

Oakland Unified School District Impact Assessment Results-Based Budgeting

Thanks to implementation of Results-Based Budgeting, national education experts have lauded OUSD as "the only district in the country to fully implement equitable funding of all of its schools on a per-school, per-pupil basis."

Why change how the district allocates resources to schools?

Prior to Results-Based Budgeting (RBB), OUSD, like the majority of public school systems in the U.S., used enrollment-based formulas to allocate positions (such as administrators, teachers, counselors, and janitors) and supplies, rather than dollars, to schools. Under the staffing formulas, positions were accounted for in a school's budget using average salaries, a practice that masked the earnings differential between lower-paid novice teachers and more expensive veteran teachers. In OUSD, like many urban districts, more experienced teachers clustered to the higher-performing schools, leaving struggling schools to hire a revolving door of new teachers. From a resource standpoint, the district created inequities.

After extensive research and visits with leaders from model districts across North America, including Edmonton, Canada and Rochester, New York, OUSD leaders and partners developed a comprehensive district reform model that would become known as "Expect Success." At its heart, this redesign highlighted budget autonomy for schools paired with high-quality central services that schools could purchase based on their knowledge of the specific needs of their student community. In exchange for this budgeting and purchasing flexibility, schools were to be held accountable for increasing student achievement.

Oakland's Budgeting Solution

OUSD pioneered Results-Based Budgeting (RBB), a new resource allocation system for its 108 schools, in 2004. The district introduced RBB as a strategy to increase equity, transparency, autonomy and accountability throughout the organization.ⁱ In addition to creating budget equity, RBB gave schools more flexibility in order to configure their own staffing arrangementsⁱⁱ and instructional programs. As the number of new small autonomous schools rapidly increased, district leaders became convinced of RBB's potential as a district-wide strategy to

Results-Based Budgeting

RBB reflects OUSD's belief that the people closest to the students will most effectively manage a school's resources in support of achieving better academic outcomes. Results-Based Budgeting directs dollars to schools and gives each school community the flexibility to decide how it will spend its funding. RBB combines with our district-wide accountability system and service culture to produce higher quality schools.

redress historic inequities, award sites more site-based decision making in exchange for greater accountability, and introduce greater fiscal transparency. OUSD’s first State Administrator, Randy Ward, directed OUSD to roll out RBB to every district school in 2005.ⁱⁱⁱ

OUSD requires that every school site and every department practice RBB and evaluate every investment against the desired result—higher student achievement. Each principal and manager must re-establish each year that each staff position or other expenditure is both a priority use of funds and is covered by a specific resource. Every line item is examined for relevance to the current situation, rather than simply assuming that whatever was spent last year will be spent this year.¹

RBB ensures both accurate per-teacher and per-pupil resource allocation and gives schools compelling incentives to increase student enrollment, as well as to improve pupil attendance throughout the school year. Under RBB, the district can dynamically respond to changes in revenues due to changes in local enrollment and is better prepared to help principals adjust to unanticipated increases or decreases in state or federal funding.

The Impact of Funding Climate

OUSD implemented RBB during a period of declining enrollment, meaning that school sites gained autonomy over shrinking budgets. District leaders suggest that the “best time to implement this model is during a time of increased funding” because “principals will be a lot more receptive to this change when their decision making is focused on programmatic expansion versus cutting core programs.”¹ OUSD also advises districts moving to actual salaries to consider how they will support the transition in schools that pay above average salaries.

How does RBB work?

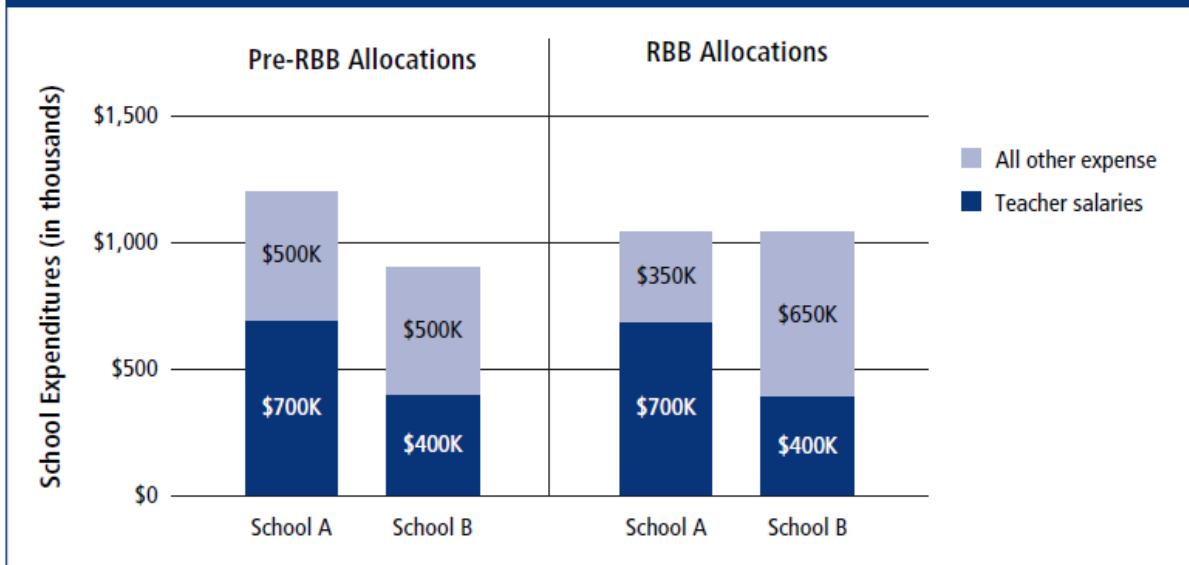
The following example shows how two schools that each hire ten teachers fared in OUSD pre- and post-RBB. The average salary system in use prior to RBB “charged” all schools an average salary of \$50,000 per teacher, although schools never experienced a savings or deficit if they hired teachers earning below or above the average.

If School A attracted ten veteran teachers each earning \$70,000 (\$700,000 total), and School B hired ten novice teachers each earning \$40,000 (\$400,000 total), the district simply allocated an additional \$300,000 to School A to cover its more expensive teacher salaries. If Schools A and B received equal budgets and made the same hiring decisions described above, School A would have less money to spend on non-salary expenses (e.g., professional development, supplies, etc.) while School B would have more.^{iv}

¹ Some call this approach “zero-based budgeting.”

HOW RESULTS-BASED BUDGETING WORKS

The RBB Model Ensures Budget Equity



By charging schools the actual cost of teachers, a school with more novice educators has more money left over to pay for professional development, coaching or other learning tools to support its newer teachers, in addition to more money for supplies and other expenses. It may even have enough resources to hire another teacher, thereby reducing class sizes. All of these enhancements support the growth and retention of the new teachers and help make the school more appealing to families. RBB's intent was to remedy the inequitable concentration of the best teachers in schools serving affluent neighborhoods, paralleling the concentration of veteran teachers in suburban versus urban schools.

Implementation

Under RBB, dollars follow the students. A school's budget is determined by the number and type of students enrolled and the attendance rates of the school. Each year, OUSD determines the split of General Purpose funds (GP) between school sites and central services, including district-wide expenses such as the Special Education contribution, debt payments, etc. Since starting RBB, OUSD has met its goal of steadily increasing the percentage of GP dollars allocated to school sites. In 2008-09, each school received approximately \$4,000 per student from GP funds. Once the central/ schools split is determined, the budget office determines the GP per-pupil allocation by school level (e.g., elementary, middle, K-8, high). This per-pupil figure is multiplied by the school's projected enrollment and then by its actual attendance rate.

Categorical funds, which support specific student populations, are distributed to schools based upon federal and state regulations. For example, the district's total \$25.3 million Title 1 budget in 2008-09 was divided by the district's 25,055 Title 1 students (after

deducting mandatory takeouts), resulting in an additional \$485 per low-income student flowing to schools.^v Other state and federal categorical funds are distributed in a comparable manner.

For the first three years of RBB's implementation, OUSD used a local parcel tax to give schools with higher than average teacher salaries a subsidy (ranging from \$500-\$600 per pupil in the first year to less than \$100 per pupil in the third year)^{vi}, so that schools were not excessively punished for having a veteran teacher team.^{vii} In subsequent years, the parcel tax was distributed on a per-pupil basis to schools to subsidize teacher costs, thereby putting increased budget pressure on small schools with a veteran teacher population. In response, OUSD principals jointly developed a proposal for an "RBB Balancing Pool," which is being implemented in the current RBB process for the 2010—2011 school year. This RBB Balancing Pool places a small "tax" on schools with lower cost teachers and reallocates the funds based on a set of pre-determined criteria, including schools impacted by receiving veteran teachers involuntarily "bumped" from other schools due to school closure or consolidation.

RBB differs from other school budgeting systems in three important ways.

First, most other districts that have replaced staffing formulas with student-based budgeting systems use a Weighted Student Formula (WSF).^{viii} Under a WSF, a local board of education or other policy-making body devises a per-pupil allocation formula that affixes a different "weight" to each student group, with the heaviest weights going to the most at-risk students. The rationale for a WSF is that it costs more to educate students with greater needs, however, some evidence has been collected under adequacy studies that suggests otherwise. In any case, the process of determining how much more to allocate for each type of need or per high-risk student is a political decision. Oakland's design choice uses its categorical funds to serve as the "weights" since the district receives a high percentage of its budget in categorical funding, which target students with specific needs.

Secondly, OUSD was the first public school system in the country to require schools to pay the actual cost of each teacher on staff. The district's unprecedented use of actual salaries is considered a key lever for achieving equity as "schools with inexperienced teachers have additional resources they can use to develop and retain those teachers, thus equalizing the distribution of talent across district schools."^{ix} Arguing that average salaries obscure the primary source of inequity between higher income (typically higher-performing) and low-income (typically lower performing) public schools, national education experts have lauded OUSD's RBB system as "the only district in the country to fully implement equitable funding of all of its schools on a per-school, per-pupil basis."^x

Making Actual Salaries Happen

OUSD's unprecedented use of actual salaries tackled a primary source of intra-district inequity in the US public education system. It is difficult to know if this politically-charged aspect of RBB would have been possible to implement district-wide if OUSD had not been under the control of a state-appointed administrator with the ability to act unilaterally. The only other US districts to follow Oakland's lead and require all or some of their schools to pay actual staff salaries—New York City Schools and Chicago Public Schools—have been under mayoral control since 2002 and 1995, respectively.

Finally, OUSD school budgets are calculated by “weight[ing] the [current] total enrollment at the school by the school’s Average Daily Attendance (ADA) from the previous year.” For example, if the district calculates that a school has an actual enrollment of 500 students and had an ADA the previous school year of 90 percent, the school would receive general purpose funds for 450 students ($500 \times .90 = 450$).^{xxi} Operationally, this means that OUSD must adjust school budgets in November of each current school year to reflect revised attendance percentages. In contrast, most school budgeting systems allocate dollars or positions based on spring enrollment projections or straight enrollment counts from the tenth day of the current year. OUSD’s system ensures accurate per-pupil resource allocation and gives schools a compelling incentive to increase attendance throughout the school year.

What tools and supports does RBB require?

Originally implemented through lengthy Microsoft Excel spreadsheets, OUSD developed an online RBB tool in 2006. Every spring, the OUSD budget office sends each school its projected budget allocation for the following school year. Principals then work with their staff and School Site Council to create and approve a budget. Principals log in into the RBB system and enter the school’s spending decisions. Budget allocations are revised each November when the fall enrollment and Average Daily Attendance (ADA) numbers are released, and principals often adjust their budgets.

The online tool has been refined every year based on principal feedback. One of the most notable changes to the tool was integrating RBB and the state’s annual mandated Single Plan for Student Achievement (SPSA) in 2008, with further enhancements to this integration in 2009. The SPSA allows a principal and School Site Council to analyze achievement data and detail the strategies that the school will pursue to improve student performance. By integrating RBB and the SPSA, principals are able to drill down and show how resource allocation choices support each strategy.

Within the OUSD finance office, a Budget Director oversees RBB and the budget office, including a team of Financial Service Associates who implement the mechanics of RBB and translate RBB budgets into IFAS, the district’s enterprise human resources and financial management system. Schools are supported in their strategic budgeting by Operations Support Coaches (an optional fee-based service) and by their Network Executive Officers (NExOs). NExOs, who each manage 8-15 principals, help principals develop and align their SPSAs and budgets, and ultimately approve both documents.

Results of RBB in Oakland

Interviews at six OUSD schools in fall 2008 revealed strong support for RBB. School communities from the previously under-resourced flatlands felt that resources were more equitably and transparently

RBB Gets Results

OUSD leaders consider RBB one of the key strategies that has made OUSD the most improved large district in California for five years in a row (2004-2009)—along with the opening of small schools, closing of failing schools, a new standards-based curriculum and set of formative assessments, formation of professional learning communities in schools, clear accountability for results, and community and family engagement.

allocated across the district. Principals viewed RBB as a critical mechanism for aligning resources with their schools' visions and instructional programs, a necessary step for improving student outcomes.^{xii} Teachers described how budget discretion at the site enables schools to spend dollars on site-determined priorities. At community meetings across Oakland to address the district's potential budget cuts due to the State of California financial crisis, school staff and parents demanded that schools retain site-based budget decision-making. Schools said that they would rather have to make the difficult decisions about spending tradeoffs at their sites than have cuts and staffing configurations handed down by the central office.

The following vignettes describe RBB in practice at three Oakland schools.

Life Academy of Health and Bioscience

Serving 250 ninth through twelfth graders, Life Academy of Health and Bioscience was the first small high school to open in OUSD in 2001. Students primarily live in the surrounding Fruitvale and San Antonio neighborhoods and are drawn to Life Academy in order to pursue an interest in the medical field. Life Academy offers a rigorous college prep curriculum and internships to juniors and seniors. [Former] Principal Erik Rice calls RBB "essential because it enables me to be strategic with our resources." He continues, "The district hired me to be in charge of the instructional program and produce high academic achievement. Bottom line is I need control over my budget to be able to do that. I like that I'm held accountable for my choices. If we're not producing results over time, I'd be the first to say replace me. But I think the gains that we've been making prove that we know how to best help our students achieve across many different measures."

Rice's number one priority is to "hire the most amazing and committed instructors I can find. Teachers are the most important positions we hire." He adds, "As part of the small schools model, teachers and every adult in the building fill multiple roles to support various student needs. Each teacher works with a small group of advisees to help them select their courses and extra-curriculars, find internships and plan for college. We are best positioned to advise our students because we know their academic, personal and social needs, and long-term goals."

RBB Increases Equity

RBB demonstrates that public school systems can increase equity among schools by funding schools on a per-pupil basis and using actual salaries. An external study of RBB conducted by American Institutes of Research (AIR) found that the district directed significantly more dollars to high-poverty elementary schools under RBB compared to pre-RBB. For example, in 2006-07, "an elementary school with 50 percent poverty was expected to spend approximately 20 percent more on average than a zero poverty school."

While high-poverty middle and high schools received more resources than higher-income schools, the difference in resource expenditures was not deemed statistically significant pre- and post-RBB.¹ The district is still analyzing the distribution of teacher talent across the district before and after RBB. However, according to the AIR report, "several district staff noted that there may not be as large a shift as anticipated from using actual salaries because of collective bargaining agreements."¹

Rice also acknowledges that while Life Academy is “extremely fortunate” to have a very stable teaching staff, he will have to pay more to retain these teachers as their actual salaries rise with experience. “But facing the tradeoffs that will come by having a veteran teaching staff are exactly the hard decisions that my school community and I want and need to make ourselves,” said Rice.

RBB’s flexibility enables Rice and his team to provide Life Academy students with unique experiences and services. Examples include lowering class size in most core curriculum areas, taking students on 3-4 day trips (including a college tour) every year, implementing a new technology-based intervention for struggling readers (Read 180), offering three weeks of arts and other enrichment classes at the end of the school year and robust after school programs (including community service, dance, young women’s club, etc.), and hiring two parent coordinators to offer English as a Second Language classes and other workshops designed to help parents become academic advocates for their children.

Rice argues that Life Academy’s investments are paying off. The school had one of the highest one-year gains (58 points) on California’s Academic Performance Index among district high schools in 2007-08. On the California Standards Test (CST), 18 percent of Life Academy students achieved proficiency in English/Language Arts and 13 percent in Math. That growth has continued.

College Preparatory and Architecture Academy

College Preparatory and Architecture Academy (CPAA) is one of four small high schools that replaced the under-performing comprehensive Fremont High School in 2002. Nearly 400 ninth through twelfth graders attend CPAA, which offers a rigorous college prep curriculum and theme-based classes in architecture design, construction, and technology.

Principal Daniel Hurst, previously an English teacher at Fremont for 13 years, joined other teachers and parents on a design team to create CPAA. Hurst described the old Fremont High School as “sometimes violent, often chaotic and with class sizes sometimes as high as 45 students, it was programmed for failure not learning.” He explained, “The small school autonomies were what attracted me to get involved with CPAA—I believed that with more power over our staffing, instructional program, and environment, we could provide a high-quality education and actually help our kids stay in school and succeed.”

According to Hurst, RBB is critical. “Our job is to hold these kids and make sure they graduate with real options for the future. We couldn’t do our job without budget autonomy—it would be disastrous,” he said. With his budget discretion, Hurst’s first priority is to hire additional teachers and lower classes to 22 students to each teacher instead of the 32:1 ratio averaged by most OUSD high schools. Hurst focuses professional development resources on setting up internal learning communities so that teachers can analyze current student work

Improved Transparency and Confidence

In a district with a troubled financial history, RBB heightened fiscal transparency and helped restore public confidence by directing a greater percentage of general purpose resources each year to schools.

against college-going expectations and plan common strategies to improve and differentiate instruction. He invests heavily in technology and supplies so that “teachers feel supported and respected as professionals and so that they can spend their energy on teaching.” Hurst also purchases two sets of textbooks so that every student has one to take home and one that stays in class.

CPAA is showing remarkable progress. In 2008, CPAA became the first high school to earn the green ranking on OUSD’s tiered accountability system.^{xiii} CPAA also had the highest score on California’s Academic Performance Index among the flatland high schools in 2007-08, although CPAA still ranks among the lowest 20 percent of high schools in the state. Twenty-two percent of students are proficient in English/Language Arts and 12 percent demonstrated proficiency in Math.

ACORN Woodland Elementary

Located on the far eastern edge of Oakland, ACORN Woodland Elementary (AWE) serves 250 kindergarten through fifth grade students. AWE was the first new small autonomous school in the district, opening its doors in 2000 as a collaboration between former Superintendent Chaconas, the nonprofit Association of Communities Organized for Reform Now (ACORN), and parents dissatisfied with the previously overcrowded and low-performing elementary school in their low-income neighborhood. AWE Principal Kimi Kean was one of the school’s founding teachers. She returned in 2005 after completing the New Leaders for New Schools (NLNS) principal training and certification program.

Commenting on RBB, Kean said, “RBB is the key to getting what we need to help our students achieve. I remember teaching at AWE prior to RBB and we could not make the most important resource allocation decisions that we believed would significantly boost academic performance. The most experienced teachers were also flocking to the wealthy hill schools—a further inequitable concentration of resources to students who already have so much more than ours. Now with RBB, we use student data to drive our budgetary decisions. We pinpoint our weaknesses and target our resources to address them.”

Kean also acknowledges that working with RBB requires a certain degree of capacity and comfort. “Because of my NLNS training, I’m very comfortable creating and managing our budget. And I like to see how we’re using every dollar to maximize student learning. But I would suspect that not every principal in OUSD has this degree of comfort with RBB.”

Leadership Capacity

In order to get maximum student results, RBB requires high leadership and management capacity at the school site and strong technology systems and financial management support capacity at the central office. OUSD recommends diagnosing the capacity of both principals and finance/operations staff prior to implementation and then investing heavily in training and technology to make the system user-friendly.¹

AWE has more teachers early in their careers than veterans. Under RBB, Kean estimates that since she is paying her teachers’ actual (and lower) salaries, she recoups approximately \$100,000 that would have been lost to AWE under the old average salary system. Kean uses her extra resources to lower class sizes (the student to teacher ratio is 20:1 compared to up to 32:1 in other elementary schools), fund a part-time literacy coach who works alongside teachers to improve the quality of instruction and created

standards-based formative assessments, fund four part-time tutors and two part-time family engagement coordinators, and offer an engaging after-school program that runs from 3:00 to 6:30pm every day. "This is a rough neighborhood with considerable gang violence and drug activity," explained Kean. "Our families want their kids to stay here to be safe, get homework help, and have fun. We are also able to provide an enriching visual and performing arts learning program that would otherwise be squeezed during the school day."

Kean points to AWE's results as evidence that she and her staff and parent leadership team are making sound budgetary decisions. Indeed, AWE posted the highest one-year gains for an elementary school on the CST in 2007-08, with 44 percent of students proficient in English/Language Arts and 65 percent in Math. Also notable were the 20+ point gains made by AWE's sizeable English Language Learner student population and AWE's exit from Program Improvement status. In addition, AWE has virtually no achievement gap between any subgroup.

Creating a Culture of Empowerment and Accountability

Principals cite budget autonomy as essential for creating an aligned instructional program and improving student performance. Principals are willing to accept this responsibility in exchange for heightened accountability for results.

Additional Resources

Chambers, Jay, Larisa Shambaugh, Jesse Levin, Mari Maruki and Lindsay Polland. "A Tale of Two Districts: A Comparative Study of Student-Based Funding and School-Based Decision Making in San Francisco and Oakland Unified School Districts." American Institutes of Research (AIR). October 2008.

Hill, Matt. "Funding Schools Equitably: Results-Based Budgeting in the Oakland Unified School District," Center for American Progress. June 2008.

"Results-Based Budgeting: The Challenge of Autonomy," University of California-Berkeley Haas School of Business Case.

ⁱ Hill, Matt. "Funding Schools Equitably: Results-Based Budgeting in the Oakland Unified School District," Center for American Progress, June 2008.

ⁱⁱ Schools still have to abide by contractual requirements and state class size mandates.

ⁱⁱⁱ In California, when the state takes over a district, the state appoints a State Administrator who has all the duties of a Superintendent but reports to the state instead of to the local governing body. For a more thorough history of RBB and its implementation, see Matt Hill's "Funding Schools Equitably" and "Results-Based Budgeting: The Challenge of Autonomy," University of California-Berkeley Haas School of Business Case. Background information in this section draws upon these papers.

^{iv} Example and chart from Matt Hill, page 92.

^v By Federal law, the district has to account for set-asides not reflected in this calculation, such as for supplemental education services, professional development, parent education, and charter and private school students.

^{vi} Chambers, Jay, Larisa Shambaugh, Jesse Levin, Mari Maruki and Lindsay Pollard. “A Tale of Two Districts: A Comparative Study of Student-Based Funding and School-Based Decision Making in San Francisco and Oakland Unified School Districts.” American Institutes of Research (AIR). October 2008, page 25.

^{vii} “Results-Based Budgeting: The Challenge of Autonomy,” University of California-Berkeley Haas School of Business Case. See page 10.

^{viii} WSF was pioneered in Edmonton, Canada and has been implemented in the US in Hawaii, Seattle, San Francisco, Washington, DC, Houston, Milwaukee, Cincinnati, New York City, and Chicago.

^{ix} “Results-Based Budgeting: The Challenge of Autonomy,” page 6.

^x “NEEDED: Federal Action for Fair Funding of High-Poverty Schools,” By John Podesta & Cynthia G. Brown. Commentary in *Education Week*, July 30, 2008. Vol. 27, Issue 44, pages 28,32. Note that New York City has since implemented Fair Student Funding, a weighted student formula using actual salaries, and Chicago Public Schools requires a subset of its schools (new schools created under Renaissance 2010 and high-performing Autonomous Management and Performance Schools) to pay actual staff salaries.

^{xi} AIR, page 16.

^{xii} These sentiments were shared by the six principals interviewed by AIR for their report “A Tale of Two Districts.” See page 48.

^{xiii} See OUSD Knowledge Capture Project caselet on School Portfolio Management for a description of the district’s tiered accountability system.