and who may lack the appetite for it. The Ohio Department of Education, universities, local school districts, and other organizations would need to provide ongoing training, support, and resources aimed at principal development. Under a WSF system, school leaders would be expected to make decisions about the school’s finances as well as its instructional programs. Thus districts may seek to provide training or even deploy central office staff with such expertise to coach or mentor individual principals. (Under its WSF system, for example, the Houston Independent School District placed fiscal managers in buildings to assist principals.) The Achieve, Inc. and McKinsey & Co. report suggests that it will be necessary to provide financial incentives to compensate this new breed of principals for their added responsibility and accountability.<sup>17</sup> And as districts hire new principals in the future, they would need to seek out a different set of skills and competencies than they have in the past.

## A New Role for Districts

In a weighted student funding system, Ohio's school districts and their central office staffs will also see their roles change significantly. Currently, most central offices act as decision-making hubs for instructional and budgeting issues and as central management for a complex bureaucratic system. As state and districts devolve funds to the building level, however, central office staffers will find themselves thrust into more of a supporting role. District-level curriculum staff will still work with principals and teachers to improve student learning. Central office accountants and bookkeepers will still review expenditures. And, of course, superintendents will still be asked to provide a vision for the future and engage in the even more critical task of selecting principals and holding them to account for their performance. Yet all of these parties will come to support and empower smart and effective building-level decision-making that serves the needs of students.

Put another way, in a WSF system the primary responsibility of the central office changes from being product-and-control-oriented to being service-oriented. Rather than prescribing specific academic programs, for example, central office administrators will focus on establishing transparent methods of accounting, evaluating students and staff, and developing other "systems that support school sites' expanded authority."<sup>18</sup> Central office personnel will provide reports to the schools on budgets and student achievement. They will train principals in their dual role as financial and instructional leaders. Some central office services, like teacher professional development, would become options for schools to "purchase" if the district makes a more compelling case than alternative vendors. It is possible, therefore, that certain central services would "go out of business" – or transform themselves into high-performing, highly sought-after service providers for their schools. Elements of this kind of system are being piloted in districts such as New York City; WSF would make it standard practice in Ohio.

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### A CASE STUDY IN WSF: HOUSTON INDEPENDENT SCHOOL DISTRICT

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*In 1990, the Houston Independent School District (HISD) issued "A Declaration of Beliefs and Visions."<sup>19</sup> The document introduced the need for reform in order to improve academic achievement among students in an effort to strengthen the city, recognizing the "linkage between the effectiveness of the district and the well-being of all the citizens of Houston."<sup>20</sup> Between 1991 and 2001, major decentralization efforts were undertaken. By 2001, the board acknowledged that the program outlined ten years earlier had not yet been fully realized. They reaffirmed its purposes, goals and values – as well as the earlier board's pledge to move forward an effort of reform. This was again reaffirmed in 2004.<sup>21</sup> By 2007, shared decision-making with input from entire communities was the norm at the school level.*

*The goal of HISD's WSF program was to direct 80 percent of district revenue to the "campus level."<sup>22</sup> By 2002, this initial effort grew into a school-based budgeting system with nearly 66 percent of the "adjusted general operating funds" being devolved to the schools. Houston's WSF system includes weights for each grade level, mobility rate, and specific student popu-*

lations (gifted, career-tech, bilingual, low-income, and special education). HISD also has a small school subsidy that consists of a per-student allocation of \$1,116 in 2007.<sup>23</sup> Staffing decisions are made at the building-level and carryover balances are permitted. District average salaries are currently being used in the formula, with plans to adjust to actual salaries in the future.

Houston certainly faced challenges at the onset of WSF. There was resistance from wealthier schools and communities that lost money under the new system. Prosperous parents complained that they were paying more into the system than their schools were getting back. To head off this complaint, the superintendent pledged to keep the tax rate flat for five years. Once the system was in place and student achievement was on the rise – with no increase in taxes – support for the new approach was easier to come by. In fact, the planned phase-in for the WSF system was able to be shortened because resistance did not surface.<sup>24</sup> Another notable feature addresses transparency. With WSF, the HISD “Resource Allocation Formula” can be delineated in less than two pages, with 15 line items including Title I and Title III funds.<sup>25</sup>

Overall, the result in HISD has been increased equity with respect to intra-district funding. Prior to implementation of WSF (1999), nearly 50 percent of the schools in the district were receiving an amount of funds within 5 percent of the weighted average expenditure, slightly less than 30 percent were above this mark, and nearly 20 percent were below it.<sup>26</sup> By 2000, only one year later, HISD went from 72 percent of its schools with allocations above or below the weighted average expenditure by 5 percent or more to only 49 percent.<sup>27</sup> In 2002, 75 schools’ budgets decreased, 56 of which had predicted enrollment decreases, and 75 schools’ budgets increased.<sup>28</sup>

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Though a weighted student funding system has many virtues, they do not come without a challenging transition. This report does not offer detailed recommendations for resolving all of the challenges; rather it outlines some of the most important ones and suggests possible ways to proceed.

## 1. Paying for the transition

Any change in school funding tends to create “winners” and “losers” in relation to the present system. Some districts and schools that fare relatively well under current arrangements will find their revenues declining even as other districts and schools on the short end of today’s equity stick will find their funding on the rise. Making this kind of shift is, of course, one of the primary reasons for moving toward WSF in the first place. The only way to avoid having “losers,” however, is to add new money to the system while making the transition – essentially, guaranteeing that no district or school will be worse off (in the short term) than it was under the old system.

The prospect of new money may seem like a “deal breaker” to many policymakers, especially considering Ohio’s fiscal climate circa 2008. Yet history makes clear that such transitions can be paid for over time. Over the last 25 years, Ohio has added an average of \$760 million per year to K-12 education. In no year since 1981 has spending risen by less than \$376 million. As a result, the overall picture is one of new money flowing fairly steadily – and notably faster than inflation (recall Figures 4 and 5). A long-term view suggests that Ohioans are willing to dig deeper to pay for education, but in return they want results.

Increases have been used in the past to pay for all kinds of priorities, including lots of across-the-board spending boosts. The idea here is to use future increases as needed to pay instead for the transition to WSF. Indeed, the Buckeye State has a record of this kind of transitional aid as it has gone through previous changes in school finance, guaranteeing that districts do not lose money in the near term as new financial regimes come into force. The same could work for WSF, via payments made to “losing” districts. Over time, these districts would see smaller (or no) *increases*, but protecting districts from loss would provide them time to adjust to their new trajectories of school funding. In addition, communities with the wealth to afford it could always make up any difference by further supplementing state revenues with additional local revenues.

## 2. Other transition issues

Transitioning to a WSF system requires both an assessment of how long is necessary to plan and implement such a system as well as an assertive schedule for making it happen. From a statewide perspective, policymakers will need to create appropriate policies for allocating funds, as well as determine which student characteristics to weight and by how much. They will need time to assess the impact of funding reallocations on particular districts and schools – as well

as on extant collective bargaining agreements. District leaders will need to review and perhaps reconsider staffing requirements at particular buildings based on student needs and possible funding reallocations. And principals will need support while preparing to assume the additional responsibilities of effectively managing their schools' budgets. Given the number of moving parts necessary to make WSF work, the temptation will surely arise to prolong its implementation unnecessarily or defer it altogether. To offset this human tendency toward maintenance of the status quo, policymakers must inject a healthy dose of pressure and assertiveness into the process. Fortunately, Ohio's funding system has, to some extent, already embraced core concepts of WSF – a student-based foundation as its starting point, with some recognition that different students should generate different levels of funding. Weighting particular pupil characteristics and then devolving those funds based on building-level needs are, in many ways, the next logical steps down the path on which Ohio has already set foot. With some judicious planning and a firm hand, the core funding mechanisms of WSF could be implemented – and implemented ably – within just a few years.

### 3. Setting weights for student needs

36 | Selecting which student needs to weight and by how much is obviously central to WSF. It should be undertaken by legislators and state education officials with input from a variety of stakeholders, constituencies, and experts. In addition, it is instructive to look at how districts that have implemented WSF have elected to set weights. Figure 14 summarizes the systems used by four such districts. As the figure displays, each of these districts weight a variety of special education categories. With the exception of Houston, these weights increase with the severity of disability. All four systems also add funding for students with limited English proficiency, though the weights range from 0.1 in Houston to 0.4828 in Cincinnati. Three systems weight for poverty status, three for gifted, and three for career-technical students. The districts diverge on how to weight different grades. For example, three provide more funding for high school students, but Seattle gives less.

These differences suggest there is no “right” weighting scheme. In addition, it is important to note that these systems have evolved over time through ongoing political debate and trial and error. Consider Seattle, which initially decided to weight test scores, with low-scoring students receiving higher weights, but abandoned this weight after it turned out to be a disincentive for raising student achievement.

Special interest groups will inevitably try to influence the weighting process. While all input must be considered and evaluated, decisions about how best to fund student needs must be made and should be made by disinterested parties, taking into account all relevant advice. Adjusting and readjusting weights are steps in a process that occurs over time, not a one-time activity. One key virtue of the weighted system is that at any point in time the current method of allocation is transparent, not obscured by a complex series of programs and formulas. And debates about future program evolution can center transparently on how to adjust the weights as well as how much total money the state and its communities will spend on public education.

FIGURE 14. Summary of Weights Currently Used by WSF Districts

Base Weights	Cincinnati	Edmonton	Houston	Seattle
Preschool	1.0000	1.0000	1.0000	1.0000
Kindergarten	1.2000	1.0000	1.0000	1.0000
Grade 1	1.2000	1.0000	1.0000	1.0000
Grade 2	1.2000	1.0000	1.0000	1.0000
Grade 3	1.2000	1.0000	1.0000	0.9500
Grade 4	1.0000	1.0000	1.0000	0.9500
Grade 5	1.0000	1.0000	1.0000	0.9500
Grade 6	1.0000	1.0000	1.0035	0.8600
Grade 7	1.0000	1.0000	1.0035	0.8600
Grade 8	1.0000	1.0000	1.0035	0.8600
Grade 9	1.2000	1.0300	1.0138	0.8900
Grade 10	1.2000	1.0300	1.0138	0.8900
Grade 11	1.2000	1.0300	1.0138	0.8900
Grade 12	1.2000	1.0300	1.0138	0.8900
<b>Special Education Weights</b>				
Category I	n/a	1.0200	0.1500	0.9500
Category II	0.4645	1.0200	0.1500	0.9500
Category III	1.7695, 2.7400	1.0200	0.1500	2.6400
Category IV	2.2200	1.2600	0.1500	3.7800
Category V	2.7700	2.9900	0.1500	5.2500
Category VI	3.6900	4.6100	0.1500	5.8000
<b>Other Education Weights</b>				
Career-tech	0.6000	0.2700	0.3500	n/a
Gifted	0.2900	0.2600	0.1200	n/a
Poverty	0.0500	n/a	0.2000	0.1000
Limited English	0.4828	0.2600	0.1000	0.2700

#### 4. Dealing with teacher salaries and seniority

Under WSF, schools are funded based on their pupils' needs. Yet following this tenet requires that schools live within their means. For a WSF system in Ohio to remain true to its core principles, schools must receive funding in the form of real dollars that they can then use to pay staff, rather than receiving a certain number of staff positions. In a real-dollar system, schools

make choices about how to allocate their resources. If they choose to employ a lot of experienced teachers – as most affluent schools typically do now – they would have to make some kind of trade-off elsewhere in their budgets. If they employ a less experienced (and thus lower paid) staff, they would have money left over to hire additional teachers or aides, extend the school day, employ tutors, invest in technology, or engage in other activities that might help their students succeed.

In the current system, affluent schools have a substantial built-in advantage in the teacher labor market. They can offer the same district-set salaries as less affluent schools, in addition to (from some perspectives) a superior working environment. It is no surprise that teachers flock to such schools as they gain seniority. In a WSF system, all that changes. Schools with high levels of disadvantage would have *more* funds to spend, and the flexibility to deploy it in ways that attract and retain quality teachers.

Teacher organizations and affluent schools and districts may resist such changes. Compromising on these critical points for political advantage, however, could deeply undermine the value of WSF. As suggested above, addressing these challenges may mean implementing WSF deliberately over time. During that period, school-level budget adjustments might be offset by temporary support at the state or district level. Working with collective bargaining units to establish incentive programs akin to those found in Denver and elsewhere might help ease the pain of this transition. Such a move would also be in line with the American Federation of Teachers' recommendations for filling hard-to-staff buildings.<sup>29</sup> Still, policymakers will need to approach the issues of teacher pay with both common sense and political courage.

## CONCLUSION AND NEXT STEPS

Ohio's funding system for K-12 education still harbors serious inequities, most notably within school districts and among pupils with different educational needs. Today, schools must often forgo the pressing needs of students due to an archaic resource-allocation system unable to meet the demand that all children achieve academically. Wrenching though it may be, WSF offers solutions to the state's remaining school-finance challenges. Specifically, it would

- direct more funding to schools that serve high proportions of disadvantaged children, regardless of where they live;
- ensure that a student's school receives all of the funding generated by that student, whether it's a district or a community school and no matter whether it's located in a poor or affluent neighborhood, in a tranquil suburb or a tough urban community; and
- allow school leaders and their teams to allocate resources in ways that meet the needs of their specific children, aligning authority and responsibility in a modern, performance-oriented management system.

Considering the steps that policymakers have already taken to improve the state's funding scheme, WSF represents the next logical stage in the evolution of Ohio's school finance system. The principles are simple, even obvious: fund education according to students' needs and characteristics; ensure that these funds follow the child to his/her actual school building; and grant principals sufficient authority to expend these funds effectively on behalf of the children in their schools. In short, weighted student funding can help create a more responsive school finance system – one that addresses the education needs of all children in the Buckeye State.

## APPENDIX A: HOW WSF MIGHT PLAY OUT IN OHIO SCHOOLS AND DISTRICTS

Ohio's public schools are as diverse as the state's population and as varied as its landscape. From large urban districts to small rural ones, from suburban and small town schools to independent charter schools, the impact of *funding the child* around the state could be as different as the schools themselves. To see how WSF would work in practice, let's visit some hypothetical Ohio schools a few years after its implementation.

We'll start our tour at Urban Elementary, in a center-city neighborhood marked by high poverty and low household incomes. The school has more than its share of challenges, with most of its students living below the poverty line and almost a third learning English for the first time. Its test scores have languished at the bottom of the charts, although the school is showing progress based on the state's new value-added measure.

For years, Urban was plagued by teacher turnover, with the best young teachers "doing their time" at the school before moving on, to be replaced each fall by a new cohort of novices. Funds were always scarce, and the principal had few dollars at her disposal. Urban's district stepped forward to be part of the WSF pilot program and, as part of the deal, agreed to allocate its own local funding according to the state's weighted system.

Because so many of Urban's students are disadvantaged, the school's per-pupil funding level is now one of the district's highest. With its past reputation looming, Urban continues to attract a mostly young teaching force. Yet under the new school finance system, more money is left over in Urban's budget after deducting teacher salaries and benefits – funds that the school is free to devote to its priorities. An additional reading specialist has come on board to work specifically with English-language learners, and the school has hired an award-winning veteran teacher to coach novice educators. The principal also controls a fund that offers retention bonuses to young teachers who produce big learning gains and agree to stay at Urban.

40 | Not far away is Entrepreneur Elementary, a three-year-old charter school authorized by a state university and operated by a national education management organization that boasts a portfolio of high-performing schools in ten states. Entrepreneur's operator had been reluctant to open a school in Ohio because the charter school funding formula was stingy, offering only about 70 percent of the operating funds that districts enjoyed. Worse, charter schools had to dig into that 70 percent to pay for facilities, further reducing funds available for instruction.

Entrepreneur's student population and surrounding neighborhood resembles Urban's. The school's biggest challenge is common among charter schools: retaining good teachers. Too often, teachers bide their time at the charter school until a district job opens up. This trend is changing under the new school finance system. In addition to weighting funding for public school students based on their educational needs, the state contributes additional dollars so that charter school funding is commensurate with that of district schools. Although Entrepreneur still does not have access to dedicated facilities dollars, the influx of funding from the state and the operational autonomy granted to charter schools have proved a powerful combination.

Entrepreneur Elementary is now able to offer the 200-day school year and long instructional days that are hallmarks of its operator. The school's salaries are competitive with nearby districts, and teachers are staying on at Entrepreneur even as district teaching jobs become available.

On the other side of the proverbial tracks from Urban and Entrepreneur is Grassy Field Elementary. This school has been rated at the top of the state's academic rating system for years now and consistently produces pass rates of 95 percent or higher on state achievement tests. Grassy Field is located in a wealthy suburban district where the great majority of education dollars are generated locally. The state's new finance system does not affect those local dollars, but it has decreased Grassy Field's state funding because its student population is relatively advantaged and the school serves few children with disabilities and no English-language learners. The decrease in state funding hasn't been fully felt yet due to a phase-in program paid for with a special state appropriation. But it will, and Grassy Field is having to adjust. For years, Grassy Field had its pick of the best veteran teachers. Under the new finance system, the school will have to pay the full cost of those veterans, and it won't be able to afford to do so. Fortunately, impending retirements will mean that few, if any, of Grassy Field's current teachers will have to leave (though Urban hired one as its coach). But going forward, the school will need a full mix of senior and junior teachers in order to balance the budget, and the principal must determine what areas Grassy Field can sacrifice while still maintaining the school's sterling reputation.

Our tour leaves the city for a visit to Appalachian Middle/High School, a rural school serving about 600 students in grades six through twelve and one of just two buildings in its district. As with most schools in the region, nearly half of Appalachian's students are poor and the surrounding community is marked by high levels of poverty, low household incomes, and few college-educated adults. The district depends on the state for most of its funding.

Appalachian ranks roughly in the middle of the state's academic rating system, but the school still struggles to close the achievement gap between its many economically disadvantaged pupils and their better-off peers. Progress has proven difficult because the school has had such a hard time attracting and keeping promising new teachers, especially in hard-to-staff subjects like math and science. Appalachian routinely opened in the fall with vacancies in these areas and frequently had to assign teachers without math and science training to teach these courses.

Before the state started funding the child, Appalachian benefited from Poverty Based Assistance (PBA) dollars. Under state restrictions, however, the school couldn't use PBA funds to tackle its most pressing challenge: staffing its classrooms with the most talented teachers possible. Under WSE, however, Appalachian has seen a modest increase in its total funding and much greater autonomy in how those dollars are used.

This year, Appalachian has math and science positions to fill, which would have been difficult in the past. Now, the principal is able to offer hefty signing bonuses and performance-based retention bonuses to attract and keep good teachers. A few years into the implementation of WSE, some of the best and brightest new teachers are choosing Appalachian; the principal has successfully wooed two veteran master teachers from a suburban district to lead the math and science departments; and teacher turnover rates have dropped by half. With its new talent base, the school now offers an Advanced Placement Calculus course and has plans to offer an AP Chemistry course starting next year.

At the opposite corner of the state is Farming Town Local School District, a small, rural district where poverty levels are low and household incomes are moderate. The district has maintained the state's highest academic rating for the past two years. However, Farming Town is continually challenged to meet the educational needs of its growing limited English proficient students, a population that didn't exist in the district seven years ago but represents 14 percent of the district's student body today.

When the state embarked on WSF, Farming Town began receiving, for the first time, state funds dedicated to serving English language learners. These new funds came with flexibility and autonomy in determining how to spend them, so when Farming Town's population of English-language learners grew unexpectedly, its principals were able quickly to put in place the faculty and instructional tools needed to meet these students' needs.

The new finance system is not perfect; indeed, it is in constant evolution. The Ohio Department of Education regularly reviews and recalibrates weights and is transitioning from the pilot program to full implementation. Across the state, district-level committees meet regularly to consider appeals from schools that contend they have been treated unfairly and to rethink the mix of centrally and locally provided services. So while the principles of *funding the child* are set, the specifics continue to change in response to new data and fresh thinking. And as the landscape of public education evolves statewide, this flexible finance system is well-suited to accommodate change. As changes and challenges arise, *funding the child* offers a transparent framework under which funding is determined by children's individual education needs and follows children to the diverse and ever-shifting set of public schools they attend.

## APPENDIX B: PER-PUPIL ALLOCATIONS – COLUMBUS ELEMENTARY SCHOOL SAMPLE (2005-06)

School	District Per-pupil Funding	Percent Economically Disadvantaged	Percent Disabled
Alpine	\$8,878.00	48%	14%
Arlington Park	\$8,956.00	74%	6%
Avalon	\$8,618.00	54%	9%
Avondale	\$9,255.00	84%	15%
Brentnell	\$11,089.00	78%	15%
Broadleigh	\$11,261.00	82%	10%
Cassady	\$10,595.00	80%	9%
Cedarwood	\$7,955.00	54%	9%
Cols Spanish Immersion	\$13,278.00	72%	6%
Como	\$9,601.00	67%	11%
Cranbrook	\$11,419.00	62%	12%
Dana Ave	\$9,288.00	82%	14%
Deshler	\$11,082.00	80%	15%
Devonshire	\$8,521.00	57%	11%
Douglas	\$11,057.00	77%	5%
Duxberry Park	\$13,008.00	83%	15%
Eakin Elementary	\$9,726.00	74%	9%
East Columbus	\$11,688.00	85%	5%
East Pilgrim	\$10,067.00	86%	11%
Easthaven	\$10,239.00	77%	11%
Eastmoor	\$10,170.00	71%	13%
Fairmoor	\$9,255.00	78%	9%
Fairwood	\$10,143.00	82%	11%
Gables	\$10,777.00	41%	10%
Georgian Heights	\$8,805.00	39%	14%
Highland	\$10,509.00	82%	11%
Innis	\$9,872.00	77%	13%
I-Pass	\$12,137.00	84%	8%
Liberty	\$7,633.00	68%	10%
Lindbergh	\$9,263.00	61%	15%
Linden	\$8,858.00	83%	15%
Linden Park	\$11,381.00	79%	5%

School	District Per-pupil Funding	Percent Economically Disadvantaged	Percent Disabled
Livingston	\$11,901.00	84%	12%
Maize Road	\$10,751.00	52%	13%
Maybury	\$9,809.00	65%	12%
McGuffey	\$10,580.00	81%	9%
Medary	\$12,533.00	77%	14%
Moler	\$12,342.00	85%	9%
North Linden	\$10,461.00	69%	11%
Oakland Park	\$10,558.00	59%	11%
Oakmont	\$10,907.00	69%	10%
Olde Orchard	\$9,049.00	53%	11%
Parkmoor	\$10,776.00	61%	13%
Scottwood	\$9,438.00	74%	9%
Second Ave	\$11,644.00	75%	11%
Shady Lane	\$10,606.00	65%	10%
Siebart	\$10,350.00	74%	11%
Southwood	\$9,930.00	70%	14%
Stewart Alternative	\$9,261.00	66%	7%
Sullivant	\$12,331.00	87%	8%
Trevitt	\$12,139.00	88%	13%
Valley Forge	\$9,117.00	64%	9%
Valleyview	\$8,451.00	62%	6%
West Broad	\$9,382.00	75%	13%
West Mound	\$9,270.00	74%	12%
Westgate Alternative	\$9,070.00	53%	9%
Windsor Academy	\$10,918.00	85%	9%
Woodcrest	\$9,162.00	55%	12%

- <sup>1</sup> Jim Siegel and Catherine Candisky, "School Funding: Has Ohio Fixed It?" *The Columbus Dispatch*, (March 25, 2007), p. A1.
- <sup>2</sup> National Center for Education Statistics (2007), NAEP Data Explorer, <http://nces.ed.gov/nationsreportcard/nde/criteria.asp>
- <sup>3</sup> Ohio Department of Education, *2006-07 Annual Report on Educational Progress in Ohio*, p. 4.
- <sup>4</sup> Ohio Department of Education, "Building Blocks of School Funding," Available online <http://www.ode.state.oh.us/GD/Templates/Pages/ODE/ODEDetail.aspx?page=3&TopicRelationID=990&ContentID=14594&Content=27595>.
- <sup>5</sup> This \$5,451 includes a "base cost" of \$5,403 plus an additional \$25.50 per student for "intervention" for struggling students, \$10.73 per pupil for professional development, and \$11.76 per student for technology to help with "data-based decision-making."
- <sup>6</sup> C. Arroyo, *The Funding Gap* (Washington, DC: Education Trust, 2008).
- <sup>7</sup> M. Roza, K. Guin, B. Gross, S. Deburgomaster, "Do Districts Fund Fairly?" *Education Next*, 7(4) (2007).
- <sup>8</sup> *Columbus Public Schools 2005 Student Mobility Research Report*. (Columbus: Community Research Partners, 2006) p. vii.
- <sup>9</sup> Of course families have private school options as well, and a state's funding system could theoretically be designed so that money follows children to private schools through "vouchers" or "scholarships." Indeed, Ohio has already implemented some limited forms of this approach. Here and in the ensuing proposal for a revamped school funding system, however, this paper focuses solely on having funds follow children to public schools their families choose.
- <sup>10</sup> C. Finn, Jr., B. Hassel, S. Speakman, *Charter School Funding: Inequity's Next Frontier*. (Washington, DC: The Thomas B. Fordham Institute, August 2005).
- <sup>11</sup> Achieve, Inc. *Creating a World-Class Education System in Ohio*. 2007, p. 6.
- <sup>12</sup> *Fund the Child: Tackling Inequity & Antiquity in School Finance*. (Washington, DC: The Thomas B. Fordham Institute, June 2006).
- <sup>13</sup> Ohio weights funds for students in career-technical programs; however, those weights are based on program costs and not student characteristics and so are not discussed in this report.
- <sup>14</sup> *Fund the Child: Tackling Inequity & Antiquity in School Finance*. (Washington, DC: The Thomas B. Fordham Institute, June 2006) p. 23.
- <sup>15</sup> Eric A. Hanushek, ed. *Courting Failure: How School Finance Lawsuits Exploit Judges' Good Intentions and Harm Our Children*. (Stanford, CA: Hoover Institution Press, 2006) p. 76.
- <sup>16</sup> Achieve, Inc. *Creating a World-Class Education System in Ohio*. 2007, p. 29.
- <sup>17</sup> Ibid.
- <sup>18</sup> Arlene Ackerman, "The Weighted Student Formula: A Superintendent's Perspective." *American Association of School Administrators*, August 4, 2006, p. 2.
- <sup>19</sup> Houston Independent School District, "A Declaration of Beliefs and Visions including the 2001 Addendum," 2007. Available online <http://www.houstonisd.org/HISDConnectDS/v/index.jsp?vgnextoid=05483acb02efc010VgnVCM10000052147fa6RCRD>.
- <sup>20</sup> Houston Independent School District, "A Declaration of Beliefs and Visions including the 2001 Addendum," 2007, p. 1.

- <sup>21</sup> Houston Independent School District, “2004 Reaffirmation of Beliefs and Visions.” Available online <http://www.houstonisd.org/HISDConnectDS/v/index.jsp?vgnextoid=05483acb02efc010VgnVCM10000052147fa6RCRD&vgnnextfmt=alt2&articleItem=6>.
- <sup>22</sup> Houston Independent School District, “Decentralization Reference Update,” September 2001. Available online [http://www.houstonisd.org/vgn/images/portal/cit\\_7634/12071decenref0901.pdf](http://www.houstonisd.org/vgn/images/portal/cit_7634/12071decenref0901.pdf).
- <sup>23</sup> Houston Independent School District, “Resource Allocation Handbook FY2006-2007.”
- <sup>24</sup> M. Ucelli, E. Foley, T. Emdon, C. Bond, *First Steps to a Level Playing field: An Introduction to Student-Based Budgeting*, p. 3.
- <sup>25</sup> Houston Independent School District, “Resource Allocation Handbook FY2006-2007,” p. 13-14.
- <sup>26</sup> “Moving toward Equity in School Funding within Districts,” (Providence, RI: Annenberg Institute for School Reform at Brown University, June 2002) p. 22.
- <sup>27</sup> Ibid, p. 33.
- <sup>28</sup> Houston Independent School District, “Decentralization Reference Update,” p. 4.
- <sup>29</sup> American Federation of Teachers, “Meeting the Challenge: Recruiting and Retaining Teachers in Hard – to-Staff Schools.” Available online <http://www.aft.org/pubs-reports/downloads/teachers/h2s.pdf>.