



New PSD Budgeting Process Increases Equity, Transparency

Phase-in will allow for smooth transition; Small School Study to be convened

In early February, Superintendent Jerry Wilson and cabinet members adopted Student-Based Budgeting (SBB)—a more equitable, transparent, flexible, student-centered model—as the method PSD will use to allocate funds to schools beginning in fiscal year 2007-08.

The funding model will be phased in district wide to assure a smooth transition for schools.

“We have high levels of achievement in our schools, and we want to retain the successes,” says Dr. Wilson. “The model considers the cost of educating students and applies the cost across the district. We will have ongoing review to assure we continue successful practices. It will take several years of transition to fully implement, and we will move forward incrementally.”

Increased equity, flexibility, and transparency among benefits of SBB

SBB replaces a staffing model that allocates full-time equivalent staff (FTEs) to schools. By comparison, the new model will:

- Increase equity in the way funds are allocated to schools, through identifying “factors” or student weights related to the cost of educating students,
- Increase flexibility for budgeting during changing conditions, such as decreases or increases,
- Make the budgeting process easier to understand and more transparent,
- Simplify and decentralize the annual budgeting process, and
- Focus funds on specific student needs.

Changing enrollment and budget factors created need to change

PSD’s current “flat” enrollment growth and costs and expenses increasing at a higher rate than per pupil funding have combined to create the need to consider an alternative funding allocation model. And, these trends are expected to continue in coming years.

“Due to flat enrollment and budget realities, the FTE funding approach is not sustainable over time,” says Jim Sarchet, Assistant Superintendent of Business Services. “Little or no enrollment growth, increases in costs above inflation, and changes in both student demographics and enrollment locations will cause additional significant financial strain on our district in the near future. The FTE funding model has required us to add approximately 10 staffing units above what would be required for enrollment growth each year. We can’t continue to increase funding to schools at the same rate we have in the past.”

(For more information on PSD budget trends, see attached: ***PSD Finance and Enrollment Factors Leading to SBB and Grade Configuration Studies*** page.)

How will SBB impact school budgets?

Moving all schools closer to equity produces actual gains and losses. The shift from staffing-based allocation to SBB will cause some schools to gain and others to lose resources.

Because the new formula distributes funds more equitably, schools with small enrollments will be impacted the most and need the most time to transition fully to the new formula.

- A school size “factor” in the formula will provide smaller schools with additional funding.
- In addition, all schools will receive a “safety net” allocation and a one-time beginning carryover allocation during the transition year.

PSD will convene an in-depth small school study starting in June to explore areas such as the special needs of smaller schools, conduct research on successful small schools, and study funding options to support small schools. School staff and parents will be asked to participate in the study over the next year.

In addition, the SBB Implementation Team will continue to study and evaluate the formula in future years, and the small school study team will share its findings and recommendations with the Implementation Team.

Decision follows year-long study

In February 2006, the PSD Board of Education included SBB as an initiative to study how the district funds schools. Below is a summary of activities over the past year:

- PSD administration appointed teams to develop a district funding model using SBB. **2 committees studied numerous formula options over the past year.** These design and implementation teams of administrators, principals, and parents studied successful models used around the country, studied many formula options, and made the recommendation to adopt SBB.
- **District finance staff met with PSD principals over the past 5 months** to explain SBB and ask for input on formula options. PSD will continue to hold targeted meetings with schools, and provide training and support with the new funding model.
- **Each Principal received a budget “preview” on February 19**, comparing what their school will receive under the SBB formula with the staffing formula model previously used to allocate funds.
- District administration shared more **in-depth information with Principals on February 20** at its monthly leadership meeting.
- PSD held a **press conference February 20** to share information on the new model.
- **Schools will receive their final budget allocations on March 9** (very near the time of year they always receive allocations), using the final projected student enrollment figures for next year, which are still being finalized.

What is Student-Based Budgeting?

SBB distributes dollars, rather than staff, to schools using a “student centric” formula.

SBB “weights” students to reflect their different educational needs and the cost to serve them. SBB is based on the idea that dollars follow students. Any favorable or adverse effects can be adjusted quickly by changing or adding a factor or weight in the SBB model. Unlike the past formula, schools will have more predictable, consistent parameters for their budgets, along with more autonomy for targeting funds.

What student weight factors are being used in the PSD formula?

The following student weight or educational need factors are now a part of the PSD formula:

- **At-risk** – based on students who qualify for the federal free-lunch program, an indicator of poverty.
- **English Language Learners (ELL)** – students whose primary language is not English.
- **At-risk and ELL** – students identified as being both at-risk and ELL
- **Grade K-3** – continues PSD philosophy of reducing primary grade class sizes
- **Gifted/Talented** – for accelerated student academic opportunities
- **Geographic** – factor for isolated areas, such as PSD's 3 mountain schools
- **Size** – funds smaller schools that typically cannot enjoy efficiencies realized from larger enrollments

What other school districts already use SBB?

PSD's model is based on various successful models currently in use in cities such as Houston, Cincinnati, Seattle, and Edmonton, Canada.

Many school districts credit SBB with increasing equity in funding across schools, and with improving student achievement.

A variety of sources follow, and are included in press packets or available from PSD:

- **Colorado School Finance Project Adequacy Study**, www.cosfp.org/COSFAdeEqu.htm
- **"When Dollars Follow Students,"** *The School Administrator*, August 2004 (pages 10-16)
- **"First Steps to a Level Playing Field: An Introduction to Student-Based Budgeting,"** *School Communities that Work: A National Task Force on the Future of Urban Districts*, Annenberg Institute for School Reform at Brown University
- **External contact:** Joseph Scherer, Ph.D., Managing Director, the District Management Council (DMC), Harvard Square, Cambridge, MA. Ph: 617-491-5255, ext. 250. The DMC, whose purpose is to analyze and disseminate promising management practices for improving student achievement, increasing operational efficiencies, and reducing district costs, has conducted in-depth research on best practices in Student-Based Budgeting.
- Cincinnati Public Schools: www.cps-k12.org/general/finances/StudBaseBdgt/StudBaseBdgt.htm