Essential Learning: School Finance

Why This Topic

Every learner deserves a public education system that addresses their unique needs as they develop competency and agency. This assertion represents a core principal guiding C!E's work and increasingly motivates education leaders across the country to transform their systems to become personalized and competency-based.

Systems respond to the needs of learners by providing resources. Is one learner struggling to master a particular area of learning? Provide more individualized attention, higher-quality inputs, more time. Is another learner demonstrating high interest or capacity in a particular area? Provide opportunities to accelerate learning by enrolling in higher education for dual credit, internships for work-based learning, or outside-of-school or online courses or programs that specialize in that area. Are whole schools or districts attempting to innovate new models for helping all students – especially those historically underserved – achieve a higher set of outcomes? Provide flexibility, funding or financial incentives, research assistance, and support for public engagement.

Because costs are associated with each set of resources provided, C!E has identified school finance as a matter of systemic importance. Education system leaders must rethink school funding models and how resources are allocated within the system. Otherwise, leaders will find themselves without the resources necessary to truly meet the needs of each and every learner. School finance is where rhetorical commitments to equity and excellence become real.

Given a new reality of increased expectations for student success and the assertion that all learners meet a higher set of outcomes, C!E anticipated that system leaders would feel a frustration with the shortcomings of legacy systems and an urgency to make changes in how their systems support learning. Yet even in places where values were shifting to support equity and higher learning outcomes, school finance models remained largely unchanged from the funding formulas and enrollment-based annual allocations that are vestiges of a time-based, one-size-fits-all education model. New thinking around school finance had yet to galvanize.

C!E hypothesized that, given opportunity and encouragement, local leaders and state partners could make considerable shifts to reorienting systems around equity and reallocate resources to better serve their students.

Our Learning Process

To catalyze new thinking around this issue, C!E set out to identify and convene a learning community of districts and states primed to reinvent school finance in support of innovation, especially in the secondary years where pressures on the system are greatest and transformation has been most stagnant. The rationale was that, if we could provide local leaders with national expertise around school funding, and also bring along state partners, could these leaders invent new funding models that support innovations leading to more equitable opportunities and higher outcomes for all students?

In 2014, C!E convened local and state leaders in two states – Kentucky and New Hampshire – along with school finance experts including Larry Miller (Florida SouthWestern State College), Marguerite Roza (Georgetown University), Michael Goetz (Research of Social and Educational Change), and John Myers (School Finance Research Collaborative). Through both in-person and virtual meetings, C!E brought this group together to articulate and study areas of opportunity and challenges to rethinking school finance. Group learning was enhanced by drafting shared design principles for rethinking school finance[1] and the generation of case studies, blogs, and discussion papers.

Key questions guiding our inquiry included:

- How can we shift the finance system to place a premium on mastery of expectations as the "currency", where how resources are allocated becomes as mutable as time and place in a highly personalized, competency-based system?
- Is it true that greater flexibility at the local level, accompanied by increased accountability for results, will increase the likelihood that students are well-served and served more equitably?
- What is the difference between funding schools, funding programs, and funding students? What happens when we shift the object of funding?
- What strategies can SEAs adopt to balance the need to foster innovations with the responsibility to safeguard equity and protect the public's interest in financial stewardship?
- What is the added opportunity for a network of states to combine learning from local experimentations? How will learning from resource allocation work at the state and local levels be used to inform the larger dimension of questions about state distribution formulae?

Insights

Initial rounds of conversation among the local and state leaders from KY and NH and the finance experts both highlighted the urgency of rethinking school finance and underscored the complexities of doing so. District and state leadership voiced both the necessity for change but also the risks behind making changes, especially with regard to ensuring any changes to the distribution of resources remain fair, adequate, and equitable. Leaders were wary of creating new sets of "winners" and "losers" when it comes to resource allocation, and wanted to be able to study the effects of innovations more fully.

The group also grappled with the question of what can and should be the role of state agencies in supporting local innovation around school finance. Kentucky and New Hampshire differ greatly in the share of total funding provided by the states, with Kentucky providing a comparatively large percentage while in New Hampshire most funds are generated through local sources. Models developed in the two

[1] The draft design principles for rethinking finance policy to transform secondary education include: 1. Students and families have the right to an educational experience in which every child is prepared for college, career and citizenship. 2. Finance system incentives and disincentives should be aligned to support that educational experience for all students. 3. Finance policy must be in service to learning needs and learning systems, promote strong data-driven accountability for learning results and generate maximum effectiveness for all students and efficiency in use of resources. 4. Finance policy must support local flexibility that spurs innovation, continuous improvement and strong teacher development tied to clear competency-based outcomes. 5. Finance systems must ensure equity and adequacy in funding levels and distribution, allow funding to follow learning choices and require strong transparency in funding allocations and results. 6. The state must assume a genuine partnership role with districts and schools to support innovations in finance systems and learning systems, to facilitate knowledge building and research across the enterprise and to safeguard equity.

states would necessarily diverge. In either case, both states needed ways to engage their school boards and legislatures in the process of innovation so that new finance prototypes could appropriately inform changes to larger policies and funding formulas as needed.

Participating districts and states did take incremental steps to innovate in several areas including the funding of technology and distance learning. Because of the complexities surrounding school finance innovation, however, few districts made sweeping changes to school finance. It is likely that additional groundwork and support are needed in districts and states to broaden their understanding of the options and opportunities available to them, and to provide strong on-the-ground support for their decision making and implementation in order for broader shifts to occur.

One noteworthy innovation to come from the convened group of leaders involved creative use of funding to support the growth of personalized learning in Rochester, New Hampshire. Superintendent Michael Hopkins and the Board of Education for Rochester City School District had studied innovative high schools such as High Tech High and were interested in bringing something similar to Rochester, but with the recent moratorium on state building aid, the district leadership began to consider how they could use local funds differently. They identified an underutilized elementary school that served a transient population and began to ask parents in the surrounding communities what might attract them to send their children to this school. From these discussions, Hopkins and the Board re-cast the school as Maple Street Magnet School based on a model of project-based learning. Although there is no funding set aside for magnet schools in New Hampshire, leveraging magnet school status enabled the school to accommodate transient students and to draw enrollment from anyone who was eager to send their child to the school's engaging, project-based learning environment. Soon the student population doubled from 60 to 120 students. As capacity increased, staffing costs rose, but because the school was previously underutilized, per pupil spending actually dropped. In addition, the Board voted to lengthen the school year, resulting in an 11% increase in funding overall. Today, the school serves as an incubator for innovations in personalized learning that the rest of the district can adapt.

Along with forming Maple Street Magnet School to support innovations in personalized learning, Hopkins and the Board also found creative ways to fund career and technical education in Rochester. Thinking beyond federal, state, and local revenues, district leadership has forged partnerships with local industries to help fund improvements in the district's CTE center. For example, with the recent move of Safran Aerospace Composites to Rochester, district leaders partnered with the company to create an academy within the CTE center that is directly tied to Safran's internal academy run by the local community college. Safran funds the district's academy as part of its investment in its future workforce.

According to Hopkins, what he gains from national conversations like the one C!E supported around school finance are ideas and inspiration that he can borrow from or adapt to Rochester's unique context. Understanding that one doesn't have to do things the way they've always been done makes room for creative use of resources to better support student learning.

Future Provocations and Connections

We've learned that in order to innovate new school funding models that support equity and competency of a broader set of outcomes, education leaders must first of all engage their communities, school boards, and legislators in honest conversations about the imperative to serve all kids at high levels. From this understanding, a unified commitment to redesign the system to respond to the needs of all learners must be made in lock-step with a commitment to innovate how resources are allocated to support individual needs. This work likely requires more time than our work with New Hampshire and Kentucky had permitted.

In places where such commitments have been internalized, we've learned that moving the needle on education finance will require new ways for state and local leaders to work together. In line with the learning that led the C!E System Innovation Framework, we believe that carefully crafted partnerships between local, state, and intermediary organizations will be necessary to drive this work forward. We envision a small number of districts that are ready to make multi-year commitments to innovate engaging with state leaders in a learning agenda around school finance. State-level partners not only remove policy barriers to innovation (if they exist) but also provide resources or incentives. Both the local innovators and state partners support an action research agenda including an educative process that is not only for the state education agency but also the legislature, superintendents, and others. These stakeholders must be engaged in learning along the way, not just at the end of a learning process. Intermediary organizations can also support the learning agenda by providing resources including access to expertise; supporting research and the development of case studies; and networking local leaders in shared learning.

Such partnerships will likely need to begin small, with thoughtfully chosen localities that have done the hard work of engendering a new vision for a learning system that better meets the needs of all students and educates them to higher outcomes. Then, as insights from "original innovators" are increasingly identified and documented, additional localities can join the learning process.