

Ensuring Equal Opportunity in Public Education

*How Local School District Funding
Practices Hurt Disadvantaged Students and
What Federal Policy Can Do About It*

June 2008

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ENSURING EQUAL OPPORTUNITY IN PUBLIC EDUCATION

How Local School District Funding
Practices Hurt Disadvantaged Students
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Introduction by

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Introduction and Summary

The intense international competition that our country faces in today's global economy demands that all of America's youth receive the kind of education that they need and deserve. Yet our public education system is failing us.

In order to repair this broken system, the United States must confront the fact that inequality continues to plague our public schools. One of the most harmful manifestations of this is that local school district funding is allocated in a way that hurts poor and minority students. A study by the Thomas B. Fordham Institute found that educational funding is being allocated on the basis of “staff allocations, program-specific formulae, squeaky-wheel politics, property wealth, and any number of other factors that have little to do with the needs of students.”¹

The outcome of such practices is predictable: A further widening of the dangerous achievement gap that has become endemic in American schools today. Fortunately, smart federal policy can help to fix this situation.

The four papers that make up this volume explore perhaps the most important component of this mismatch of U.S. educational resources—inequality in the funding of local schools by their own school districts. Nationwide, local school districts account for about 50 percent of all public school operating costs, which means these districts' budgeting practices have a greater direct effect than state or federal education investments. Indirectly, however, existing federal legislation condones and has historically supported the way local school districts fund their schools. Federal education funding requirements, in short, exacerbate existing inequality in education at the local level.

This happens because of language in Title I of the Elementary and Secondary Education Act of 1965, the so-called “comparability provision,” which was supposed to promote equality of education but indeed does not. Its basic notion is that state and local funds for schools should be equitable before federal Title I funds are added to schools with large concentrations of low-income students. The comparability provision, however, also contains what some of us call a “loophole” that allows longstanding ways that local funds have been inequitably distributed to continue.

Specifically, districts have historically allocated funds to their schools not by giving a dollar amount to each school, but instead by allocating “staff” resources to schools. As Marguerite Roza points out in this volume, “Most teaching positions and other staff full time equivalents, or FTEs, are assigned on the basis of enrollments. The formula might,



for example, call for a teacher for every 25 students. The problem arises when staff FTEs are translated to real dollars.”

The difference in actual school expenditures are often substantial because teachers’ salaries are based on their experience and credits or degrees earned, and because high-poverty schools have many more less experienced, lower paid teachers and much more turnover than low-poverty schools. Roza found in her research in Baltimore “that when teachers at one school in a high-poverty neighborhood were paid an average of \$37,618, at another school in the same district, the average teacher’s salary was \$57,000.”² Assuming the same number of teachers in each school—say 20—the difference in dollars available for the two schools is \$387,640.

Transferring highly paid teachers against their will to even out expenditures seems nonsensical, yet if such an extra amount were available to a high-poverty school then there are numerous good uses for it, including employing master and mentor teachers as coaches, offering bonuses to recruit and retain effective teachers, and lengthening the school day or year to expand learning time for students. This is a complex topic, however, as one would expect of budget processes involving local, state, and federal funding spread across thousands of school districts across the country. That’s why we present in this package of reports:

- The history of Title I of the Elementary and Secondary Education Act and its comparability provision
- The unexpected consequences of the comparability provision in practice
- The ways in which Title I might be fixed

- The ways in which those fixes might be implemented with positive results

If a more sensible Title I comparability provision were enacted, then there is little doubt that local school districts would have to change the way they allocate and account for funding of their schools, which over time would ensure that a more fair and equitable local educational funding process would take hold across the country. This would be a major step in repairing the broken system of American school finance, and would reverberate through the hallways of American schools as disadvantaged students gained the educational opportunities they need to compete in today’s global economy.

How We Got Where We Are Today

For over 40 years, federal policymakers and education advocates alike celebrated the Elementary and Secondary Education Act of 1965, especially Title I, which together with Title VI of the Civil Rights Act of 1964 heralded a major new role of the federal government—to guarantee equal education opportunity nationwide. And for a while there was reason to celebrate as the federal government and new federal education statutes empowered educational leaders to see to it that more and more disadvantaged American kids received the equal education they deserved.

Unfortunately, this guarantee to an equal education has never been fully realized—even though the federal government has never wavered in its promotion of equal opportunity in education. As many analysts have documented, despite the federal help for schools with large concentrations of poor students, schools and



districts with many low-income students continue to receive less than their fair share of funding—based on student need—up and down the nation’s highly decentralized system of public education.

The federal government does distribute Title I money based on poverty, but it does so through a formula that combines numbers of children in poverty with state per-student expenditures. This practice penalizes states with low-tax bases even if they tax themselves relatively heavily for education. Many states have developed fairer state funding systems, often as a result of years of litigation in state courts. But as the papers in this volume make clear, there has been little change in the inequitable way that local school districts fund their schools.

Almost all large school districts (sometimes unknowingly) expend more dollars on personnel and services in schools with fewer low-income students. Given the 50 percent local share of public school funding, this so-called “within-district” inequality has tragic consequences, as documented by the usually lower performance of students in schools with many poor students. This has not changed even after a new, standards-based framework for public education took hold nationwide in the mid-1990s.

This new approach to public education called for high learning expectations for all students. It was subsequently made real by the adoption of accountability systems through state legislation and the 1994 reauthorization of the Elementary and Secondary Education Act under a new name, the Improving America’s School Act, alongside the enactment of Goals 2000, which required state adoption of rigorous curriculum standards

and new state tests to measure student performance against these standards. Then, in 2001, the next education reauthorization brought us the No Child Left Behind Act, which was signed into law by President Bush in 2002. NCLB enacted a tough performance standard, requiring that all students be proficient in math and reading by 2014. States were required to assess students annually in grades 3 to 8, and report on their performance by subgroup, including for students from low-income families.

The presidential and congressional motivation behind the NCLB upgrade of the Elementary and Secondary Education Act was to put increased pressure on state and local education policymakers to focus on the educational needs and learning results of disadvantaged students—whether they came from low-income or minority group families, families whose first language was not English, or students with disabilities. The federal government substantially increased its support for high-poverty schools for a couple of years after the passage of the NCLB Act. But state and local policymakers never leveled the educational playing fields with their funds, and the federal government did not push them to do so.

The upshot: unequal funding of high- and low-poverty schools continues with local, state, and federal funds. No wonder achievement gaps sometimes seem intractable.

While the harm falls most heavily on low-income students, the unfairness to hard-working teachers, principals, and other staff in the schools of these students is almost as tragic. It is fundamentally unfair to hold educators accountable for reaching the uniform high standards



of NCLB when the monetary tools with which they are provided are so unequal. But what's encouraging for students, teachers, and administrators alike is that federal legislators can correct these inequities if they take the time to understand the complex issues at hand in their states and congressional districts and then act on some of the lessons already learned by select school districts now experimenting with new ways to budget education funds.

The Way Toward Solutions

In this volume, our four authors look at virtually all aspects of the federal and local "comparability" issue. While each is an advocate for major change, they don't always agree in their analyses or on a preferred course of action. That's neither surprising nor desirable given the diffuse magnitude of the problem. But what's most encouraging is that the logic of their arguments point toward similar policy conclusions.

The first paper, "The History of Educational Comparability in Title I of the Elementary and Secondary Education Act of 1965," is by Phyllis McClure, an independent consultant and longtime student of ESEA Title I since its passage, and a consistent advocate for improvements to Title I. McClure traces the history of the debate around the enactment of Title I in 1965, and the problems with its early implementation, which led Congress in 1970 to add the comparability provision as well as other provisions to tighten up how Title I educational funds were spent.

McClure then discusses the initial federal efforts to enforce the comparability provision in the 1970s and 1980s, followed by 20 years of lax enforcement, and then

more recent renewed attention to enforcement. She concludes by describing the current context of school funding and its relation to the comparability provision, and then making recommendations for securing the fiscal integrity of Title I funds.

The second paper, "Strengthening Comparability: Advancing Equity in Public Education," is by Ross Wiener, vice president for program and policy of the Education Trust. In his paper, Wiener discusses the importance and shortcomings of the comparability provision. He describes in detail how the weak comparability provisions of Title I allow funding gaps to persist, providing several examples from local school districts.

Wiener then explains why this is so harmful, turning next to discuss the important and positive changes to the comparability provisions that were included in the "discussion draft" of the No Child Left Behind Act reauthorization proposal issued by the Chairman of the House Committee on Education and Labor, Rep. George Miller (D-CA), and the Ranking Member of the Committee, Rep. Howard P. McKeon (R-CA) in the summer of 2007. Wiener concludes with recommendations for strengthening the comparability provision.

The third paper, "What If We Closed the Title I Comparability Loophole?" is by Marguerite Roza, research associate professor at the Center on Reinventing Public Education, University of Washington. Her paper explores why the current comparability provision falls so short of what is needed, and the reasons for modifying it. She discusses why federal leadership is important, and outlines budgeting and funding considerations that need to be taken into account in making a change.



Rosa then explores the likely effects of these proposed changes on high-poverty schools. In the end, she suggests that the best way to restore the comparability guidelines of Title I to their original intent is by requiring school districts to equalize per-pupil dollar expenditures before accepting federal funds. In this way, the federal government can be proactive without micromanaging the budgeting processes of myriad local school districts.

The final paper, “Funding Schools Equitably: Results Based Budgeting at Oakland Unified School District,” is by Matt Hill, executive officer of strategic projects for the Oakland Unified School District in Oakland, California. Hill examines why “Oakland Unified” decided to change the way it funded each of its individual schools, how the sprawling school district managed the process, and the relevance of the experience to the reform of Title I comparability provisions.

Hill provides a thorough overview of the Oakland school district’s history and budget reform strategy, and then delves into a detailed explanation of Oakland Unified’s so-called “Results-Based Budgeting,” and how this process differs from other equitable funding allocation models used around the country and in Canada.

He then discusses the implementation of Results-Based Budgeting, and then the results, the challenges, and the lessons learned along the way.

Hill concludes with recommendations for federal and state authorities to consider when they map out policies to help local school districts address the inequities caused by traditional funding models. And his conclusions are important because Oakland Unified is the only local school district in the country to fully implement equitable funding of all of its schools on a per-school, per-pupil basis..

Hill and the other three authors arrive at some uniform conclusions about ineffective and inequitable educational spending by the federal government on Title I schools. More importantly, each one in a different fashion points the way toward solutions to a complex budgeting issue that is a root funding cause of our ill-performing public schools. Together, these four papers make an invaluable contribution to the debate over how to fix our public school system. They point the way for the next administration and the next Congress to fix federal funding for Title I schools. For the future of all American children and our country, these changes can’t come a moment too soon.

John Podesta
Cynthia Brown





Endnotes

- 1 Thomas B. Fordham Institute, "Fund the Child: Tackling Inequity & Antiquity in School Finance", (Washington, D.C.: June 2006).
- 2 M. Roza and P. Hill. "How Within District Spending Inequities Help Some Schools To Fail." In Dianne Ravitch (Ed.), *Brookings Papers on Education Policy: 2004*. (Washington D.C.: Brookings Institution Press Sponsored by the Brown Center on Education Policy, 2004).





The History of Educational Comparability in Title I of the Elementary and Secondary Education Act of 1965

Phyllis McClure

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Passage of the Act and Early History

Title I of the Elementary and Secondary Education Act of 1965 requires that schools receiving funds under Title I be comparable in services to schools that do not receive Title I funds. The public policy purpose: To ensure federal financial aid is spent on top of state and local funds to which all public school children are entitled. Title I was one of five titles in the legislation, which was introduced in Congress on January 12, 1965, and was passed by Congress on April 9, 1965.

President Lyndon B. Johnson signed the legislation on April 12, 1965 in front of the old one-room school house on his ranch on the banks of the Perdarnales River. The new law was considered a legislative triumph because previous attempts to provide federal aid to primary and secondary education by Congress had always floundered on the “two R’s,” race and religion.

The first of the two obstacles, race, had been resolved the previous year with enactment of the Civil Rights Act of 1964, Title VI of which prohibits recipients of federal financial assistance from discriminating on the basis of race, color, or national origin. All prior attempts at providing federal aid to pre-collegiate education had been stalled by the Powell Amendment attached to bills by Rep. Adam Clayton Powell II, chairman of the House Education and Labor Committee. The Powell Amendment prohibited the use of federal money to build racially segregated schools. Under Title VI school systems that operated racially segregated schools pursuant to state law were required to have acceptable desegregation plans in order to be eligible for federal funds. With the passage of the Civil Rights Act, Powell allowed ESEA to move forward to enactment.

The second impediment concerned federal funding of religious schools. Such aid to parochial schools rested on a constitutional minefield, but post-war inflation and enrollment surges affected religiously affiliated as well as public schools, especially in northern cities. The objection to aid for religious schools was removed by the creation of the so called “child benefit” theory. Under this approach, the Title I formula was designed to distribute its funds to *school attendance areas* having high concentrations of children from low-income families. All children residing in such a school attendance area were deemed eligible for services whether they attended the public school or the church-affiliated school in that attendance area.

Now, for the first time, there was federal aid for the nation’s elementary and secondary schools. But controversies over how it was spent were soon to follow.



Dispute Over the Use of Title I

The short time for the legislation’s passage through Congress was devoted primarily to working out the details of the Title I formula, which allocated federal funds to states and school districts based primarily on the number of low-income children ages 5 to 17. Little consideration was given to how the money would be used once it arrived in local school districts. Indeed, most supporters of the legislation inside and outside of Congress assumed that Title I was the money for school construction and teachers salaries that previous aid to education bills would have authorized.

Yet the bill that became law was the House passed version of P.L. 89-10 that had a definite categorical purpose. It provided in Section 201 of Title I that:

...in recognition of the special educational needs of children of low-income families and the impact that concentrations of low-income families have on the ability of local educational agencies to support adequate educational programs, the Congress hereby declares it to be the policy of the United States to provide financial assistance...to local educational agencies serving areas with concentrations of children from low-income families to expand and improve their educational programs... to meet the special educational needs of educationally deprived children.

And the bill provided in Section 205 (a)(1) that

...payments under this title will be used for programs and projects (including the acquisition of equipment and where necessary the construction of school facilities)

(A) which are designed to meet the special educational needs of educationally

deprived children in school attendance areas having high concentrations of children from low-income families and

(B) which are of sufficient size, scope, and quality to give reasonable promise of substantial progress toward meeting those needs

Not to be completely cut out of congressional action, the Senate Labor and Public Welfare Committee issued a committee report intended to “interpret” the statute and provide administrative guidance to the United States Office of Education in the Department of Health, Education and Welfare. That report encouraged general aid to schools, and liberalized the definition of eligible schools and children. The report also included a list of “allowable activities” that local school officials soon would cite time and again to justify their expenditures of Title I funds.

These alternative interpretations of the statute—general aid to school systems versus categorical aid to poor children—set the stage for the struggles within the Office of Education for the direction and mission of Title I. John F. Hughes, the first federal director of the Title I program, writes about the battles between the traditionalists and the advocates:

While the traditionalists, who generally ran the affairs of USOE, looked upon Title I as a welcome and major new source for funding the system, a new and unexpectedly tenacious group of advocates within the education establishment emerged as the proponents of Title I as a means for changing the establishment and its schools through serving the needs of deprived children.¹

These two forces waged battle over regulations, program guidelines, and basic



criteria that would establish federal policy for the program. The Title I program staff drafted guidelines that would give substance to the categorical language—size, scope, and quality—of the statute, concentrate funds on a limited number of children, target project areas, approve project proposals, limit capital projects, and include private school children. Yet traditionalists in the Office of Education and the majority of chief state school officers were adamant that restrictions on state and local discretion be removed from federal guidelines.

The result: Guidelines were watered down, containing only mild references to using money on behalf of poor children. Traditionalists got all the concessions and won the day in the draft regulations and guidelines.

While those battles raged in federal offices and at state and regional meetings, the \$1 billion federal appropriation for Title I began to deliver money to local school districts around the country in the 1965–66 school year. For most places, this new federal money was the most substantial money they had ever seen, and many went on a spending spree in order to use their allotment within the fiscal year.

With the weak federal guidelines and the state chiefs' objections to federal interference, districts spent on district needs, on new programs for all children, but also on installing teachers and materials in all-black schools that were previously available only in all-white schools. Local school authorities were aided by the National Audio-Visual Association whose members marketed all kinds of equipment. School districts bought the equipment in quantities irrespective of whether teachers knew how to use it, whether there was space for it, or whether there was sufficient electric-

ity to operate more than the lights and one machine simultaneously.

The federal Title I staff's attempts to monitor federal expenditures were severely restricted under budget action in Congress and opposition by the state chiefs.² State Title I coordinators were powerless to exercise any authority over local project applications, unless their chief was more in sympathy with the focus on poor children. But auditors from the Department of Health, Education and Welfare turned their attention to how funds were being spent. Those audit findings, initially buried in the Department's desk drawers, were ultimately made public by civil rights groups.³ This expose—"Title I of ESEA: Is It Helping Poor Children?"—published in 1969, helped turn Title I into a supplementary program targeting educationally disadvantaged students in high-poverty schools rather than on the general needs of entire schools or districts.

Misuse of Title I Leads to Comparability

These free-wheeling spending practices of school officials in the first few years accomplished what the categorical advocates had been unable to achieve in the policy battles. Their expenditures made the case for strong federal guidelines that would lead to curbing the abuses and establishing comparability requirements that state and local funded services for schools receiving funds under Title I be equivalent to such services for schools that do not receive Title I funds. Not only was federal money being spent on the general needs of school systems (general aid), it was also paying for goods and services that had previously been purchased with state and local funds.



That practice became known as supplanting, meaning the substitution of state and local funds with federal money. In contrast, Title I funds were intended to supplement, or add on to, state and local expenditures. The federal rule, Supplement/Not Supplant, or SNS, entered the Title I lexicon. The clearest example of supplanting was the use of Title I money in still-segregated southern school systems.

Especially, but not exclusively, in the South, many high-poverty schools eligible for Title I funds were black schools that had been victims of unequal expenditures under de jure systems of racial segregation. Title I began paying for teachers, aides, instructional materials, and equipment in black schools. These buildings were upgraded and wings were added to old buildings. They got cafeterias, libraries, and lunches. All these enhancements that had been provided by the district in white schools were charged to Title I in Title I, predominantly black schools.

All these improvements were occurring at the same time as districts were required, as a condition of receiving federal funds, to desegregate their schools. These practices led civil rights workers to charge that school officials were improving all black schools in order to entice parents and students to remain in those schools rather than attend previously white schools under the so-called “freedom of choice” school desegregation plans.

Nor were unequal and discriminatory practices exclusively a southern practice. Urban and northern districts engaged in the same behavior. The most notable example at the time was the celebrated case of *Hobson v. Hansen* involving the schools of the District of Columbia. Local activist Julius Hobson filed suit in 1967 against the District of Columbia

superintendent, Carl Hansen, and the city school board. He alleged denial of equal educational opportunities for poor and black children in the allocation of resources and personnel, and the tracking of black children in to low level classes based on their presumed “ability.”⁴

The case fell to Judge J. Skelly Wright of the U.S. District Court of the District of Columbia to adjudicate. Despite woefully inadequate data, much of it obtained from the schools directly, Hobson presented charts and other evidence showing unequal allocation of resources between predominantly black and poor schools in Anacostia and neighborhoods east of Rock Creek Park in favor of predominantly white and affluent schools west of the Park.

In 1969, Hobson was going beyond the relief he sought for racial integration in 1967. Now he sought equalization of resources. Just about the time Congress and the administration were wrestling with the comparability issue in Title I, Judge Wright ruled in favor of the plaintiffs and issued an order requiring by October 1, 1971 that:

*...per pupil expenditures for all teachers' salaries and benefits from the regular D.C. budget in any single elementary school shall not deviate more than plus or minus five percent from the mean of all elementary schools.*⁵

Computation of expenditures per school was to include classroom teachers, special subject teachers—such as physical education, music, and art—and special education personnel for physically or mentally handicapped children. (The District of Columbia Public school system was at the time under court order to provide educational services for handicapped children who were denied any education in mainstream or special classes.⁶)



The per-pupil expenditure measure, the judge ruled, summarized most other relevant distributions of educational resources. The record indicated a “striking differential” in per pupil expenditures of teachers’ salaries and benefits between schools east and west of Rock Creek Park and that the differential had grown since the previous year. Schools west of the Park were 74 percent white and had a 26.7 percent advantage in teacher expenditures per pupil over schools in rest of the city, and particularly over Anacostia schools that were 98 percent black.

Wright focused on the cost of all teachers’ salaries, including longevity pay, because he believed that all children were entitled to the services of experienced teachers regardless of the school they attended. Furthermore, the school administration had testified before Congress that it required additional funding for teachers salaries in order to attract better trained teachers who would be more effective in dealing with children in the system.⁷

Office of Education Reverses Lenient Policy

The first sign that the Office of Education was reversing its lenient policy was Title I Program Guide #44, which was issued on March 18, 1968. (An earlier Program Guide #36 attempted to curb the use of Title I funds for construction.) U.S. Commissioner of Education Harold Howe II issued the “Revised Criteria for the Approval of Title I ESEA, Applications From Local Educational Agencies.” It reflected the language of Sec. 105 of the law and contained the first language explicitly prohibiting supplanting state and local funds with federal funds:

It is expected that services provided within the district with state and local funds will be made available to all attendance areas to all children without discrimination. The instructional and ancillary services provided with State and local funds for children in project areas should be comparable to those provided for children in the non-project areas, particularly with respect to class size, special services, and the number and variety of personnel. Title I funds, therefore, are not to be used to supplant State and local funds which are already being expended in the project areas or which would be expended in those areas if the services in those areas were comparable to those for non-project areas.

Program Guide #44 also addressed a related supplanting matter that audits had revealed. Districts would spend Title I money in Title I project areas on a new program or service and then extend that same program to non-Title I schools with their own revenue. This was particularly common with the introduction of Kindergarten programs, then not part of most states’ minimum foundation program. According to the guide:

It is intended also...that as services initiated in the project areas under Title I are extended to children residing in non-project areas the applicant will assume full support of those services under the regular school budget, this will release Title I funds to provide new activities for eligible children.

The March 1968 statement of policy on supplanting was followed shortly by Program Guide #45, which was issued on June 14, 1968. It stated that documentation of supplanting could be considered a violation of Title VI of the Civil Rights Act as well as Title I and subject to federal audit and repayment of misspent funds.⁸



The upshot: Within three years of the Elementary and Secondary Education Act's enactment, the Office of Education had established policy and enforcement tools. Audits and repayments of mis-spent funds were ex post facto remedies for violations of the law, but there was no mechanism to prevent supplanting.

Comparability Rule Established

The case that was most directly responsible for amending the statute to require comparability concerned misuse of Title I funds in several Mississippi school districts. Parents and civil rights lawyers took documentation of these abuses to the Senate Labor and Public Welfare Committee in the summer of 1969 to convince lawmakers that federal money was supplanting state and local expenditures and to demand that action be taken.

In the state's Cahoma County in the 1967–68 school year, for example, non-Title I schools, mostly white, received \$324.71 per-pupil from state and local resources, while Title I schools (almost entirely the all-black schools) received \$175 per pupil. In a school desegregation case involving Quitman County, the superintendent testified in federal court that Title I was going to black schools in an effort to equalize expenditures.⁹ Federal officials went to Mississippi, an unprecedented action, to secure commitments from state officials that they would only approve local project applications that complied with federal requirements.

Back in Washington, and also in Mississippi, civil rights and poor peoples' advocates pressured the Office of Education to concentrate Title I on high-poverty schools and students. Public disclosure of the headline-grabbing purchases—por-

table swimming pools, mobile classrooms, a church, sewage disposal systems, band and football uniforms—brought disrepute to the federal government's Great Society program. James Allen, the new Commissioner of Education, moved to take advantage of the more hospitable climate in 1969 and 1970 for enforcement.

He created a Title I Task Force and asked it to develop a set of criteria and reporting requirements for comparability. A new program guide containing comparability criteria was drafted and cleared for issuance, but his action was preempted by Congress. John Hughes recalls:

At that moment the House and Senate conferees on the ESEA amendments were arguing their respective versions of the changes in Title I. A strong Senate provision on comparability had already been informally agreed to by the conferees but Allen's issuance of the guide alerted and excited House conferees, sparked by [Congressman] Roman Pucinski of Chicago...¹⁰

The Department of Education's comparability rules called for equalization of money and teachers on a quantitative basis. According to John Hughes, Rep. Pucinski (D-IL) was responsible for the seniority exemption in comparability. He wrote:

Comparability as a concept poses a threat to the big city tendency to assign their least qualified and poorest paid teachers to the inner-city, predominantly black or Spanish-speaking schools.¹¹

By the end of the 1960s, then, the stage had been set for the executive branch to enforce comparability and Supplement/Not Supplant regulations across the country, which led to further legislative action to buttress these enforcement actions.



The 1970s: Title I Amended to Include Comparability

In 1970, Congress added the requirement, Section 105 (a)(3), that:

State and local funds will be used in the local educational agency to provide services in project areas which, taken as a whole, are at least comparable to services being provided in areas in such district which are not receiving funds under this title. Sec. 105 (a)(3).

That language is virtually identical to the words in current law, except that the phrase “in project areas” is replaced by “in schools.” The Office of Education issued regulations requiring that each Title I school be comparable to the average of non-Title I schools on five measures:

- The number of pupils per certified teacher
- The number of pupils per other certified instructional staff, including principals, vice-principals, guidance counselors, and librarians
- The number of pupils per non-certified instructional staff, including secretaries, teacher aides, other clerical personnel
- Instructional salaries (less longevity) per pupil
- Other instructional costs-per pupil, such as textbooks, school library books, audio-visual equipment, and teaching supplies

The comparability regulations further provided that the state education agency should not approve a district’s application for Title I assistance or make a payment under a previously approved application unless the district had demonstrated compliance with the comparability requirement. The Office of Education originally established November 1 of each year as the date for collecting comparability data. But that was changed in 1976 to allow each state to set its own deadline, as is the case today.

If a comparability report showed that one or more of a district’s Title I schools were non-comparable, the district was required to file a plan showing how comparability would be achieved in the following comparability report. A five percent variance from the non-Title I school average was allowed for each Title I school on each measure.



For the vast majority of school districts with six or fewer schools, a comparability report could fit in 12 or 13 columns on a single page of 11" x 17" paper. But in the rural south, schools and districts were small and finances fairly simple. The comparability regulations exempted schools with fewer than 100 pupils. In large city districts, the task was more difficult and time consuming, primarily because of the number of schools but also because there were likely to be other staff, such as guidance counselors and librarians.

But overall, school finance was relatively uncomplicated. There was local revenue and the district entitlement under the states' minimum foundation programs, but no special programs or populations. The new comparability reporting rules were fairly easy for school districts to complete.

A large measure of the disparity, for example, between poor, black schools and formerly all-white schools, especially in the rural south, was due to salaries. Black and white school personnel did not have the same salary schedules in those days. Black teachers and principals were paid much less than their white counterparts. It is worth remembering that in the early 1970s race and sex discrimination in public employment was not illegal. This situation did not begin to abate until 1972 when Congress amended Title VII of the Civil Rights Act of 1964 to cover public employers, and enforcement by the Equal Employment Opportunity Commission and the Department of Justice began to take effect in the mid and late 1970s.

The initial comparability criteria were appropriate for their time. Like disaggregation of achievement scores today, they shined a spotlight on gross disparities and brought about correction. Through-

out the decade of the 1970s changes were made to the comparability criteria, mostly in concessions to state and local officials who had the job of compiling comparability reports. The first change was to collapse the three separate categories of instructional staff, thereby eliminating the distinction between certified and non-certified staff. This left the following criteria in place:

1. Equal per-pupil ratios of instructional staff, within 105 percent of the average
2. Equal per-pupil ratios of instructional staff expenditures (less longevity) and within 95 percent of the non-Title I average
3. A policy for equal distribution of instructional materials

Other changes were made to comparability. The separate measure for instructional materials was changed to require a policy of equal expenditures. However, if a district was not comparable on the basis of the three remaining criteria, it was required to report actual data for supplies and equipment. The 5 percent tolerance was increased to 10 percent.

In addition, personnel for special education students and limited English language learners were excluded from comparability determinations. Other modifications included adding clerical personnel to the list of those included in staff determinations, and allowing states to "weight" certain staff if state law mandated higher expenditures for certain children, certain grade-spans, or other considerations.

When a few states instituted compensatory education programs that mirrored the purpose of Title I, expenditures



of those funds in Title I schools were exempted from comparability calculations. Title I regulations also included specific record-keeping requirements pertaining to comparability, including the mandate that records be maintained for individual schools and that worksheets show the total number of instructional staff as well as their salaries due to longevity.

Although there were changes in the criteria over the decade of the 1970s, as well as complaints about burdensome federal regulations and paperwork, reporting and enforcement became a more or less normal part of administering Title I at the state and local levels. States instituted administrative procedures that local educational agencies were supposed to follow in filling out comparability forms. States were responsible for monitoring local districts and withholding Title I funds from districts or schools found to be out of compliance. It was a fact-intensive business.

Not surprisingly, though, there were many problems with inaccurate data and timely reports. State enforcement consistently lagged, and securing federal enforcement was always an uphill battle. Federal audits of Title I were the primary enforcement tool. They typically ran 35 to 50 pages, including recommendations for recovering millions of dollars—and prompting bristling, sometimes defiant, responses from state departments of education.

Incorrect data and computations and disputes over the status of particular teachers were often the basis of auditors' determinations of non-comparability. For example, the audit of the San Francisco Unified School district for the 1974–75 school year found 45 of the 71 Title I schools were not receiving state and local

services comparable to non-Title I schools. The district had assigned 49 teachers to non-Title I schools, arguing that they were resource teachers paid by California's compensatory education program.

By examining personnel records and interviewing teachers, the federal auditors found that the positions in question were regular classroom teachers paid from general funds, not resource teachers paid by the state compensatory education program. Other issues that bedeviled comparability determinations in this audit and others were:

- Failure to use teachers' current assignments
- Failure to file comparability plans with the state by the deadline
- Incorrect comparability findings by state officials
- Continued allocations of Title I funds to districts out of compliance with comparability¹²

Comparability of services, however, was not the only subject of federal audits. Federal audits of states and large urban districts continued to find supplanting and general aid violations. The auditors recommended recouping millions of dollars. The Office of Education typically negotiated audit exceptions downward, but states were ultimately required to repay misspent Title I funds. An audit resolution process was created in 1978 under the statute to adjudicate disputes. An Education Appeal Board issued rulings. Final appeals could be taken to the Commissioner (later the Secretary) of Education (after the creation of the Department of Education in 1979).



In a 1975 study of the Office of Education's enforcement of comparability, supplanting, and general aid, the Lawyers' Committee for Civil Rights Under Law reported that the agency had issued 149 audits, of which 106 revealed audit exceptions requiring reimbursement for illegally spent Title I funds. Of the 106 audits where the audit agency had recommended reimbursement of illegally spent funds, the Office of Education had taken no enforcement action in 23 instances. In the 78 cases in which it had taken final action, the agency fully sustained the auditors' action in five cases—all involving audit exceptions of \$10,000 or less. (Information on the remaining five audits was unavailable). In addition, in preliminary and final determinations covering 80 audits, the Office of Education had significantly reduced or dismissed its auditors' findings.¹³

Despite its many concessions to states' audit findings and the diffuse legal framework of Title I, the Office of Education did engage in enforcement through audits, compliance reviews, and orders for repayment of misspent funds. The federal enforcement effort got the message across: Title I is not all-purpose money. Local Title I coordinators could use federal guidelines and the threat of an audit to defend Title I money against sequester for other purposes by superintendents and school boards.

The federal government defended its interpretation of supplanting all the way to the Supreme Court in a case from

Kentucky. With state approval, 50 school districts in Kentucky had placed first and second grade Title I students in separate classrooms of "readiness classes" with Title I teachers. Except for a few "enrichment classes," these students received their entire academic instruction, including the state-mandated curriculum, through Title I. In the words of the Court,

*We agree with the Secretary that the readiness classes approved by Kentucky clearly violated existing statutory and regulatory provisions that prohibited supplanting. It is undisputed that Title I funds were used to pay substantially all the costs for the basic education of students in the readiness classes. Absent these classes funded by Title I, the participating students would have received instruction in regular classes supported by state and local funds.*¹⁴

The 1978 amendments and regulations contained very detailed comparability requirements, including the specific data required, setting the date of November 1 of each year as the time by which they should be collected, and requiring that local educational agencies file their comparability report with the state on or before December 1 in each fiscal year. On the seniority issue, these regulations specified as one of the criteria the total amount of the annual salaries of the instructional staff in each school minus the amount of those salaries based on length of service. The final regulations were issued the day before Reagan was inaugurated on January 20, 1981.



Comparability Ignored

The election of Ronald Reagan in 1980 brought about a reversal of active federal monitoring and enforcement of Title I. Comparability took the greatest hit. The Reagan administration did not succeed in repealing the Elementary and Secondary Education Act or converting Title I into a block grant, but the administration did succeed in relaxing the criteria for demonstrating comparability and the reporting requirements through the budget reconciliation process.

The Reagan administration orchestrated this reversal through the enactment of the Education Consolidation and Improvement Act of 1982, which renamed Title I as Chapter 1. The new law maintained the basic comparability requirement similar to Title I's language, but the original regulatory criteria were replaced by the provision that exists today. A local educational agency was considered in compliance with the requirement under Section 1120A (c)(2)(A) of the new Act if it had filed with the state educational agency a written assurance that it had established and implemented:

- A district-wide salary schedule
- A policy to ensure equivalence among schools in teachers, administrators, and other staff
- A policy to ensure equivalence among schools in the provision of curriculum, materials, and instructional supplies.

Deregulation resulted in still more changes. The 1982 changes completely gutted the enforcement scheme of previous years. The 1982 regulations, originally issued on January 19, 1981 were greatly scaled back. All of the detail regarding how to demonstrate comparability, the definition of eligible personnel, and the longevity clause disappeared. States and school systems could continue to compile comparability reports, but many states did not require that they be submitted. It was sufficient to sign a general assurance of compliance and keep data and/or the policy of equivalence on file should anyone ever ask for it. All federal auditing and enforcement of these fiscal restrictions on the use of Title I dollars effectively ceased for 20 years throughout the administrations of presidents Reagan, George H.W. Bush, and Clinton.

Congress reauthorized Chapter 1 in 1988, maintaining the more relaxed 1982 comparability language and the exclusion of longevity pay. The statute and regulations issued the following year instituted the option of either filing an assurance or adopting the staff/student ratio or the instructional salary/student ratio. The Department of Education tried to establish a firmer basis for comparability by proposing that states and local districts have standards that would actually ensure that their policies resulted in the



provision of equivalent staffing, materials, and supplies. The federal government backed off, however, after complaints from states and districts about the need for flexibility, and the provision was eliminated in the final regulations.

The Clinton administration tried to make modest modifications to the comparability requirements, including elimination of the option of demonstrating comparability by a written assurance. It was largely unsuccessful, and the Department of Education backed off any efforts after Republicans captured control of Congress in 1995.

After the 1994 reauthorization, federal attention shifted to standards and assessments and to coordination of categorical programs at the state and local levels. The final regulations to implement the Improving America's Schools Act of 1994, issued on July 3, 1995, contained no comparability provision at all. Program monitoring called Integrated Program Reviews concentrated on working cooperatively with states to see how all federal grant programs worked together to support state and local reform efforts. All of Title I's requirements were just one of nine items in these reviews. The inspector general conducted no comparability audits.

Comparability guidelines shifted again after president George W. Bush took office in 2000. The Bush administration's successful enactment of the No Child Left Behind Act in 2002 led the Education Department to begin Achievement Focused Monitoring in 2003, but the monitoring guide did not mention comparability or Supplement/Not Supplement initially. Things began to turn around by mid-decade. Both the Department's inspector general and the General Accountability Office criticized the Department of Education for its lack of

guidance to states and its incomplete oversight of states' monitoring responsibilities.

The Department did issue draft guidance on comparability in 2006, however its Office of Inspector General found in a 2008 report that the guidance required improvement in three areas:

- State monitoring did not verify that local educational agencies were using correct and complete data in compiling their comparability reports.
- Federal guidance did not make clear that reported expenditures must reflect actual and final staffing data, not budgeted figures or positions in calculating expenditures and staff per pupil.
- Federal guidance did not adequately convey the concept that schools had to be comparable before the addition of Title I funds for a school year, not halfway through or at the conclusion of the academic year.

The inspector general's office said that states should establish a specific deadline for determining comparability and correcting any imbalances. Nonetheless, the inspector general found that lack of state monitoring permitted an Arizona district to remedy imbalances at the beginning of the second semester and one Illinois district to correct staff positions as late as the end of the school year.¹⁵

To bring this brief historical narrative up to the present, the Department's Title I office issued in February 2008 new guidance that makes revisions and clarifications to existing statutory and regulatory comparability requirements. As discussed in the next section of this report, the single and most controversial issue in the 2008 guidance is the issue of determining comparability in a schoolwide program.



The Changing Title I Landscape

Title I is no longer a program focused solely on improving education for educationally disadvantaged students in high-poverty schools. It has become the vehicle for raising the achievement of the nation's students. Title I today serves many more schools and pupils than it did 43 years ago. In part this is the result of increased appropriations and in part it is due to the flexibility permitted and encouraged in the use of funds.

There have been two significant changes in the way the program operates. The first is the growth in the number of school districts in which all schools in the district or nearly all schools serving a particular grade span are Title I schools. There are no non-Title I comparisons for making comparability determinations.

The second change is the growth of schoolwide schools—schools that serve all students in a Title I eligible school with Title I funds, rather than serving only a particular group of students within the school. Schoolwide schools may—indeed are encouraged—to consolidate Title I, state, and local funds in one account or “pool” of money so that Title I funds, theoretically, become indistinguishable. These two features of Title I in school systems today require a new approach to defining comparability.

Title I Serves All Schools

In many urban districts today, Title I serves all elementary schools in the district. This has been true since 1995–96, when the allowance for schoolwide projects was lowered to 40 percent of students in the school being low-income. There are other school districts that serve only one grade span, such as a high school district or an elementary school district, in which every school is a Title I school. In such cases there are no non-Title I schools with which to compare each Title I school.

What does comparability mean in this circumstance? The law and guidance say only that the school district must demonstrate that these schools are providing “comparable services.” The term “comparable services” is undefined. The February 2008 federal guidance provides several examples, including these:

- Where all schools in the district are Title I schools, the district uses the per-pupil amount of state and local funds allocated to schools as the basis for comparison.



- Using different grade spans within the district uses the amount per pupil of state and local funds allocated to schools in that grade span.

Interestingly, the January 19, 1981 regulations that the Reagan administration threw out had one answer to this question: Where all schools in the district or in a grade span were Title I, a district could determine comparability by showing that two conditions—a student/instructional staff ratio and an average per-pupil expenditure for instructional staff—prevailed.

Both the ratio and the expenditure had to be within a 5 percent variance of the average of that criteria for the group of schools having the lowest proportion of poor children. This essentially compares the poorest Title I schools to the average of the least poor Title I schools. In other words, is comparing a very poor Title I school to a less poor Title I school an accurate measure of comparability?

Title I Schoolwide Schools

The other difference from the original legislation is the operation of schoolwide Title I schools. Schools with percentages of poor students as low as 40 percent can operate as schoolwide programs. In the 2004–05 school year, schoolwide programs accounted for more than half (58 percent) of all Title I schools and 67 percent of all Title I funds.

(Schools that elect not to adopt the schoolwide approach or are below 40 percent low income operate as so-called targeted assistance schools. Those schools operate much as all Title I schools did in the early days of the program. Individual students

are “targeted” for remedial assistance by an instructor paid with Title I funds).

Programmatically, a schoolwide school by definition considers all students eligible for Title I services. Title I dollars do not need to be traced to Title I-eligible children. Schools may—indeed are encouraged to—coordinate federal funds with state and local revenue and spend the consolidated funds for any educational activity included in their schoolwide program plans, and on any student or group of students in the school. In this environment, school officials do not have to track Title I dollars or identify specific services funded by Title I.

Title I is, in effect, general aid in most high-poverty schools. The Department of Education, especially the inspector general’s office, has been quite aggressive in advocating fund consolidation in order to promote programmatic flexibility. This advocacy of total fund consolidation raises many issues, but on comparability specifically the Education Department maintains that each school operating a schoolwide program must receive all the state and local funds it would otherwise receive to operate its educational program in the absence of Title I, Part A or other federal funds.

The Department’s February 2008 guidance contains examples of how districts can demonstrate comparability in schoolwide schools¹⁶ (see Appendix).

The 2008 guidelines also illustrate how comparability can be documented in situations in which all schools in the district or in a grade span are to operate schoolwide. For both cases where there are no non-Title I schools, the examples create comparison schools within the district.



For example, a district could compare student/instructional staff ratios between high (less than 60 percent) and low (less than 40 percent) Title I schools, or it can compare student/instructional staff ratios in each school to the district average.

Still another way to demonstrate comparability is to show that every school in the district is receiving a total and a per-pupil amount of state and local funds within the 90-to-110 percent range of the district-wide amount. Either way, though, the new 2008 rules re-introduced comparability evaluation requirements.

Skepticism and Confusion

Although the schoolwide option and fund consolidation have been an option since 1994, the idea has apparently been slow to catch on. A 2000 audit by the Office of the Inspector General found that 10 of 15 states surveyed did not allow schoolwide programs to combine funds, and none of 16 school districts contacted combined funds. A 2008 analysis of the fund consolidation issue reported that many states thought that the flexibility offered by the new guidance was not worth the accounting headaches. A tension existed between federal flexibility options and reporting requirements pressed on states and districts by state legislatures and accountants. School people felt caught in the middle: How were they going to defend themselves legally if they could not account for dollars separately?¹⁷

The GAO proposed another answer to the question of how to insure fiscal equity for Title I schools in cases where schools and districts pool all dollars in one schoolwide account. In a 2003 report, the agency proposed that Con-

gress consider repealing the Supplement/Not Supplant provision for schoolwide programs and substitute other fiscal accountability provisions such as Maintenance of Effort.¹⁸

The MOE provision requires that a school system maintain at least 90 percent of its aggregate state and local education expenditures or the per-student expenditures for the preceding year as a condition for receiving any Title I money. The GAO was especially interested in whether the fiscal requirements of the law protected the integrity of Title I in a time of economic retrenchment and cuts in state and local education budgets.

GAO found a great deal of confusion on the part of local and state school officials about the various fiscal requirements of Title I—MOE, Supplement/Not Supplant, and comparability. This confusion was attributed to the absence of any federal monitoring or even published guidance on these matters for many years. Misunderstanding was also due to the changed landscape in which Title I operates today.

Glendale (Arizona) Elementary District is an example GAO selected to illustrate how difficult it is for school officials to defend against charges of supplanting. This district has six schools, all of them Title I schoolwide programs. The whole notion of what supplanting means, according to GAO, is unclear because all federal, state, and local funds are pooled. If a state or district should discontinue a program or service and Title I schools use their federal money to continue the activity, is that considered supplanting?

Because the amount of federal, state, and local funds going into a schoolwide



program is known, perhaps a better test for Supplement/Not Supplant compliance is a year-to-year comparison of the total amount of funds allocated to all Title I schools. That test would amount to a MOE requirement at 100 percent. School officials argued, however, that that test was more stringent than the normal 90 percent, that is, the 10 percent allowance for comparability.

Should Reform Trump Comparability?

We should not lose sight of the forest while examining the trees here. This is a real and present issue as Title I presses not just schoolwide reform but district accountability and reform. If the provisions of the No Child Left Behind Act press states to transform their public schools and coordinate efforts at all levels—federal, state, and local—how can flexibility with dollars be provided and still maintain the supplementary nature of the federal dollar?

GAO cites a real case in point, the operation of Title I in the San Diego (California) Unified School District under superintendent Alan Bersin in the late 1990s and early 2000s. Bersin wanted to completely restructure the reading program in all elementary schools without violating Supplement/Not Supplant guidelines. That policy involved pooling Title I and non-Title I funds in order to implement the reading program in all elementary schools. A group of Title I parents filed a complaint with the California Department of Education arguing that the district was violating comparability.

The state agreed with the parents and ordered San Diego to develop a plan

that would comply with federal comparability requirements. The superintendent appealed to federal officials at the end of the Clinton administration. The Department granted a Title I waiver to San Diego based on a leap of faith that Bersin's reform plan would raise student achievement.

Here we have the ultimate irony. Title I parents perform their role as Title I watch dog. The state actually acts to enforce the law. And the federal government, the supposed guarantor of Title I as a categorical program, waives comparability and Supplement/Not Supplant regulations.

Comparability Within and Across Districts

Throughout its history, comparability has always been defined as a within-district measure. What would be the implications if comparability compared schools across district lines? Where and when would it be appropriate to adopt such a measure?

A study for the congressionally mandated National Assessment of Title I, published in 2000, devoted one chapter to examining the comparability of base resources for Title I and non-Title I schools within the same district and across districts. This analysis included all personnel expenditures (including seniority pay) and full-time equivalent staff from non-Title I sources, instructional, and non-instructional staff using 1997–98 school year data.

A comparison of staffing, including longevity or seniority pay, from non-Title I resources in Title I and non-Title I schools showed that Title I elementary schools had a smaller average class size (21.4) than non-Title I schools (22.5), but



the average salary for classroom teachers was 12 percent lower in Title I schools (\$36,090) than non-Title I schools (\$40,458). The higher teacher salaries were attributable to the longer years of teaching experience in the non-Title I schools (16.1 years) compared to the lower 13.3 years in the Title I schools.

There was little difference in degree attainment discerned by the study, with 40 percent of teachers with master's degrees or higher in Title I schools versus 43 percent of teachers on that measure in non-Title I schools.

Contrasted with that analysis of the non-Title I resource base across all elementary schools is another analysis in the same study looking at comparability between

Title I and non-Title I schools in high- and low-revenue districts. All districts in the study's sample were divided in thirds, and the highest third and the lowest third were used for comparison. The differences between high- and low-revenue districts were much greater than the differences between Title I- and non-Title I schools within the two district revenue groups (see table below).

As the table shows, the greatest disparities for Title I and non-Title I schools are **between** districts, not **within** districts. Notice that Title I schools in high-revenue districts are much better off than their counterparts in low-revenue districts. Perhaps the traditional measure of comparability only within districts is a poor comparison.

TITLE I INEQUALITIES REMAIN

Comparability in High- and Low-Poverty Districts

	PERSONNEL EXPENDITURES PER PUPIL	AVERAGE CLASS SIZE	AVERAGE SALARY
All Districts			
Title I schools	\$3,611	21.4	\$36,090
Non-Title I schools	\$3,807	22.5	\$40,458
High Revenue Districts >3rd			
Title I schools	\$4,931	21.7	\$47,438
Non-Title I schools	\$4,927	20.8	\$47,855
Low Revenue Districts <3rd			
Title I schools	\$3,068	20.9	\$33,047
Non-Title I schools	\$3,165	22.8	\$36,163

U.S. Department of Education and American Institutes of Research, *Study of Education Resources and Federal Funding- Final Report*, Table IV-9, p. 61, (Washington D.C. August 2000).



Conclusions

The Department of Education now includes an explicit question about comparability and Supplement/Not Supplant in its regular compliance monitoring. Those monitoring reports may now be viewed online.¹⁹ In general, federal officials find that state and local authorities use the wrong data for making comparability calculations.

In addition, they have found that states do not certify that districts have achieved comparability prior to releasing the coming year's allocation. This federal monitoring is educating many state and local officials about the requirements of comparability and is finding and hopefully correcting significant violations. The record also shows that federal monitors must pay follow-up visits to state departments of education to verify that the corrective action was implemented.

The question now is whether the current requirements are sufficient to ensure that Title I schools receive an equitable share of base resources. This survey of the history of comparability should illuminate several key principles as current Title I activists search for a new and improved strategy for securing the fiscal integrity of Title I funds.

- Comparability is the only law that currently operates to prevent and correct intra-district inequities in school spending. For that reason alone it is well worth maintaining and strengthening. The criteria for assessing comparability should be as relevant to local circumstance as they are to implementing a key federal purpose.
- A single approach to assessing comparability is not necessarily useful in all times and situations. Neither the 1971 nor the 1981 rules for comparability seem appropriate or workable today.
- Redefine the criteria used to measure comparability. Should comparability measure services or dollars? Or both? Should criteria differ by grade span, configuration of the Title I program, or other function? Would the percentage of out-of-field teachers be a more appropriate measure for secondary schools than a ratio of students to instructional staff?



- Consider tradeoffs. Should a school be penalized because the principal insists that half of her faculty be novice, lower-paid teachers from Teach for America in place of the former instructors with higher seniority? When, if ever, should the promise or reality of reform trump an equitable resource base?
- Keep it simple. States' small set-aside from Title I Part A for administration is spent on all Title I requirements, including standards, assessments, and accountability. Be realistic about the burden and cost that state enforcement will require.



Appendix

U.S. Department of Education Non-Regulatory Guidance: Title I Fiscal Issues: Maintenance of Effort; Comparability; Supplement/Not Supplant; Carryover; Consolidating Funds in Schoolwide Programs; Grantback Requirements

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B-6. If an LEA uses student/instructional staff ratios or student/instructional staff salary ratios to measure comparability, how can the LEA determine which staff are paid with State and local funds in a schoolwide program in which there is no requirement to track Federal funds to particular activities?

As this guidance indicates, there are a number of ways for an LEA to demonstrate that its Title I schools are comparable. Two of the most common measures are student/instructional staff ratios and student/instructional staff salary ratios. These measures assume that an LEA is able to differentiate those instructional staff who are paid from State and local funds from those paid with Federal funds, because comparability determinations only focus on the use of State and local funds. In a schoolwide program school, however, the school is not required to track the expenditure of Federal funds to particular activities. Rather, the school may consolidate its Federal funds with its State and local funds and spend the consolidated funds for any activities included in its schoolwide program plan. As a result, an LEA might not be able to determine which instructional staff to include in its comparability determinations.

There are several ways an LEA may demonstrate comparability in a schoolwide program school:

- If the LEA does not consolidate its Federal funds or continues to track expenditures of those funds to particular activities, the LEA would calculate comparability for its schoolwide program schools the same as it would for its targeted assistance schools.
- The LEA may determine the percentage that Federal funds constitute of the total funds available in a schoolwide program school. The LEA would assume that the same percentage of instructional staff in the school was paid with Federal funds and delete those staff from its comparability determinations.
- The LEA may use a different measure for determining comparability in schoolwide program schools that is not dependent on identifying instructional staff paid with State and local funds. In each case, the non-Title I schools compared would be the same, but the method used for comparison purposes would be different.



Endnotes

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- 14 *Bennett v. Kentucky Department of Education*, 470 U.S. 656 (1985).
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Strengthening Comparability

Advancing Equity in Public Education

Ross Wiener
The Education Trust

June 2008





Introduction

Achieving equity is the purpose of the Elementary and Secondary Education Act of 1965, one of the legislative hallmarks of President Lyndon Johnson's War on Poverty. Title I of the Act now provides more than \$13 billion in conditional grants annually to state and local school districts. Through direct financial assistance to public school systems, the federal government supplements opportunities for students from low-income families, with the goal of ameliorating the effects of poverty on educational achievement.

For this policy to be effective, however, federal funds must be added to an already even base of state and local funds so that the federal funds actually can provide a needed boost for students from low-income families. Several fiscal equity provisions in the law are intended to work together to ensure a level playing field before the application of federal funds, but the comparability provisions do not in fact ensure fiscal equity for Title I schools. (See the first report in our package for the history of comparability since 1965, and the second report for a detailed analysis of the consequences of this development over the past 43 years.)

The concept behind comparability is simple: Resources and educational opportunities provided with state and local funds in schools receiving Title I funds must be comparable to those provided in non-Title I schools before provision of any federal funds. The primary problems with the comparability provisions are the following:

- The law allows districts to ignore differences in teacher salaries across schools. The result is that hundreds of thousands of dollars less in state and local funds may be spent to educate children in Title I schools than in non-Title I schools.
- The law does not demand full fiscal equity, only 90 percent. In addition, it limits the amount of additional state and local funds that can be provided to high-poverty, Title I schools to no more than 10 percent over the amount provided to non-Title I schools.
- Lax enforcement of the comparability provisions has compromised their effectiveness.

As Congress reauthorizes the Elementary and Secondary Education Act, which is now commonly referred to as the No Child Left Behind Act, it should strengthen the comparability provisions to ensure greater fiscal equity and more state and local investment in high-poverty schools.



Structure of Federal Financial Assistance Under Title 1

The Elementary and Secondary Education Act represents the federal government's most significant commitment to improving the education of disadvantaged students and to closing achievement gaps between groups. In exchange for the federal investment in this effort, states and school districts agree to certain conditions, including public reporting of student achievement data by group, implementation of accountability systems, and increased responsibility for improving student achievement in schools that persistently fail to meet goals.

Congress has determined, with ample support from research and the historical record, that schools educating students who are growing up in poverty need supplemental resources to create a level educational playing field.¹ Title 1 provides some of these resources, but Congress wisely has enlisted the states and local school districts to do their part. This is important because federal financial support represents a relatively small proportion of total education funding.² Providing low-income students with additional federal funding requires that the underlying foundational funding from states and local districts is allocated to low-income students on an equitable basis—or at least on an *equal* basis—so that the federal money indeed provides the extras for which it was intended.

Addressing within-district funding gaps is a critically important component of establishing resource equity. Addressing this issue alone, however, will not solve funding equity issues because there are other sources of inequities. Indeed, while this paper describes ways in which Title I could force districts to treat schools more fairly, the federal funding formula creates some fairness issues of its own. For instance, by targeting the biggest Title I funds to high-spending states, the federal government rewards wealthy states and sends less per pupil to low-wealth states where poverty is most prevalent.³

In addition, in many states, high-poverty school districts get less per pupil in state and local funds than the districts with the fewest students from low-income families.⁴ The inequity and inadequacy of many state funding policies are well known and many have been addressed over the last several decades. The disparities between schools within the same district, however, have been largely overlooked. Intra-district inequality—the focus of the comparability provisions—represents a serious problem, and one where federal policy can spur positive change.



Fiscal Equity is Key to Success

As part of establishing eligibility for participation in the Title I funding program, school districts make several commitments regarding fiscal effort and equity. The purpose of these provisions in the law is to ensure that Title I money provides supplemental educational opportunities for low-income students. These stipulations require districts to:

- Maintain their efforts over time;
- Use federal funds to supplement their efforts, not supplant funding for other programs;
- Ensure comparability of funding.

Maintenance of effort obligates districts to spend at least 90 percent as much money on public education (either per student or in total) as was spent on education in the past. If a school district diminishes its expenditures by more than 10 percent, the state is supposed to diminish its Title I grant by the same amount and redistribute the federal funds to other school districts.⁵

The second fiscal obligation requires districts to use Title I funds in a way that supplements and does not supplant what otherwise would be provided to the students who generated the federal funding.⁶ The final element of fiscal equity required by Title I is the comparability obligation, which attempts to ensure that educational opportunities in Title I schools are comparable with those offered in schools that do not receive Title I funds.

Although the statute gives school districts some discretion in how broadly to distrib-

ute Title I funds across schools, it requires districts to provide Title I funding to the highest-poverty schools. Therefore, the comparability requirement in theory should ensure at-least equal opportunities in higher-poverty schools as compared to any participating district's lower-poverty schools, or schools that are not receiving Title I funds.

Taken together, these provisions should advance the federal purpose of leveling the playing field for children from low-income families. Because more than 90 percent of school districts in the United States currently participate in the Title I program, the fiscal equity provisions in Title I could have widespread impact on ensuring equitable distribution of public education resources.⁷ As currently written, however, the comparability provisions provide little assurance that school districts actually offer comparable educational opportunities in Title I schools. Indeed, many do not.

Perhaps the most significant shortcoming in the current law and regulations is the treatment of teachers and other staff with regard to establishing comparability. The current law is vague with respect to determining whether students in Title I schools and those in non-Title I schools have "comparable" access to teachers. This was not always the case. When comparability was at its most exacting standard in 1971, it required equal pupil-teacher ratios in terms of certified teachers, other certified staff, and non-certified staff. It also required equal expenditures on instructional staff salaries (other than longevity pay) and other instructional costs. Such standards did not last long.



The Comparability Provisions Have Several Weaknesses

Over time, instead of becoming more refined and demanding in how the law sought to ensure comparable opportunities in Title I schools, the law grew weaker and weaker. Today, school districts need only have a single-salary schedule for all teachers and policies that ensure equivalence among schools for teachers, administrators, and other staff, and for instructional materials. The law previously required equivalence with regard to student-staff ratios *and* per-pupil instructional staff expenditures, but it now allows school districts to choose between and affords them other options for determining comparability.

In ensuring equivalence with respect to “teachers, administrators, and other staff,” school districts are allowed to count paraprofessionals and teachers’ aides the same as teachers, masking potentially harmful inequities in access to qualified teachers.⁸ A Title I school can be deemed to satisfy the comparability requirement by having staff-student ratios that are equal to ratios in non-Title I schools, even though the Title I school might be meeting the requirement with paraprofessionals in addition to under-certified and novice teachers.

Congress has recognized that paraprofessionals are *not* comparable with teachers and crafted the teacher-quality provisions in Title II of the Elementary and Secondary Education Act to restrict reliance on paraprofessionals for instruction in Title I schools. However, even as Congress moved to ensure that paraprofessionals were not treated as teachers in ensuring fair access to qualified teachers in one part of the law, Congress did not address the treatment of paraprofessionals the same as teachers in the comparability provisions of Title I. This loophole has given states discretion in counting paraprofessionals for comparability determinations. Most count paraprofessionals the same as teachers; some states (e.g. Kansas and New York) have eliminated paraprofessionals from comparability calculations; others count paras as half a teacher (e.g. Idaho and West Virginia).⁹

The law also explicitly excludes differences in teacher salaries from comparability calculations when the differences in salaries result from differences in years of experience.¹⁰ This has the potential to mask massive disparities in actual school budgets, which can vary significantly based on the mix of teachers in any given school. The actual impact of this exemption is not clear because schools can demonstrate comparability without any inquiry into salary expenditures, but this a very big deal: expenditures on experience-based salary increases represent approximately ten percent of all money spent on public education nationally.¹¹ Including actual teacher salaries for each school, however,



will be crucially important in the next iteration of the comparability provisions, as discussed below.

The law also has become less exacting in the extent of comparability that is required. Previously, Title I schools had to be within 5 percent of the non-Title I average to be deemed comparable. This requirement has been relaxed to allow a 10 percent deviation from the non-Title I average, so that a Title I school is considered to offer comparable services if it has 90 percent of the state and local resources (such as they currently are measured) that are provided to the average non-Title I school.

Moreover, this requirement is applied in both directions. Title I schools cannot have less than 90 percent of the non-Title I average *nor can they have more than 110 percent and still be considered comparable*. If a Title I school has significantly smaller class sizes or significant financial incentives for teachers, and these policies result in additional resources that exceed 10 percent of the state and local funds provided to the average non-Title I school, then the school is deemed out of compliance with the comparability provisions.¹² This turns the comparability provision on its head, limiting the resources available to high-poverty schools instead of encouraging greater investments in them.

In addition to weaker substantive obligations, the law's enforcement mechanism also has been compromised. School districts previously could not receive Title I funding without an affirmative determination that comparability was satisfied. Now, comparability is addressed through a vague assurance of compliance, and state departments of education need only check on districts' implementation every two years.

Lack of compliance is only discovered after the fact and appears to be addressed mildly, if at all. Students may be assigned to Title I schools that do not have comparable offerings for years without redress. For instance, when 40-to-50 Chicago Public Schools were determined to not have comparable offerings in 2004–05 and 2005–06, the school district created almost 100 positions to augment staffing at the non-comparable Title I schools but filled only 19 of the positions, achieving comparability only at four additional schools.¹³

If lax enforcement is a problem, budgetary machinations that result in fraud make matters worse. Researchers at the University of Washington discovered some districts that appear to use questionable financial tactics.¹⁴ Here's how the ploy works: When districts account for the additional staff positions that are supported with Title I, they are supposed to charge the Title I account only for the actual salaries being paid. But some districts apparently are charging the Title I budget for an average teacher salary. This allows the district to hire an inexpensive teacher for a Title I school, while reimbursing itself for a more expensive teacher—leaving less in the Title I account and more in the district's general account. University of Washington researchers estimated that in one district the amount of money inappropriately transferred from the Title I account amounted to more than \$600,000 in a school year.¹⁵

The comparability provisions, therefore, do not effectively ensure equivalence with respect to teachers—either through comparable credentials or comparable salary allocations. Moreover, even when Title I schools have teachers with neither comparable credentials nor comparable salaries, the law still deems them comparable,



so these schools are not provided with additional funds to purchase additional support or improve working conditions.

Weak Comparability Provisions Allow Funding Gaps to Persist

The current law's comparability language is so flawed that districts often end up providing their highest-poverty schools with thousands of dollars *less* per year—sometimes hundreds of thousands dollars less—in state and local funds than they provide to their schools facing fewer challenges. These within-district funding gaps stack the deck against the academic success of low-income students and undermine Title I's intent to provide them with the “extras” they need to achieve at higher levels. Indeed, research over the years has established that high-poverty schools do not get their fair share of state and local funds.

Instead, federal and other categorical funds, which were intended to provide additional opportunities, are used to fill in for inequitable distribution of foundational funds. When spending patterns were examined in Texas and Denver, more money from the district's non-targeted funds were spent in the districts' low-poverty schools in four out of five large urban districts. (Dallas was the exception; Austin, Houston, and Fort Worth as well as Denver all spent more per-pupil in low-poverty than in high-poverty schools.)¹⁶ Even when targeted, categorical funds are counted; however, high-poverty schools in the four districts mentioned above did not receive the funding their students were generating. Low-to-average staff salaries in these schools were subsidizing higher staff salaries in the district's lowest-poverty schools.¹⁷

One of the main drivers of this fiscal inequality is the pervasive disparities in teacher assignments, with high-poverty schools tending to have disproportionate shares of the most junior, lowest-paid teachers. In Arlington, Texas, for example, teachers in high-poverty elementary schools are paid, on average, \$2,762 less than teachers in the district's low-poverty elementary schools, and similar disparities are found in 9 of the 10 biggest districts in Texas. This pattern also is observed in 42 of the biggest school districts in California.¹⁸

Sometimes, school districts attempt to compensate for the concentration of novice, less-credentialed teachers to higher-poverty schools by placing *more* teachers in these schools, effectively lowering class size or providing additional professional support. In other districts, there is no attempt to offset the disparities in individual teachers' salaries, which are then compounded by disparities in whole-school teacher salary allocations.

This problem can be illustrated by Olentangy School District, in a suburb of Columbus, Ohio. Olentangy has 10 elementary schools, two of which receive Title I funds. The two Title I schools in Olentangy have teachers that, on average, are paid less than the teachers in any of the non-Title I schools. Moreover, each school spends less per pupil on teacher salaries than the average non-Title I school. One of these elementary schools spends \$499 less per pupil on teacher salaries than the average non-Title I school in the district. If this school had per-pupil expenditures on teacher salaries that were comparable to the district's non-Title I schools, it would have an additional \$286,000 in its budget.¹⁹



Despite the weakness of the comparability requirements, some districts, including New York City, spend more per-student on teacher salaries in Title I schools. New York City's success proves it is possible to achieve true fiscal comparability, and also illustrates the limitations of comparability as only one component of true equity.

New York City boasts the nation's largest school district, educating approximately 1,250,000 students and employing 73,000 teachers. As is the case almost everywhere this issue has been examined, the lowest-paid teachers are concentrated in the schools with the highest concentrations of low-income and minority students. Conversely, the district's highest-paid teachers are concentrated in the schools with the fewest low-income and minority students. This pattern is evident when comparing Title I schools with non-Title I schools: The average teacher salary in the city's Title I schools was \$63,047 in 2005–06; in non-Title I schools, it was \$66,217.²⁰

Despite this inequality in average teacher salaries, New York City has achieved fiscal equity with regard to teacher salaries by providing more teachers in its Title I schools. Consequently, although some teachers are paid less than the average salary for the district, there are more teachers in these schools. In Title I schools, per-pupil teacher salary expenditures were \$5,487 in 2005–06; in non-Title I schools, per-pupil salary expenses were \$4,760.

These data include Title I and other federal funds, so they don't accurately model a comparability analysis. They illustrate that equity in teacher salary allocations is achievable. The irony is that if New York City needed to demonstrate comparability with regard to teacher salaries under the current law, it might be out of compliance with the current rules because the city allocates more than 10 percent additional funding in teacher salaries to its Title I schools.²¹



Why Does This Matter?

Decades of research document that teachers are the most significant educational resource in a school district.²² We now know that teachers have a profound impact on student learning, and that if we matched our most effective teachers with our neediest students that schools could close gaps in educational achievement.²³

It would be wrong to assume that we could fully address inequality in access to teacher quality through the comparability provisions. Comparability is a part of fiscal equity, which is necessary but by no means sufficient to ensure genuine equity in opportunities for students to learn. But strengthening the comparability provisions would ensure that more resources were provided to schools with more low-income students, which could help these schools attract and retain the excellent teachers they so badly need.

Fiscal equity should be seen as providing a baseline on which to build more powerful strategies for ensuring equal access to the best teachers. Other complementary changes in policy and practice would be required to realize the benefits of comparability in terms of improving teacher quality in Title I schools.

Many school districts, for example, have negotiated teacher contracts that prohibit the district from offering incentive pay at certain schools, restrict their ability to provide more favorable conditions in high-poverty schools compared to other schools, and limit principals' discretion in hiring teachers they believe are best suited to the school. Furthermore, human resource departments often are not operating strategically or at a high level, and principals are not accountable for supporting or retaining effective teachers. To gain the full benefit of fiscal equity in improving teacher quality, school districts and states will need to address other barriers to attracting and retaining the best teachers in high-poverty schools.

Although New York City still is working to achieve genuine comparability in terms of teacher quality, it has made significant progress in raising teacher quality in high-poverty and low-performing schools. In fact, researchers found that new teachers in the city's lowest-performing elementary schools had similar academic credentials to new teachers in the city's higher-performing elementary schools.²⁴ This was accomplished through smart policy changes, deliberate recruiting efforts, and increased investments.

But effective teachers in New York's lowest-performing elementary schools are likely to leave these schools and transfer to schools with fewer low-performing students. The



predictable result is diminished learning opportunities for students.²⁵ In New York, at least according to this research, the challenge is in retention—both in terms of keeping highly effective teachers and in terms of not keeping ineffective teachers.

Data from Tennessee, which has been measuring teacher effectiveness longer than anywhere else, reinforce these inequitable patterns. High-poverty schools in Tennessee have a disproportionate share of the state's ineffective teachers, and are significantly less likely than low-poverty schools to have highly effective teachers.²⁶

Used wisely, more money at high-poverty schools could help address the challenges of attracting, supporting, and retaining the very best teachers, which would

do more than anything else to close the achievement gap. It could also be used to pay for extended time and additional supports for struggling students. This suggests that fiscal comparability can help address inequality, but also that it will take more comprehensive strategies to achieve true equality in educational opportunities.

The fact that comparability alone is insufficient to close achievement gaps or narrow the disparities in access to effective teachers should not be used as an excuse for failing to address this aspect of the problem. Improving the comparability requirements is a matter both of fundamental fairness and a necessary component of pursuing the national priority to improve educational outcomes.



An Attempt to Improve Title I in the House Draft

The 2002 reauthorization of the Elementary and Secondary Education Act as the No Child Left Behind Act has prompted unprecedented focus on closing achievement gaps in public education. While there have been modest gains since the law's enactment, there is a pressing need to accelerate progress, which has prompted policymakers and advocates to search for more effective policies to spur change. Stronger comparability provisions could make the law more powerful in ensuring equality of opportunity, which is why many advocates for low-income students and for improving public education have called for such changes.²⁷

When the House Committee on Education and Labor took up NCLB reauthorization in 2007, substantive changes to the comparability provisions were included in the draft legislation. Committee leaders took the unusual step of posting a "discussion draft" of the reauthorization proposal, which was not endorsed by any committee member but was intended to frame debate. Though changes to the comparability provisions marked an important and positive development, the discussion draft's comparability recommendations contained shortcomings that should be addressed when the law eventually is reauthorized.

Laudably, the draft explicitly sought to include teacher salaries in determining comparability. Indeed, the proposed language made it clear that school districts would be required to look at teacher salary allocations from state and local funds to ensure comparability in this area before applying any federal funds. The proposal also directly addressed the current law's blind eye toward differences in teacher salaries as a result of differences in experience levels. (For a version of the House discussion draft proposed comparability provisions that shows changes from the current law, see Appendix 1.)

The discussion draft also addressed important implementation issues that are likely to arise when the comparability provisions are revamped. First, the draft proposed a three-year phase-in for achieving genuine comparability. And second, it explicitly stated that the provisions should not be construed to require any forced or involuntary transfer of personnel. Taken together, these proposed provisions were a responsible attempt to minimize disruption to current staff assignments and to head off likely criticism of the policy.

Despite the best intentions, the discussion draft also included a couple of recommendations that would undermine the push for fiscal comparability. Most problematic, the proposal focused the comparability determination *exclusively* on teacher salaries. Although teacher salaries should be an essential factor in ascertaining fiscal comparabil-



ity, they should not be the sole determinant. There are, of course, other important expenditures at the school level, including funding for teacher support and development as well as curricular and instructional materials.

The House discussion draft proposed that comparability could be satisfied if per-

pupil expenditures for teacher salaries were at least 98 percent of the average expenditures in non-Title I schools. While this clearly is an improvement over current law, it does not require full equity. It does, however, eliminate the prohibition on Title I schools receiving a greater share of state and local funds.



Recommendations for Strengthening Comparability

The comparability provisions should require per-pupil expenditures of state and local funds in Title I schools that are at least equal to or greater than per-pupil expenditures in non-Title I schools.

From an equity perspective, it is extremely important to demand true fiscal equity as a requirement for receiving federal funds. All expenditures on instruction—staff, materials, technology, and so forth—should be included in determining comparability. Combining all expenditures into a single comparability determination will ensure fiscal equity while not impinging on schools’ flexibility and discretion in allocating funds. Public education has hardly begun to tap the potential of technology to transform learning opportunities, and federal law should not stifle innovation by protecting or preferring one kind of instructional expenditure over another.

On the other side of the equation, federal policy should not encourage greater expenditures on teachers without regard to costs and benefits. Class-size reduction has proved to be politically popular despite research showing its effects to be limited and its costs high. Further, investing in *better* teachers improves student achievement more effectively than adding teachers.²⁸

Yet if the discussion draft’s approach of focusing exclusively on teacher salaries were adopted, then districts likely would be pushed to meet the requirement largely by locating more teachers in these schools without adequate attention to quality or to the opportunity costs of spending money in this way. The same problem arises if teacher salaries are set apart as a discrete category in which comparability must be established. Making comparability determinations based on total per-pupil expenditures would minimize the danger that comparability requirements would be used to justify bad policy and practice.

Funds appropriated specifically for serving the additional needs of students with disabilities, and for English-language learners, should be excluded from the determination, as should expenditures from state and local programs that are established to meet the intent and purpose of Title I. This will ensure that base funding is at least equal and that programs designed to serve identified needs will be able to fulfill that role and will not have to make up for inequity in the base.

Likewise, expenditures for capital improvements and facilities should be accounted for outside of comparability. States should be pressed to assess and address disparities in access to modern, high-quality facilities. But leveling up high-poverty schools in this area



is going to be expensive and would skew the comparability determinations, which should be focused on operational expenses.

Teacher salaries, including differences in salaries based on experience, should be fully accounted for in the comparability determination.

Teacher salaries are the majority, or at least a very substantial share, of every school's budget. For example, a study of Ohio elementary schools found that teacher salaries represent 80–90 percent of all instruction-related expenses.²⁹ It makes no sense to leave this money out of the inquiry. This is especially important in light of the pervasive patterns of inequality that relegate high-poverty schools to hiring more novices and more under-credentialed teachers who are paid lower average salaries. Right now, these schools are doubly disadvantaged: They have lower-paid teachers, and their overall school budgets are smaller as a result. Comparability should at least ensure that Title I schools are “made whole” from a fiscal perspective.

Comparability should not constrain the additional resources provided to Title I schools.

Currently, the comparability provisions impose a 10 percent limit on the acceptable variance between Title I schools and non-Title I schools, without regard to whether the variance helps or harms the Title I school. This situation may have resulted from an assumption that any disparity would disadvantage the higher poverty schools. As more states and school districts embrace their responsibility to close achievement gaps, however,

resource allocation may shift to the benefit of students in higher poverty, Title I schools. The national government should encourage and reward this shift.

Federal law should not reduce the determination of equitable educational opportunities to a purely fiscal inquiry.

Federal policy needs to do more (not less) to ensure students in high-poverty schools receive their fair share of the best teachers. But teacher salaries as currently structured have little or no relation to teachers' effectiveness in the classroom. In fact, one of the most significant ways for teachers to raise their pay is by earning a master's degree, which has not been shown to improve classroom effectiveness (with some research suggesting that teachers who possess a master's degree may be slightly less effective than other teachers).³⁰ This research begs the question of why the vast majority of school districts continue to peg salary increases to degree attainment. It does underscore, however, that we should not conflate teacher salary with teacher quality.

Recent research on the effectiveness of teachers in the Teach for America program underscores the importance of keeping fiscal equity separate from the important focus on teacher quality. Examining results from North Carolina's statewide end-of-course tests over several years, and utilizing value-added statistical methodology to control for differences in students' prior performance, researchers were able to estimate differences in individual teachers' effectiveness in increasing student achievement. In North Carolina high schools, Teach for America teachers were more effective in their first and second years



of teaching than experienced, regularly credentialed teachers across the state.³¹

This research needs to be conducted beyond North Carolina, and then confirmed through other studies. But it suggests that it would be imprudent to require schools with Teach for America teachers to make up for their lower average salaries exclusively through hiring more teachers—especially if the additional teachers were not coming through Teach for America or other programs with demonstrated effectiveness.

Federal law has evolved to treat equity with regard to teacher quality separately from fiscal equity. This is as it should be. To close achievement gaps, we must close the well-documented gaps in access to qualified and effective teachers. Although

the Elementary and Secondary Education Act can and should also be strengthened with regard to states' and districts' obligations to equitably assign teacher talent, this is much more complicated than ensuring fiscal equity. Ultimately, policy and practice need to ensure a fair distribution of *effective* teachers. Fiscal equity should be considered a baseline, foundational element of overall equity, but it cannot substitute for or replace a deep inquiry into who is teaching whom.

Equitable access to fiscal resources and teacher quality would go a long way in ensuring true equity in educational opportunity. But Congress also should require states to assess and attain equity in curricular offerings, instructional support materials, and facilities to support instruction.



Remaining Challenges

Achieving true fiscal equity will be difficult for school districts unaccustomed to accounting for actual resource allocation at the school level. Many “special” programs, such as music, art, and gifted and talented, are administered from the central office and not accounted for in individual school budgets. A careful examination of the actual distribution of these special opportunities has revealed deep inequality in their distribution, with high-poverty schools often losing out to schools whose staff or parent community knows how to “work the system” better.³² Improved comparability provisions will demand more accurate accounting for expenses at the school level.

Including actual teacher salaries in calculations of resource allocations will be perhaps the biggest challenge in achieving fiscal equity. In most districts, salaries are budgeted at the district level, with schools receiving a specified number of positions as opposed to a budget to hire a staff. Under current rules, a single-salary schedule for educators and a policy of providing similar student-staff ratios suffices, which allows districts to ignore differences in teacher salary dollars across schools. This has facilitated the concentration of the most highly paid teachers in the schools with the fewest students from low-income families.

Correcting this imbalance demands sensitivity to schools, to communities, and to the teachers involved. Strengthened comparability provisions should not be implemented without a phase-in period. Schools accustomed to hiring teachers without regard to the budget implications need time to adjust. Schools with an inordinate share of a district’s highest paid teachers should not have to lose them; there are other, better ways of achieving comparability.

The first is to use the natural occurrence of retirement and attrition to bring balance to staff budgets. Once some of the highly paid teachers transfer to another position or retire, however, school leaders and personnel specialists need to be cognizant of the budgetary implications of new hires.

At some point, for comparability provisions that include actual teacher salaries to work, schools must begin to balance expenditures on teachers and other staff against the other potential uses of the money. Just because this has not been the norm is not a good reason to allow this situation to persist. Schools, like every other public and private institution, operate in a context of limited resources, and priorities need to be established and pursued.

If a school wants to have a faculty of relatively highly paid teachers, then it may need to offset the high cost of this decision with fewer expenditures somewhere else. Under cur-



rent practice, however, the “somewhere else” tends to be in the salary allocations of less fortunate schools. That’s what needs to be fixed.

Comparability can be achieved most easily and least controversially by leveling-up under-resourced Title I schools. The infusion of new money can avoid the zero-sum context of reallocating existing resources. As new money is budgeted for public education, it can be focused on making up for historical inequities. While all levels of government currently are experiencing budget pressures, it is likely that education funding will again increase, as it has consistently over the last several decades. Policies that channel increases in appropriations to high-poverty schools can help achieve comparability without the same political challenges associated with reallocating existing resources.

The case for comparability is based on fundamental fairness and good policy, but this will not stop protests from the previously privileged. Likely critics will come from two camps. First, teacher unions will object to the scaling back of teachers’ prerogatives to pick assignments without regard to educational and budgetary implications. This will be cloaked in an accusation of robbing Peter to pay Paul, without recognition that Paul represents high-poverty schools that have been shortchanged unfairly.

This line of argument potentially will motivate another stakeholder group to protest: parents in relatively affluent communities. Because low-poverty schools have been unfairly privileged under current budget practices, there will be a natural reaction to defend the status quo. Indeed, as strengthening comparability surfaced as a potential issue in reauthorization, some suggested that this would

somehow infringe on local control. It will be important to address both substantive and political concerns directly. Funding inequality is antithetical to the premise of public education and undermines efforts to close achievement gaps.

By combining strategic use of natural attrition with targeted allocation of new resources, school districts can achieve comparability without disrupting current staff assignments. Opponents of comparability will use the specter of forced transfers or layoffs from privileged schools as scare tactics to undermine support for equity. It is important to meet this criticism with smart policy that minimizes the danger of these problems. It is just as important to meet the criticism with proactive communications and an aggressive response to misinformation—because the criticism will come no matter how well-crafted and fair the policy.

Potential to Spur Innovation

Demanding real fiscal equity as a matter of national policy will open up opportunities for other innovations and other improvements in public education.

First and foremost, real fiscal equity would ensure more resources find their way to high-poverty schools. The debate around comparability likely will focus on the burdens associated with changing school district budget policies, the disruptions to traditional teacher prerogatives, and the loss of “privileged status” for some schools. It will be important to focus the conversation on the students and families who have received inadequate or inequitable funding and on the profound implications for these young people, their communities, and the social fabric of the nation.



Driving additional state and local resources to Title I schools could support a broad range of improvements aimed at closing achievement gaps. Schools could use the money to recruit, support, and retain the best teachers, who are significantly less likely to be in high-poverty schools under prevailing policies. The schools could also use the money to extend learning time for struggling students. Extended days, extended school years, and other supplemental learning opportunities have all shown promise—and all cost money. Of course, how the money is spent will determine whether disadvantaged students learn more, but not if the money is not in their schools in the first place.

When the debate over comparability heats up—and anything that asks for this much change in public education tends to elicit heat—it will be important for comparability-reform advocates to remind policy makers and the public of the fundamental fairness at stake and of our nation’s commitment to equity.

The transition to true comparability could be used as an opportunity to implement a weighted student-funding policy. WSF policy assigns cost values to each student characteristic that requires additional services, and then allocates resources on the basis of these identified student needs. A student from a low-income family might be determined to need 50 percent more resources than a non-poor student to receive an equal education. A student with a mild disability might need 25 percent more resources, and a student with a profound disability might require 75 percent more. To allocate funds based on WSF, districts would calculate the needs of each individual student and send the resources to the student’s school. Hence, WSF also is explained sometimes as “the money follows the child.”

By demanding accurate accounting for actual salaries and other expenses at the school level, comparability would create conditions that would facilitate a transition to WSF.

Many WSF advocates also believe schools and principals should have greater flexibility and autonomy in spending decisions. Opportunities to advance this agenda could be created if comparability requirements were strengthened, but it is important to recognize that strengthening comparability would not directly lead to greater discretion at the school level with regard to resource allocations. School districts could ensure that greater resources were expended in high-poverty schools but still maintain authority to direct programs and practices from the central office. Many large districts, for instance, manage a district-wide curriculum and interim assessment system; stronger comparability requirements need not conflict with these educational policies.

To the extent that comparability is accompanied by any increased budgetary autonomy or control at the school level, districts need to plan for significant support and professional development for principals and other administrators. There are legitimate arguments in favor of giving principals greater flexibility in crafting school budgets, but principals traditionally have possessed neither authority nor great expertise in this area. It would be unfair and unrealistic to expect principals to take on this additional responsibility without more support and some lead-time to develop new skills. The benefits from giving principals greater authority and discretion might be worth it, but districts should recognize the additional challenges and plan accordingly.





Conclusion

Americans believe deeply in the creation of a level playing field; this value is in our national DNA. Even as public education represents a testament to that commitment, it is far from providing genuine equality of opportunity. The deck has been stacked against high-poverty schools and their students; comparability is an important component of un-stacking the deck and creating a level playing field.

The plain truth is that some students—especially students growing up in poverty—need more resources than other students to have equitable opportunities to achieve their potential. Comparability can ensure these students receive at least their fair share, which will be a big improvement over the status quo. Strengthening the comparability provisions is one of the most important steps Congress can take as it seeks to make the No Child Left Behind Act a more powerful tool for closing achievement gaps in public education.

APPENDIX

Proposed Fiscal Provisions from House Discussion Draft,
Tracking Changes from Current Provisions

SEC. 1121. FISCAL REQUIREMENTS.

Deleted: 1120A.

(a) MAINTENANCE OF EFFORT.—A local educational agency may receive funds under this part for any fiscal year only if the State educational agency involved finds that the local educational agency has maintained the agency’s fiscal effort in accordance with section 9521.

(b) FEDERAL FUNDS TO SUPPLEMENT, NOT SUPPLANT, NONFEDERAL FUNDS.—

(1) IN GENERAL.—A State educational agency or local educational agency shall use Federal funds received under this part only to supplement the funds that would, in the absence of such Federal funds, be made available from non-Federal sources for the education of pupils participating in programs assisted under this part, and not to supplant such funds.

(2) SPECIAL RULE.—No local educational agency shall be required to provide services under this part through a particular instructional method or in a particular instructional setting in order to demonstrate such agency’s compliance with paragraph (1).

(c) COMPARABILITY OF SERVICES.—

(1) IN GENERAL.—

(A) COMPARABLE FUNDING IN GENERAL.—Except as provided in paragraphs (4) and (5), a local educational agency may receive funds under this part only if the average expenditure per pupil, of State and local funds for teacher salaries, in the schools served under this part is equal to or greater than the average expenditure per pupil, of State and local funds on teacher salaries, in schools that are not receiving funds under this part.

Deleted: SERVICES.—Except

Deleted: will be used

Deleted: provide services that, taken as a whole, are at least comparable to services

(B) COMPARABLE FUNDING AMONG

Deleted: SUBSTANTIALLY

SCHOOLS SERVED UNDER THIS PART.—If the local educational agency is serving all of such agency’s schools under this part, such agency may receive funds under this part only if the average expenditure per pupil, of State and local funds on teacher salaries, in schools in the two highest quintiles of the percentage of pupils from low-income families is equal to or greater than the average expenditure per pupil, of State and local funds on teacher salaries, in schools in the two lowest quintiles of the percentage of pupils from low-income families.

Deleted: SERVICES.—If

(C) BASIS.—A local educational agency may meet the requirements of subparagraphs (A) and (B) on a grade-span by grade-span basis or a school-by-school basis.

Deleted: such agency will use State and local funds to provide services that, taken as a whole, are substantially comparable in each school.

(2) EQUIVALENCE.—(A) IN GENERAL.—A local educational agency shall be considered to have met the requirements of paragraph

Deleted: WRITTEN ASSURANCE.— (A)

(1) if such agency has filed with the State educational agency an up to date school-by-school listing of per-pupil expenditures, [on teacher salaries] from State and local sources, demonstrating comparability across schools as required by subparagraphs (A) and (B) of paragraph (1). For the purposes of meeting the requirements of paragraph (1), a local educational agency shall be considered to have equal average expenditures per pupil on teachers salaries from State and

Deleted: A

Deleted: written assurance that such agency has established

Deleted: implemented— (i)

local funds if such expenditures in schools served under this part are 98 percent of the expenditures of schools not served under this part.

Deleted: -wide salary schedule; (ii) a policy to ensure equivalence among schools in

Deleted: , administrators, and other staff;

Deleted: (iii) a policy to ensure equivalence among

(B) DETERMINATIONS.—For the purpose of this subsection, in the determination of expenditures per pupil from State and local funds, or instructional salaries per pupil from State and local funds, staff salary differentials for years of employment shall be included in such determination.

Deleted: in the provision of curriculum materials and instructional supplies.

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(3) MONITORING.—

(A) REGULATIONS BY SECRETARY.—No later than six months after the date of the enactment of [short title of 2007 reauth], the Secretary shall issue regulations to States on their responsibility for meeting the requirements of this section.

(B) REGULATIONS BY STATES.—Within one year after the date on which regulations required by paragraph (1) are issued, each State educational agency shall create and distribute to local educational agencies, and make available to the public, regulations on the responsibilities of local educational agencies for meeting the requirements of this section.

(C) PLAN BY LOCAL EDUCATIONAL AGENCIES.—Within six months after the date on which regulations required by paragraph (2) are distributed, each local educational agency shall develop and submit to the State educational agency a plan, including a timeline and annual benchmarks, that will ensure comparability as described in subparagraphs (A) and (B) of paragraph (1) not later than [three years] after the date on which regulations required by paragraph (2) are distributed. The plan shall be made available, upon request, to the public.

(D) PROGRESS.—Each State educational agency shall issue guidelines or regulations to local educational agencies to determine progress in meeting the requirements of this section.

(E) AUDIT.—In each of fiscal years 2008 and 2009, the Inspector General of the Department shall audit 5 States and 10 local educational agencies to determine progress in meeting the requirements of this section.

(4) INAPPLICABILITY.—This subsection shall not apply to a local educational agency that does not have more than one building for each grade span.

(5) COMPLIANCE.—For the purpose of determining compliance with paragraph (1), a local educational agency may exclude State and local funds expended for—

(A) language instruction educational programs;

(B) the excess costs of providing services to children with disabilities as determined by the local educational agency; and

(C) supplemental State or local funds in any school attendance area or school for programs that meet the intent and purpose of this part.

(6) FORCED TRANSFERS.—Nothing in this subsection shall be construed to require the forced or involuntary transfer of any school personnel to comply with subparagraph (A) of paragraph (1).

Deleted: (C) EXCLUSIONS.—A local educational agency need not include unpredictable changes in student enrollment or personnel assignments that occur after the beginning of a school year in determining comparability of services under this subsection. -
(3) PROCEDURES AND RECORDS.—Each local educational agency assisted under this part shall—
(A) develop procedures for compliance with this subsection; -
and -
(B) maintain records that are updated biennially documenting such agency's compliance with this subsection.

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Deleted: (d) EXCLUSION OF FUNDS.—For the purpose of complying with subsections (b) and (c), a State educational agency or local educational agency may exclude

Deleted: expended

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Endnotes

- 1 For analysis of the additional costs of educating students growing up in poverty, see for example, U.S. Government Accountability Office, "School Finance: Per-Pupil Spending Differences Between Selected Inner City and Suburban Schools Varied by Metropolitan Area" GAO-03-234, December 2002, p. 5–6; W. Duncombe, A. Lukemeyer, and J. Yinger, "Financing an Adequate Education: A Case Study of New York," in *Developments in School Finance 2001–2002*, William J. Fowler, Jr., editor, U.S. Department of Education, (Washington: National Center for Education Statistics, 2003) p. 140–41.
- 2 In 2003–04, federal funding provided approximately 9 percent of all public education expenditures. "The Condition of Education 2007," U.S. Department of Education, National Center for Education Statistics, June 2007, p. 74.
- 3 Liu, Goodwin, *How the Federal Government Makes Rich States Richer*, in *Funding Gaps 2006*, The Education Trust, 2006.
- 4 Arroyo, C., *The Funding Gap*, The Education Trust, 2008.
- 5 Elementary and Secondary Education Act, Section 9521, 20 U.S.C. § 7901.
- 6 Elementary and Secondary Education Act, Section 1120A(b), 20 U.S.C. § 6321.
- 7 "National Assessment of Title I Final Report, Volume I: Implementation," U.S. Department of Education, Institute of Education Sciences, October 2007, p. 10.
- 8 U.S. Department of Education Fiscal Guidance, posted on January 26, 2006, Q-5.
- 9 A. Brownstein and C. Edwards, "ED, Advocates Seek to Beef Up Comparability," Title I Monitor, 2007.
- 10 Elementary and Secondary Education Act, Section 1120A(c)(2)(B), 20 U.S.C. § 6321.
- 11 M. Roza, "Frozen Assets: Rethinking Teacher Contracts Could Free Billions for School Reform" (Education Sector, January 2007).
- 12 "Non-Regulatory Guidance: Title I Fiscal Issues," U.S. Department of Education, February 2008, p.29.
- 13 United States Department of Education, Inspector General's Report.
- 14 M. Roza with L. Miller and P.Hill, "Strengthening Title I to Help High-Poverty Schools: How Title I Funds Fit Into District Allocation Patterns" (Center on Reinventing Public Education, 2005) p. 14–16.
- 15 *Ibid.*, p. 16.
- 16 *Ibid.*, p. 7–8.
- 17 Roza, M., *supra*, note 12 at p. 9–11.
- 18 "Their Fair Share: How Teacher Salary Gaps Shortchange Poor Children in Texas," The Education Trust, June 2007, online at www.theirfairshare.org; "California's Hidden Spending Gap: How State and District Budgeting Practices Shortchange Poor and Minority Students and Their Schools" (The Education Trust-West, 2005), online at www.hiddengap.org.
- 19 Data from the Ohio Department of Education website, <http://www.ode.state.oh.us>, for the 2006–07 school year; calculations by the Education Trust. Olentangy Meadows Elementary School is described in the example; Glen Oak Elementary School is the other Title I school in the district. It is important to note that the inequity in state and local funding allocations may be understated in this example, because the data include Title I and other categorical expenditures, which are supposed to be excluded from comparability calculations.
- 20 Unofficial calculations by the Education Trust, based on data for the 2006–07 school year provided by New York City Department of Education (on file with author).
- 21 These figures, however, include Title I money as well as other state and local resources that operate with similar purposes to Title I, which can be excluded from comparability determinations. The point being made is that Title I should not be concerned about how much additional resources are provided in Title I schools, but only with ensuring they get *at least* comparable allocations.
- 22 See "Good Teaching Matters" (The Education Trust, 1998); "The Real Value of Teachers" (The Education Trust, 2004).
- 23 R. Gordon, T.J. Kane, and D.O. Staiger, "Identifying Effective Teachers Using Performance on the Job" (The Brookings Institution, 2006) ("If the effects were to accumulate, having a top-quartile teacher rather than a bottom quartile teacher four years in a row would be: enough to close the black-white test score gap...; and, [h]ave twice the impact of reducing class size from 22 to 16"); C. Clotfelter, H. Ladd, and Vigdor, "How and Why Do Teacher Credentials Matter for Student Achievement?" (2007).
- 24 D. Boyd, P. Grossman, H. Lankford, P. Loeb, J. Wyckoff, "How Changes in Entry Requirements Alter the Teacher Workforce and Affect Student Achievement" (2005) www.teacherpolicyresearch.org.



- 25 Boyd, et al., "Who Leaves? Teacher Attrition and Student Achievement" (The Teacher Pathways Project, 2007), www.teacherpolicyresearch.org.
- 26 "Tennessee's Most Effective Teachers: Are They Assigned to the Schools That Need Them Most?" (Tennessee Department of Education, 2007); available online at http://tennessee.gov/education/nclb/doc/TeacherEffectiveness2007_03.pdf.
- 27 Organizations that publicly have called on Congress to strengthen the comparability provisions include the Center for American Progress, the Urban League, the Citizens Commission on Civil Rights, and the Education Trust.
- 28 R. Gordon, T.J. Kane, and D.O. Staiger, "Identifying Effective Teachers Using Performance on the Job" ("If the effects were to accumulate, having a top-quartile teacher rather than a bottom quartile teacher four years in a row would . . . [h]ave twice the impact of reducing class size from 22 to 16").
- 29 M. Roza, T. Davis, and K. Guin, "Spending Choices and School Autonomy: Lessons from Ohio Elementary Schools" Working Paper 21, School Finance Redesign Project, Center of Reinventing Public Education, (University of Washington, July 2007), p. 9.
- 30 See, C. Clotfelter, H. Ladd, and Vigdor, "How and Why Do Teacher Credentials Matter for Student Achievement?" (Calder Urban Institute, 2007); D. Goldhaber and D. Brewer, "Why Should We Reward Degrees For Teachers"? Phi Delta Kappan, October 1998, p. 134-38.
- 31 Z. Xu, J. Hannaway, and C. Taylor, "Making a Difference?: The Effects of Teach for America in High School" (The Urban Institute and CALDER, 2008).
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What If We Closed the Title I Comparability Loophole?

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Introduction

At its inception over 40 years ago, the flagship Title I program of the Elementary and Secondary Education Act of 1965 was intended as the federal government’s way of giving high-poverty schools a leg up. Early on, federal officials realized if Title I funds were to have their desired effect, they would need to be layered on top of an even distribution of state and local funds across schools.

The reason: Title I wouldn’t serve to boost spending if school districts used the funds in place of basic spending in the high-poverty schools. Thus, shortly after its inception, the program came with a comparability requirement that stipulated that school districts must equalize educational services purchased with state and local funds before Title I funds are brought into the mix (See the first report in this package for a detailed history of Title I comparability guidelines).

Today, the “comparability” provision is still the tool federal officials use to ensure that the districts disburse their own funds in ways that are fair to high-poverty schools. But recent evidence on district spending practices suggests that the law’s key comparability provision is not doing its job. The question facing policy makers today is if and how we modify the comparability provision to ensure that districts give high-poverty schools a fair shake.

Comparability Provision of Title I

The comparability provision requires that:

- Title I school districts equalize the distribution of educational services before Title I funds are distributed to schools.
- Federal Title I dollars be used to augment services for poor students.

The goals of the comparability provision are to ensure that:

- High-needs students receive a fair share of standard services.
- Title I makes real spending higher in high-needs schools.



This paper explores reasons for modifying the comparability provision, considerations in making a change, and the likely effects of proposed changes on high-poverty schools. In the end, this paper suggests that the best way to restore the comparability guidelines of Title I to their original intent is by requiring school districts to equalize per-pupil dol-

lar expenditures before accepting federal funds. But an understanding of why this would work best—and why the reauthorization of the No Child Left Behind Act now before Congress is the perfect vehicle for reform—first requires an examination of why current comparability rules fall so woefully short.



Falling Short on Comparability

On its face, the comparability requirement is eminently sensible. The provision extends beyond the use of federal dollars in forcing equitable distributions of state and local funds before federal funds are added to school budgets. Federal lawmakers wanted to ensure that Title I-eligible children (and eligible schools) actually got something extra—better teachers, smaller classes, more instructional time, or supplementary programs that were not generally available in the district as a whole—without losing out on the standard services provided to all students in the district.

This push for resource equity is a laudable use of federal leverage, since the political forces at play in local school districts have historically worked against the schools attended by the poorest children. With elected school boards catering to their wealthier constituents, and with the most vocal parents representing the needs of the more affluent schools, it was no surprise to federal policy makers that the system brought more resources to some schools than others.

The senior teachers and principals who worked in the system, and the labor unions that supported them, didn't object, either, as they too benefited when their seniority was rewarded with positions in the "better" schools. With so many forces working on behalf of wealthier students, comparability was specifically designed to help poor schools.

Yet, even with the comparability provision, the expectation that funds will be equitably distributed between schools before federal funds are added is demonstrably not being met. In fact, investigations of district spending show that some of the very inequities that prompted comparability in the first place are alive and well today in most of our urban districts.

Simply put, school districts routinely spend a larger share of state and local funds intended to support basic instruction on schools with fewer poor students. There is no way to avoid the conclusion that this federal tool is not working to force equity in spending among schools within districts.

If you're a district leader, you're probably thinking that this generalization isn't true in your district. Your district does its budgeting fairly and spends much more on its neediest schools. And besides that, your state requires comparability reports and you've never once been the subject of an audit finding.



Yet despite the honest attempts of many district leaders, those in large- and mid-sized urban districts are generally not aware of the inequities revealed in dollar-to-dollar spending comparisons of non-targeted resources. Phone calls by the author to the Title I director in 14 urban districts in 14 different states revealed just that. Questions about inequities were universally met with reassurances that, while other districts may suffer such inequities, their district did not.

Since then, evidence now confirms that each and every one of those districts does indeed harbor some or all of the inequities described below. With few exceptions, districts don't account for spending at the school level, and they never add up all the factors that must be considered in a real school-by-school budget comparison. When the data are examined carefully, several persistent patterns are revealed:

Districts allocate more pricey teachers to wealthier schools

Inside virtually every large district studied by different researchers in recent years, it was discovered that on average teachers earn lower salaries in the needier schools. Here's how it works. Instead of allocating a dollar amount to each school, the vast majority of districts allocate resources by "staffing" schools. Most teaching positions and other staff full-time equivalents, or FTEs in education parlance, are assigned on the basis of enrollments. The formula might, for example, call for a teacher for every 25 students. The problem arises when staff FTEs are translated to real dollars.

Teachers earn salaries based on their experience and credits or degrees earned.

For example, the 2007 base salary for a first-year teacher with a bachelor's degree in Seattle is \$32,645, according to the district's official salary schedule. A 15-year veteran with a doctorate is entitled to \$63,687 under the basic scale. In accounting for spending across schools, district allocation practice makes no distinction between the novice and the veteran. Instead budget and accounting practices substitute a constant amount for each teacher when tabulating dollar resources for each school.

Salary differences translate into big effects on school spending. For a school with 600 students and 25 teachers, a \$4,000 difference in the school's average salary (in comparison to the district-wide average) creates a difference of \$100,000 per school. For a school with 1,700 students and 100 teachers, it is a difference of \$400,000 per school.

It has long been acknowledged that the highest needs schools in a district have the most difficult time recruiting teachers, and are quite frequently staffed with more junior (lower paid) teachers—many of whom leave after only a year or two. Since teacher experience and education are not distributed evenly across schools, the effect is that teacher costs vary from school to school.

In Baltimore, for example, research shows that when teachers at one school in a high-poverty neighborhood were paid an average of \$37,618, the average teacher's salary at another school in the same district was \$57,000.¹

These effects are not random. The table on page 29 displays the results from 10 urban districts and shows the average gap in teachers' salaries between



schools in the highest and lowest poverty quartiles, defined by the percentage of students qualifying for federally subsidized lunch. Among researchers and policy makers, there is almost no dispute about the reality of the teacher assignments described here, and little argument about the general effect on school staffing.

One reason districts turn a blind eye to differences in teacher salaries is that salary is clearly not directly connected with quality. Higher paid teachers aren't always better teachers. That said, there are real differences in teacher talent across schools—differences that principals, teachers, and parents have recognized for years.

Some schools have a tough time recruiting teachers, and are lucky to get even two applicants per opening each year. Others in the same district routinely get hundreds of applicants and have very little turnover. It is not a great leap in logic to conclude that schools with a larger pool to select from will tend to have better teachers. Average salaries may not be the best indicator of teacher quality, but schools with

the lowest salaries are indeed those with high turnover and very few applicants, and often do not serve their students well.

District allocations can offset Title I allocations by using non-targeted funds to allocate more staff FTEs to less needy schools

Even when salary differences between high- and low-poverty schools are accounted for, wealthier schools still spend more on teachers. As researchers, this finding was surprising at first. My colleagues and I had a hard time believing that not only do wealthier schools have higher priced teachers, they actually have more teachers. As it turns out, it is often true, and several analyses by different researchers confirm it.²

Case in point: Inequities in non-categorical allocations among schools of different socioeconomic status were captured in a study of California schools by the Public Policy Institute of California.³ As the table on page 30 indicates, the study documented that low-poverty schools

THE SALARY GAP

Gap between average teacher salaries in top and bottom poverty quartiles, by school district (2003–2004)

DISTRICT	SALARY GAP
Austin*	\$3,837
Dallas*	\$2,494
Denver*	\$3,633
Fort Worth*	\$2,222
Houston*	\$1,880
Los Angeles**	\$1,413
Sacramento**	\$4,846
San Diego**	\$4,187
San Francisco**	\$1,286
San Jose Unified**	\$4,008

*Center on Reinventing Public Education Analyses, 2005

**Ed Trust, Hidden Funding Gap, 2005, available at <http://www.hiddengap.org/>



MORE RESOURCES, MORE TEACHERS, HIGHER SALARIES
Unrestricted spending per elementary pupil across sampled California districts

CATEGORY	LOW POVERTY	HIGH POVERTY
Unrestricted Teacher Expenditures	\$2,570	\$1,973
Teachers Per 1000 Students	44.9	41.5
Average Teacher Salary	\$57,242	\$47,545
Unrestricted Other Expenditures	\$1,839	\$1,648
Total Unrestricted	\$4,409	\$3,621

Source: Rose, et. al School resources and academic standards. PPIC (2006).⁵

received more (\$2,570 per pupil versus \$1,973 in the high-poverty schools) unrestricted teacher expenditures. The higher expenditures were caused both by higher salaries and more teachers (44.9 teachers per thousand students versus 41.5 in the high-poverty schools).⁴

Some might argue that the categorical programs, including those that provide funds for students with limited English proficiency, or even the Title I program that provides funds for poor students, should be left in for the comparison since they more than make up for the deficiencies in non-targeted spending.⁶ It is often true that the categorical programs do serve to fill in holes in basic education spending, but in the case of Title I, spending was supposed to be equalized *before* the compensatory funds were brought into the mix.

Interviews with district leaders have helped make sense of how and why this happens in their districts. Sometimes the placement of more expensive magnet or alternative programs drives up the teacher allocations in schools with fewer poor students. In Chicago, for instance, selective enrollment schools (those with admission requirements) spend some 15 percent more than the district average per pupil.⁷ In one district, the more affluent communities have smaller schools where per-pupil teacher allocations are higher.

More often, however, the patterns are created in response to pressures to equalize services across all schools. Where earmarked categorical funds such as federal Title I money pay for such extra services as full-day kindergarten or reading specialists in high-need schools, more flexible state and local money is often used to fund the same services in the low-need schools. The result is that teacher and other staff allocations are skewed toward schools that do not qualify for targeted programs. Even when states restrict certain funds to provide extras for poor students, school districts use unrestricted funds to provide similar services to more affluent students.

District allocations reveal more unrestricted non-teacher expenditures in less needy schools

Just as wealthier schools receive more teachers, they also often receive more non-teacher expenditures. In other words, in addition to higher salaries and more teachers, wealthier schools also receive a larger share of other unrestricted funds.

Looking back at the table at the top of the page, districts in California spend an average of \$1,648 per pupil in high-poverty schools versus \$1,839 per pupil in their more wealthy counterparts, amounting to nearly a \$200 per pupil difference.



Here again, the explanations are similar to those that account for the higher allocations of teachers in wealthier schools. Wealthier schools can include magnet programs, gifted programs, or other offerings that often come with extra expenditures for labs, equipment, services, and teacher training. These extras come out of non-targeted (non-categorical) funds, and thus create patterns whereby a larger share of non-targeted funds are expended on students with fewer needs.

While the data cited here illustrate the kinds of inequities at play, the exact nature of the patterns and problems will certainly

vary from district to district. Part of the problem, though, is that the kinds of dollar comparisons revealed in the comparisons of the California districts on page 30 aren't standard accounting practice, but rather the results of outside analysts taking apart district budgets and recreating them from the ground up.

Without these kinds of real-dollar comparisons, inequities can and do get buried and everyone, including the district's own leaders, is left guessing about the kinds of inequities inherent in each system. We now turn to the legal loopholes that allow these inequities to continue.



The Legal Language Loophole

So how is it that Title I has a comparability requirement, but the requirement isn't effective at curbing these inequities? The problem isn't in the initial language of the requirement (see box below), as the language is clear in creating a framework for the inequities in resource distribution and costs described in the previous section.

Rather, the devil is in the details that follow. The statute almost immediately creates loopholes that undermine the whole point of the comparability requirement. Section 2, which is also part of the statutory language, outlines in general terms how school districts can demonstrate they are in compliance with the comparability provision (see box on page 33).

Statements (i), (ii), and (iii) below establish a pro forma requirement that in effect does nothing to prohibit the kinds of inequities working to the detriment of high-poverty schools. It is hard to believe any urban district in the United States cannot provide satisfactory written assurances on each of these points. Yet, as we have shown here, in practice, the presence of these requirements does not ensure equitable expenditures across schools.

Comparability Requirements

Fiscal requirements for purposes of comparability as set out in Section 1120A of Title I

(c) COMPARABILITY OF SERVICES—

(1) IN GENERAL—

- (A) COMPARABLE SERVICES—Except as provided in paragraphs (4) and (5), a local educational agency may receive funds under this part only if State and local funds will be used in schools served under this part to provide services that, taken as a whole, are at least comparable to services in schools that are not receiving funds under this part.⁸
- (B) SUBSTANTIALLY COMPARABLE SERVICES—If the local educational agency is serving all of such agency's schools under this part, such agency may receive funds under this part only if such agency will use State and local funds to provide services that, taken as a whole, are substantially comparable in each school.



Demonstrating Comparability Compliance

Equivalency and determinations in Section 2 of Title I

(2) WRITTEN ASSURANCE—

- (A) EQUIVALENCE—A local educational agency shall be considered to have met the requirements of paragraph (1) if such agency has filed with the State educational agency a written assurance that such agency has established and implemented—
- (i) a local educational agency-wide salary schedule;
 - (ii) a policy to ensure equivalence among schools in teachers, administrators, and other staff; and
 - (iii) a policy to ensure equivalence among schools in the provision of curriculum materials and instructional supplies.
- (B) DETERMINATIONS—For the purpose of this subsection, in the determination of expenditures per pupil from State and local funds, or instructional salaries per pupil from State and local funds, staff salary differentials for years of employment shall not be included in such determinations.

It is paragraph (B) above that creates the most glaring loophole. By exempting staff salary differentials based on years of employment, this paragraph essentially endorses the practices that serve as the root cause of inequities in teacher salaries. This stance on comparability accommodates district teacher-assignment practices consigning the most junior teachers and least qualified teachers to high-poverty schools.

The consequence: Title I winds up reinforcing tradition to the detriment of many high-need students. The exemption implies that a school with chronic teacher turnover and no ability to hire or retain more qualified teachers is no different from one with a stable, committed, experienced faculty.

Many so-called compliant districts harbor inequities in other ways. The causes of the second kind of inequity addressed in

this essay—that of uneven spending not caused by salary differences—are simply not directly picked up by the current equivalence test. In an examination of a sampling of district Title I comparability reports, for example, it appears that most districts simply follow the three sub requirements of part (A) of the equivalence test—meaning that they point to a salary schedule, a staffing policy of some sort, and a report of dollar expenditures in text book and supply budgets.

So while there may indeed be a staff allocation formula, staff placements outside the allocation formula (to serve as mentor teachers, literacy specialists, or to staff magnet schools) are easily and routinely overlooked. Further, in most states that use comparable student/staff ratios to test comparability, paraprofessionals are counted as full staff members. The result: Where one school has teach-



ers, another has aides (at a portion of the cost), yet both satisfy the same staff-to-student ratio requirements.

Similarly, non-staffing funds for, say, a technology lab, fall neither under the umbrella of a staffing formula or under the category of “curriculum materials and instructional supplies.” The placement of a technology lab, or other similar “extras,” can skirt official investigations of comparability. And there are other kinds of inequities that can creep in, including those buried in central budgets. Since school budgets make up only some 45 percent to 65 percent of a district’s total operating budget, additional resources from central programs (some of which involve delivery of services) also go completely unnoticed.

It’s not the definition of comparability that fails, but rather the language of compliance. The statute specifies just how districts can comply, and in doing so, turns a blind eye to a host of inequities that continue to work to undermine the basic notion of comparability to the disadvantage of the very schools it is intended to protect.

Why Look to the Federal Lever to Solve Intra-District Inequity?

It’s clear the legal loophole undercuts the notion of comparability. The question, however, is whether the education finance system should be relying on federal statute to tackle a problem with the allocation of state and local funds.

It is true that the federal government has a relatively minor role in funding public education, footing the bill for only 9 percent of total costs. The bulk of all

funds come from state and local sources. Not only are states paying for much of the costs, but states have an interest in meeting the needs of poor students, and could conceivably address the problems through their own allocations and requirements. Similarly, district leaders are under tremendous pressure to close achievement gaps and might be best equipped to address inequities first hand.

The problem is that they haven’t. Since concerns about within-district inequities first surfaced soon after enactment of the Elementary and Secondary Education Act of 1965—prompting the comparability provision in 1970—the nature of inequities has persisted in nearly every urban district in every state. The kinds of inequities cited 35 years ago are the same inequities that continue today.

Take, for example, a case brought against then superintendent of the DC public schools in 1969. In the case, *Hobson v. Hansen*, the judge received reports on salary differentials between predominantly white and black schools—precisely the same complaint that remains today. Then there was Mrs. Darlene Lawson who argued in 1972 to her school board in Oakland, CA: “Many teachers in flatland schools are inexperienced and are only marking time until they are eligible to be promoted to a school in the hills.”⁹

Even then, lawmakers seemed to understand how district practices worked to shortchange high-needs schools. As John F. Hughes and Ann O. Hughes detailed in their 1972 report “Equal Education—A New Strategy,” early discussions on whether or not salary differences should have been included in comparability pinpoint the same forces that prevail today: “Comparability as a concept poses



a threat to the big-city tendency to assign their least qualified and poorest paid teachers to the inner-city, predominantly black or Spanish-speaking schools.”

Despite the time that has passed, no single state has enacted policies that have prevailed against the inequities described here. Rather than devise policy to address the inequities, some states have developed accounting systems to create transparency into fiscal inequities. Beyond that, states have deferred to local control and assumed districts would handle the inequities on their own.

At the district level, progress has also been disappointing. While a handful of urban districts now have student-based allocation formulas that do address the non-salary disparities, the vast majority continue to allocate resources as they have always done. An even bigger challenge, however, has been in addressing inequities in teacher salaries (and teacher quality). A few district leaders have examined disparities in teacher salaries, and an even smaller number have pushed for reforms intended to address them. While a number of districts have devised “work-around” policies including paying incentives to teach in some schools, at the time of writing, Oakland is considered the only urban district tackling salary inequities head on (see the fourth report in this package for details).

Some would suggest that the lack of progress at the state and local levels can be attributed to the fierce nature of the political interests at play among these levels. In state and local arenas, it isn’t difficult to see why change is a tough

sell. Tipping the balance to high-needs schools in a system with scarce resources, by definition, means taking something away from lower-needs schools.

Indeed, teacher labor unions, powerful parents, school employees, and local community groups all work in organized ways to affect the elected leaders at the helm in school boards and in state legislatures. Whether progress has been inhibited by local political forces or some other barrier, the brutal facts suggest that the inequities persist—even after almost four decades of recognizing the problem.

Even though the funds distributed inequitably aren’t federal funds, for federal lawmakers, the relevance is also clear. District allocation practices can (and do) undermine the federal priority to boost spending in high-poverty schools. When districts receive federal Title I funds for poor schools, but then divert a larger share of state and local funds to wealthier schools, high-poverty students are unlikely to flourish as intended.

Other federal priorities also hinge on the goals of comparability. The accountability provisions of the No Child Left Behind Act of 2002, which measure student performance at the school level, only make sense in a world where schools are funded equitably. District policies that allocate funds unevenly across schools work at cross-purposes with efforts to improve the system through accountability. It’s exactly for these reasons that the increasing evidence on inequities across schools within districts has prompted proposals to close the comparability loophole toward ensuring more meaningful comparability.



Important Considerations in Closing the Loophole

Proposals to close the comparability loophole are driven by the desire to create more equitable distributions of state and local resources across schools within districts. The challenge for policymakers committed to closing the loophole is deciding how to rewrite the equivalence portion of the statute so that districts are no longer allowed to harbor inequities that counter the spirit of the law.

For federal lawmakers interested in making sure that districts distribute state-and-local funds equitably across schools, the operative question is: What constitutes equitable distribution of state and local resources? While a seemingly simple question, the answer depends on what exactly it is that we're trying to equalize. New comparability requirements could seek a range of outcomes, each of which has different implications for both how compliance would work and what would happen in districts as a result.

Clearly a key concern for federal lawmakers charged with rethinking comparability requirements is to design compliance language that does not have unintended adverse effects on schools or districts. Trying to predict how districts will respond to any change in federal requirements is difficult. A federal requirement intended to correct one district practice could ultimately fuel a host of other district practices that also shortchange high-needs schools, or worse, that hurt the district as a whole.

Similarly, federal lawmakers should try to create requirements that do not impose burdensome accounting requirements on districts, but also do not permit the kind of fuzzy accounting which has buried salary differences for decades. Furthermore, federal lawmakers will need to think about not only the education system we have today, but also the education system that could be in place years from now.

More specifically, to what extent will federal requirements constrain districts from making positive innovations in education? Below are five commonly sought outcomes in revising the comparability provision in light of these key considerations.¹⁰

Equal average teacher salaries (or other staff salaries)

It was uneven salaries that prompted much of the challenge to comparability in the first place, so one option is to force districts to find a way to equalize salaries across schools within districts. Some opponents of this idea have argued that if forced to equalize salaries, then the only option for districts would be to assign (or reassign)



teachers to schools, which could cause many teachers to leave the district.

Others suggest that districts could redesign their compensation systems (perhaps with stipends to teachers at high needs schools) to meet the requirement. Yet another view is that equalizing salaries is not the best option as salaries aren't the only way schools can provide services for students.

Fair access to teacher quality

Since salaries are a poor indicator of teacher quality, one viewpoint is that forcing equal salaries may not address the underlying problem of unequal access to quality teachers. It is in response to this notion that some argue the object of equity should be teacher quality, not teacher salaries.

The difficulty here is that the system does not yet have tools by which it can reliably measure teacher quality across schools. Consequently, no metric exists to measure districts' compliance on this desired outcome.

Equal staff FTE's per pupil

Some districts are already using staffing ratios to document compliance on comparability. This sounds like a laudable objective, yet the evidence suggests that not all staff counts are alike. In some schools, aides count as staff, while in others, a staff consists of all certificated teachers.

Forcing equalization of staff counts brings upon the need for more details on compliance. That could be seen as overburdening districts with requirements for compliance.

Access to the same services or programs

Similar to the desire for uniform staff ratios, another notion is to require all schools to offer the same services and programs in the name of equity. Not only would this type of compliance require heavily burdensome compliance accounting, it would also impose a one-size-fits-all school model on all schools, and stifle innovation.

Equal per-pupil dollar expenditures (from non-targeted funds)

Others have argued that compliance be taken literally—in other words that districts equalize per-pupil dollar expenditures before accepting federal funds. Here again, it is possible that districts could equalize dollars and not equalize services or teacher quality.

Then again, this approach allows districts some flexibility in how to remedy current inequities while not inhibiting innovation. Districts could rethink their teacher compensation systems, or use the extra funds to bring more (and possibly different) services to high needs schools.

While each of the above proposals has some merits and concerns, it is the last one that appears to best satisfy the concerns laid out above. Forcing districts to equalize dollar expenditures would restore the original intent of comparability, wouldn't impose new accounting metrics (since it relies only on dollar expenditures), and would allow districts both flexibility in meeting the requirement and the possibility of future innovation.



Conclusion

What Will Happen to Schools if the Loophole Is Closed?

Policymakers can't be assured that a strategy of forcing districts to equalize per-pupil dollar expenditures before accepting federal funds would result in equal teacher quality across all schools. Further, we can't reliably predict which strategies districts will use to achieve dollar equity. What we can do, however, is predict how much money would be moved in a system to create fiscal equity.

A 2005 study, "Strengthening Title I to Help High Poverty Schools," by the author, examined the use of non-categorical funds and provides some insight into the financial implications of such change. As the table below indicates, in four of five districts studied, high-poverty schools are shortchanged by an average of 5 percent to 15 percent of all non-targeted funds (the fifth district, in Dallas, was under court order to accommodate high-needs schools with desegregation funds, and was not found to shortchange high-needs schools).

Remedying these inequities with a provision that required dollar equity would bring these schools an average of 5 percent to 15 percent more non-targeted funds, depending on the district. While substantial, these numbers are not inconceivable. Given that education spending has increased by roughly 6 percent a year for the last several years, it is clear that districts could phase in changes over a series of years without massive disruption to more wealthy schools.

DOLLAR EQUITY DISLOCATIONS		
<i>Non-Categorical, Per-Pupil Spending by School* Selected Districts</i>		
	AFFLUENT SCHOOLS	POOR SCHOOLS
Austin	\$3,004 (108% of district average)	\$2,682 (85%)
Dallas	\$2,762 (92%)	\$3,424 (114%)
Fort Worth	\$2,909 (102%)	\$2,613 (92%)
Houston	\$3,152 (109%)	\$2,680 (93%)
Denver	\$3,764 (105%)	\$3,399 (95%)

* "Affluent" schools are those enrolling the fewest low-income student (those in the lowest poverty quartile); "poor" schools enroll the most (those in the highest poverty quartile).



How would the high-poverty schools use their new funds? With persistently low performance in high-poverty schools, there have been many proposals (at both the state and federal levels) to increase spending in these schools, many of which have come with ideas about how the funds can be used. Some suggest that the added funds be used to expand learning time, provide more individualized learning experiences, lower class size, draw in master or mentor teachers, and increase professional development. Others suggest that high-poverty schools use the added funds in ways that would more effectively recruit and retain more capable teachers (with bonus pay, teacher supports, or others inducements), thereby addressing the basis of the deficiency.

Either way, from the perspective of high-poverty schools, closing the loophole is one way of bringing more funds for high-needs students. The flip side, of course, is that the added funds for high-poverty students don't come from a new revenue source, but rather from the schools that have historically benefited from the salary policies. For most districts, the change would need to be handled gradually, with some phase-in time in order to avoid excessive disruption in schools currently benefiting from the salary gap.

Clearly, the length of the phase in time depends on what other changes are made in conjunction with the resource distribution. In analysis (conducted confidentially) of two districts where the teacher compensation system was to remain intact, it was predicted that a seven-year phase-in

would allow all schools with higher than average salaries to take advantage of the natural attrition in teachers in order to make the adjustment.¹¹

Another option for districts is to give schools some flexibility in their spending, thereby allowing school leaders to make real-cost tradeoffs that would allow for continued hiring of more costly teachers, as desired. Or, as suggested above, some districts may phase in new teacher bonuses that more heavily benefit teachers in higher poverty schools as a way to gradually tip the balance.

The Challenge for Policymakers

In the end, for comparability to be a strong force for equity, changes need to be made such that districts can no longer use clever accounting to circumvent the intent of the provision. Those concerned about the education of poor students look to comparability to remedy the kinds of persistent and pervasive inequities that have shortchanged high-needs students for decades.

To date, no other policy lever at any level has shown any promise to take on this task. Yet the imperative has never been greater. The federal government now has an opportunity to use the new evidence on the detrimental effects of school district budgeting practices to bolster its case that the key intent of Title I needs revision. With the window on NCLB reauthorization open, the window of opportunity is now.





Endnotes

- 1 M. Roza and P. Hill, "How Within District Spending Inequities Help Some Schools To Fail," in Dianne Ravitch, ed., *Brookings Papers on Education Policy: 2004*, (Washington, D.C.: Brookings Institution Press Sponsored by the Brown Center on Education Policy, 2004).
- 2 To see the results from another study, see Marguerite Roza, "How Districts Shortchange Low-Income and Minority Students," *Funding Gaps 2006*, (Washington, D.C.: Education Trust, 2006).
- 3 *Categorical funds* are those funds that districts may only use for specified purposes, such as to support students with special needs. *Non-categorical funds* are those funds that districts may use for general and unrestricted spending purposes.
- 4 Rose, et. Al, *School resources and academic standards* (PPIC, 2006).
- 5 *Ibid.*
- 6 Both the federal government and some states fund categorical programs that do tend to bring more funds to high-needs students (for example, for students with limited English proficiency, disabilities, etc.). However, Title I is usually by far the largest source of categorical funds, and it is often only after including these funds that spending appears more equalized.
- 7 John Myers, "Some more equal than others," *Catalyst-Chicago*, 2005.
- 8 Paragraphs (4) and (5) exempt from the comparability requirement (1) districts that have only one building for each grade span and (2) state and local funds spent on language instruction, the excess costs of providing services for students with disabilities, and state and local expenditures supporting special services for students with greatest needs. In short, the statutory requirement for comparability largely revolves around what this paper thinks of as district "foundation" funding.
- 9 Darlene Lawson, Presentation to the Oakland Public Schools, January 25, 1972.
- 10 Key considerations are drawn in part from a panel discussion in Nov. 2007 at the annual conference of the Association for Public Policy Analysis and Management.
- 11 Conversations between author and fiscal staff in two urban districts.





Funding Schools Equitably

Results-Based Budgeting in the Oakland Unified School District

Matt Hill

Oakland Unified School District

June 2008





Introduction and Summary

During the early 2000s, the Oakland Unified School District embarked on a reform initiative that was focused on achievement, accountability and equity. Through their analysis, the leadership team at Oakland Unified realized that there were disparities in student educational outcomes and resources between the schools located in high-income neighborhoods and low-income neighborhoods. To correct this issue, the leadership team embarked on a path to equity via funding and budget transparency.

To accomplish this they implemented a new budgeting system called Results-Based Budgeting, which combined elements of Student-Based Budgeting and School-Based Management. SBB is a system that distributes dollars to schools on a per-pupil basis rather than allocating money in the form of staff positions, programs, and other resources. SBM is an organizational structure in which school districts allow decisions about the allocation of resources to be made at the school level, usually by a principal and a committee of teachers. This new Results-Based Budgeting system pushed dollars out to school sites and used actual site-by-site expenditures to develop budgets. In conjunction with its other reform initiatives, the Oakland Unified School District has been the most improved large, urban school district in the state of California over the last three years. Since 2002, Oakland Unified has seen its state Academic Performance Index rise from 568 to 658.

This paper addresses why and how the Oakland Unified School District changed the way it funded schools. Through this revolutionary process, Oakland Unified was the first district in the country to take on the funding inequities that have plagued our schools. By reflecting upon our school districts' challenges and successes, we can learn ways to address the current loophole that exists today in the Elementary and Secondary Education Act of 1965 (known today as the No Child Left Behind Act) Title I comparability provision discussed elsewhere in this volume. This paper will focus on the following topics:

- **Background on Oakland Unified's Expect Success Initiative**—a short overview of the Oakland school district's history and budget reform strategy.
- **Funding Allocation Issue**—a brief overview of the issue of Oakland's traditional approach of using average expenditures when budgeting for schools.
- **Oakland Unified's Solution**—an explanation of Results-Based Budgeting, how it differs from other models, and how it addresses the funding allocation issue.



- **Implementation of Results-Based Budgeting**—an explanation of the phases of implementation, with key activities highlighted in each phase.
- **Results**—current academic, equity, and financial successes that demonstrate our school district is heading in the right direction.
- **Challenges and Lessons Learned**—key lessons learned that can be used when considering the implementation of this type of model.
- **State and Technical Assistance Needed**—suggestions for federal and state authorities to consider when planning on how to help districts address the inequities caused by our funding models.



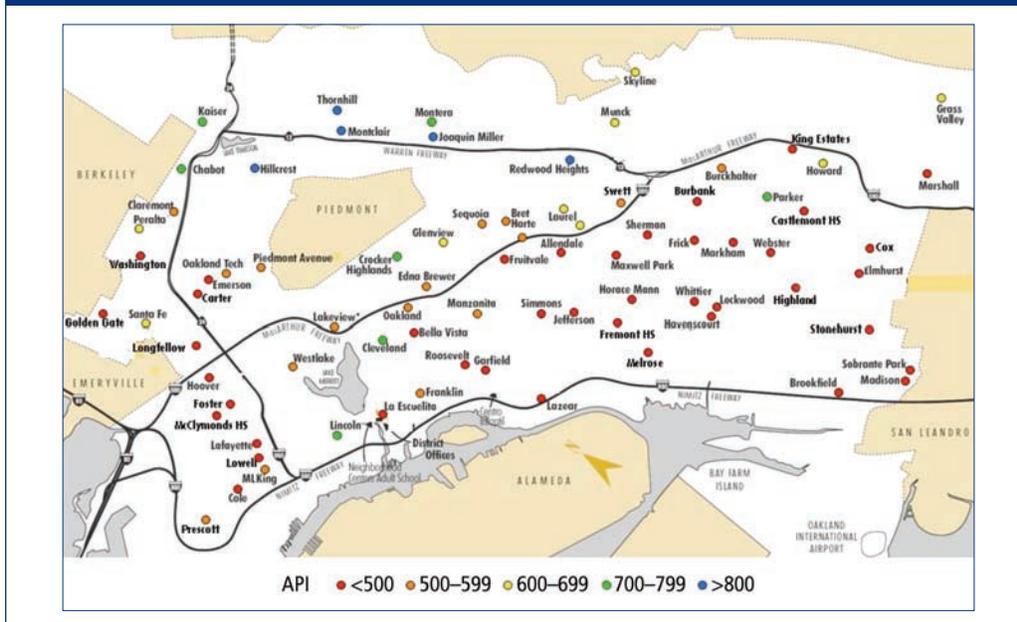
Background on Oakland Unified School District and its Expect Success Initiative¹

The Oakland Unified School District started its reform initiatives in 1999 when parents and community members were upset about the deplorable conditions of the schools. Schools were overcrowded and underperforming, with inequities existing throughout the district. Oakland Unified’s lack of equity can be demonstrated by what locals call the “Hills vs. Heartlands” divide. In 1999, Oakland’s “hill” schools (see top of map, below) had lower free-and-reduced-lunch-program, or FRLP student populations—an educational proxy for poverty—and higher academic results than our “heartland” schools (see bottom of map).

In 2000, Oakland Unified’s Board of Education adopted a policy that focused on small autonomous schools—beginning the process of breaking up large high schools into smaller schools. This movement influenced leadership to look differently at how the District funded schools. Then, in 2003, the school district experienced a fiscal crisis that led to a state takeover. Additional challenges included chronic academic underachievement and lack of equitable funding between individual schools.

HILLS VS. HEARTLANDS

Academic Disparity Between Oakland’s High- and Low-poverty Schools in 1999



Source: Academic Performance Index data from the California Department of Education.



In the fall of 2005, the Oakland Unified School District, the Bay Area Coalition for Equitable Schools, and their partners in the community launched an ambitious plan to transform an urban school system that had struggled to meet the needs of children and families in every neighborhood of the city. This effort, called Expect Success, expands on grassroots reforms started in Oakland over the last decade, and brings in best practices, new ideas, and common sense from some of the most successful and innovative educators in North America.

The Oakland Unified School District started with a clear vision statement to guide the work: “In partnership with our community, we are creating an exceptional public school system with high standards of teaching and learning for every student, and high standards of service to our schools.” To implement this vision, the district set a number of five-year goals (see box below).

Introducing change is never easy. Where Oakland has made progress, it has done so by honestly addressing the shortcomings

of its school system—shortcomings that are profoundly felt in the achievement gap that exists between students from different neighborhoods, different races, and different economic levels. This effort is called Expect Success because it’s about raising expectations of Oakland faculty, staff, and students to a much higher level, and making sure they have the systems and support they need to achieve them.

Oakland’s approach isn’t complicated. It’s about having good people and using best practices in places that encourage academic success. It’s about respecting educators and providing them with needed support, while building a strong professional culture in every school. It’s about investing in teachers and school leaders, and then holding them accountable for meeting higher expectations. And it’s about reaching out in a serious way to neighborhood groups, churches, families, rank-and-file teachers, students, businesses, and organized labor to involve them all in making the greatest difference in students’ lives.

Expect Success has attracted an unprecedented level of financial support to the

Expect Success

Oakland Unified’s Five-Year Goals

- All students will graduate prepared to succeed in college and the workplace.
- All students will read and write at or above grade level by the end of 3rd grade.
- All students will succeed in algebra by the end of 9th grade.
- All students and adults will respect one another and work together across cultures.
- All employees will be high performers.
- All schools will be clean, healthy, and safe.



Oakland schools from local and national donors, who collectively have contributed more than \$28 million over the past four years. Some of the changes funded by this effort are highly visible: the creation of new neighborhood schools to give all families more quality educational opportunities, and the reorganization or closure of programs that were not attracting sufficient enrollment or meeting high standards for students. Other changes, such as a more effective management structure, better technology for educators, and more empowerment for school leaders, might go unnoticed by the city at large, but are important nonetheless.

Expect Success has been a very ambitious plan that has taken a hard look at many aspects of educating the children of Oakland. Some opponents have sug-

gested that the leadership team was taking on too much at once, but given the data at the time, something drastic had to be done. Too many students were not receiving the skills necessary for them to succeed in life. Incremental changes were not going to be enough to remedy systemic issues that were plaguing the children of Oakland.

Today, the Oakland Unified School District currently operates 142 schools (107 regular public schools and 35 charter schools) serving over 44,000 students, including charter students. 38 percent of our students are African American, 33 percent Hispanic, 16 percent Asian, 7 percent white, and 6 percent other. Of these, 68.4 percent are eligible for the free and reduced lunch program.



Overview of the Funding Equity Issue

When the Oakland Unified School District was wrestling with its many challenges in 2003, the leadership team decided to tackle an issue that it had been discussing for the past couple of years. Traditionally, schools in the Oakland school district had been staffed based on a formula that allocated teachers based on the number of students enrolled in a particular school. Costs for employees were allocated using average salaries and benefits. Data showed that while this system provided an equitable number of teachers, it did not necessarily provide for equitable funding of those teachers. The reason: Individual school sites have staffing costs that vary significantly due to the seniority of teachers.

The issue affected Oakland's "heartland" schools the most since they had a disproportionate share of new teachers, and the actual salaries at those schools were lower than the "hill" schools. In essence, the "heartland" schools ended up paying for the "hill" schools' teacher salaries instead of having the additional funding available to support their own programs. Therefore, new teachers, who most needed a more supportive environment and the mentorship of a stable staff with veteran leadership, were usually left without any additional supports.

Often the result has been that these potentially excellent teachers have stayed only a year or two before leaving the school, the district or the profession. Over time, the experience curve at the different schools became polarized, to the detriment of the students who attended the "heartland" schools.

As Marguerite Roza indicates in her research, the inequities in teacher salaries between high- and low-poverty schools is prevalent in urban districts across the country.² Many advocates from across the country had hoped that the No Child Left Behind Act might offer a strategy to help equalize the discrepancy in funding by providing additional funds to schools with high Free and Reduced Lunch Program, or FRLP students, a common educational proxy for levels of poverty.

The language of the Title I provision of NCLB, however, continued to allow districts to take advantage of a loophole created by traditional budgeting practices. Because all districts (except for Oakland today) use a budgeting system based on average teacher salary figures, it allows them to easily demonstrate comparability when determining whether Title I and non-Title I schools have equal expenditures before federal funds are added to a Title I school. Traditional budgeting models that use staffing ratios to allocate resources create a comparability loophole.



Under this type of budgeting model, districts use actual salaries to calculate total teacher compensation. But because school budgets are developed using a staffing ratio that is based on average salaries, Title I and non-Title I schools demonstrate comparable expenditures when in reality the difference can be quite stark.

Some school districts, such as the Houston Independent School District, started down the path of rectifying this issue, but no district had successfully resolved it—until Oakland Unified. With the support of many key stakeholders, the Oakland Unified School District was determined to rectify this problem.



Oakland Unified's Solution: Results-Based Budgeting³

Overview

The Oakland Unified School District's solution was called Results-Based Budgeting. RBB is a budgeting process designed to allocate funds in a way that follows the child. The process is based on a per-pupil formula that takes into account all of the school district's expenses. After the allocation amounts are determined, schools are then provided local autonomy in return for accountability in making data-based decisions that lead to results as demonstrated by improved student achievement sustained over time. RBB is focused on four key tenets:

- Transparency
- Equity
- Accountability
- Autonomy

Oakland Unified's end goal is to create communities of learning in every school where there are opportunities for new teachers to learn from experienced teachers, and where there are opportunities for experienced teachers to mentor new hires and learn from their innovative approaches. Results-Based Budgeting in the district is designed to make this happen by maintaining fiscal responsibility, promoting more effective and efficient decision-making around the use of funds in support of student achievement, and addressing systemic inequities in funding allocations.

The term Results-Based Budgeting begins with the word "results" because this is the primary goal of the process. It is designed to empower school administrators by giving them control over their resources so they can best serve the needs of their students in the most effective and efficient way possible. After all, how can we hold principals accountable for student achievement if we do not give them the resources they need alongside the opportunity to use those resources to address their students' particular needs?

Control over these resources provides site administrators with the ability to make choices about how best to serve the needs of their students. The Oakland Unified School District expects such individual school or site control to increase the responsiveness of district schools to their specific conditions, and thus expects RBB to better meet the needs of students, teachers, and staff. The result: sustained improvement of academic achievement (see box on page 79).



School-by-School Accountability

Objectives for Results-Based Budgeting

- Allow individual decision units (school sites and central office departments) to develop budgets aligned with desired results.
- Connect decisions regarding use of resources to incentives for efficiency.
- Give principals and department heads more control over the conditions of success to increase effectiveness.
- Distribute resources in a more equitable manner.
- Create greater and broader autonomy for decisions and results.
- Create transparency in the budget process to allow greater access by staff, community, parents, and students, and build trust.
- Develop and use better data to drive decision-making.

In addition, site administrators have an incentive to change their site's cultural norms around control and minimization of miscellaneous expenses that reduce funds available for use in the classroom, such as unnecessary copying or substitute costs, because every dollar saved on extraneous expenses remains in the site's budget. In exchange for such control, sites will be held accountable for sustaining academic improvement. Specifically, all of the District's schools are expected to continue their progress toward achieving the key results for all children.

Comparison to other models

Results-Based Budgeting builds upon two forms of organizational reform that have become popular in urban districts throughout North America over the past 20 years: student-based budgeting and school-based management. RBB builds

on School-Based Management and Student-Based Budgeting systems, and takes these principles further by using actual salaries and average daily attendance (see page 80).

Traditional Budgeting based on Staffing Ratios

Traditional-based budgeting models use staffing models because it is easier for districts to manage the complex urban education funding system. This staffing model, however, causes many inequities, which happen for a number of reasons. Specifically:

- Schools of different sizes benefit differently from the central office's allocations of, say, librarians and counselors.
- Teacher salaries continue to get distributed unfairly.



- Complex school accounting procedures—Oakland Unified manages over 125 resources, such as Title I and Title II—make it difficult for outsiders to compare budgets from school to school.

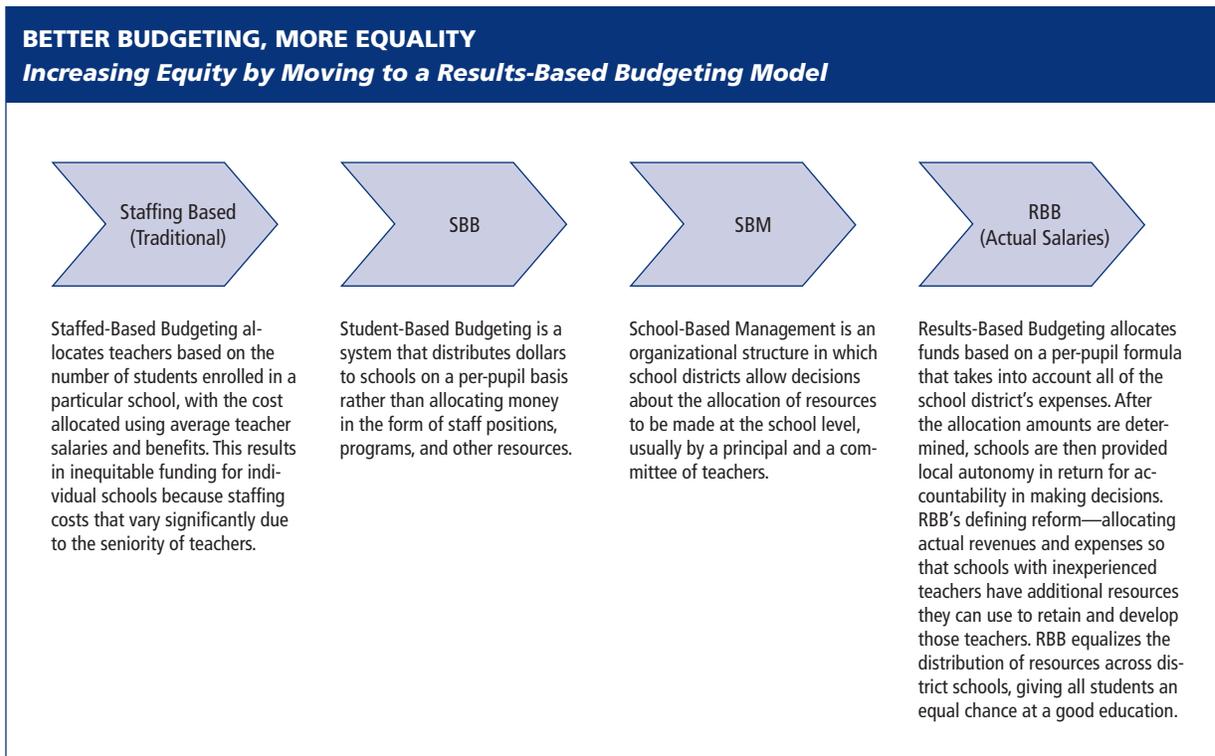
Student-Based Budgeting

Student-based budgeting is a system that distributes dollars to schools on a per-pupil basis rather than allocating money in the form of staff positions, programs, and other resources. Proponents of SBB (sometimes also referred to as Weighted Student Funding) believe it will increase equity and transparency. Unfortunately, this only holds true for the revenue side of the budget equation. Revenues are allocated on a per-student basis, which means the system is transparent and equitable on how those funds are utilized.

But in order to have true transparency and equity, SBB needs to focus on the expense side of the budget ledger. When districts calculate a school’s expenses based on average district salaries instead of actual salaries of that particular school’s staff, then the outcome is often inequitable. Using average expenses does not represent the true costs of serving a child. Through the use of average salaries, schools that have less-than-average labor costs must bear the burden of covering the costs of schools that have higher-than-average labor costs. This difference will be illustrated below in our comparison of two schools pre-RBB and post-RBB.

School-Based Management

School-Based Management is an organizational structure in which school districts allow decisions about the allocation of





resources to be made at the school level, usually by a principal and a committee of teachers. Districts using SBM control the quality of the education that schools deliver by evaluating the outcomes of the schools, instead of telling schools exactly how to educate their students. Arguments for SBM focus on the increase in quality that comes from delegating decision-making powers to the schools.

SBM is thought to improve performance by putting power in the hands of the people who have the most control over results. Many experts believe that teachers and principals know what the students in their schools need better than district central offices. When school leaders control how resources are spent, they can use them to fund innovative programs that meet the particular needs of the community. Principals will be more zealous about eliminating waste when they have control over the money they save.

SBB and SBM have been implemented in many districts other than Oakland: Seattle, Houston, Chicago, and most famously Edmonton, Canada. Edmonton Public Schools credits the enormous gains in public satisfaction with the school system over the last 30 years to the implementation of SBM and SBB in the 1970s. Several delegations of leaders from Oakland Unified visited Edmonton to learn from its model before launching RBB.

Results-Based Budgeting

The Oakland Unified School District's budget system is different from typical implementations of SBM and SBB in two important ways. First, under RBB school budgets are calculated based on average daily attendance and actual enrollment rather than projected enroll-

ment. In order to do so, the district must revise school budgets in November—after the school year has already started. This means that a school can lose money if its attendance was lower than its average for the prior year, or if enrollment for the current year is below projected levels.

Oakland Unified chose to base budgets on actual enrollment and attendance because if it had based them on projected enrollment then it would be allocating a different amount to the school than it actually receives in revenue from the state, and quite possibly giving schools money the district did not earn. In addition, RBB gives principals a very strong incentive to increase both attendance and enrollment. Nevertheless, the November budget revision unquestionably complicates the budget planning process for principals.

The second way RBB is different is that teacher salaries in the Oakland Unified School District are accounted for by using actual expenditures versus average expenditures. In contrast, U.S. school districts that use SBM and SBB account for teacher salary expenses on an individual school basis using the district's salary average, which means that the district "charges" the schools the same amount for every teacher—regardless of whether that teacher is a 20-year veteran or a new teacher, even though the district pays those teachers very different amounts.

School districts that use SBM and SBB systems do not solve the problem of inequitable funding. Schools in high-income communities are still better able to attract high-paid experienced teachers, and because of the average salary system they don't have to account for the extra cost of those teachers in their school budgets. More affluent schools appear to



have the same budgets as other district schools, but only because they're receiving veteran teachers at no cost. Under RBB, schools with newer teachers receive additional funds that allow them to bring in teacher coaches, expand programs, or reduce class sizes.

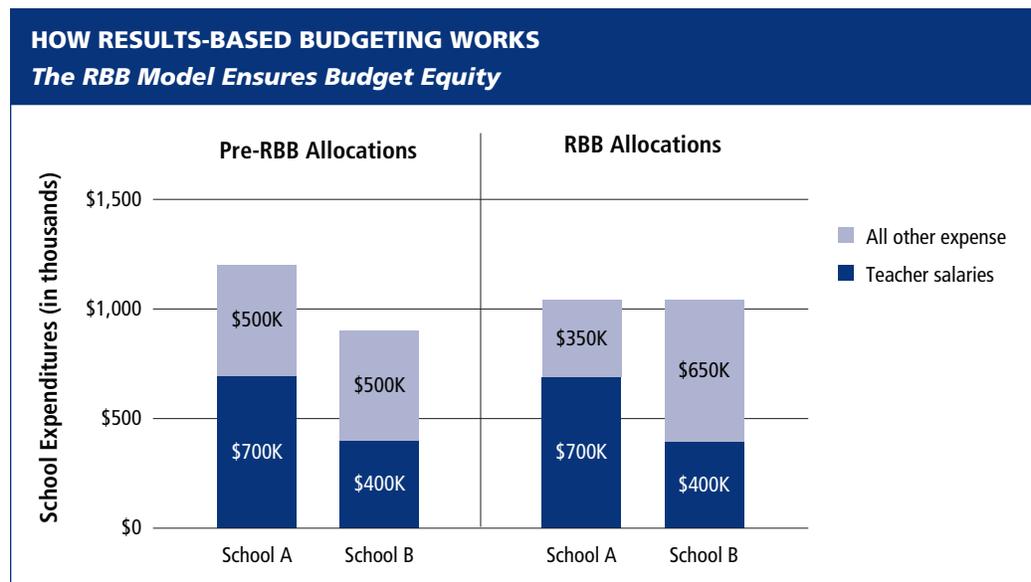
Consider the two following examples, the first is a traditional, SBM- or SBB-run school district, and the second is Oakland Unified's RBB-run district. In the first case, imagine two schools under an "average teacher salary" scenario—School A and School B. The two schools each decide to hire 10 teachers. The average salary of teachers in the district is \$50,000, so each school pays $10 \times \$50,000 = \$500,000$ in teachers salaries. School A, however, attracts 10 veteran teachers who receive salaries of \$70,000 each (\$700,000 total), while School B has 10 newer teachers who receive \$40,000 each (\$400,000 total). The district actually pays those teachers very different amounts based on their experience, yet it charges each school the same amount—\$500,000. School B, which

actually needs more teaching resources, is in fact receiving \$300,000 less in teaching expertise.

Under RBB, this story ends differently. School A and School B would receive the same amount of money on a per-pupil basis. School A now has to pay for the additional experience it is receiving through higher teacher salaries, and School B now has extra money to spend on additional learning materials, professional development, or overtime hours for its teachers.

This is RBB's defining reform—allocating actual revenues and expenses so that schools with inexperienced teachers have additional resources they can use to retain and develop those teachers. RBB equalizes the distribution of resources across district schools, giving all students an equal chance at a good education.

One case in point: Oakland Unified's Think College Now elementary school. David Silver, the founding principal at Think College Now, had a very inexpe-





rienced team during his first couple of years. Under RBB, he was able to use the additional resources he received to bring in coaches to support his new teachers. Over the past couple of years David has been able to retain much of his team, and now has a more experienced staff of teachers. He acknowledges this has caused his labor costs to increase, leaving him with fewer funds for coaching and other services. Yet he says this is a tradeoff he will make every time because his students are benefiting from having experienced teachers, and boast the academic results to prove it. Think College Now was named a California Distinguished School in 2008.

The use of actual teacher salaries is the most revolutionary aspect of RBB. No other school district in the country did this before Oakland (currently no other district has implemented an actual salary model), including districts known for having innovative SBM and SBB models, such as Cincinnati, Milwaukee, and Houston. Opposition to RBB is in part due to strong resistance from teachers unions, which argue that schools would fire experienced teachers if they were more expensive. Advocates of RBB counter that good teachers are worth their weight in gold, as illustrated by David Silver's success with his Think College Now elementary school.



The Genesis of Oakland Unified's Results-Based Budgeting

RBB has been part of the Oakland Unified School District's policy dialogue for several years. The site decision-making policy was passed by the Board in 1999 and provided schools with great control over decision making at their sites. The small schools policy, which was passed by the Board in 2000, started the process for breaking up our large high schools. Both of these policies laid the initial ground for the introduction of the RBB system. The district's 2002 strategic plan called for greater site-level autonomy over budgets. Then a principals' committee was formed in 2003 to study results-based budgeting, culminating in a Board resolution in support of site-based budgeting. Here's a detailed description of how these decisions played out in practice.

Phase I of RBB: Change Budgeting Systems

Oakland Unified's Under Superintendent, Dennis Chaconas, had been experimenting in 2002 with a new budget system based on the feedback of the community to ensure equity for all students. At the time, Oakland used a traditional method of allocating resources to schools in which the district decided the staffing level for each school based on enrollment size. Those resources were purchased by the district and then distributed to the schools.

In 2002, Oakland Unified decided to exempt seven of our recently established small high schools from this system. Instead, each small school would receive a budget based on the same way the district received its funding—the average daily attendance of the students enrolled at that school multiplied by a per-student allocation determined by the district. After the principal received their revenue, he or she could determine the best use of the funds. This small school, site-based budgeting system was the “Beta version” of what was to become RBB.

The Oakland school district had two key building blocks when developing site-based budgeting. First, the Oakland Education Association, or OEA, Oakland's teachers union, supported the idea of giving more budget decision-making power to schools. Second, each school had some experience with deciding how to spend funds because they already had control over NCLB Title I money. Therefore, every school with Title I money (most Oakland schools) should have already had in place a process for making group decisions about how to allocate financial resources.

At first, there were only a few small schools, and their budgets did not have a significant impact on Oakland Unified's overall budget. As the number of small schools grew, how-



ever, the Office of School Reform had to determine whether or not the small schools were getting their fair share of Oakland's resources. That meant calculating how much money every student in the district could be getting, and comparing it to the resources actually being allocated to schools.

The Oakland school district did these calculations, and discovered that the system was, indeed, unfair. Under the staffing model the school district was not allocating the appropriate amount of revenue on a per-student basis.

Phase II of RBB: District-Wide Implementation and Development of Tools and Support

By the 2003–2004 school year, 14 schools were using a per-pupil funding formula. Following the two-year pilot program, RBB was launched district-wide in all of Oakland's schools for the 2004–2005 school year.

Implementation was a grueling process. Staff from the Office of School Reform and the finance department single-handedly designed and launched the entire system within three months without any additional support from outside organizations and without developing a formal implementation process. Instead, staff had to personally walk every principal through the budgeting process on their laptop.

The time pressure was immense. The process involved huge Microsoft Excel spreadsheets that had to be emailed back and forth between the principals and central office and then manually consolidated and uploaded into the district's financial system.

The unrestricted funding allocation formula was developed based on extensive modeling using an analytical approach to determine the range of the base level funding and an empirical approach to determine specific allocations. A decision was made that Oakland Unified would set the funding amount at a level that would:

- Push most schools to cut their costs to a minimum
- Equitably fund schools that had been underfunded in the past
- Stay within a total expenditure amount for all schools

As an inevitable reality, the transition to a formula required that some schools would be allocated insufficient unrestricted revenue to operate their schools regardless of any adjustments they could make.

Consequently, the school district agreed that it would provide transitional funding—from a local parcel (property) tax for these schools—for a period of one to three years in lieu of requiring massive involuntary transfers that would be highly disruptive to many school communities. Therefore, no teachers were forced to change schools, and school communities had the time to structure their programs and support systems to match their funding.

In order to create the RBB funding allocation, district staff modeled budgets for every school as though they would have been funded in the traditional way using staffing formulas (based on student enrollment) to determine staffing allocations, and using current average salaries to determine the cost of these positions. The staffing formulas were based on formulas used in the staffing alloca-



Overview of the RBB Formula

Adjusting the RBB Process

1. In cases of historically underfunded schools, funding allocations were adjusted up to minimum expenditure levels required to operate the school; for historically overfunded schools, allocations were leveled down in order to begin addressing the issues of equity.
2. Transitional funding (amounting to approximately \$3 million out of a budget of \$479 million over a three-year timeframe) was provided to bridge the gap in funding that resulted from the district's choices not to:
 - a. Achieve the target funding by having the most needy students bear all of the burden
 - b. Disrupt school communities and lose teachers by massive involuntary transfers
3. Work was started within the district's human resource and labor department to begin shifting provisions and practices that have supported or allowed the inequity in distribution of teaching resources. This work is consistent with other goals of recruiting and retaining teachers and establishing balanced staffing at all schools so that professional learning communities that utilize the strengths and address the needs of veteran and novice teachers can be addressed.

tion process in 2003–04. The total site expenditures, using this modeling process, established a minimum total expenditure level for sites given the current configuration of schools and projected enrollment.

This minimum total expenditure level was used as the target in developing the funding formula allocations. In other words, the formula was designed to develop school budgets that would be as close as possible to the minimum total expenditure level for sites. Every principal then worked with a team made up of the executive director, fiscal analyst, human resources staff, labor analyst, and accountability Teacher on Special Assignment to create a balanced school-level budget for the 2004–2005 school year.

As the teams worked through this process, it was apparent that indeed, some schools could not balance their budgets given the constraints of the union contract and

their current staffing costs. As a result, the funding formula was adjusted to ensure that these schools could operate in 2004–2005 (see box above).

Phase III of RBB: Provide Additional Support and Evaluate Model

In the 2005–2006 school year, the school district implemented an online tool to help principals and financial service employees to manage budgets. We also rolled out additional training sessions and guides to support our principals on how to build their budgets.

In the 2006–2007 school year, the school district better integrated our school site planning process with our budget process so that principals, teachers, and families could see the connection to programmatic choices and the budgets that they



developed. This school year we have implemented technology to create an online integrated school site planning and budgeting process. We have also partnered with the American Institutes for Research to analyze the results of our RBB strategy. AIR is collecting qualitative and quantitative data to provide to us, so that we can better understand the impact of our budgeting process.

Phase IV of RBB: Analyze Results and Perform Continuous Improvements

Starting this summer, we will enter into the next phase of our work by reviewing the research of AIR and identifying ways to improve our budgeting process and tools so that we can reach our goals of equity and high student achievement for all of our students. One interesting preliminary finding is that overall the average

teaching experience at our “hill” schools is still higher than our “heartland” schools.

This will require additional research to determine why this is occurring and which schools are outliers. Some questions that we will explore include:

- What are “heartland” schools doing with their extra funding?
- Is it having an impact on student achievement?
- Are there labor policies discouraging veteran teachers from going to heartland schools?
- What will be the impact of not having the veteran teacher support subsidy?
- How has our small schools initiative affected teacher distribution?



Oakland Unified School District's Progress to Date

In the last three years, the Oakland Unified School District has made significant progress in improving academic performance, ensuring equitable outcomes for all students, and restoring public confidence in the district, particularly in the area of fiscal responsibility. It is the most improved large urban school district in the state of California over the last three years. While these results cannot be tied to one single initiative, RBB has been a critical component to our equity strategy to ensure that we are focused on raising student achievement for all of our students.

Academic Performance

Oakland Unified continues to make progress on the Academic Performance Index, gaining 7 points for an API district total of 658. This increase makes our district the most improved large urban school district in the state of California over the past three years. The API summarizes a school district's performance on California's standardized tests (see charts on page 99).

Equitable Outcomes

Every subgroup of students in the Oakland Unified School District made gains on the API in the 2006–2007 school year. Several student populations demonstrated particularly impressive progress in their API performance.

Filipino and Pacific Islander student populations, for example, made large strides, gaining 27 and 41 points, respectively, on the API. Other subgroup populations, such as Asian and students with disabilities, made noticeable gains as well. In addition, from 1999 to 2007 the API scores have increased for all of our schools and substantially for our “heartland schools” (see map on page 83).

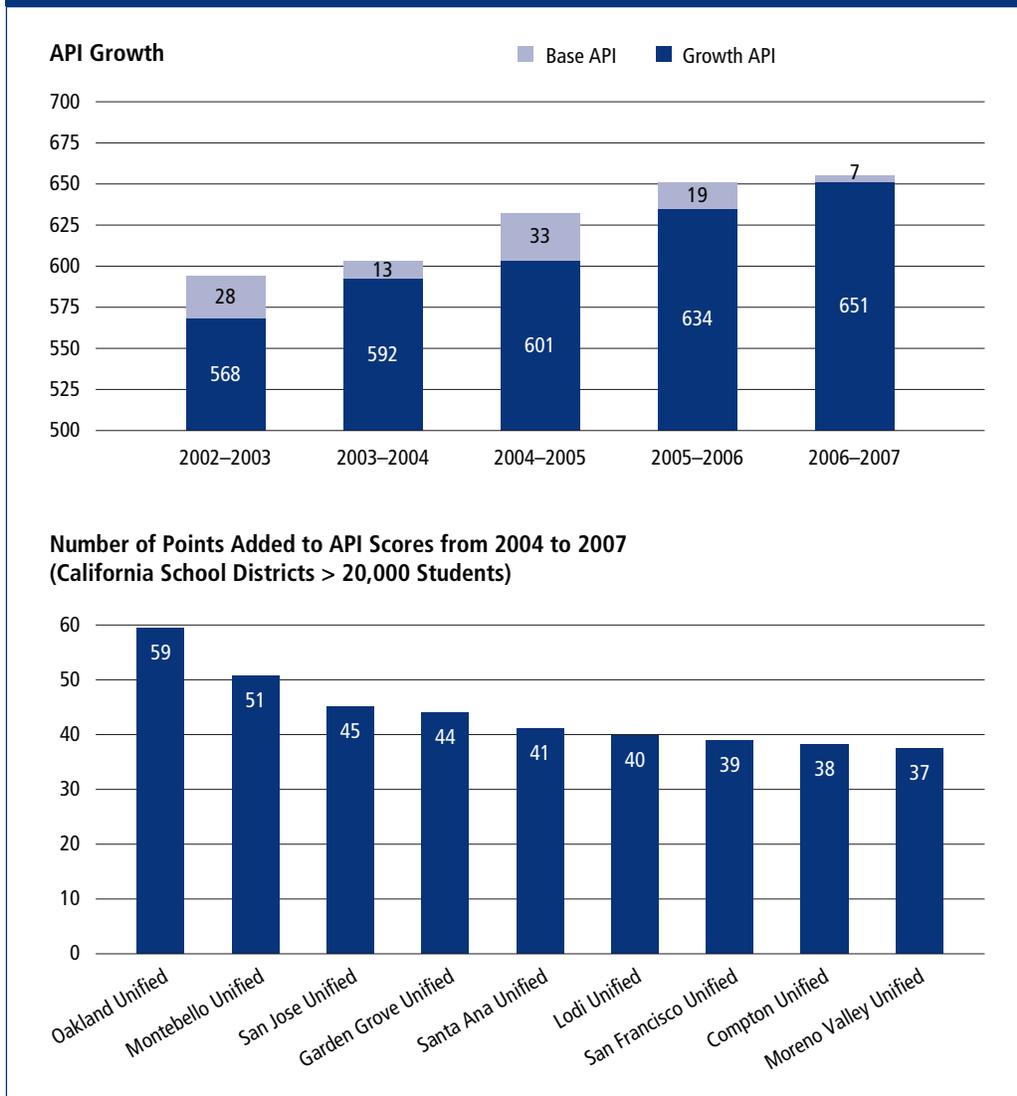
Fiscal Responsibility

Oakland Unified has made great strides toward improving its financial condition between 2003 and 2007. In 2003, the adopted budget General Fund balance for 2002–03 was negative \$59.7 million (both unrestricted and restricted), and our legally required reserve was not budgeted. In addition, we received a negative certification



OAKLAND'S IMPROVING ACADEMIC PERFORMANCE

The District's Academic Performance Index Gains Over the Past Three Years

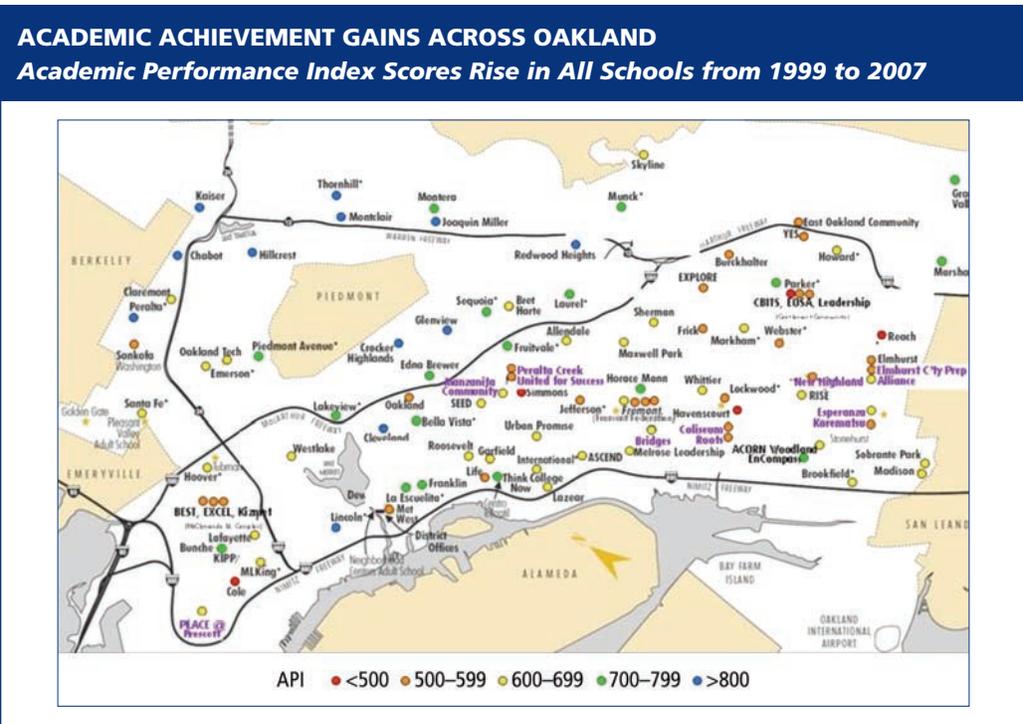


Source: OUSD's 2006-2007 Annual Report.

from the Alameda County Office of Education, and our bond rating outlook was negative. Most devastating, the state in 2003 took over the district when Oakland Unified had to borrow a \$100 million loan for recovery from the state.

By 2007, our ending General Fund balance was \$43.2 million (both unre-

stricted and restricted), and we had fully budgeted our legally required reserve. Alameda County Office of Education has raised our certification to "qualified," and our bond rating outlook has increased from negative to stable. We have also made strides to pay down our loan from the state and have outstanding debt of \$87,292,836.



Source: Academic Performance Index data from the California Department of Education.

Additional Improvements

In addition, Oakland Unified has increased access to professional development for all staff through a focus on professional learning communities. The district has enhanced student assessment and reviews of data about student performance through a new performance

management system. We have increased parent control over where their children attend school, and invested in technology to improve performance and efficiency.

Yet there is much more work to be done to achieve our district’s vision and ambitious five-year goals.



Challenges and Lessons Learned

For other school districts that are considering the implementation of a similar RBB funding model, it is important to study the challenges experienced and lessons learned by Oakland Unified. After eight years of implementation, I feel that there are five lessons learned that can be shared (see box on page 102).

Overcommunicate

The most important area to focus on is communication. In the early phases of RBB, the concept of moving to a new budgeting model that was more transparent, provided more autonomy to schools, and sought to fix the inequities was supported by the community and schools. But during the implementation of RBB and during the transition to state receivership in 2003, the amount of communication decreased. Many people, including teachers, administrators, and the community, were confused about the goals and purpose of RBB. Given the speed of the implementation and the lack of resources focused on the work, it was very hard to build consensus around the changes.

In hindsight, Oakland school district officials should have had at least one individual who was solely focused on the change-management aspect of the project. Unfortunately, this did not occur as RBB began to take on a life of its own. Whenever there were challenges with budgeting, RBB was blamed.

Under any budgeting system, Oakland Unified would have faced the same challenges of declining enrollment, rising health care costs, and limited funding from the state. But due to the lack of communication, RBB was always seen as the culprit. Perhaps the best way to avoid this problem is not to “brand” your budgeting model. When communicating a new budget strategy, focus on the goals of the budgeting model (transparency, equity, accountability, and autonomy) instead of what the budgeting process is named.

Work Closely with Your Labor Organizations

Partnerships with labor organizations are extremely critical. The concept of RBB was initially supported by Oakland Unified’s unions, but when the communication channels broke down the unions started to rally against RBB. Their primary concern was that RBB was intended to force veteran teachers out of the system since RBB was based on actual versus average teacher salaries.



Five Lessons Learned

1. Overcommunicate
2. Work closely with your labor organizations
3. Ensure you have adequate funding to support the transition
4. Invest heavily in support tools for principals and finance staff
5. Stay the course

Contrary to this belief, our analysis shows that under RBB each school receives enough money to staff a school with the most expensive salary levels and a base level of non-labor expenses. Yet this is the absolute minimum amount of funding for a school to remain financially viable and does not factor in the programmatic needs of the school or the professional development needs of the staff. Therefore, it is a reality that some principals will find it very challenging to make the tradeoffs necessary to balance their school's budget, especially if their school districts are in similarly difficult financial situations as Oakland's over the past several years.

In addition, for the first three years of RBB, Oakland Unified used a local parcel (property) tax to cover the additional cost of having veteran teachers at a school. If a school's average teacher compensation was more than the district's average, then the school would receive a subsidy. This was intended to ensure that veteran teachers were not forced from their schools, which could have had a potentially negative impact on student achievement.

Next year, veteran teachers in the Oakland Unified School District will not receive the veteran teacher support

subsidy for the first time. Those schools that have a veteran staff will receive enough funding for their staff, but they may need to cut back on other supports, such as teacher coaching. Principals, like David Silver at Think College Now, will continue to make the necessary tradeoffs to balance

the needs of their students and teachers while balancing their budgets.

Since there was not an open dialogue between leadership and the unions, the misconception that RBB is an attack on veteran teachers still exists in the Oakland school district today. Reflecting upon this dilemma, there should have been more analysis and data shared between leadership and unions up front to demonstrate that this model was not intended to affect our teachers or students in any negative way.

Due to the lack of communication and trust between the district's leadership team and union, the two sides did not sit down together to address the major issue of equity. Unfortunately, we still have many veteran teachers choosing to work in our "hill schools" versus our "heartland schools." RBB is the first step to remedying the issue, but a conversation still needs to occur over how we can create conditions that will ensure an equitable mix of new and veteran teachers at all schools.

What could do the trick? Is it compensation? Is it recognition? Is it working conditions? Until these questions are answered jointly by our leadership team and unions we will not realize our goal of equity for all students.



Ensure You Have Adequate Funding to Support the Transition

Before deciding whether to implement this type of budgeting model it is critical to consider two key financial factors. The first is the financial environment of your state and district. Ideally, the best time to implement this model is when revenues are increasing so that more funding can flow to the schools each year. Principals are going to be a lot more receptive to this change when their decision making is focused on programmatic expansion versus cutting core programs.

Unfortunately, Oakland Unified experienced very challenging financial conditions due to declining enrollment, limited state funding (California ranks 46th in funding per student), and a state budget crisis. Even though the percentage of Oakland school district dollars allocated to schools has increased each year (currently 83 percent), the total amount of funds to allocate has decreased each year. In other words, the slice of the pie is getting larger, but the size of the whole pie is shrinking.

Given these circumstances, principals must now make extremely difficult decisions about what to cut from their budgets. The benefit of RBB for principals is that they have the opportunity to decide what gets cut. But nobody wants to be put into the difficult situation of cutting budgets. It was a lot easier under the old budgeting model to blame the “district” for cuts.

The second factor to consider is the amount of money necessary to support schools that have above average teacher salaries. Punishing schools for having above average salaries at their schools, a so-called “flip the switch” problem, is best avoided. Drastic cuts to programs

that schools have developed over many years will most likely thwart efforts to transition to the RBB funding model. Instead, plan for a subsidy to provide to schools that have above average salaries for a set number of years.

In Oakland, district officials were fortunate to have a local parcel (property) tax to subsidize the funding of veteran teacher salaries at schools for three years. This approach has provided our principals with the opportunity to adjust the financial structure of their schools gradually over time. The downside of this approach is that it delays the conversation about equity among the schools, but at least we are now being more transparent about the true expenses and funding received at each school. Other districts that have higher per-student funding could also hold back some of the funding they allocate to schools in addition to a parcel tax.

Invest Heavily in Support Tools for Principals and Finance Staff

It is very easy to underestimate the support that schools will need to manage their budgets, especially since this type of change will be driven by the district’s financial team. It will be easy for the financial team to overestimate the comfort level school administrators will have with their budgets. In addition, many principals have a hard time seeing the connection between being an instructional leader and a “budget director.”

The first step for a district to take before they change budgeting systems is to survey their principals to gauge their comfort level with budgets, Microsoft Excel, and technology. Do they understand the vision behind the change in budget-



ing? Do they feel that they can handle the new responsibilities themselves or do they have someone on their team that can handle these functions? What type of training would they like?

Next, the district must assess the capacity of its finance team to become trainers. Many traditional district finance teams have never had to train or coach schools on how to manage their budgets. This is a new skill set that they will need to learn. In addition, the finance teams at most school districts are overworked due to antiquated, paper-based processes and procedures. Adding this type of responsibility on top of their existing workload without technology and process improvements is not advised.

Finally, a district will need to develop streamline tools to help principals and finance departments adjust to this change. In Oakland, we moved very quickly during the implementation stage in order to ensure that we could avoid too much resistance. Therefore the tools were very rudimentary (Microsoft Excel spreadsheets). If officials are able to build consensus up front, then they should take the time to create user-friendly technology tools, trainings and processes for budget development, and revisions before rolling out to schools.

Remember, this is not a one-time effort. In order to be successful, officials will need to continually improve policies, processes, and tools.

Stay the Course

Change is difficult. No matter how much you plan, there will always be resistance. Before school district officials make the

decision to change budgeting models, they need to be sure they have the support, courage, and determination to stay the course. They need to set expectations by clearly explaining that the results of moving to a new budgeting system will take several years.

School district officials also have to detail why moving to a new budgeting system will create the opportunity for higher student performances precisely because the new budget process is transparent about funding, and allows for greater autonomy in budgeting decisions. Budgeting systems by themselves will not guarantee increased student performance, of course, but in the right hands RBB decision-making can clearly deliver better and more equitable education to all students in a given school district.

School officials implementing an RBB makeover of their districts must also be prepared for many of the people involved in the process claiming it is too hard and not worth the trouble. These people will demand a return to the status quo. The status quo, however, is simply not acceptable for all children. To the opponents of RBB, the main question is this: How does an RBB-type system harm students compared to the traditional type of budgeting? The answer is clear.

Besides, the amount of distraction that would be caused by switching back and forth between budgeting systems is not good for students. Too much time will be focused on financial systems and not on instruction. It is critical for district leadership to perform a comprehensive analysis of the district's ability to transition, and then make sure support is available to the district before it decides to implement this type of change.



Conclusion: Federal and State Assistance Needed

Across the country today there are only a handful of school districts that have moved to a student-based budgeting model, and Oakland is the only district to use actual salaries, though a couple of other districts are currently moving in that direction. The main reason districts do not move to this new budgeting system is complexity. Oakland, for example, manages over 125 sources of funding, including Title I, Title II, and Targeted Instructional Improvement Grants. It would be a lot easier to manage those budgets centrally, but as this report makes clear, the consequences of a centralized system that does not focus on actual expenditures is far worse than the complexity of moving to a new budgeting system.

Still, given all of the challenges that school districts face it is unlikely that changing budgeting systems will rise to the top of their priority lists. To ensure all of our students receive the resources they deserve, federal and state assistance is needed. Here are four ways that essential assistance could be forthcoming (see box below).

Require a Budgeting Model That Promotes Transparency

To ensure equity, there must be 100 percent transparency with revenue and expenses. The best way to do this is to implement a standardized budgeting model that is based on the tenets of results-based budgeting. The federal government could provide a financial incentive for states to do this. The model should ensure that equitable resources make it all the way down to each and every child. Most federal and state funding is

Helping Hands Needed

Four Ways Federal and State Governments Can Help

- Require a budgeting model that promotes transparency
- Invest in data systems
- Provide strategic assistance vs. compliance oversight
- Focus on results not inputs



already allocated on a per-student basis, so this would not require too much effort at those levels. Most of the support will be needed at the district level.

Invest in Data Systems

Even if there is no national RBB model, school districts could benefit greatly from better budgeting systems and/or support from their state governments. If funding were available for states to implement a standard budgeting system it would alleviate the fears of many districts to migrate to a new budgeting process. The Oakland Unified School District had to develop its budgets during the first year using Microsoft Excel spreadsheets because the district's existing finance system could not support the new process. A new federal/state-approved budgeting system would need to break down revenues and expenses on a site-by-site basis. This technical support would remove a significant initial barrier toward moving to an RBB model.

Provide Strategic Assistance vs. Compliance Oversight

When districts move to a fully transparent budgeting system by using actual teacher salaries, they may uncover that they have not been adequately allocating resources to Title I schools. Instead of imposing hefty audit findings on these districts, it would be beneficial to provide strategic assistance to the districts to develop a three-year plan to ensure resources are equitably distributed to their schools. Too many times, districts end up getting

caught in the red tape from the past that prevents them from doing the right thing for their students now.

The Oakland Unified School District, for example, was still cleaning up audit findings from the 2002–2003 school year at the start of the 2007–2008 school year. While compliance is important, the best cure for an issue is prevention. If state and federal agencies invest in a strategic budgeting unit that can assist districts during transition to a clearer budgeting system, then those agencies should be able to reduce compliance costs in the long run and have a greater impact on all students.

Focus on Results Not Inputs

Building on the last recommendation, many districts spend a lot of time and energy documenting and worrying about what they are spending their money on rather than focusing on results. At the very least, Title I legislation needs to be rewritten to examine the effect the dollars have on closing the achievement gap.

If principals and districts could submit strategic plans that demonstrate the practices that they are going to implement with their Title I dollars and then show matched cohort results for their Title I students over time, then they would see better results than the ones we are seeing today. What is a better use of a principal's time—ensuring their team completes employee time sheets or working with their team to develop differentiated instructional strategies for their students?



Endnotes

- 1 Adapted from OUSD's *Expect Success: Making Education Work* and 2007 Annual Report, available at <http://wcbperfal.ousd.k12.ca.us/docs/10480.pdf>.
- 2 M. Roza, "What if We Closed the Title I Comparability Loophole?" in *Ensuring Equal Opportunity in Public Education, How Local School District Funding Practices Hurt Disadvantaged Students and What Federal Policy Can Do About It* (Washington, DC: Center for American Progress, 2008).
- 3 Adapted from OUSD's Multi-Year Fiscal Recovery Plan.



About the Authors

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Matt Hill is currently working for the Oakland Unified School District as the executive officer for strategic projects. In this role he oversees the District's strategic planning process and helps manage the strategic projects for the district. Prior to this role he was the program manager for Expect Success, the school district's \$43 million reform program that consists of over 20 initiatives. Prior to joining Oakland Unified, Mr. Hill worked in Black & Decker's Business Development group, where he redeveloped the strategic planning process for the hardware and home improvement division. Mr. Hill also worked as a strategy consultant with the Johnson and Johnson UCLA Management Fellows program for Head Start and healthcare executives. Previously, he worked for Accenture as an analyst, and then as a process consultant in the financial services industry, where he worked on technology and strategy projects. He holds a B.S. in business administration from the University of North Carolina, and an M.B.A. from the UCLA Anderson School of Management. In addition, Mr. Hill serves on the board of directors for the Children's Council of San Francisco.

Phyllis McClure

Phyllis McClure's professional career has centered on school desegregation and Title I of the Elementary and Secondary Act of 1965. That involvement began in the 1960s in the Office for Civil Rights of the Department of Health, Education and Welfare and at the U.S. Commission on Civil Rights. She continued her career commitment to educational equity for poor and minority students at the NAACP Legal Defense and Educational Fund in 1969 until 1994. Throughout those years she played a direct role in monitoring enforcement of Title I and Title VI of the 1964 Civil Rights Act. This involved conducting workshops on Title I for black parents and community groups, investigations, filing complaints about misuse of Title I funds and the adverse racial effect of ability grouping on black students, and studying the implementation of school desegregation plans. She was co-author of the 1969 report "Title I of ESEA: Is It Helping Poor Children?"—an expose about the initial failure of Title I to spend federal money on the educational needs of disadvantaged children in high-poverty schools. Ms. McClure then served on the U.S. Office of Education's Title I Task Force in 1969–1970 that helped create the first rules on comparability. Ms. McClure holds a B.A. from the University of Connecticut, an M.A. in history from the University of California-Berkeley, and an M.P.A. from the John F. Kennedy School of Government.



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Marguerite Roza, Ph.D., serves as a research associate professor with the Center on Reinventing Public Education at the University of Washington. Dr. Roza's research focuses on education spending and productivity in the context of education policy. Recent research has documented the real dollar implications of education policies once realized inside schools and across schools within districts. Her calculations of dollar allocations and cost equivalent tradeoffs have implications for education finance policy at all levels in the education system. Her work has been published by Education Sector, the Brookings Institution, Education Next, and the Peabody Journal of Education. Dr. Roza earned a Ph.D. in education from the University of Washington. Prior to that, she served as a Lieutenant in the U.S. Navy, teaching thermodynamics at the Naval Nuclear Power School. She has a B.S. from Duke University and has studied at the London School of Economics and the University of Amsterdam.

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Ross Wiener is vice president for program and policy at the Education Trust, a national, non-profit organization focused on closing achievement gaps in public education. Prior to joining The Education Trust, Mr. Wiener served as a trial attorney in the civil rights division of the U.S. Department of Justice. As an attorney in the educational opportunities section, he investigated and prosecuted violations of federal civil rights laws in schools and school districts across the country, including cases involving desegregation, disability rights, harassment, and the adequacy of services to limited-English proficient students. Mr. Wiener received a B.A. with honors in history from the University of Wisconsin-Madison, a law degree with high honors from the George Washington University Law School, and clerked for Judge Kermit Victor Lipez of the U.S. Court of Appeals for the First Circuit.



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