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# Colorado Student-Based Budgeting on the Rise

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# Executive Summary

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How school districts budget matters. Colorado local K-12 agencies are at the forefront of improving how resources are distributed to benefit students more directly and efficiently. Through student-based budgeting (SBB), six school districts have prioritized student need over administrative convenience with a cost-effective approach that places more funds under individual school control. SBB promotes the following established benefits:

- **Transparency:** to show more clearly how many funds are distributed to individual schools, and for which purposes
- **Equity:** to ensure a rough parity of funds distributed based on actual identified student need
- **Flexibility:** to give school leaders and communities the power and responsibility to make more program decisions with budgeted dollars

In essence, SBB extends Colorado's established system of "local control" beyond district headquarters to decision-makers closer to individual students. It also bolsters parental choice, by directing more dollars to follow students directly to where they learn. Budgeting system upgrades often are motivated by a combination of strong leadership, provider competition, and (real or perceived) resource constraints. Smart implementation requires broad engagement and careful inquiry into existing conditions, along with a number of critical policy options.

**Falcon School District 49** in Colorado Springs has developed and enacted the state's most robust system of SBB, which works in conjunction with the district's unique model of decentralized innovation. Under the guidance of a forward-thinking chief budget officer, the low-funded district gradually has unveiled a system that significantly expands the potential to serve

individual student needs through greatly empowered local decision-making. Other districts have crafted their own versions of SBB to achieve various benefits:

- The state's first SBB district, **Poudre** has adjusted its weighted funding system based on careful feedback from school leaders and community members.
- **Denver** continues to expand autonomy with a thoughtful process, detailed formula, and related initiatives to measure school performance and promote parental choice.
- **Douglas County** leaders have used SBB to build a culture that empowers individual schools to save funds for local priorities.
- **Adams 12** has communicated clearly its work to enhance principals' budgeting authority.
- **Jefferson County** is taking a sizable but carefully planned jump into SBB in 2015-16.

All districts looking to adopt or enhance SBB systems ought to consider pursuing the following best practices in order to maximize benefits:

1. Employ detailed accounting to make allocation opportunities more apparent.
2. Communicate clearly and consistently to build broad support among the community.
3. Phase out "crutches" that hold back resources from aligning with student needs.
4. Find more room for autonomy in spending authority and revenue streams.
5. Provide for carryover so schools can save funds for locally chosen priorities.
6. Empower choice and portability for parents to match resources more responsively.

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7. Incorporate academic weights to motivate improvement and to reward success.
8. Re-examine actual, rather than average, teacher salaries in order to level the playing field and give individual schools more purchasing flexibility.

Led by Falcon 49, a growing number of Colorado local K-12 agencies have set the pace for student-based budgeting standard to increase transparency, equity, and flexibility in how resources are used. More opportunities lie ahead for these school districts and other adopters to expand and accelerate its benefits.

## Introduction

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Imagine a school district that housed an administrative supervisor on campus in a trailer without water hookups, in order to ensure maximum dollars address specific student needs. A district near Colorado Springs, Falcon 49, has put the demands of student-based budgeting to the test, and is beginning to reap the rewards. The changes began with accounting codes and allocation formulas, but bear fruit in learning and program opportunities directed through principal's offices and classrooms.

How school districts budget matters. Most local K-12 agencies fall short of their potential to distribute resources in ways that most directly benefit the students who need them. School districts, like other government agencies, tend to utilize systems that provide simplicity and convenience for administrators and central operators. Rigid formulas and policies dictate the path and purpose of far too many funds, sacrificing measures of efficiency and informed decision-making.

Dissatisfied with the standard model, a number of Colorado districts instead have taken steps to rethink how significant shares of dollars are directed. Adopting student-based budgeting (SBB) often entails a jolt of effective leadership and perhaps the growing threat of competition. SBB ensures more funds, and the decisions that

accompany those funds, follow individual students to the sites where they are served.

Colorado's K-12 revenues are relatively restrained, and voters tend to express skepticism toward large-scale education tax initiatives. Families also have substantial access to choose charters and other public schools through open enrollment. SBB increases the attractiveness of choice within the K-12 public system by ensuring a reasonable and substantial share of dollars follow individual students to the sites where they learn. A more cost-effective approach to budgeting and allocation is one key strategy to attract greater financial support through voter-backed funding and student enrollment. The various applications of SBB by Colorado school districts illustrate a diversity of approaches within a commitment to the core principles of SBB. Their experiences also reflect the myriad goals set to pursue this approach. Commonly cited objectives for funding allocations include more transparency, greater equity, and added decision-making flexibility. These goals align with the benefits commonly identified in national literature:<sup>1</sup>

- **Transparency** provides a clearer picture of the amount and purposes of funds that travel through a district's central offices to individual schools

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SBB ensures more funds, and the decisions that accompany those funds, follow individual students to the sites where they are served.

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- **Equity** means that the funds available per student achieve a rough parity, often based on distinguishing characteristics of distinct, individual student needs
- **Flexibility** empowers school leaders and communities to make more program decisions with budgeted dollars, closer and more accountable to the students served

The stated goals for today’s established and emerging SBB systems mirror those used in the movement’s early days among some prominent urban districts in other states. In the early 2000s, researchers studying reforms in Cincinnati, Houston, and Milwaukee observed:

In most cases, schools have little influence over the resources they receive and little flexibility in how they can use them. Yet, if schools do not have equitable access to financial resources, and if they are not free to use the resources they get in ways that address their own priorities, then demanding equivalent results from all groups of students as new state and federal requirements increasingly do is both unfair and illogical.<sup>2</sup>

## What is Meant by SBB?

There are many competing and overlapping definitions of what constitutes a system of student-based budgeting (SBB), also known as student-based allocation, or “backpack funding”. Such systems are most clearly identified by designating a significant share of per-pupil funding to follow each student to the school where he or she is being served. That money should reach the school in the form of actual dollars that can be spent flexibly at school leaders’ discretion, not as district programs or staffing formulas.<sup>5</sup> According to best

The Reason Foundation, which has studied the principles and implementation of this approach extensively, makes the highly valid point that “student-based budgeting is not a silver bullet.”<sup>3</sup> Based on Colorado’s experience, one cannot draw direct causal links between a robust SBB system and increased student achievement or attainment. Not all the districts studied in this report have been able to meaningfully measure success at meeting their stated goals for SBB. Yet there are strong indicators of more efficient use of resources.

As with any initiative that promises improved processes and the potential for better student outcomes, the transition presents real challenges for K-12 administrative personnel. Most principals need time and training to take on the added responsibilities that accompany additional budget authority. Reliable shared measures of accountability are essential to balancing the extra autonomy afforded to site leaders. And while the district central office may be streamlined, it also will need to change its role and adapt to unfamiliar procedures that accompany it.<sup>4</sup>

estimates, 33 school districts nationally are known to use SBB (for a full list, see Appendix).

SBB and robust school choice mutually strengthen each other. A healthy SBB system sends a clearer signal and a stronger incentive to school-level leaders as students enter or depart. Some schools may feel effects based largely on the exercise of residential choice, as economic opportunities shift or new subdivisions are built nearby. Colorado has longstanding

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experience with public school choice. Students are guaranteed the right to transfer within and between school districts, proscribed by only a handful of conditions. Healthy local open enrollment policies that give families, particularly in urban and suburban settings, reasonable access to a range of options enhance a school leader's incentive to direct resources most appropriately to meet individual student needs.<sup>6</sup>

Reason Foundation education expert Lisa Snell explains the general effect of this dynamic:

While the majority of schools will show improvement once principals control school budgets and public schools begin to compete with one another, if some schools cannot improve, they may be merged with higher-performing schools or they may close.<sup>7</sup>

SBB also can be formulated to enhance the effectiveness of educational accountability systems. Principals are given more discretion to make budget

and staffing decisions that trump previous district policies and, in some cases, may clash directly with negotiated collective bargaining provisions that guarantee seniority and transfer rights over individual school and student needs.<sup>8</sup> Thus, a change in budgeting opens the door to the possibility of even greater autonomy for principals.

At its core, SBB is built on the premise of greater autonomy for principals and school-level decision makers. Four of the Reason Foundation's 10 "benchmarks of a robust school empowerment program" are directly related to the creation of a student-based budgeting program.<sup>9</sup> Indeed, the way in which resources are allocated based on student enrollment, and the extent to which they are controlled at the school level, are integral features of site-based autonomy. Policies of decentralization in K-12 education, including the area of budgeting, are more likely to hit the mark if they set schools and principals free from staffing formulas and related resource allocation mandates.<sup>10</sup>

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## Making the Transition

Making the transition to student-based budgeting requires far more than simply rewriting a policy and flipping a switch. Implementing a new budgeting system oriented to promote greater equity, transparency, and flexibility requires broad engagement and careful inquiry. Analysts challenge districts looking to follow the example of Cincinnati and other early urban adopters of SBB to answer a series of questions about current conditions and procedures. Among the topics covered are whether certain kinds of schools entail higher operating costs, and whether school-level funding is adjusted based on identifiable student needs or the

"characteristics and quality" of teachers on site.<sup>11</sup>

Reason's Lisa Snell takes a broader look, recommending districts follow numerous "preliminary steps" in assessing their current situation to begin the shift toward SBB.<sup>12</sup> In addition to examining whether similar students are provided equitable allocations across the district, two other important research tasks are assigned. First, a district needs to determine precisely how much of the budget makes up each of the following components:<sup>13</sup>

- Strictly school-level operations
- District central administration

- School-level services provided by the central office

Second, district leaders must take a hard look at budget sectors that can be downsized. Especially in areas of declining enrollment, school closure or consolidation should be considered as a means to free up dollars for SBB. More importantly, districts need to audit administrative departments and systems for opportunities to streamline. Over three years of transitioning to this kind of a system, Baltimore reduced central office expenditures by one-third.<sup>14</sup>

The process of moving forward with SBB entails some fundamental decisions, Snell observes, each with potential tradeoffs:<sup>15</sup>

- **Pilot vs. Full Implementation:** A limited scale pilot program allows district leaders to test concepts and practices, but full implementation provides the opportunity to reach goals of choice, equity, and site-based autonomy sooner.
- **Phase-Ins and Guardrails:** Making the transition from a traditional budgeting system to a “pure” version of SBB might entail dramatic shifts in funding levels for some schools. Even after implementation, a year-over-year change could have similar effects. Incentives that promote student equity promise significant benefits. However, policymakers should consider carefully whether to provide for annual budget change floors and ceilings to prevent unintended consequences.
- **Locally Controlled Expenditure Categories:** Some types of expenditures (e.g., classroom instruction and guidance counseling) can be decided more easily at the school level. District leaders need to decide which budget categories fall strictly under principal control, which have a compelling reason to remain strictly under district control, and which might be given as a local option. Wherever

possible, school leaders should be empowered to choose whether they wish to use the central office as the provider of particular services. Marguerite Roza and the Edunomics Lab researchers even recommend applying SBB to district central office departments to promote transparency and to right-size them in line with enrollment patterns.<sup>16</sup>

- **Shifting Revenue Streams into the SBB Formula:** Using standard criteria of what could be distributed fairly and promote more responsible autonomous use at the school level, a district should look to move as much money as possible from the centralized priorities of categorical programs into the discretionary pot.<sup>17</sup> Leaders should look beyond the state’s primary funding formula for additional revenues that could be directed into SBB.
- **Charging Schools Average vs. Actual Salaries:** School leaders use a majority of their student-based budgeting funds to “purchase” the services of teachers and other staff members. Except for a small number of Denver’s innovation schools, all Colorado SBB districts charge schools an *average* teacher salary figure to prevent encouraging the hiring of inexperienced instructors.<sup>18</sup> Using the *actual* salaries of newer teachers would save money for schools to “purchase” additional staff or save for instructional materials, technology, or other resources. Some urban SBB districts in other states charge actual salaries to help avoid the inequity of concentrating less veteran teachers in higher-poverty schools.<sup>19</sup> In a way, this approach levels the field to increase purchasing power for more disadvantaged schools. Giving schools the option of using average or actual salaries has some surface appeal, but is not likely to address concerns. This approach can create a cycle that

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drives the average salaries higher and eventually pushes all schools to the option.<sup>20</sup>

In addition to deciding the above issues, two final key considerations need to be made in enacting a system of student-based budgeting:

1. **Training and Tools:** School districts need to focus on the implementation of student-based budgeting as an extended process. To improve their chances of successfully meeting goals, districts should work incrementally to train principals in both the big-picture possibilities and practical aspects of SBB. Both formal training sessions, as well as small-group and one-on-one meetings, can help achieve this end. Further, the development of new budgeting and accounting tools can gradually enhance communication of

the detailed risks and opportunities available to school leaders.<sup>21</sup>

2. **Adjusting Enrollment:** To create a budget for the coming school year, school leaders need to rely on a projected estimate of enrollment. Using local, school-level knowledge in conjunction with sophisticated district tools and data may yield optimal results. Even under the best of circumstances, though, such projections can fall short or overreach. SBB districts need to select an approach for reconciling original budgets with actual enrollments that leads principals to spend within a healthy and realistic range.<sup>22</sup>

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Further, without student-based budgeting and broader decentralization efforts, “local control” extends no further than district headquarters. School leaders remain accustomed to operating in an environment of compliance.

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## Student-Based Budgeting: The Colorado Context

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Colorado’s K-12 public education agencies receive funding from a variety of sources. The primary revenue stream is the School Finance Act, annually revised and approved by the state’s General Assembly. The “total program” each of Colorado’s 178 school districts receives is determined by the number of students actively enrolled during the October 1 fall count period. The primary factors that determine a particular district’s per-pupil revenue (PPR) are district size, local cost-of-living conditions, and the number of enrolled “at-risk” students—those eligible for the federal free lunch program due to low family income.<sup>23</sup>

While all Colorado school districts are awarded extra funds for each additional “at-risk” student, those dollars do not necessarily follow the students to serve

them with staff and programming. Under a traditional budgeting system, the district office essentially acts as a financial “black box.” Reasonable funding shares may reach all school sites where students are served, but likely also are distributed in a way that doesn’t meet the appropriate level of student need and is not clearly understood.

Further, without student-based budgeting and broader decentralization efforts, “local control” extends no further than district headquarters. School leaders remain accustomed to operating in an environment of compliance. Existing dollars available to help “at-risk” or any other students fall short of their maximum benefit, sometimes dramatically so.



As part of major 2014 legislation adopted by the Colorado General Assembly, the state Department of Education is authorized to create a new financial transparency website. The site, slated to launch in 2017, is supposed to enable lay users to make meaningful comparisons of school-level expenditures by category.<sup>24</sup> This small, slow change should strengthen the case for local K-12 leaders to join the

growing trend of student-based budgeting, and for current SBB districts to enhance their already forward-thinking work.

## Falcon 49 Sets the Standard

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Colorado's most comprehensive and far-reaching SBB system belongs to Falcon School District 49 in El Paso County. Falcon is the 14th largest district in Colorado and the third largest in the Pikes Peak region, serving nearly 20,000 students, nearly a third of whom are eligible for free and reduced lunch.<sup>25</sup> In 2012-13, according to the Colorado Department of Education, Falcon 49 collected \$8,580 in revenues per full-time student—one of the 10 lowest funded districts in the state.<sup>26</sup>

In early 2011 the Falcon Board of Education launched a process of innovation that fundamentally has restructured the traditional school district model. The Board eliminated the role of superintendent and transitioned to three reporting district leaders: a Chief Education Officer (CEO), Chief Operating Officer (COO), and Chief Business Officer (CBO). On its third different CEO since making the transition less than five years ago, the district appears to have created a sustainable model that continues to move forward.<sup>27</sup>

Central administrative staff and spending have decreased significantly. Considerable responsibilities have been shifted to four semi-autonomous Zone Leaders overseeing

four different Innovation Zones. The iConnect Zone incorporates the district's charter, online, blended, and alternative education options, which covers nearly 40 percent of District 49 students. The remaining three zones are tied to one of the district's elementary through high school feeder systems, each with a special emphasis and mix of programs developed in partnership with parents, staff, and community members:<sup>28</sup>

- Falcon Zone: Traditional and comprehensive education with focus on professional and vocational paths
- POWER Zone: Science Technology Engineering and Math (STEM) focus that includes arts integration
- Sand Creek Zone: International Baccalaureate (IB) theme with focuses on critical thinking, creativity, and communication

The district maintains a solid performance accreditation rating. Measures of student academic growth continue to show Falcon 49 in line with the state of Colorado. But its overall achievement scores and on-time graduation rates have taken a hit from the decision to authorize the blended learning GOAL Academy high school. Many of GOAL's students from districts across the state come to the school as an alternative or last resort after falling behind

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Participation on state-mandated School Accountability Committees increased roughly tenfold from 2010-11 to 2014-15.

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academically. Because of the concentrated challenges they face, less than 30 percent graduate on time. Corresponding rates at Falcon's three traditional high schools reach 90 percent or higher.<sup>29</sup>

Though traditional testing measures have not revealed significantly improved outcomes at the macro level, the process of innovation represents authentic and organic change. District 49 leaders showed they were willing to pay serious attention to community members and to honor their voices. Participation on state-mandated School Accountability Committees increased roughly tenfold from 2010-11 to 2014-15. SACs have a more robust role in Falcon 49. They not only review school-level plans and data and participate in informing site-based decisions, but also periodically revisit their core innovation plans to keep them fresh.<sup>30</sup>

The adoption of GOAL Academy and its at-risk student population has helped to release the district from the bottom of Colorado's K-12 funding charts. Previously 177th out of 178 school districts in Per-Pupil Revenue (PPR) distributed through the School Finance Act, Falcon 49 moved up modestly to 163rd in 2014-15.<sup>31</sup> Despite the comparatively challenging circumstances, the district decided not to let funding become an excuse to keep them from doing more for the students they serve.

No Colorado school district has pushed the boundaries of budgeting to enhance efficiency, autonomy, and flexibility more than Falcon 49. No district has done such patient and extensive work in this area with so little acclaim. During 2014-15, the fourth full year of the student-based budgeting process, a full culture shift in resource allocation and decision-making has been achieved.

Chief Business Officer Brett Ridgway's skill and vision largely have driven the transition. His eight years of K-12 experience, including six at District 49, follow years in private-sector banking. Ridgway said the process began with district leaders asking: "Why doesn't this run like a business?" The district's fiscally conservative constituency places a premium on responsible spending. More than "just spreadsheets and math," the newly developed budgeting system fulfills the priority of efficient resource usage, as well as local autonomy and flexibility.<sup>32</sup>

Like Falcon 49's district strategic plan, its student-based budgeting system is built first on the rock of trust and transparency, and culminates with a focus on every student. Each pupil served has begun to receive the full benefit from a substantial and relative share of the PPR received by the district.<sup>33</sup>

## **A Gradual Unveiling**

As would be typical within most school districts, educational leaders in Falcon were not prepared to grasp the full picture and accompanying possibilities of shifting budgetary authority into their hands. The transition has taken time, but now reduces restrictions to create the potential for more creative, dynamic site-level decisions.

During the first two years of the SBB rollout, Falcon 49's CBO shared only the site-level spending breakdowns with the zone leaders and principals. They could see not only the total funds allocated to their respective zone or school on a per-pupil basis, but also how much is associated with the functions of regular instruction, special education, extracurricular activities, student support services, facilities, and operations.<sup>34</sup>

Seeing this breakdown first promotes the site-level decision-makers' thoughts about priorities. The CBO's reports simply make

the connections between dollar allocations and local outputs more transparent. Principals have faced a somewhat steep learning curve in this process, and the district's accounting process and reporting system has evolved partly in response to their questions and expressed needs. The internal learning process mirrors what goes on in classrooms, a process of "educating the educators." POWER Zone leader Mike Pickering, who ascended from the role of school principal during the innovation transition, confirmed that the initial acknowledgment is important to moving the process forward and empowering school leaders. "You *should* be confused at first," he said.<sup>35</sup>

In 2013-14, the third year of the rollout, Ridgway unveiled the revenue formula. Once zone and school leaders had been trained sufficiently on the expense side and confidently could see the impact of their decisions, they were able to see how funds were being distributed transparently and equitably. The CBO adamantly expressed that the comprehensive student-based budgeting process should not introduce site leaders to the revenue side first. He believed that such an approach would have shifted the focus from empowered spending and would have bogged them down in internal conflict over how dollars are distributed.<sup>36</sup>

The fall of 2014 marked another step forward in Falcon's SBB process development. Pickering said he and his colleagues really could start to uncover more detailed accounts, finding additional risks and opportunities to spend creatively and effectively. Each year, the district budget office works with zone leaders to provide support and answer questions. The decisions remain at the local level, but the CBO hones their thinking by insisting that they prove to him the means they propose are best. The central office plays a genuine

consultation role; it does not dictate spending decisions.<sup>37</sup>

Budget conversations between zone leaders and the central office begin with a focus on enrollment projections, for which Ridgway and his team take a conservative approach. To promote mutual accountability, the district also facilitates a combination of collaboration and "sibling rivalry" across zones. At an annual meeting, zone leaders negotiate amongst one another, pleading their cases for shares of funding that apply to their unique offerings. These adjustments to the individual revenue formulas are referred to as "programmatic normalizations."<sup>38</sup>

### **Normalizing Dollar Allocations**

Programmatic normalizations are the most difficult and nuanced of a series of rational adjustments made to the zone-by-zone allocations. Unlike Colorado's other SBB districts, Falcon 49 clearly and transparently starts its budgeting process with the actual PPR amount assigned by the state (\$6,689 for 2014-15). Extra general fund revenue from a voter-approved mill levy override is also divided on a per-student basis and added to the PPR amount.

The district budget office deducts from the allocation specific amounts that fall under two classifications: Internal Service Groups (ISG) and Internal Vendor Groups (IVG), both accountable at the district level. ISGs incorporate professional development and other centralized special learning services, while IVGs include items like maintenance, transportation, and information technology (IT). In the case of IT, the district maintains an annually renewed contract outsourcing the service to a private firm. Together, in 2014-15 ISGs and IVGs comprised 18 percent of the base amount, leaving 82 percent of funds directly in the control of zone and school leaders.<sup>39</sup>

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The internal learning process mirrors what goes on in classrooms, a process of "educating the educators."

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The per-pupil amount received by each zone and school varies based on recognized local distinctions.

Permanent, strategic normalizations include programmatic considerations, as referenced above, reflecting zone specialties. Also factored in are:<sup>40</sup>

- Utility costs, including the age of facilities and their relative energy efficiency
- Employee benefits, to ensure staff are not hired based on the need for a single or family health insurance plan
- Distributed special services, which recognizes distinct needs for resident special education personnel from site to site

A small amount of further smoothing is made for concentrations of veteran employee salaries, as well as an across-the-board “net normalization” to treat the factors as cost neutral.<sup>41</sup> Each Falcon 49 student “contributes” equally to the school and zone budget regardless of poverty. Ridgway could conceive of at-risk status being used as a normalization in the future.<sup>42</sup>

### **Unrivaled Autonomy**

More than 80 percent of the budget is essentially under the principal’s control, far outstripping any other Colorado SBB system. A Falcon 49 elementary principal who once oversaw an \$80,000 discretionary budget now may have the authority to manage \$3.9 million in funds. All these expenditures are classified under one of four types:<sup>43</sup>

- Personnel: The district does not set student-teacher ratios or the like; the decision is made at the zone level
- School Managed Budget: Supplies, equipment, instructional materials, and technology
- Extra Programs: Includes extracurricular programs and activities

- Operations: Utilities, grounds maintenance, etc.

Falcon 49 is the only Colorado school district known to place utilities under school-level spending. Pickering lauded the more comprehensive approach, saying that it fosters a greater sense of responsibility to use scarce resources in ways that ultimately benefit students:

Now the principal knows, if I turn off these lights...if I really invest in this and be more frugal, then I’m going to see the results. I can put that into my implementation budget and get another intervention for my kindergarteners. It has absolutely allowed us to push more resources to the classroom...with the ability to look at those funds in a different way, and recognize opportunity that you couldn’t have recognized before.<sup>44</sup>

Beyond the main allocations, each zone is given a \$350,000 annual contingency fund, primarily to fund locally-backed projects or programs. As an example of how some of the funds have been used, the POWER Zone’s five building leaders agreed on the construction of a black box theater to integrate more arts opportunities for students in its STEM program.<sup>45</sup>

Funds can be carried over from year to year. But, as Ridgway explained, the decision has to be justified. Underspending is not necessarily a badge of honor, if the money could have been directed more nimbly and precisely on programs for students. Ridgway’s target for accurate budgeting from year to year lies in the tight window of 98.0 to 100.5 percent of projections.<sup>46</sup>

The level of autonomy and efficiency at the local level is enhanced by the overall precision of the budgeting process. The

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budget office’s forecast of enrollment can enable personnel decisions to happen more quickly. Decisions about the effectiveness of programs also can be made more readily, as the level of transparent budgeting details enables zone and school leaders to determine actual costs.<sup>47</sup>

## **Realizing Opportunity, Increasing Equity**

As a result of the transition, Falcon 49 leaders are afforded a broader, “dynamically different” perspective of what is possible with the entire PPR amount assigned by the state. “The potential opportunity we have now is exponentially more than we’ve ever had before, and possibly more than most other districts in the state because of the way we’re able to realize that opportunity and risk,” Pickering said.<sup>48</sup>

The reward is a greater ability to meet student needs quickly and effectively with resources and an understanding of the larger budget picture at the disposal of a school principal. Over time, principals come to see the benefit of being able to serve each particular student more intelligently and more successfully. Ridgway describes the overall benefits of the system in terms of individual student equity:

The one-size-fits-all approach is about equality. Equity is about treating every student as they need to be treated. You may be able to point to the one-size-fits-all system if you’re in a particular district that’s having success. You may wonder, why do we need to do that? The question would be: How

do you know every student got what they needed?<sup>49</sup>

Other Colorado school districts have expressed interest in studying Falcon’s unique approach. Those districts have the opportunity to follow the same logic and process down to the school level. The formal Chart of Accounts operated and prescribed by the Colorado Department of Education provides an excellent guidepost to track spending at a more local level, to ensure that funds are being spent effectively and appropriately. When Ridgway came to District 49 as CBO, he said the budget was housed in 800 accounts. Today the number has increased to 22,000, allowing for much more needed specificity.<sup>50</sup>

Even though Falcon 49 has reached a breakthrough in its slow but substantial cultural shift, its leaders are not resting on their laurels. Ridgway sees student-based budgeting as an essential aspect of improving the efficient delivery of educational services. Falcon’s CBO believes the growing district is at the forefront of needed changes in K-12 education, much like the American private sector experienced in the 1980s in response to international competition. In a way, Falcon 49 is helping to push the K-12 education system to catch up with innovations achieved a generation ago in most other enterprises.<sup>51</sup>

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# Poudre Breaks SBB Ground

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While Falcon 49 represents the most robust effort at student-based budgeting, it is far from the first Colorado district to have made strides in this direction. The Poudre School District in Fort Collins was the first in Colorado to investigate, and later to implement, a form of student-based budgeting. The ninth-largest Colorado school district, Poudre's demographics are more similar to Falcon's than to the standard profile of a large urban district. Nearly three-fourths of the district's 29,000 students are white, while less than a third qualify for free or reduced lunch aid due to family income. In 2012-13 Poudre reported \$274.3 million in total revenues, or \$9,830 per full-time student. The district received \$6,666 in Per Pupil Revenue formula funding for 2014-15.<sup>52</sup>

Prior to the transition into SBB, Poudre was invested in using the traditional FTE model of allocation. The district assigned full-time equivalent numbers of personnel to different school sites based on a standard formula driven by student enrollment counts. Principals had limited discretion. In 2006-07 Poudre commissioned teams of administrators and a pair of committees to study existing SBB models and to craft a local plan based on different identified formula options.<sup>53</sup> The following year marked a transition, with full SBB implementation taking place in 2008-09.<sup>54</sup>

The need for change was prompted by a growing concern that resources were not being shared in an equitable fashion. The SBB approach allows Poudre "to look a little deeper, to recognize different needs require different resources," executive director of finance Dave Montoya said.<sup>55</sup> Budgeting reform was also driven by a need to provide added transparency in how resources were allocated, to empower building leaders with more decision-

making power, and to differentiate funding based on individual student needs.<sup>56</sup>

## A New Process for Principals

Montoya says Poudre's transition to a weighted student formula was aided by prior experience. More than in other districts, principals were accustomed to some degree of site-based decision-making as part of the organizational culture. Each spring, the district provides a school with a budget number based on projected October enrollment and the new formula. Working with staff and community, the principal is responsible to plan the best way to use those resources.

Enrollment projections are needed to initiate plans and priorities before students arrive at the door. However, projections seldom are perfect, especially in schools with more mobile student populations. Through the 2014-15 school year, Poudre schools that attracted enrollment higher than the official estimate would receive additional funds to make up the difference. Schools that fell short of projections would have to return extra funds. This "true-up" process raised concerns under close scrutiny. It created an incentive for some principals to set aside more than 5 percent of their designated budgets in reserves, in case they would have to pay back the district. Current resources were not being deployed to maximize instructional services to meet student needs.<sup>57</sup>

Changing the "true-up" process was one of the key recommendations approved as result of a district-wide effort to review SBB that began in 2012. A team of staff and community members, known as the Student-Based Budgeting Review Committee, surveyed principals and school accountability members to determine

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The SBB approach allows Poudre "to look a little deeper, to recognize different needs require different resources," executive director of finance Dave Montoya said.

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how effectively the system was meeting its stated goals. Data were analyzed, and an outside consultant was hired to give needed perspective. Administrators took the input and performed additional research, including focus groups. A group of 12 Poudre district principals vetted the recommended changes.<sup>58</sup>

Generally, the district's SBB program was found to be living up to its intended purposes. But a few areas for improvement were identified, including a new approach to the "true-up" process. Rather than assigning funds to schools strictly on the projected enrollment, Poudre will begin using a calculation that averages the projected enrollment with the numbers from the two previous school years. Individual school sites that experience high rates of student mobility or drops in enrollment particularly should be able to better adjust. The added stability comes with an expectation that reserves should not exceed 5 percent of a school's budget.<sup>59</sup>

According to Montoya, some principals have proven receptive to the challenge of assuming additional budgeting responsibilities, but some "struggle with the concept" and believe that "the pendulum has swung too far" in the direction of site-based control.<sup>60</sup> As of 2013, the Reason Foundation noted that Poudre lacked "a specific principal support system beyond the normal supports that the central office provides principals through the business service office."<sup>61</sup> The arrangement remains unchanged following the district's review of SBB.

### **Fine-Tuning the Formula**

The other changes that resulted from the review of student-based budgeting in Poudre related to which funds were assigned to principal oversight and the specific weights utilized. For years, Poudre relied on seven different weights or factors

to determine the amount of student-based allocations to schools. Starting with the 2015-16 school year, that number is reduced to five.

Poudre's SBB formula rests on an annually adjusted base allocation. In 2012-13 a typical student brought in \$3,433 of funds to be directed by his or her school's principal. Factors adjusted that amount upward for certain enrolled students, with the following characteristics:<sup>62</sup>

- Kindergarten through 3rd grade student: \$481 (0.14)
- Free and reduced lunch (FRL) student: \$687 (0.20)
- Non-FRL English language learner (ELL): \$687 (0.20)
- Both FRL and ELL: \$858 (0.25)
- Gifted and Talented (GT): \$343 (0.10)

Extra funds were provided for early grades, based on a district priority to reduce class sizes for those children. The other characteristics are broadly associated with recognized educational deficits and/or the need for extra services. The district's unique geography and transportation needs played an additional role. Three small, isolated mountain community elementary schools, with a combined enrollment just over 100, received an additional \$2,763 (0.805) per student in 2012-13. These and other small schools also were eligible to take in as much as \$687 (0.20) per student to help offset lost economies of scale.<sup>63</sup>

For the coming 2015-16 school year, the base allocation has been set at \$3,735. All the weights remain unchanged as percentages of the base allocation, with a significant exception. Following a state review that identified concerns around "federal compliance" serving non-native English speakers, Poudre opted to remove English language learner funding from SBB and to create a distinct centralized staffing formula. This change means about

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\$500,000 less channeled directly to schools through SBB. Despite this change, site-based allocations are estimated to total about \$113 million for the coming year.<sup>64</sup>

Critically, business management professor William Ouchi, a prominent advocate for more efficient approaches to managing K-12 education systems, has found “[t]he most critical indicator of the extent of decentralization” to be “the proportion of school spending that is controlled by principals.”<sup>65</sup> In 2013, the Reason Foundation identified 40.3 percent of Poudre’s total district revenues funded through SBB, or directly under principal control at the site level.<sup>66</sup>

Montoya believes the figure is at least that high now, though it is not something the district consistently measures and reports. He stresses the difficulty in communicating this figure to parents and community members. “The split is not referring to activities, but to components of the budget,” he said.<sup>67</sup>

In all, about 77 percent of district expenditures occur at the school buildings, though many items—special education, IT support, custodial services, textbooks, and even principal salaries—are allocated outside SBB. Dollars that flow through to the district’s five charter schools also are not included in the 40 percent allocation.<sup>68</sup>

## Looking Ahead

Despite the implementation of recommended changes, the Review Committee and Poudre officials are convinced that SBB overall has proven a superior system for allocating resources within the district. The Reason Foundation observes that the district “demonstrates how student-based budgeting can be a flexible financial tool that is more effective at aligning enrollment with resources.”<sup>69</sup> The layout of the district and the design of the system especially are helpful at providing “a transparent method to examine the cost of maintaining small schools” and lost efficiencies that may demand additional taxpayer support.<sup>70</sup>

Looking ahead, Poudre has expressed a commitment to ensuring the program’s ongoing improvement. The Colorado General Assembly’s 2014 adoption of new financial transparency guidelines next year will require more detailed reporting of allocation and spending at the site level. Carefully tracking and communicating the results will help to ensure the goals of transparent and equitable funding are being appropriately met.<sup>71</sup>

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## Denver Public Schools

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Denver Public Schools’ transition to student-based budgeting followed a very similar timeline to Poudre’s. In 2007-08 Denver began to test the new allocation system, before fully implementing it in 2008-09. Yet the two school districts are strikingly different. Denver’s nearly 89,000 students make it three times larger than Poudre, recently surpassing Jefferson

County as Colorado’s largest school district. A clear majority of the district’s students are Hispanic, and 70 percent of those enrolled qualify for free or reduced lunch. In 2012-13 Denver reported more than \$1 billion in total revenue, about \$12,675 per full-time enrolled pupil.<sup>72</sup> In 2014-15, Denver’s Per Pupil Revenue equaled \$7,355.<sup>73</sup>

Similar to the rationale in Poudre, a June 2007 letter from then-superintendent Michael Bennet cited the need for greater transparency in resource allocation that would enable meaningful comparisons between schools. He also highlighted the inefficiency of the “stair-step effect” caused by rigid staffing formulas. The addition of a single student could automatically necessitate an additional half-time or full-time employee, or vice versa.<sup>74</sup>

For a large school district, Denver implemented its budgeting change with relative speed. Executive director of budget and finance Kate Kotaska, who had a different position in the office when the transition occurred, said district officials knew they “wouldn’t get it right the first time.” Denver moved ahead decisively with SBB, based on shortcomings perceived in the old system. The district established, and then delivered on, a strict two-year timeline for all schools to move to the new student-based allocation. More funds were available for the new system, since Denver stopped any hold harmless funding at the end of the two-year period.<sup>75</sup>

### **Overcoming Transitional Challenges**

While some Denver principals were prepared to quickly make the transition to greater control over their school budgets, most did not qualify as “overnight adopters.” During the first three years, which included the transition period, most school leaders clung to the old staffing allocation model. Today, those resistant to change represent a small minority. Most principals either have learned to become savvy business managers or to find a way to hire business managerial support. The skill of budget development and oversight is also incorporated into the training of new principals.<sup>76</sup>

Under SBB, the district has developed into a financial services arm to support school-

level decision-making processes. The Budget Office employs eight “financial partners,” each of whom is assigned to a group of 15 to 19 district-managed schools. Throughout the year they hold monthly meetings to discuss spending patterns and meeting budget targets. The budget development process begins in January, when “pre-meetings” are held to strategize for the upcoming year and to discuss human resources issues.<sup>77</sup> Later that month the new budget forms are released for review, and financial partners meet with principals for one-on-one sessions. School budgets are finalized and submitted by mid-February. Budget development processes vary from school to school, depending on personnel strengths. School accountability committees “may approve line-item level budgets or just general priorities.”<sup>78</sup>

The executive director of budget and finance says Denver has a good track record of district-level enrollment projections, within 1 percent either way.<sup>79</sup> It is much more difficult to nail down future student counts at individual schools. School capacity is a limiting factor; but Colorado’s generous open enrollment law and Denver’s refined central SchoolChoice application process has opened doors for many students to access higher performing options.

Through the SchoolChoice program, Denver provides families with information on traditional and charter options, and attempts to match students with the highest possible of their five stated school preferences.<sup>80</sup> Under SBB, dollars follow students more promptly and directly, sending stronger signals to schools based on whether they are effectively serving student needs.

Denver principals who anticipate enrollment significantly beyond projections have two key options at their disposal.

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First, they have less than a week to transfer sufficient dollars into a school reserve fund, not only as a means to deal with enrollment changes but also to plan for future spending objectives. During the budget development process, principals also can submit an interest-free “loan” request to the district in order to make timely staff and spending decisions. Loans must be repaid by the following fall semester.<sup>81</sup>

### **A Multitude of Factors**

Denver has developed a highly elaborate student-based funding formula for each of its schools. The formula is built on a base allocation, an amount that has increased from \$3,872 in 2012-13 to \$4,024 in the upcoming 2015-16 school year.<sup>82</sup> Differentiated per pupil weights then are applied, based on certain student characteristics. Low-income students eligible for free or reduced lunch each merit an additional \$467 (elementary or K-8) or \$503 (middle or high school), in addition to per-student federal allocations of Title I dollars.<sup>83</sup> Resources for gifted students and English language learners are assigned as a combination of student-based allocation and FTE formula. Extra funds are applied to schools that operate “center programs” with additional services for special needs students.<sup>84</sup>

A unique feature of Denver’s SBB formula ties a small portion of funds to schools based on measured performance. The district’s School Performance Framework (SPF) issues five categories of school ratings according to academic achievement and growth scores, college and career readiness, student engagement, and parent satisfaction.<sup>85</sup> Funds are distributed to schools on a per-student basis if they maintain one of the highest two SPF ratings (\$35 or \$65), or if they improve to a higher category (from \$100 to \$115).<sup>86</sup>

To provide additional transparency, Denver’s formula further breaks out school-level allocations on a per-student basis for substitute teachers (\$52) and secondary school activities (\$39.79), among other pieces distributed through the district’s General Fund.<sup>87</sup> Money raised through voter-approved mill levy overrides for designated purposes from student literacy development to arts to technology are broken out school by school as a per-pupil amount.<sup>88</sup>

Spending these specific allocations comes with a smaller degree of discretion for principals, though they still have more flexibility than under a traditional system. For example, the substitute teacher allocation must be used to cover for classroom absences, but the decision about when and how to deploy those funds rests at the school level. If the allocation exceeds the amount needed to cover teacher absences, remaining dollars can be used for other purposes.<sup>89</sup>

Like most other Colorado districts studied in this report, Denver does not charge schools the rate of actual teacher salaries, but rather an average amount. Kotaska says the district believes in this practice because it means “principals can hire anyone as long as they’re best qualified for the job.”<sup>90</sup> There are a few exceptions, though. A small number of Denver’s Innovation schools use actual salaries.<sup>91</sup> This calculation gives a principal greater latitude to hire more teachers with less experience at lower rates, or to use the funds saved for other priorities.

### **Moving Toward Greater Autonomy**

Nailing down the share of funds classified as student-based budgeting can be difficult. According to the Reason Foundation’s 2013 analysis, 44 percent of Denver’s budget is controlled by the principal at the site level.<sup>92</sup> Researchers for the Edunomics

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A unique feature of Denver’s SBB formula ties a small portion of funds to schools based on measured performance.

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lab tagged the 2013-14 share at 38 percent.<sup>93</sup> Kotaska notes that 47 percent of district general fund dollars (including voter-approved mill levy overrides and ProComp incentive pay) are allocated through SBB. If money passed through to charters were also counted, that figure would rise to 59 percent. Also excluded from the SBB calculation are funds used for teacher incentive payments above base salary, made through Denver's ProComp system.<sup>94</sup>

From the start of SBB, Denver has demonstrated the inclination to redirect a measure of resources from low-performing school environments to follow students into better options. Nearly 60 percent of the \$3.5 million in savings generated from a round of 2007 school closures was redirected into the student-based budgeting formula to provide targeted resources to the new schools in which they were being served.<sup>95</sup>

Subsequent years have seen Denver allow larger shares of budget resources to be directed at the school level, and refine the formula's precision. As Marguerite Roza and Cory Edmonds noted in their brief 2014 analysis of the program's progress, "These changes have increased the pool of funds available to principals to create

customized resources based on their students' needs."<sup>96</sup>

Denver continues to venture further along the path of decentralizing authority to individual schools. In May 2015 the Board of Education approved a plan that empowers principals as "chief strategists."<sup>97</sup> Rather than automatically being enrolled in new district purchases for curriculum, assessments, and professional development, school leaders are given the option to accept instead a designated per-pupil amount to invest in their own.<sup>98</sup> The alternate funds are only made available to relevant grades where new programs are being introduced.

Within the first month after the option was made available, about 20 percent of Denver schools chose not to adopt the district's selections.<sup>99</sup> The details of implementation and future local decisions regarding instructional resources bears careful observation. Denver's elevated commitment could rival Falcon 49's approach on a larger scale.

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## Douglas County

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A third early Colorado adopter of student-based budgeting was the Douglas County School District. The district's approach to allocation is simpler than Denver's, but it has proven to create its own powerfully positive incentives. Under the leadership of former superintendent Jim Christensen, Douglas County followed a two-year site-based budgeting (SBB) pilot with full implementation in 2008-09.<sup>100</sup>

The fast-growing, affluent school district has continued SBB under the leadership of current superintendent Elizabeth Celandia-Fagen. The system demonstrates the district's commitment to recognizing principals as education leaders within their respective buildings. Today, affluent and growing Douglas County enrolls roughly 65,000 K-12 students, about 11 percent of whom are eligible for free and reduced lunch. State-level data show the district

collected a little over \$600 million in 2012-13 revenue, about \$9,850 per FTE pupil.<sup>101</sup> Douglas County's primary 2014-15 funding stream, PPR, was below state average at \$6,764.<sup>102</sup>

### **Making Decisions Closer to the Student**

Douglas County's system of budgeting explicitly operates on the philosophy that, as much as possible, decisions should be made closest to the student.<sup>103</sup> The incentives incorporated into Douglas County's student-based budgeting promote a significant degree of sound local decision-making about resources and priorities.

Principals are afforded more discretion than in most districts, a level of authority that seems to have resonated well. Chief financial officer Bonnie Betz asserts that not a single Douglas County principal would trade the current system if given the chance. Building leaders have been "acclimated to becoming decision-makers," she said.<sup>104</sup> Principals work with district budget analysts to master their options and think strategically about establishing and keeping to budgets.

With a highly engaged parent population, the school accountability committees (SACs) at many sites play a meaningful role in setting priorities. Parents and leaders at one elementary school may wish to put more resources to class size reduction, while the SAC at a neighboring school may consult with the principal in adding extra instructors in art, music, or world languages.<sup>105</sup>

Two factors in particular undergird the autonomy of the district's budgeting approach. First, school-level decision-makers have discretion over a sizable share of funds spent within their respective buildings. Second, schools can carry over funds from year to year in order to save

for local spending priorities, avoiding the inefficient "spend it or lose it" mentality. As an example, ThunderRidge High School in Highlands Ranch saved more than \$300,000 to reconfigure its library space into a more "collaborative environment."<sup>106</sup> A total of about \$14 million accrued in Douglas County school savings accounts at the end of fiscal year 2013-14.<sup>107</sup>

The ability to save funds also helps offset possible shortfalls in estimated student counts. In past years, Douglas County employed a fairly generous "forgiveness factor" to hold schools harmless for small discrepancies between projected and actual enrollments. Large schools would not gain or lose any funds for the first five over- or under-counted pupils; for small schools, the enrollment buffer was three.<sup>108</sup> As of 2014-15, the renamed "October Count Adjustment Process" ensures funding for every additional student enrolled above projections. If enrollment falls below the planning estimate, small schools (fewer than 600 students) still get to keep funds for up to four more students than actually show up; larger schools only can keep funds for two extra students.<sup>109</sup>

According to the Reason Foundation, Douglas County gives school leaders control over 44.5 percent of all district funds. Author and analyst Katie Furtick credits the district for an SBB system that "gives school principals autonomy over class structure, staffing ratios and non-salary purchases to meet their individual goals."<sup>110</sup>

### **Purchases and Savings**

The base allocation for SBB in 2014-15 is \$3,772 per elementary student, \$3,846 in middle school, and \$3,445 in high school. Those amounts are slated to increase by \$50 in the coming school year.<sup>111</sup> Akin to Falcon 49, Douglas County's formula does not provide extra individual student

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...schools can carry over funds from year to year in order to save for local spending priorities, avoiding the inefficient "spend it or lose it" mentality.

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weights for at-risk classifications. District officials say the weights are extraneous because school leaders are trusted to make decisions that best meet student needs.<sup>112</sup>

Douglas County schools receive extra discretionary money beyond the pupil allocation (number of students x base allocation). An extra weight for students in kindergarten through 2nd grade, as well as per-pupil funds channeled through a designated mill levy, add in a small amount more. Further allocations are attached to average principal and assistant principal salary amounts, as well as substitutes for classified employees and for teachers working on curriculum development. However, schools are not limited to spending dollars for those purposes.<sup>113</sup>

When “purchasing” the services of a full-time equivalent teacher or other employee, the school pays the district the cost of an average salary for that position (\$71,600 in FTE salary and benefits for 2014-15). Schools are charged more for the services of a special education teacher.<sup>114</sup> A number of items funded at the school level are classified as non-discretionary, meaning they are designated for purposes identified by the district that cannot be overridden locally. Among these items are the following:<sup>115</sup>

- Special education
- English as a Second Language
- Gifted and Talented

- READ Act and early literacy interventions
- Custodial and security services

Finally, in addition to carryover dollars, school-level decision-makers may have access to extra funds if they have a higher share of families waived from paying curricular fees. A few schools can obtain more dollars if they are “highly impacted” by student mobility rates, larger special needs populations, or a small size that limits economy of scale. District leaders consider all requests and determine how to fund “needs against available resources.”<sup>116</sup>

Schools are given the chance to differentiate themselves to choosing students and parents through a district application process for “start-up” innovation funds. Meadow View Elementary’s Artful Learning program is an example of a school-based innovation funded upon request through a decision by the superintendent and her cabinet.<sup>117</sup> Douglas County advertises the diverse programming of its individual schools as part of its exceptional “Blueprint for Choice.”<sup>118</sup> A robust open enrollment policy gives parents extended time and, if needed, an appeals process to help ensure the child is matched with the right school. SBB funding makes schools more sensitive to families’ educational choices.

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Schools are given the chance to differentiate themselves to choosing students and parents through a district application process for “start-up” innovation funds.

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## Adams 12 Five Star Schools

Situated just north of Denver, Adams 12 Five Star Schools is currently the sixth-largest district in Colorado, serving nearly 38,000 K-12 students, about 38 percent of whom are designated low-income.<sup>119</sup>

The district collected \$405 million in revenue, \$9,800 per full-time student, during the 2012-13 school year. Adams 12’s Per Pupil Revenue, the primary source

of operational funding, totaled \$6,858 in 2014-15.<sup>120</sup>

According to chief financial officer Shelly Becker, the district has been using some rough form of student-based allocation for more than a decade. Interestingly, the early version started when Jim Christensen was superintendent, before taking the

job in Douglas County. Becker worked in Douglas County's finance office under Christensen before coming to Adams 12 in December 2011.<sup>121</sup>

In recent years, though, the district stayed captive to a "lump sheet" allocation method that relied largely on central decision-making with limited input from school leaders.<sup>122</sup> The following year, Adams 12 upgraded its process to a clearer form of student-based budgeting that has empowered and streamlined site-based resource planning and has begun to provide a more transparent picture of funding to the broader community. Planning for 2013-14, the first year of the transition, was primarily focused on helping principals understand what SBB means and how it works. Becker's staff held meetings with school leaders and conducted a series of "training labs" to help get the idea off the ground.<sup>123</sup>

A primary goal of the upgrade was to bring greater simplicity to the budgeting process. Multiple forms and "a very confusing process" have been replaced by a single SBB worksheet that bears some resemblance to what is used in Douglas County. Becker also sees the budgeting method as a means to promote greater equity between the poorer school communities on the district's southern end with their more affluent counterparts further north.<sup>124</sup>

### **More Effective Allocations**

Though the budgeting process has improved, Becker says it's still not as refined as district leaders would like it to be. Principals receive their one-page SBB worksheets at the beginning of March. Elementary school leaders are given three weeks, middle and high school leaders five weeks, to complete and submit the form. Staff from the district's budget office are available during that time to assist and

answer questions, and the three Executive Directors of Schools double-check that everything is properly aligned.<sup>125</sup>

The process has been aided by a desire to ensure prudent management of funds during a relative revenue shortage. Becker says the latest round of budgeting has shown greater understanding and acceptance from principals, who are able to translate the respective visions they have for their schools into clearer expressions of resource priorities.<sup>126</sup>

As with other SBB districts, Adams 12 has adopted its own approach for addressing the difficulties with making plans based on determinations of how many students will arrive for the coming school year. Principals work with district enrollment planners during the fall months through January, until final projections are made. Even after the next school year begins, district officials stay in close contact with schools to monitor enrollment patterns and needs.<sup>127</sup>

A district-level Enrollment Reserve Committee observes and decides how to deploy eight additional FTE employees to sites where low projections mean more support is needed. Still, the SBB process has enabled principals to plan the allocation of personnel and resources more effectively before the school year begins (rather than wait for the district to act in August or September), in order to ensure students receive timely services and to lessen disruptions.<sup>128</sup>

### **Building Clearer Understanding**

School district communications reported a level of early support among principals. A September 2013 article published in the school district's *Five Star Journal* quoted two school leaders favorably. The principal of Thornton High School declared support for the change because of the simplified

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Becker says the latest round of budgeting has shown greater understanding and acceptance from principals, who are able to translate the respective visions they have for their schools into clearer expressions of resource priorities.

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process, while his counterpart at Eagleview Elementary expressed appreciation for the additional flexibility to meet student need rather than a “one-size-fits-all approach.”<sup>129</sup>

Adams 12 principals have more autonomy than their average peers, but not necessarily a significant amount compared to the other SBB districts examined.

Most building positions are considered mandatory. Besides the principal and office staff, schools are required to fund two custodian positions and a media specialist. Similar to most other SBB districts, instructional staff and programming for English Language Learners and special education are centrally dictated as well. Elementary schools also must staff a half-time instructional coach.<sup>130</sup>

Yet individual leaders of buildings with 500 students could use limited discretionary funds to choose an extra reading coach to boost literacy or materials that serve as math curriculum enhancements.<sup>131</sup> The district does not measure the precise percentage of the budget that is site-controlled.<sup>132</sup>

The newer system clearly gives principals a greater understanding of what funds they manage and how they can be used. The updated budget worksheets measure the “purchase” of 16 different average salary figures for classified positions. Only one standard average salary for certified teachers is used, but Becker said the district had considered some level of differentiation.<sup>133</sup>

In essence, the Adams 12 student-based budgeting formula is a slightly less flexible version of the Douglas County approach.

Students are not weighted differently based on need. The base per-student discretionary allocation for elementary school leaders in fiscal year 2015-16 is \$3,467. Corresponding base allocation amounts are \$3,647 for middle schools, and \$2,981 for high schools.<sup>134</sup>

## **A Work in Progress**

CFO Shelley Becker says Adams 12 leaders are in the midst of “revisiting our vision for student-based budgeting.”<sup>135</sup> They are interested in continuing the practice, but focused on developing short-term and long-term strategies to better align budgeting to the district’s academic goals. Among other activities, the district is examining more sophisticated budgeting software tools to improve the process and assist schools by replacing the current use of Excel spreadsheets.<sup>136</sup>

In the summer of 2014, the Adams 12 financial team presented their work at a conference organized by the Colorado Association of School Executives. While recognizing that there are idiosyncrasies with each district’s precise development and implementation of SBB, Becker believes more districts would see high-level benefits. If there is one area where Adams 12 has excelled, it is in clearly and transparently explaining the new budget process. The National School Public Relations Association recognized a 2014 “Understanding the Budget” communications document with Honorable Mention.<sup>137</sup>

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# SBB in Jefferson County: Ready to Join

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The second-largest school district in Colorado, Jefferson County Public Schools provides education to a widely diverse population of more than 85,000 K-12 students, 32 percent of whom qualify as low income. Jeffco received \$842 million in 2012-13 revenue, an amount that corresponds to \$10,420 per full-time equivalent student. PPR for the 2014-15 school year amounted to \$6,850.<sup>138</sup>

Jeffco's interest in student-based budgeting began to blossom in the early 2010s under the leadership of then-CFO Lori Gillis. Neighboring Denver's work with SBB attracted attention, as did the School System 20/20 project by the K-12 urban reform advocacy group Education Resource Strategies (ERS). Though certainly not an urban district, Jeffco leaders observed the same shortcomings of inefficient, inequitable, and opaque resource distribution. Because the district used rigid enrollment-based formulas and followed the negotiated contract first, they "didn't have the ability to adjust resources to match need."<sup>139</sup>

Before departing the district in late 2014, Gillis brought forward an SBB program design sample to new Superintendent Dan McMinimee. The 2014-15 school year has focused on distributing written manuals, hosting individual meetings and small-group trainings with school leaders and financial secretaries, and collecting input and feedback from school communities. In January the district's budget team worked directly with schools to develop their detailed financial plans. In April they refined their work, using more solid student projections based on the choice enrollment process. "We're walking this year before we run," chief school

effectiveness officer Terry Elliott said in February 2015.<sup>140</sup>

Jeffco leaders have been focused on getting the program fully operational for 2015-16. They face a large project in the coming school year, implementing student-based budgeting in all neighborhood schools and three option schools<sup>141</sup>—more than 150 sites altogether. From an administrative standpoint, it should be easier to manage with one financial system, rather than piloting SBB in some schools and trying to manage two different systems.<sup>142</sup>

According to Elliott, feedback from principals has mostly been positive. He notes that, as with any change, there has been some measure of anxiety. While it is not yet clear how well the implementation will proceed, district leaders are working to keep the focus on the new program's goals: greater flexibility, equity, and transparency in the allocation of funds to serve students throughout the district. Jeffco was one of the first in the state to create a usable online financial transparency tool. As part of the student-based budgeting transition, the district is working to enhance capabilities to see more school-level spending detail.<sup>143</sup>

## Following the Course

The aim of Jeffco's SBB implementation is to establish a baseline that sets all Jeffco schools on relatively even ground: "SBB wipes the board clean and resets everyone to an equitable starting point."<sup>144</sup> The program is designed to ensure dollars best follow actual students to the location where they are being served. However, the district also has built in a hold-harmless provision that ensures no individual school's budget can grow or shrink by more than 8 percent year over year. Regardless of size, schools

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Jeffco was one of the first in the state to create a usable online financial transparency tool. As part of the student-based budgeting transition, the district is working to enhance capabilities to see more school-level spending detail.

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also start off with a floor level of SBB funding: elementary (\$1 million), middle (\$1.8 million), and high school (\$2.9 million).<sup>145</sup>

The district will begin 2015-16 with \$281 million allocated into its student-based budgeting formula. When it comes to the degree of school financial autonomy, Jeffco plans to start out ahead of Adams 12 but behind Douglas County. The base elementary per-pupil allocation is set at \$3,580, with \$3,710 for each middle school student and \$3,380 for each high school student. The 25 percent of Jeffco students who are eligible for free (not reduced rate) lunch also bring in an extra \$820 apiece to ensure at-risk funding reaches where it is needed. Lump sums also are available for high schools that are small or have alternative programs, but Jefferson County leaders wanted to limit the number of factors for simplicity.<sup>146</sup>

Following state law, each elementary school must offer at least free half-day kindergarten. The 2015-16 Jefferson County budget makes full-day kindergarten available tuition-free to all students whose families qualify for federal free or reduced lunch assistance. But whether and how to offer additional funded full-day kindergarten options becomes a site-level decision under the district's SBB program.<sup>147</sup>

In anticipation of projected enrollment growth, individual schools are enabled under SBB to make hiring "purchases" sooner than late summer as occurred under the old system. High-growth schools in particular will have readier access to meet staffing growth needs. For example, West Woods Elementary in Arvada would only be able to hire one additional teacher under the old staffing formulas. With student-based budgeting the school will attract funds based on real student counts and realign spending to add six new staff.<sup>148</sup>

Excluded from principals' SBB discretion are the management of employee benefits (including health insurance as governed by the Affordable Care Act), building operations and maintenance, and special education services.<sup>149</sup> Besides general education, support, and administrative staffing, schools have the freedom to allocate funds in the way they best see fit to provide the following:<sup>150</sup>

- Overtime, substitute, and extra pay opportunities
- Instructional material, supplies, and classroom technology
- Office supplies, printing, and copying

Nonetheless, ultimate hiring and personnel management decisions remain at the district level. Negotiated agreements and other policies restrict exactly who can be hired and when, but schools will be able to dictate priorities concerning how many personnel in each type of position will be assigned to them. Additional variances from standard staffing procedures can be accepted if approved by building staff and demonstrated to focus on pursuing goals of higher academic achievement.<sup>151</sup>

That requirement aligns with the stated purpose of the program: "to provide the opportunity for principals, with input from all stake-holders, to make site-specific, student-based, decisions on the deployment of resources to obtain the greatest student achievement outcomes."<sup>152</sup> The emphasis on stakeholders demonstrates a commitment to incorporating a broader decision-making process, engaging parents and staff members in helping to determine spending priorities.

Jeffco leaders also are exploring how to provide resource allocation guidance to School Accountability Committees based on improvement plans, as well as extra supports to the district's small schools.<sup>153</sup> Elliott says the district intends to use its office to find commonalities among

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schools, balancing additional cost savings through greater purchasing power with expanded site-level autonomy.<sup>154</sup>

As with any SBB program, not all building leaders are attuned to the higher vision, nor are all immediately prepared to embrace the added responsibilities. The early stages of implementation will

demonstrate a great deal of how quickly and thoroughly the culture and practice can change in Jeffco.

## Goals: Meeting the Big Three and More

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Poudre's Student-Based Budgeting Review Committee determined that the school district's maturing program is delivering improvements in all three targeted areas:<sup>155</sup>

- Transparency
- Student Equity
- Flexibility (and Accountability)

Very similar themes are intertwined within Colorado's other SBB districts. Denver sees **transparency** as a critical feature of its program. Taxpaying parents and community members can see how funds enter the SBB formula and are allocated to follow students directly to the site where they are served. A school's budgeting adjustments based on actual fall enrollment figures are also visible through the true-up process.<sup>156</sup> Adams 12 is another district that has paid attention to how well its staff and parents understand how funds are distributed and decisions are made. Feedback has helped Adams 12 improve the communication process.<sup>157</sup>

Perhaps the most significant result of a robust SBB program is the enhanced equitability of meeting student need. As Falcon 49's Brett Ridgway insightfully distinguishes, equity means "to treat each student as they need to be treated," instead of the one-size-fits-all goal of equality. If a special-needs student on an individual learning plan needs an electronic tablet or

device to help him achieve, a District 49 building principal has the flexible access to resources to make that decision. Thus, student lives can be changed directly, one at a time.<sup>158</sup>

Degrees of building-level **flexibility** vary among the districts studied, but all inherently represent an advance from traditional K-12 budgeting practices. This advantage is seen as principals sit down with district budget staff to understand their opportunities and plot the use of student-based budgeting resources. Building leaders depend on fewer rigid allocations and staffing formulas, but possess a relatively greater degree of freedom to chart their respective courses. As principals have the opportunity to make more key decisions, they are better able to drive the outcomes for which they are held accountable.

Overall, the power of decentralization rests partly in the ability to direct resources more productively. A more locally focused decision-making process can lead to greater efficiency. Falcon 49 operates a streamlined central office that acts as a service provider, while more resources are directed to the classroom level. Also funded below average for Colorado school districts, Douglas County has seen the total amounts saved in its relatively small,

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Falcon 49 operates a streamlined central office that acts as a service provider, while more resources are directed to the classroom level.

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school-directed carryover budgets grow year after year. In 2015, the total held in savings across the district's schools was \$13 million.<sup>159</sup>

### **Additional Advantages**

Falcon 49 leaders identified an additional advantage in implementing their district's particular brand of SBB: Greater accuracy in planning and predicting financial needs. This increased accuracy is due to the detailed and transparent accounting process that directs more resources to the ground level. Ridgway says that under the old system common to school districts they "would do well to budget within 5 percent either direction" of actual spending. Now the standard is about four times more precise.<sup>160</sup>

Drawing a direct link between SBB and improved student outcomes, however, is a daunting proposition. But Adams 12 sees it as part of the equation. Because of a more transparent system of allocation, district leaders and community members soon should be better able to see how different discretionary uses of funds connect with measurable results. In Adams 12 and in Denver, no systematic attempt to quantify these results has yet been made. As highlighted earlier, Denver is the only Colorado district to explicitly tie a share of SBB funds to school performance. The district's budget director says principals clearly see the incentive, but the incentive's

direct impact on student results is unknown.<sup>161</sup>

In its national overview of SBB districts, the Reason Foundation found a strong positive correlation between "higher budget autonomy" and "better school district performance."<sup>162</sup> A more rigorous analysis of urban school district "autonomy initiatives" that incorporate essential student-based budgeting components further strengthens the case. In a 2012 report, University of Washington scholars found the initiatives resulted in "some modest improvements in school performance," especially as measured by attendance and graduation rates. Most notable among the four districts analyzed were Oakland's significant test score gains.<sup>163</sup>

Researchers Meredith Honig and Lydia Rainey note that the initiatives successfully learned key lessons from the previous generation's ineffective "site-based management" reforms. Previous failure stemmed from "a lack of focus on teaching and learning improvement," as well as inadequate school-level capacity and support from the central office.<sup>164</sup> Insofar as Colorado SBB districts effectively train and empower principals, and provide guidance through the budgeting process, they at least are creating the conditions for success.

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Falcon 49 leaders identified an additional advantage in implementing their district's particular brand of SBB: Greater accuracy in planning and predicting financial needs.

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# Conclusions and Recommendations

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Chief budget officer Brett Ridgway joked that the humble administrative setting represents proof that the district's budgeting is truly student-based.

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To a degree rarely observed in K-12 public education, the innovative Falcon 49 school district has shifted resource decisions down closer to its school offices and classrooms. The headquarters of the POWER Zone, one of the four key cogs in the decentralized process, is a modest trailer on a middle school campus. The only bathroom facilities are in the nearby school building. Chief budget officer Brett Ridgway joked that the humble administrative setting represents proof that the district's budgeting is truly *student-based*.

Whether out of foresight or necessity, Colorado's early adopters of student-based budgeting have set themselves up to be better prepared to deliver effective education. Each of these districts deserves credit for stepping forward. In some cases, significant political courage has been required. In all cases, extra work and commitment also were needed to abandon the status quo and develop new, student-centered systems. While all six districts have implemented (or in Jeffco's case, proposed) initiatives that increase equity, transparency, and autonomy, Falcon 49 has set the highest standard. Even so, all current or prospective SBB districts ought to consider adopting a series of best practices in order to maximize their respective system's benefits.

1. **Start with More Detailed**

**Accounting:** Though it lacks the glamor of some reform projects, Falcon 49 and its chief business officer have demonstrated how a more refined, detailed accounting process enhances the results of student-based budgeting. The process does not have to be completed before launching SBB, but year over year can help make the allocation of resources and localized

decision-making clearer and more effective.

2. **Communicate Clearly and Consistently:** In addition to expanding the capacities of school principals to make effective budgeting decisions, district officials need to communicate regularly with building leaders their risks and opportunities. Building principals need to be prepared to justify their decisions with their respective communities and to highlight the successes enabled by a rational and inclusive SBB process.
3. **Phase Out "Crutches":** A district implementing SBB may need to include "crutches" to minimize the shock of transition. For instance, Jefferson County has capped the initial growth or loss of funds to prevent a rapid disruption of services. But they should be phased out quickly in order to fully realize the program's incentives.
4. **Find More Room for Autonomy:** SBB districts should constantly look at ways to preserve and expand both the revenue streams and budget areas under school-level autonomy. Rather than maintaining automatic staffing norms for instructional coaches, or centralizing services for English Language Learners or gifted students, districts ought to leave the door open for innovative site-level uses of staffing and technology to enhance instruction. In setting up SBB, leaders ought to include all unrestricted funds in the calculation.<sup>165</sup>
5. **Provide for Carryover:** Douglas County and Falcon 49 particularly have set the standard in enabling individual schools to carry over funds in "savings accounts" to be used for local priorities. This approach



stifles the “use-it-or-lose-it” mentality and empowers student-centered programming and creative solutions at the building level.<sup>166</sup>

6. **Empower Choice and**

**Portability:** Student-based budgeting and robust educational choice go hand in hand. Making funds genuinely portable gives parents genuine options. The two policies also simultaneously strengthen the incentive for schools to provide individual students with optimal service. Local boards of education should ensure timely and adequate periods to exercise choice, fair opportunities for parental appeal, and accessible information and transportation options to reduce barriers.

7. **Incorporate Academic Weights:**

Denver is the only district in Colorado to incorporate some measure of school-based performance in its formula for distributing SBB funds. Their cause was aided by a pre-existing local School Performance Framework. Other districts should examine and pursue ways to reward schools for meeting performance targets based on multiple valid measures aligned with local academic goals.

8. **Re-examine Actual, Rather Than**

**Average, Teacher Salaries:** The districts studied here were universally reticent about the approach of charging schools actual salaries, instead of average salaries, for key staffing decisions. The more strategically aligned the compensation system, the more effectively this option will work.

Colorado’s most advanced and effective implementers of student-based budgeting include some of the state’s lowest-funded districts. Chiefly, Falcon 49 has highlighted the path toward a truly nimble, coherent, efficient, and student-focused system of allocating resources. Following the district’s footsteps and forging new frontiers that increase equity, transparency, and autonomy means more Colorado schools have a much greater chance to get the most out of their dollars to help students.

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Colorado’s most advanced and effective implementers of student-based budgeting include some of the state’s lowest-funded districts.

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# Appendix

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More than 30 school districts nationwide are known to practice a form of student-based budgeting. A comprehensive count is difficult to obtain, because the information is not reported or collected in any sort of

standard manner. The Reason Foundation in California has made the greatest effort to identify and share SBB districts.

## **Adams 12, CO**

Baltimore

Birmingham, AL (Innovation Network Pilot)

Boston

Charlotte-Mecklenburg, NC (pilot)

Chicago

Cincinnati

Clark County, NV (pilot)

Cleveland

## **Denver**

### **Douglas County, CO**

### **Falcon 49, CO**

Hartford

Hawaii (one state school district)

Houston

## **Jefferson County, CO**

Los Angeles Unified (pilot)

Louisiana Recovery

Memphis Achievement School District

Michigan Education Achievement Authority (Detroit)

Milwaukee

Minneapolis

Nashville

Newark

New London, CT

New York City

Oakland

Philadelphia (pilot)

## **Poudre, CO**

Prince George's County, MD

St. Paul

San Francisco

Santa Fe Public Schools

Twin Rivers Unified, CA (pilot)

# Endnotes

- <sup>1</sup> Lisa Snell, Reason, “A Handbook for Student-Based Budgeting, Principal Autonomy, and School Choice” (2013) [http://reason.org/files/student\\_based\\_budgeting\\_handbook.pdf](http://reason.org/files/student_based_budgeting_handbook.pdf), p. 26. See also <http://www.districtadministration.com/article/opportunities-and-challenges-student-based-budgeting>.
- <sup>2</sup> Marla Ucelli, Ellen Foley, Thandi Emdon, “First Steps to a Level Playing Field: An Introduction to Student-Based Budgeting,” (2002), <http://files.eric.ed.gov/fulltext/ED480737.pdf>, p. 1.
- <sup>3</sup> Snell, “A Handbook for Student-Based Budgeting,” p. 26.
- <sup>4</sup> <http://www.districtadministration.com/article/opportunities-and-challenges-student-based-budgeting>. See also Ucelli et al., “First Steps to a Level Playing Field,” p. 9: “All three districts we studied increased money going to schools by moving dollars out of the central office and into the school formula. However, downsizing the central office can pose its own financial difficulties, even if just temporary, as the district may have obligations to vendors or staff even if the services are no longer needed.”
- <sup>5</sup> Marguerite Roza and Cory Edmonds, “What Portion of District Funds Follows Students?” June 2014, [http://edonomicslab.org/wp-content/uploads/2014/10/14\\_EL1\\_001\\_SBA\\_F.pdf](http://edonomicslab.org/wp-content/uploads/2014/10/14_EL1_001_SBA_F.pdf), p. 2; Jay Chambers, Larisa Shambaugh, Jesse Levin, Mari Muraki, Lindsay Poland, “A Tale of Two School Districts: A Comparative Study of Student-Based Funding and School-Based Decision Making in San Francisco and Oakland Unified School Districts” (2008), <http://files.eric.ed.gov/fulltext/ED503547.pdf>, p. iv; Lisa Snell and Katie Furtick, “Weighted Student Formula Yearbook 2013: Overview,” Reason Foundation, [http://reason.org/files/weighted\\_student\\_formula\\_overview.pdf](http://reason.org/files/weighted_student_formula_overview.pdf), p. ii. It also reflects some of the key principles described in “Fund the Child: Tackling Inequity & Antiquity in School Finance,” Thomas B. Fordham Institute, June 2006, <http://edexcellence.net/publications/fundthechild.html>.
- <sup>6</sup> More information on Colorado K-12 open enrollment available on the Independence Institute’s Education Policy Center website, “Public School Choice,” <http://education.i2i.org/k-12-issues/k-12-school-choice/public-school-choice/>. See also Chambers et al, “A Tale of Two School Districts,” p. iv. This study goes as far as to identify “student choice” through open enrollment policies as one of three typical essential elements of “student-based funding.”
- <sup>7</sup> Snell, “A Handbook for Student-Based Budgeting,” p. 21.
- <sup>8</sup> *Ibid.*, p. 18
- <sup>9</sup> Snell and Furtick, *Weighted Student Funding Yearbook Overview*, pp. 5-9.
- <sup>10</sup> William G. Ouchi, “Power to the Principals: Decentralization in Three Large School Districts,” *Organizational Science* (2006), p. 306.
- <sup>11</sup> Karen Hawley Miles, Kathleen Ware, Marguerite Roza, “Leveling the Playing Field: Creating Equity through Student-Based Budgeting” (2003), <http://ers.ehclients.com/documents/pdf/MilesKappan10-03.pdf>, p. 6. See also U.S. Department of Education press release, “More Than 40% of Low-Income Schools Don’t Get a Fair Share of State and Local Funds, Department of Education Research Finds,” November 30, 2011, <http://www.ed.gov/news/press-releases/more-40-low-income-schools-dont-get-fair-share-state-and-local-funds-department-education-research-finds>. “The [USDOE] analysis of new data on 2008–09 school-level expenditures shows that many high-poverty schools receive less than their fair share of state and local funding, leaving students in high-poverty schools with fewer resources than schools attended by their wealthier peers.”
- <sup>12</sup> Snell, “A Handbook for Student-Based Budgeting,” pp. 5-12.
- <sup>13</sup> *Ibid.*, p. 6.
- <sup>14</sup> *Ibid.*, p. 8.
- <sup>15</sup> *Ibid.*, pp. 10-17.
- <sup>16</sup> Roza and Edmonds, “What Portion of District Funds Follows Students?”, p. 4.
- <sup>17</sup> Snell, “A Handbook for Student-Based Budgeting,” p. 11. Snell includes a five-fold test Hawaii uses to determine whether revenue streams should be used for student-based budgeting.
- <sup>18</sup> Terry Elliott, chief school effectiveness officer, Jefferson County Public Schools, telephone conversation with the author, February 24, 2015; Bonnie Betz, chief financial officer, Douglas County School District, interview with the author, March 4, 2015; Kate Kotaska, executive director of budget and finance, Denver Public Schools, telephone conversation with the author, March 10, 2015.
- <sup>19</sup> Chambers et al, “A Tale of Two School Districts,” p. vii.
- <sup>20</sup> Bonnie Betz, DCSD, March 4 interview.
- <sup>21</sup> Snell, “A Handbook for Student-Based Budgeting,” pp. 19-21.
- <sup>22</sup> *Ibid.*, p. 15.
- <sup>23</sup> Colorado Department of Education, “Understanding Colorado School Finance and Categorical Program Funding,” updated July 2014, <http://www.cde.state.co.us/cdefinance/fy2014-15brochure>.
- <sup>24</sup> Colo. Rev. Stat. §22-44-105(4)(e).
- <sup>25</sup> Colorado Department of Education, Colorado Education Statistics, Pupil Membership, <http://www.cde.state.co.us/cdereval/pupildistrict>.
- <sup>26</sup> Colorado Department of Education, Revenues and Expenditures, <http://www.cde.state.co.us/cdefinance/RevExp>.
- <sup>27</sup> Brett Ridgway, chief business officer, Falcon School District 49, interview with the author, March 5, 2015.
- <sup>28</sup> Falcon School District 49, “Zones Overview,” <http://www.d49.org/Page/496>.
- <sup>29</sup> Colorado Department of Education, SchoolView Data Center, <https://edx.cde.state.co.us/SchoolView/DataCenter/reports.jspx>.
- <sup>30</sup> Mike Pickering, POWER Zone leader, Falcon School District 49, interview with the author, March 5, 2015.
- <sup>31</sup> Colorado Department of Education, Public School Finance, Fiscal Year 2014-15, <http://www.cde.state.co.us/cdefinance/schoolfinancefundingfy2014-15>.
- <sup>32</sup> Brett Ridgway, March 5 interview.
- <sup>33</sup> *Ibid.*; Falcon 49 strategic plan, <http://www.d49.org/domain/258>.
- <sup>34</sup> Falcon School District 49, 2014-15 Proposed Budget, examples on pp. 22-28.
- <sup>35</sup> Brett Ridgway and Mike Pickering, March 5 interview.
- <sup>36</sup> Ridgway interview; Falcon School District 49, 2014-15 Adopted Budget (F49 AB), p. 42.
- <sup>37</sup> Brett Ridgway and Mike Pickering, interview, March 5, 2015.
- <sup>38</sup> *Ibid.*, March 5, 2015.
- <sup>39</sup> Brett Ridgway, March 5 interview.
- <sup>40</sup> *Ibid.*; Falcon 49, 2014-15 Adopted Budget, p. 42.
- <sup>41</sup> Brett Ridgway, March 5 interview; Falcon 49, 2014-15 Adopted Budget, p. 43.
- <sup>42</sup> Brett Ridgway, March 5 interview.
- <sup>43</sup> Brett Ridgway and Mike Pickering, March 5 interview.
- <sup>44</sup> Mike Pickering, March 5 interview.
- <sup>45</sup> *Ibid.*
- <sup>46</sup> Brett Ridgway, March 5 interview.
- <sup>47</sup> Brett Ridgway and Mike Pickering, March 5 interview.

- <sup>48</sup> March 5 interview; Mike Pickering, electronic mail to the author, July 6, 2015.
- <sup>49</sup> Brett Ridgway, March 5 interview.
- <sup>50</sup> Ibid.
- <sup>51</sup> Ibid.
- <sup>52</sup> CDE Statistics, Pupil Membership; CDE, Revenues and Expenditures; CDE, Public School Finance, FY2014-15.
- <sup>53</sup> Lisa Snell and Katie Furtick, "Weighted Student Formula Yearbook 2013: Poudre School District," [http://reason.org/files/weighted\\_student\\_formula\\_poudre.pdf](http://reason.org/files/weighted_student_formula_poudre.pdf), p. 2; Poudre School District, "Background and Rationale for Student Based Budgeting," [https://www.psdschools.org/documentlibrary/downloads/Superintendent\\_Office/Initiatives\\_06-07/Initiative\\_2-New\\_SE\\_Elementary\\_School/Background\\_and\\_Rationale\\_for\\_Student-Based\\_Budgeting.pdf](https://www.psdschools.org/documentlibrary/downloads/Superintendent_Office/Initiatives_06-07/Initiative_2-New_SE_Elementary_School/Background_and_Rationale_for_Student-Based_Budgeting.pdf).
- <sup>54</sup> Poudre School District Student-Based Budgeting Report 2014-15, <http://poudrepublic.novusagenda.com/AttachmentViewer.aspx?AttachmentID=2373&ItemID=3146>, p. 2.
- <sup>55</sup> David Montoya, telephone conversation with the author, March 13, 2015.
- <sup>56</sup> Ibid.
- <sup>57</sup> PSD Student-Based Budgeting Report, p. 3; David Montoya, March 13 conversation.
- <sup>58</sup> David Montoya, March 13 conversation; PSD Student-Based Budgeting Report, pp. 19-20.
- <sup>59</sup> David Montoya, March 13 conversation; PSD Student-Based Budgeting Report, pp. 11-13.
- <sup>60</sup> David Montoya, March 13 conversation.
- <sup>61</sup> Snell and Furtick, Weighted Student Funding Yearbook: Poudre, p. 4.
- <sup>62</sup> Ibid., p. 3.
- <sup>63</sup> Ibid., p. 3; PSD Student-Based Budgeting Report, p. 2.
- <sup>64</sup> PSD Student-Based Budgeting Report, pp. 9, 18; David Montoya, March 13 conversation. According to CDE data, 2,074 (or about 7 percent) Poudre students are identified as ELL. Yet most of those students also qualify for free or reduced lunch. Therefore, in most cases, schools only lose direct control of the additional 5 percent weight that comes with a student being identified with both characteristics. In sum, there is about \$25 less per ELL student directed through SBB.
- <sup>65</sup> Ouchi, "Power to the Principals," p. 303.
- <sup>66</sup> Snell and Furtick, Weighted Student Funding Yearbook: Poudre, p. 3.
- <sup>67</sup> David Montoya, March 13 conversation.
- <sup>68</sup> Ibid.
- <sup>69</sup> Snell and Furtick, Weighted Student Funding Yearbook: Poudre, p. 15.
- <sup>70</sup> Ibid.
- <sup>71</sup> PSD Student-Based Budgeting Report, p. 21.
- <sup>72</sup> CDE Statistics, Pupil Membership; CDE, Revenues and Expenditures.
- <sup>73</sup> CDE, Public School Finance, FY2014-15.
- <sup>74</sup> "Financial Resources Management Plan, Denver Public Schools, Fiscal Year 2007-2008," p. 1, June 21, 2007, [http://businessmanuals.dpsk12.org/07\\_08\\_SBB/0708\\_Adopted\\_Book.pdf](http://businessmanuals.dpsk12.org/07_08_SBB/0708_Adopted_Book.pdf); Lisa Snell and Katie Furtick, "Weighted Student Funding Yearbook 2013: Denver," [http://reason.org/files/weighted\\_student\\_formula\\_denver.pdf](http://reason.org/files/weighted_student_formula_denver.pdf), p. 1.
- <sup>75</sup> Marguerite Roza and Cory Edmonds, "Denver Public Schools: Making More Money Follow Students," June 2014, [http://edumomicslab.org/wp-content/uploads/2014/06/14\\_EL\\_001\\_DPS\\_Case\\_Study\\_F-2.pdf](http://edumomicslab.org/wp-content/uploads/2014/06/14_EL_001_DPS_Case_Study_F-2.pdf), p. 1.
- <sup>76</sup> Kate Kotaska, executive director of budget and finance, Denver Public Schools, telephone conversation with the author, March 10, 2015.
- <sup>77</sup> Denver starts its budgeting process earlier than neighboring districts in order to leverage the professional talent pool and to have budgets approved earlier in the cycle. Kate Kotaska, telephone conversation with the author, July 7, 2015.
- <sup>78</sup> Denver Public Schools, "Budget for Success: A Guide to Understand DPS Budget" 2014-15, [http://financialservices.dpsk12.org/wp-content/uploads/2014/11/DPS\\_CitizensGuide\\_final\\_web.pdf](http://financialservices.dpsk12.org/wp-content/uploads/2014/11/DPS_CitizensGuide_final_web.pdf), p. 5; Denver Public Schools, Budget Guidance Manual 2015-16, <http://financialservices.dpsk12.org/wp-content/uploads/2015/02/FY15-16-Budget-Guidance-Manual.pdf>, p.4; Kate Kotaska, March 10 conversation.
- <sup>79</sup> Kate Kotaska, March 10 conversation.
- <sup>80</sup> See <http://schoolchoice.dpsk12.org/>.
- <sup>81</sup> Denver Budget Guidance Manual, p. 43; Kate Kotaska, March 10 and July 7 conversations.
- <sup>82</sup> Katie Furtick, "Annual Privatization Report: Education," Reason Foundation, April 2014, <http://reason.org/files/apr-2014-education.pdf>, p. 24; Denver Budget Guidance Manual, p. 7.
- <sup>83</sup> Each low-income student in a school with 66 to 89 percent low-income enrollment receives a \$365 Title I allocation. If the ratio is 90 percent or higher, the rate is \$415. All Title I schools also get an additional \$5.92 for each eligible student to fund activities that promote parental involvement.
- <sup>84</sup> Furtick, Annual Privatization Report 2014, p. 24; Denver Budget Guidance Manual, p. 7; Denver Public Schools, Adopted Budget Book, FY 2014-15, <http://financialservices.dpsk12.org/wp-content/uploads/2014/07/DPS-Adopted-Budget-Book-FY2014-15.pdf>, pp. 169-170.
- <sup>85</sup> Denver Public Schools School Performance Framework, <http://spf.dpsk12.org/>. In 2015-16, Denver is making temporary changes to its School Performance Framework based in part on adjustments to the state's accountability system. Further permanent changes are being contemplated for 2016-17, including more weight on academic status scores as opposed to academic growth. See also Jaclyn Zubrzycki, "Here's How Denver Schools Are Going to Be Evaluated This Year," Chalkbeat Colorado, March 23, 2015, <http://co.chalkbeat.org/2015/03/23/heres-how-denver-schools-are-going-to-be-evaluated-this-year/#.VXs2DvIVhBd>.
- <sup>86</sup> Denver Budget Guidance Manual, p. 7. Block grants in the amounts of \$100,000 to \$250,000 are also targeted through SBB to all the lowest-rated (Red or Orange) schools to focus on improvement.
- <sup>87</sup> Snell, "A Handbook for Student-Based Budgeting"; Denver Budget Guidance Manual, p. 7.
- <sup>88</sup> Denver Budget Guidance Manual, p. 7; Roza and Edmonds, "Denver Public Schools," p. 2.
- <sup>89</sup> Kate Kotaska, March 10 conversation; Roza and Edmonds, "What Portion of District Funds Follow Students?" p. 4.
- <sup>90</sup> Kate Kotaska, March 10 conversation.
- <sup>91</sup> Ibid. "Innovation school" is an official designation authorized through the state's 2008 Innovation Schools Act. According to the Colorado Department of Education: "The Act allows a public school or group of public schools to submit an innovation plan to its' local board of education that is designed to increase student outcomes and strategically align the school's resources with their approach to teaching and learning." Colorado has 58 officially

- recognized innovation schools; 36 are located in Denver. See CDE, “Innovation Schools,” <http://www.cde.state.co.us/choice/innovationschools> (accessed June 27, 2015).
- <sup>92</sup> Snell and Furtick, *Weighted Student Funding Yearbook: Denver*, p. 4. The ratio measures the amount of funds directed by schools as a share of total district General Fund dollars.
- <sup>93</sup> Roza and Edmonds, “Denver Public Schools,” p. 2. Researchers use the %SBA metric to identify \$325 million in portable funds “allocated on the basis of students or student types” out of \$865 million total district spending, not inclusive of long-term debt, private revenue streams, and capital expenditures.
- <sup>94</sup> Kate Kotaska, March 10 and July 7 conversations.
- <sup>95</sup> Snell, “A Handbook for Student-Based Budgeting,” p. 9.
- <sup>96</sup> Roza and Edmonds, “Denver Public Schools,” p. 1.
- <sup>97</sup> Jaclyn Zubrzycki, “Denver school board sets course toward more decentralized district,” *Chalkbeat Colorado*, May 12, 2015, <http://co.chalkbeat.org/2015/05/12/denver-school-board-sets-course-toward-more-decentralized-district/#.VYwlgfIVhBc>.
- <sup>98</sup> See Denver Public Schools, “Flexibility and the Denver Plan 2020,” <http://flexibility.dpsk12.org/>.
- <sup>99</sup> Jaclyn Zubrzycki, “In first test of flexibility plan, nearly one-fifth of Denver principals go their own way,” *Chalkbeat Colorado*, June 16, 2015, [http://co.chalkbeat.org/2015/06/16/in-first-test-of-flexibility-plan-nearly-a-fifth-of-denver-principals-go-their-own-way/#.VYwlf\\_IVhBc](http://co.chalkbeat.org/2015/06/16/in-first-test-of-flexibility-plan-nearly-a-fifth-of-denver-principals-go-their-own-way/#.VYwlf_IVhBc).
- <sup>100</sup> Bonnie Betz, March 4 interview; Furtick, *Annual Privatization Report*, p. 25.
- <sup>101</sup> CDE Statistics, Pupil Membership; CDE, Revenues and Expenditures.
- <sup>102</sup> CDE, *Public School Finance, FY2014-15*.
- <sup>103</sup> Bonnie Betz, March 4 interview; Douglas County School District, *FY 2015-16 Budget Guidance Manual* (internal document), p. 5.
- <sup>104</sup> Bonnie Betz, March 4 interview.
- <sup>105</sup> *Ibid.*
- <sup>106</sup> *Ibid.*; Scott Smith, Director of Budget, Douglas County School District, electronic mail to the author, July 1, 2015.
- <sup>107</sup> Douglas County School District, *Comprehensive Annual Financial Report for the Year Ended June 30, 2014*, <https://www.dcsdk12.org/sites/default/files/BusinessServices/cafr/June%202014%20Comprehensive%20Annual%20Financial%20Report%202-2015.pdf>; Scott Smith, July 1 electronic mail.
- <sup>108</sup> Scott Smith, July 1 electronic mail.
- <sup>109</sup> DCSD Budget Guidance Manual, p. 3; DCSD, *Elementary School Budget SBB Sample*, “Budget Policies” tab (internal documents).
- <sup>110</sup> Furtick, *Annual Privatization Report 2014*, p. 25.
- <sup>111</sup> DCSD Budget Guidance Manual, p. 6; Scott Smith, DCSD, electronic mail to the author, June 29, 2015.
- <sup>112</sup> Bonnie Betz, March 4 interview.
- <sup>113</sup> DCSD Budget Guidance Manual, pp. 6-7.
- <sup>114</sup> Bonnie Betz, March 4 interview; DCSD, *Elementary School Budget SBB Sample*, “SBB Worksheet” tab (internal document).
- <sup>115</sup> DCSD Budget Guidance Manual, pp. 10-11.
- <sup>116</sup> *Ibid.*, p. 8.
- <sup>117</sup> Bonnie Betz, March 4 interview.
- <sup>118</sup> <https://www.dcsdk12.org/choice-programming>.
- <sup>119</sup> <http://www.cde.state.co.us/cdereval/pupilcurrentdistrict>.
- <sup>120</sup> CDE Revenues and Expenditures; CDE, *Public School Finance, FY2014-15*.
- <sup>121</sup> Shelley Becker, chief financial officer, Adams 12 Five Star Schools, telephone conversation with the author, March 24, 2015.
- <sup>122</sup> Furtick, *Annual Privatization Report 2014*, p. 41.
- <sup>123</sup> “Student-based budgeting focuses on individual school needs,” *Adams 12 Five Star Journal*, September 2013, [https://www.adams12.org/files/fivestarenews/FSJ\\_Sept2013\\_web.pdf](https://www.adams12.org/files/fivestarenews/FSJ_Sept2013_web.pdf), p. 2.
- <sup>124</sup> Becker conversation; Furtick, *Annual Privatization Report 2014*, p. 41.
- <sup>125</sup> Shelley Becker, March 24 interview.
- <sup>126</sup> *Ibid.*
- <sup>127</sup> *Ibid.*
- <sup>128</sup> *Ibid.*
- <sup>129</sup> “Student-based budgeting focuses on individual school needs,” *Journal*, p. 2.
- <sup>130</sup> Adams 12, *Sample SBB Worksheet* (internal document); Tracy Dorland, chief academic officer, Adams 12 Five Star Schools, telephone conversation with the author, March 30, 2015.
- <sup>131</sup> “Student-based budgeting focuses on individual school needs,” *Journal*, p. 2.
- <sup>132</sup> Shelley Becker, March 24 conversation.
- <sup>133</sup> Shelley Becker, March 30 conversation.
- <sup>134</sup> Shelley Becker, March 24 conversation; Becker, electronic mail to the author, May 26, 2015.
- <sup>135</sup> Shelley Becker, March 24 conversation.
- <sup>136</sup> *Ibid.*
- <sup>137</sup> National School Public Relations Association, *Publications and Electronic Media Awards*, [http://www.nspr.org/awards/pubs\\_media](http://www.nspr.org/awards/pubs_media).
- <sup>138</sup> CDE Statistics, Pupil Membership; CDE, *Revenues and Expenditures; CDE, Public School Finance, FY2014-15*.
- <sup>139</sup> Terry Elliott, chief school effectiveness officer, Jefferson County Public Schools, telephone conversation with the author, February 24, 2015; see also *Education Resource Strategies, System 20/20*, <http://www.system2020.org/>.
- <sup>140</sup> Terry Elliott, February 24 conversation; “Student-Based Budgeting: An Update for the Board of Education,” *Jeffco Board of Education Special Meeting*, February 19, 2015.
- <sup>141</sup> The three participating option schools are Dennison Elementary, D’Evelyn Junior-Senior High School, and Manning Options School.
- <sup>142</sup> Terry Elliott, February 24 conversation.
- <sup>143</sup> *Ibid.*
- <sup>144</sup> “SBB: Update for the Board of Education,” Slide 7.
- <sup>145</sup> *Ibid.*, Slide 31.
- <sup>146</sup> *Ibid.*, Slides 18-21; Terry Elliott, February 24 conversation.
- <sup>147</sup> “SBB: Update for the Board of Education,” Slide 28.
- <sup>148</sup> Terry Elliott, February 24 conversation.
- <sup>149</sup> “SBB: Update for the Board of Education,” Slide 13; Terry Elliott, February 24 conversation.
- <sup>150</sup> “SBB: Update for the Board of Education,” Slide 25.
- <sup>151</sup> *Ibid.*, Slide 17.
- <sup>152</sup> *Ibid.*, Slide 5.
- <sup>153</sup> *Ibid.*, Slide 37.
- <sup>154</sup> Terry Elliott, February 24 conversation.
- <sup>155</sup> *PSD Student-Based Budgeting Report*, pp. 3-4.
- <sup>156</sup> Kate Kotaska, March 10 conversation; see also Roza and Edmonds, “What Portion of District Funds Follows Students?”
- <sup>157</sup> Tracy Dorland, March 30 conversation.
- <sup>158</sup> Brett Ridgway, March 5 interview.
- <sup>159</sup> Bonnie Betz, March 4 interview.
- <sup>160</sup> Brett Ridgway, March 5 interview.

<sup>161</sup> Kate Kotaska, March 10 conversation; Snell and Furtick, *Weighted Student Funding Yearbook*: Denver, p. 4.

<sup>162</sup> Snell and Furtick, *Weighted Student Funding Yearbook Overview*, p. 4. The authors note that the “relationship is statistically significant with 90 percent confidence or higher among the combined rankings of all student groups and when rankings are limited to only disadvantaged student groups.”

<sup>163</sup> Meredith Honig and Lydia Rainey, “Autonomy and School Improvement: What Do We Know and Where Do We Go from Here?” *Educational Policy* 26(3), 2012, pp. 476-479.

<sup>164</sup> Honig and Rainey, “Autonomy and School Improvement,” pp. 467-471.

<sup>165</sup> Snell, “A Handbook for Student-Based Budgeting,” p. 16. The author puts a finer point on the elimination of these practices: “Norm-based budgeting cuts against the intent of student-based budgeting by locking in school positions that may not meet the needs of individual students.”

<sup>166</sup> Snell, “A Handbook for Student-Based Budgeting,” p. 17. The author makes a similar point of emphasis: “If schools save resources at the school level or generate more student funding for the next year, district policy should allow schools to keep and reinvest the savings at the school level.”

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