

## A POLICY STRATEGY FOR FUNDING STUDENT SUCCESS

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### Problem Statement

The fundamental problem in education finance today is that the time has come to fund student success and we don't know how to accomplish it.\* We don't know, in part, because educators don't know how to achieve the ambitious learning goals for all students that states and the federal government have established. They know how to improve performance, sometimes substantially, but even these gains lag behind expectations. If the instructional program to educate all students to standards is not available, then finance policies alone cannot fund success.

We also don't know how to fund student success, in part, because today's finance systems were never designed to support academic performance at the levels now demanded. Conventional finance systems constitute a haphazard collection of agendas, policies, finance mechanisms, and practices that accumulated over decades and that ill serve the performance agenda. In short, the system itself is the problem; funding student success depends on our ability to redesign the system so that its goals, funds, operations, and accountability work together to support high levels of student performance.

We don't know how to fund student success, finally, because ambitious learning standards, judicial calls for adequate funding, and the rising demand for effective spending in the public sector challenge education finance policy assumptions at their most basic level, making the way ahead uncertain. For instance, the central policy problem has shifted from wealth disparity to low student performance. The legal theory has changed from equal protection to adequacy. The equity focus has moved from districts to schools and students. The remedy has changed from resource distribution to academic results. Finance policies themselves, once addressed separately from

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educational programs and student learning, now must be integrated with these core activities. Funding demands have changed from “what’s available” to “what’s needed.” Resource distribution, long a creature of standard operating procedures and automatic processes, now requires strategic investments. Similarly, resource management expectations have changed from accurate spending (in categories required for compliance purposes) to effective spending. In short, the imperative to fund student success demands new perspectives on funding: refocusing attention from “resources as general supports” to “the ways resources are allocated and used to support student learning.” The expectation now is that resources will be used explicitly and strategically to accomplish results. The question is: how?

### Policy Issues and Recommendations

The central policy issue in funding student success is how to redesign education finance to better support the student performance ambitions that states now demand. After all, if the system is the problem, then success depends upon more than simply adjusting funding levels, tinkering with distribution formulas, creating new categorical programs, imposing another sanction, or targeting any one element for change. A system’s components must fit together coherently to accomplish results. The policy issue demands that we align resources with performance, top to bottom.

Design principles. In terms of finance system design, a performance-oriented school finance system would promote adequacy, equity, productivity, and accountability. Adequacy requires that decision makers know what level of funding is required to accomplish academic goals. Then they must have the fiscal capacity to raise that amount and the political will to do so. If any one of these conditions is absent, then the required level of funding cannot be guaranteed. Funding could be too little, too great, or just right only by chance.

Equity requires that funding be tied to educational need and that needs-based aid reaches its intended target. If it doesn’t, then not only does inequity persist but finance systems become more inefficient, with targeted aid not serving its purpose.

Productivity is more complex. It involves the translation of resources into results. As such it encompasses the motivation and skill of educators and students alike, the settings in which they work, and the instructional means they use to get results. At base, productivity is a process of aligning resources with goals and of adapting instruction and resources to needs.

Accountability allows decision makers and citizens to oversee results. Accountability requires transparency in resource transactions, accounts that are aligned with goals, and responsibility assigned to the individuals who make resource decisions. To do otherwise—to hide transactions, provide accounts that reveal nothing of importance, or hold wrong parties accountable—would strip accountability of its role in democratic government and its utility in funding student success.

System operations. At the level of system operations, today's education finance systems do more to impede student success than support it. Problems exist across the gamut of finance system functions described above.

For instance, no one is certain how much funding is enough. No school or district has yet achieved standards across all student types, so there is no demonstration of a requisite level of funding in any one school setting, much less multiple ones. Educators' perspectives on funding also vary. Similarly, there is no empirical basis for determining how much funding is needed to compensate for special student needs, such as poverty, language, or disability, the "weights" that are used in funding formulas. Analysts have begun to address the how-much questions, but their answers are rudimentary, based on current schooling arrangements, business-as-usual professional perspectives, or a nascent research base. They lack the certainty we desire and themselves have become the source of growing debate.

Continuing inequities in resource distribution at all levels of government similarly work against closer resource-performance alignment. States have worked on inter-district equity for decades, but their policy successes have been limited. At other levels of the system, analysts recently have recognized that inequities exist among schools within the same district, and there is no interstate equity policy.

Problems exist with needs-based aid as well. The formula that distributes federal Title I aid, for example, in part exacerbates the very inequity it purports to address. Moreover, federal, state, and local distribution plans that fund schools, programs, or staff rather than students, and conflicting agendas across levels of government, impede needs-based aid from reaching the students it intends to serve. At the district level, too, resource distributions that do not rely on per-pupil formulas, and lower-level staff discretion over resource deployment, promote inequities among schools.

Resource management impedes productivity. Current finance arrangements fail to align resources with performance goals. For example, while state and federal accountability policies have captured educators' attention, few, if any, incentives reinforce that performance focus at the individual level. Staff compensation generally is disconnected from student results, and compliance and auditing requirements dictate how resources can be used, regardless of their fit with educational needs or consequences for student outcomes. The politics of collective bargaining encourage some superintendents to prefer new money in the form of categorical programs, even though, by their own admission, categorical funding diminishes the coherence of instructional programs. Perverse incentives encourage administrators to over-identify students with special problems or to keep them in specially-funded programs longer than necessary.

Where local educators have developed new resource capacities, they frequently lack the discretion to match resources with needs. Categorical program rules and collective bargaining agreements restrict local resource discretion, sometimes preventing its alignment with instruction. By dictating spending, categorical funding applies a one-size-fits-all solution to schools facing different challenges and levels of resources. As

states fund a greater share of total education costs and make wider use of categorical programs, local decision making will become more constrained and less strategic. In short, from the vantage of schools, where resource decisions directly affect student learning, finance systems appear incoherent.

Accountability is ineffective. Under current finance arrangements, accountability also fails to connect resources with performance. Three problems stand out. First, funding systems are opaque, making it hard to tell what is going on or whom to hold accountable. Funding arrangements are hugely complex, involving multiple levels, different allocation mechanisms, and multiple sources of control. Resource decisions are spread among different layers and are executed by different players. School district budgets can run to hundreds of pages. Education leaders sometimes do not recognize connections between school improvement strategies and resource mechanisms, nor do they always know where their resources end up.

Moreover, the connection between dollars and students is easily lost at the district level, as officials translate dollars into programs, services, and staff, and as salary averaging replaces real-dollar distributions to schools. Complex staffing formulas are understood by few, second- and third-tier decision making inside districts hides actual resource deployments and their consequences, and funding restrictions are not easily discernible or evenly applied. Congressional set asides circumvent finance mechanisms, and centrally controlled resources make it harder to account for resource effects on schools and students.

Second, the compliance orientation of accountability—focusing on how resources are spent rather than what they accomplish—structures accounts and draws policy attention away from student performance. In a performance context, such accounts have little meaning. Thus, compliance accountability runs counter to school accountability for results. Likewise, accounting practices focused on fund sources, functions, and objects, and the account coding that defines these categories in practice, reveal little of substance about how resources support student success.

Third, accountability is misapplied. Schools are held accountable for results even though federal, state, and central office agents dictate how resources are to be used. As a result, schools are held accountable for resource allocations and uses—for results—that state and federal policy makers and agency personnel dictate, and these upper-level agents escape accountability for the decisions they impose on others.

In sum, finance systems operations work against the resource-performance alignment that student success demands, and this misalignment represents a missed opportunity in American public education. The question now is how to regain it.

A policy strategy for funding student success. A policy strategy must accomplish two goals: clear existing finance system impediments and create conditions that better align resources with instruction, adapt instruction and resource use to needs, and account for results meaningfully. These changes will allow policy leaders, educators, and

researchers to better support the continuous instructional improvement and R&D processes that are most likely to move the system toward success. In effect, any strategy for funding student success today must be viewed as an investment strategy, not a get-rich-quick opportunity.

Task 1: Align resources with instruction. At the local level, aligning resources with instruction means conducting a *resource audit* and reallocating resources where necessary to ensure the best fit with instruction. The goal is to examine resource issues such as class size and planning time, small group support, individual tutoring, staffing strategies, scheduling, school-based professional development, teacher compensation, and the like and make adjustments accordingly. Audits are appropriate at both school and district levels, using available tools.

Aligning resources with learning at this level also encompasses *incentive-oriented human resource policies*, *district-to-school weighted student funding* that is aligned with a state WSF formula, and *district managed school fund accounts*. The latter are repositories for most or all funding generated by a school's students. The balance depends on whether instructional improvement strategies are driven by districts or individual schools.

At the state level, aligning resources with instruction means converting base funding and special-needs funding into a *weighted student funding* formula, attaching the monies to students and depositing them in school accounts at the district level.

At the federal level, aligning resources with instruction similarly means converting categorical funding for poverty, English language learners, and mild disability to *student-based funding* that is distributed on the basis of pupil counts and need.

Task 2: Adapt instruction and funding to need. At the local level, adapting instruction and funding to need means that schools engage in *continuous instructional improvement*, constantly setting goals and aligning resources, instructing students, gathering and sharing data, analyzing the data, using the information to create action plans for students, teachers, and others, setting new goals, and so forth. At the district level, this means *creating and managing school options* that experiment with new instructional and funding methods.

At the state level, adapting instruction and funding to need means *strengthening charter school laws* to enable expanded local experimentation that complements the continuous instructional improvement occurring in more traditional settings. It also means funding an *R&D agenda* to learn from both the continuous improvement and lab-school experiments, and it means creating an *investment fund* to boost school and district capacity to manage resources strategically and effectively.

At the federal level, adapting instruction and funding to need means creating an *R&D strategy* to promote learning about the appropriate size of funding increments and related issues that support student needs.

Task 3: Account meaningfully. At the local level, accounting for student results and the methods used to achieve them means, for schools, *reporting on the basis of instructional strategies, resource uses, and costs* and, for districts, *reporting on spending by student and school*.

At the state level, accounting in this manner means *coordinating with federal guidelines* regarding outcome principles and resource responsibilities that are conveyed in a new federal accounting handbook.

At the federal level, accounting meaningfully means creating a *new accounting handbook* that conveys outcome principles and resource responsibilities.

Across all levels of the system, accountability must include real consequences for adults and for resource flows, based on student performance, contingencies that galvanize educators and others toward the accomplishment of core academic goals. Such contingencies must take into account the state of knowledge and practice about accomplishing learning goals; that is, it must be meaningful and fair.

Such a strategy would clear the underbrush of impediments that exist in today's school finance systems, creating in its place a new landscape for continuous instructional improvement and the resource allocation and use that supports it. It would ensure that resources reached the students they intend to serve. It would promote productivity, and it would account for results meaningfully. It would redefine the responsible domains of policy and practice, placing substantial discretion at the local level, and it would promote learning about effective instruction and the resources necessary to support it.

### Research/Evidence Supporting Recommendations

The research evidence that supports these findings, conclusions, and recommendations comes from the work of the School Finance Redesign Project (SFRP) at the University of Washington's Center on Reinventing Public Education. SFRP represents a program of research, analysis, and development that addresses the question: how can finance systems be redesigned to support the nation's ambitious learning goals? It draws on the nation's leading scholars in the field, including Marguerite Roza, Karen Hawley Miles, Dan Goldhaber, Janet Hansen, Allan Odden, Anthony Milanowski, and Richard Brandon. It also draws on a distinguished panel of scholars operating as the National Working Group on Funding Student Success. These efforts have resulted in approximately 30 reports to date, examining issues such as how resources are used now, how those uses impede better results, what options exist for better performance, and what technical and policy difficulties lie ahead. SFRP's papers and other products are available online at [www.schoolfinanceresdesign.org](http://www.schoolfinanceresdesign.org). Additional analyses and research syntheses will become available during the 2007-2008 academic year, including the final report of the National Working Group on Funding Student Success.