

## Allocate Resources to Individual School Sites

## SUMMARY

**Prerequisite Best Practices:**

- Best Practice in School Budgeting, 3B – Evaluate and Prioritize Use of Resources to Enact the Instructional Priorities
- Best Practice in School Budgeting, 4B – Develop a Plan of Action

**Key Points**

- A school district should allocate its budget in a way that makes it clear how resources will be used to achieve increased student success at the district's individual school sites including the allocation of resources to school sites and also actual dollars allocated.
- Allocation methods should be utilized by districts that align resources at the school sites with the district's plan of action for effective instructional strategies and resource deployment. Two common allocation methods include staffing ratios and weighted student funding. When employing these methods, a district should use current student enrollment figures and document supporting rationale for selecting any basis.
- To show greater transparency and to provide better support for decision making, a district should move beyond basic line-item budgeting for allocating dollars. This best practice describes a number of specific techniques that a district might use. Additionally, a district should consolidate all funds in the budget to show all funds available to the district in order get the most value from all its resources.

**Related Award Program Criteria**

- **Criterion 4.C.1: Allocation Formula (Mandatory).** The ratios and formulas used for allocation are clearly described in the budget document and the rationale behind the formulas is clearly described in the award application. The academic officer can describe how the ratios work in the application interview.
- **Criterion 4.C.2: Programmatic Elements.** The applicant allocates to programmatic elements, as is evident in the budget document.
- **Criterion 4.C.3: Consolidated Budgeting (Mandatory).** The budget allocation process includes all of the funding available to the applicant, as made evident in the budget document.
- **Criterion 4.C.4: Direct Cost of Personnel (Mandatory).** Allocation decisions are made using the direct cost of personnel (salaries and benefits), as is evident in the budget document.

## Introduction

A plan of action to optimize student achievement should be reflected in the budgets for individual school sites. The budget should be allocated in such a way that the resources provided for the various elements of the plan of action are clear. It should also be clear how resources will be used to achieve student outcome goals.

This best practice document describes:

- I. Allocation of resources to individual school sites
- II. Actual dollars allocated

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## I. Allocation of Resources to Individual School Sites

**Background.** School districts, especially those with a large number of school sites, must have a clear and transparent method for determining how resources will be allocated to individual school sites. Districts should use allocation methods that work to align resource used at the school sites with the district's plan of action for effective instructional strategies and resource deployment. For this purpose, many districts use staffing ratios that allocate staffing to school sites based on enrollment. For example, a ratio might call for one tutor/interventionist per 100 students in poverty, with a minimum of one per school. More recently, some schools have employed a weighted student funding (WSF) formula, also known as student-based allocation (SBA) and student-based budgeting, among other names. This is a means of allocating resources from districts to schools, where fixed-dollar amounts are allocated to schools based on the total enrollment of a school site as well as its relative share of students within particular categories that the district has designated for extra funding.

**Recommendation.** While this best practice does not provide a specific method of allocating resources to individual school sites, the chosen allocation method can have a substantial impact on how a district's strategy is implemented at the school sites and, consequently, on student achievement. Therefore, districts should examine the following guidelines on how to apply the two most common allocation methods: staffing ratios and weighted student funding.

Guidelines for staffing ratio allocation methods:

- Student enrollment count will be the denominator for most ratios (i.e., dollars per student). Districts should use current (not historical) enrollment

figures. Historical figures may result in over or under resourcing for schools where enrollment has recently experienced a significant change.

- The ratios should be supported by a solid rationale, which should flow from the district's strategy for improving student performance.
- In many cases, ratios will result in the allocation of fractions of an employee to a school site. To the extent possible, districts should explore other options (e.g., part-time employees, improved scheduling, sharing a full-time employee between multiple school sites) before rounding up to the nearest full-time employee.
- In all cases, the ratios should be widely shared and understandable to stakeholders of the budget process.
- Districts should develop processes for school site leaders to request the ability to shift resources from one purpose to another when there is a compelling reason to do so at the school site.

Guidelines for weighted student funding methods:

- As with staffing ratio formulas, the most current student enrollment figures should be used as the basis of the formula.
- Weighting categories and weights should be clear. Common categories used to assign weights are limited English proficiency, students in poverty, and students with a disability. Weights can be expressed as flat dollar amount per student above the base amount (e.g., \$400 additional goes to the school site for each student in poverty) or as a percentage of the base (e.g., an additional 10 percent of the base per student allocation goes to the school site for each student in poverty).
- Districts should have a solid rationale behind their category and weights. The rationale should be

derived from an analysis of student performance and should be designed to support the district's strategy for improving student achievement.

- Some principals may not be well-equipped to serve as the budgeting leaders of their school. The district should provide support to principals, such as training on how to budget and information to help principals make better budgeting decisions.
- Some principals and their schools will perform better than others under weighted student funding. Districts should have a system to differentiate the level of budgeting authority given to principals based on their proven performance as budgeting leaders (e.g., school site meets student performance goals while remaining within budgetary limits) and to remediate poor performers.

## II. Actual Dollars Allocated

**Background.** Many districts must use a chart of accounts prescribed by the state government for tracking revenues and expenditures. However, districts should seek to improve the level of transparency in their budget and support better decision making by going beyond the basic line-item budgeting that is reflected by states' chart of accounts.

**Recommendation.** Districts can improve the transparency of their allocations through the following five practices

- **Allocate to programmatic elements, rather than just objects of expenditure.** Budget allocations should show how resources are allocated to specific types of services within each school. Ideally, resources would be grouped by programs, which are defined as a set of activities with a common goal.<sup>1</sup> However, GFOA recognizes that state-mandated charts of accounts and reporting requirements might render development of a full "program" structure quite impractical for a district. A more realistic alternative may be programmatic elements. A programmatic element is a categorization of direct budgetary inputs (e.g., dollars and personnel) that can be clearly associated with some service provided by the school.<sup>2</sup> Examples of programmatic elements might include "instruction in core subjects," "help for struggling students within the regular school day," or "instruction for English Language Learners." Allocating dollars by programmatic element provides insight into how dollars are being used to serve students, not just

how many dollars are being spent on traditional objects of expenditure like "salaries and benefits" and "contractual services" for example.

- **Show the full cost of personnel compensation.** Generally, personnel compensation costs are, by far, the largest component of a district's budget, so every effort should be made to reflect the full cost of personnel compensation in budgeting decisions. This means that benefit costs, including pensions, should be allocated along with salary costs in school budgets for all positions.
- **Consider actual versus average compensation costs in the budget.** When formulating budgets for school sites, compensation can be allocated in one of two ways: by average compensation or by actual compensation. With average compensation, the amount, including salary and benefits, is allocated to a school for every teacher position at the school. For example, if the average cost of a teacher is \$60,000 across the entire district and a given school had 100 teachers, then that school's cost would be \$6,000,000. Under actual compensation, the allocation for each school is based on the actual compensation of the teachers assigned to that school. Using the example of a hypothetical school with 100 teachers, the cost would be the sum of the actual compensation of all 100 teachers, which could be significantly different from \$6,000,000.

Using actual compensation increases transparency regarding how resources are allocated amongst schools sites. This is important because average teacher experience/effectiveness in each school can differ widely, often reflecting the fact that there is a greater prevalence of more junior teachers in hard-to-staff schools.<sup>3</sup> Allocating by actual compensation unmasks these inequities because schools with more experience/effective teachers will have higher actual costs. Further, under budgeting systems in which principals have significant decision-making authority in how budgetary resources are used, actual compensation information causes principals to think differently about how they use staff.

However, for various reasons many districts may find it more practical to build budgets using average teacher compensation (e.g., financial system may not be able to administer a budget based on actuals). Average compensation can still be used to build budgets without sacrificing all of the benefits of transparency if the following practices are applied:

- The budget, while showing average compensation, should be supplemented with data on levels of teacher experience or effectiveness at the school site (e.g., average experience levels).
  - Actual compensation should be used when reporting expenditures because it automatically accounts for differing years of experience (assuming that experience is the primary determinant of compensation). Reporting actual compensation for each school site helps reveal inequities in funding between school sites that might not be apparent from the budget figures,<sup>4</sup> which in turn may promote more informed uses of resources.
  - Districts should respond to actual spending over or under the budgeted compensation amount by developing methods to provide additional support to school sites that have less experienced teaching staff.
- **Consolidate all funding in the budget.** Districts often have multiple funding sources that support their mission outside of the general operating fund (e.g., Individuals with Disabilities Education Act (IDEA) grants, Title I funds, etc.). Although some

funds are subject to categorical or formulaic restrictions, the budget allocation process for each school should consider all funds for a comprehensive approach to student achievement. A consolidated budgeting process allows districts to more easily take a unified, coherent approach to optimizing student achievement with the monies they have available.

- **Allocate the majority of funds to school sites, rather than district-wide budgets.** Because the budget is intended to demonstrate how resources have been allocated at the individual school-site level in order to implement the plan of action the majority of a district's operating budget (i.e., excluding debt service and capital expenditures) should be reported at the school-site level. In particular expenditures for instruction, pupil support, instructional support, and school administration should be reported at the school-site level.

In some instances, school districts may treat district level cost differently (e.g., insurance, utilities, textbooks, etc.). As such, when allocating funds to school sites, districts should note these differences to avoid incomplete comparisons across districts.

## Endnotes

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- <sup>1</sup> Definition of a program from Robert Bland and Irene Rubin, *Budgeting: A Guide for Local Governments* (Washington, D.C.: ICMA, 1997).
- <sup>2</sup> Note that a programmatic element is not intended to capture indirect costs.
- <sup>3</sup> Marguerite Roza showed that a number of districts exhibited systematic inequities amongst schools when actual salaries were considered (up to 30 percent differences in budget spending), typically weighted in favor of the lowest-need schools. In other words, high-poverty high-need schools generally employed a more junior staff. See Marguerite Roza, *Educational Economics: Where Do School Funds Go?* (Washington, D.C.: The Urban Institute Press: Washington, 2010).
- <sup>4</sup> Marguerite Roza showed that a number of districts exhibited systematic inequities between schools when actual salaries were considered (up to 30 percent differences in budget spending), typically weighted in favor of the lowest-need schools. In other words, high-poverty, high-need schools generally had a more junior staff. See: Marguerite Roza, *Educational Economics: Where Do School Funds Go?* (Washington, D.C.: The Urban Institute, 2010).