

A Framework for Simplifying the Funding Formula

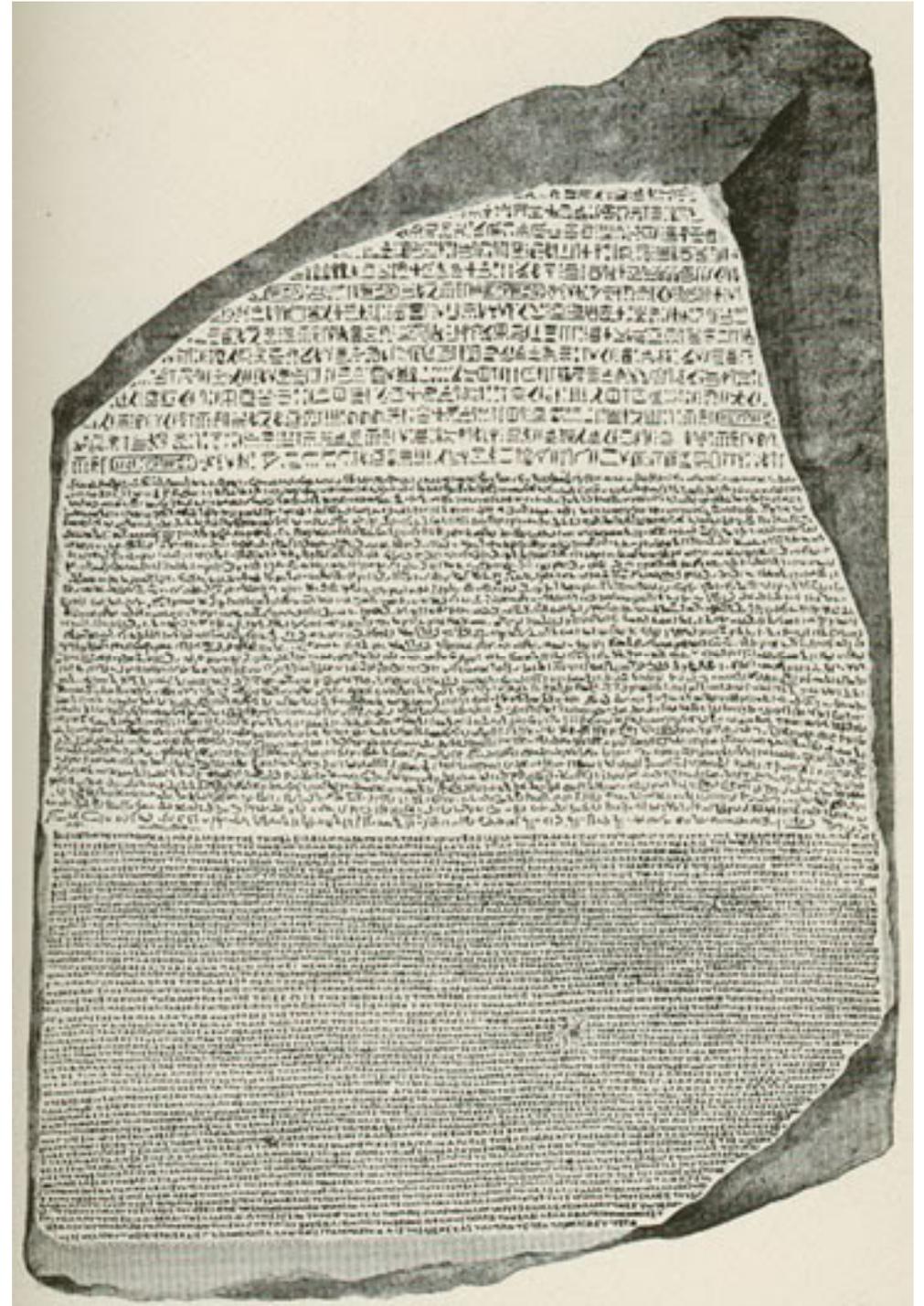
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Introduction

- You have a very important assignment.
- Some basic principles and then an example to illustrate them.
- Confession: I'm one of the culprits.
- QBE is logical, but is now too complicated.

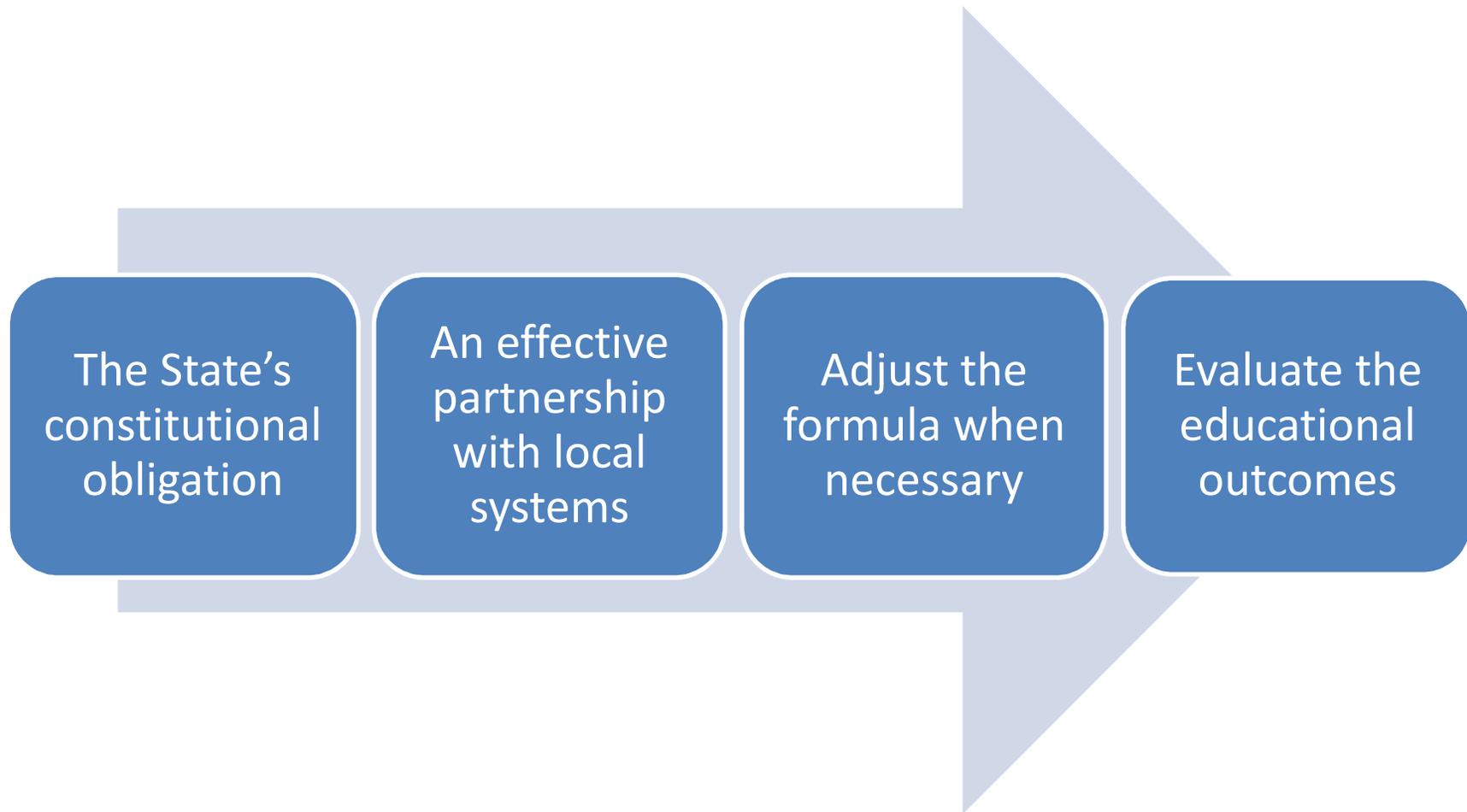
The Rosetta Stone: Is this the first version of QBE?



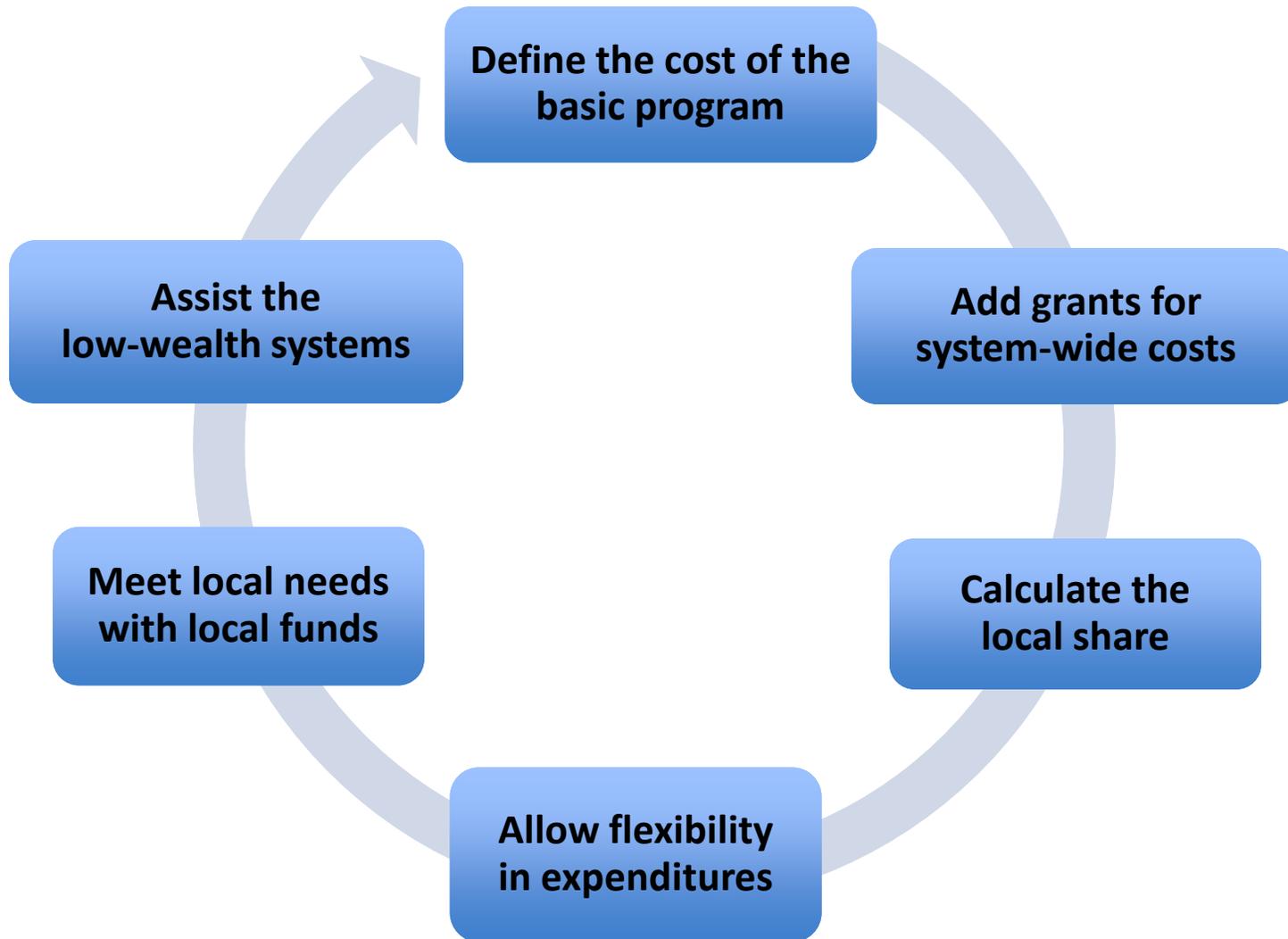
Basic Principles

- Keep the formula as simple as possible.
- But recognize
 - the varying needs of each student, and
*Why: Several programs cost **twice** as much per student than other programs.*
 - the wide fiscal disparities among local systems.
*Why: The top 10% of all systems have **three times** more tax base per student than the bottom 10%.*

Overall Approach



A Possible Model



The Foundation

1. The State would define the cost of the basic instructional program in every system.
 - a. Determine the **number of teaching positions** based on
 - the number of students in **each program**, or
 - or the number of students at **each organizational level** plus the teachers for additional services), and
 - the **student-teacher ratio** for each program.

Key Points:

- *Education is a “**people business.**” Teaching is the key to success and represents over 80% of all operating costs.*
- *A teaching position could be filled through various forms of **technology** along with new combinations of employees.*
- *The **current ratios** may have to change.*
- *The size of an **individual class** could exceed the base size by up to 25%.*

- b. Calculate the **base cost of the teaching positions** at the salary and benefits for a new teacher with a BA degree.
- c. Recognize the salary increments for **training and experience** through an overall adjustment in each system.

- d. Provide support for **staff development** at a cost equal to 1.5% of the base salary for the covered positions.
- e. Allot funds for **textbooks, technology, and instructional support** through per-student allowances for each program.

- f. Recognize the need for **supervision and support** based on the total cost of the teaching positions at
- 7% for school administration, and
 - 3% for central administration.

*Key Point: The prescriptive staffing plans for school and general administration should be replaced by simple “**overhead**” rates.*

g. Share in the total cost of **facility maintenance and operation**, based on the estimated cost for a typical school building.

*Key Point: There should be a “**reality check**” to ensure that the allocations for instructional support and facility maintenance are reasonable, such as a percentage of actual costs in the previous year.*

System-wide Grants

2. The State would provide **system-wide grants** for the costs that are relevant for an entire system, such as:
 - a. **Student transportation**, according to an approved plan for each system.
 - b. **Nursing services** on a system basis.
 - c. Adjustments caused by extreme **sparsity** and isolation in the location of specific schools.

The Partnership

3. The State and local systems would **share the cost** of the foundation, as follows:

- the State would bear **80%** of the total cost, and
- the remaining **20%** of the total cost would be apportioned among all local systems in relation to their taxable wealth.

This approach would create a **true partnership** by replacing the fixed amount of required local effort equal to 5 mills of property taxes.

Key Points:

- *The percentages are not as important as the concept of **sharing** the cost of the foundation.*
- This approach would help to end **the myth** that the local share is sent to other systems, instead of being added to the total funds.
- Another adjustment can be made for median **household income**.

Flexibility

4. Local systems would have **flexibility** in using the funds for the foundation, subject to general standards and accountability for academic performance.

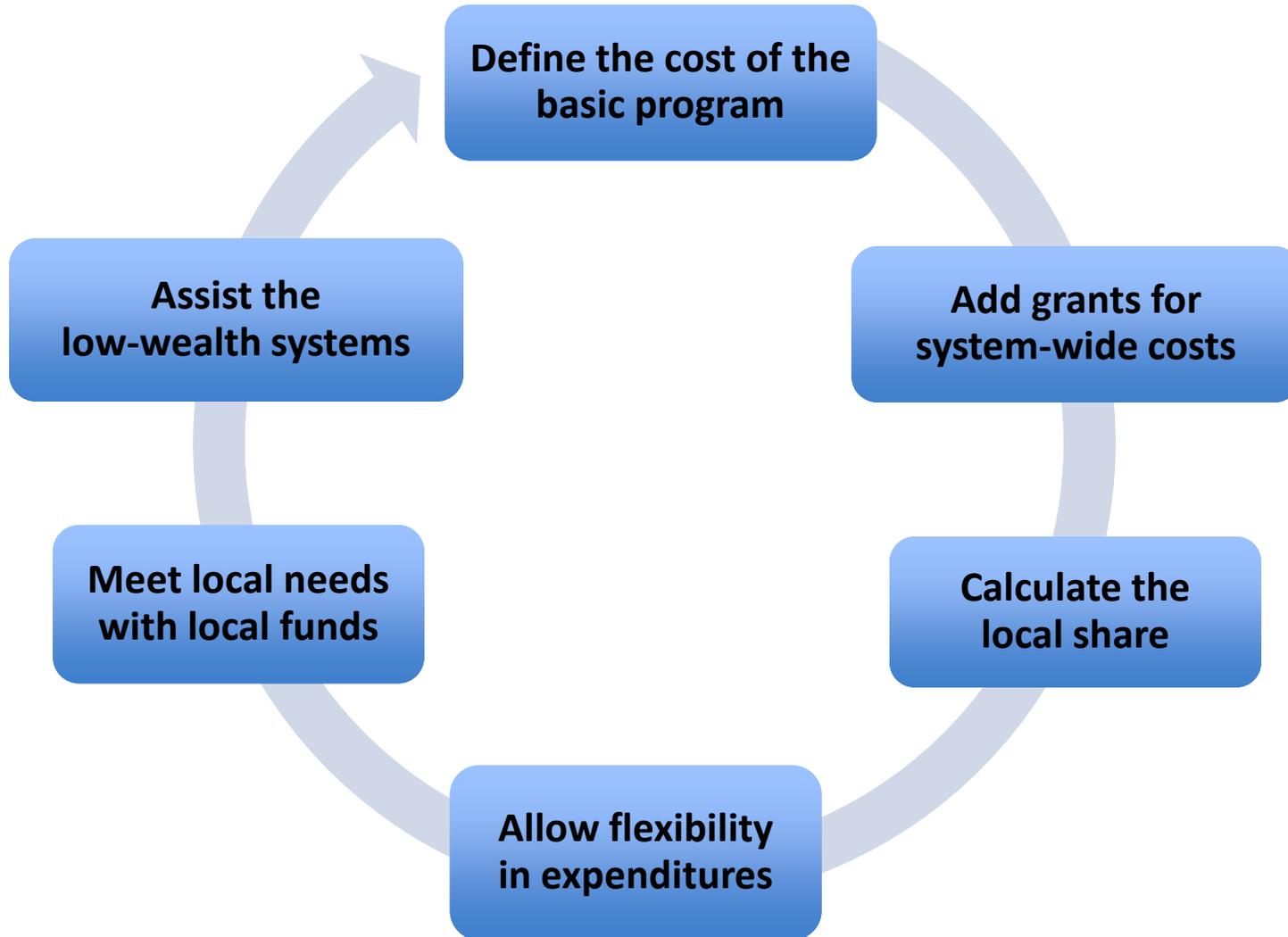
*Key Point: The **expenditure controls** should not go further than to ensure that all funds designated for direct instruction are spent on direct instruction.*

Exceeding the Foundation

5. Local systems would levy additional taxes to meet **local needs** beyond the foundation.
6. The State would provide **grants** to enable each system to add services as though it had a taxable wealth at the statewide average.

*Key Point: The **benchmark** should not be set at “the equalized property-tax base per weighted student” for the system at the 75th percentile.*

A Possible Model



Supplemental Programs

1. The **Early Intervention Program** should be offered to all students in grades K-5 who
 - meet the **current criteria** for eligibility, or
 - have not met grade-level expectations for **two consecutive** years and are eligible for free or reduced-price meals.

Key Points:

- *EIP should provide the extra help a student needs to perform at grade level on a **sustained** basis.*
- *The rules for the various delivery methods should be **revenue-neutral** so that the choice is based on student needs.*

2. The **Remedial Education Program** should serve all of the students in grades 6-12 who need extra help in the basic skills

without an arbitrary ceiling on the number of eligible students.

Now limited to 25% of the students at a school or 35% at a school if half of the students are eligible for free or reduced-price meals.

3. The **Alternative Education Program** should serve all of the students in grades 6-12 who
- have been identified as being disruptive, or
 - need a non-traditional approach to graduate from high school.

without an arbitrary ceiling on the number of eligible students.

Now set at 2.5% of the students in grades 6-12.

An Illustration

<u>Line</u>	<u>Program</u>	<u>Students</u>	<u>per Teacher</u>	<u>Teachers</u>	<u>Cost/Teacher</u>	<u>Proposed</u>	<u>Current</u>	<u>Difference</u>	
1	Kindergarten	113,924	15.00	7,595	\$43,689	\$ 331,818,384			
2	EIP- Kindergarten	12,928	11.00	1,175	43,689	51,347,007			
3	Primary Grades	332,132	17.00	19,537	43,689	853,568,299			
4	EIP - Primary	28,140	11.00	2,558	43,689	111,765,531			
5	Upper Elementary	209,932	23.00	9,127	43,689	398,774,414			
6	EIP - Upper Elem.	19,929	11.00	1,812	43,689	79,153,350			
7	Middle Grades	16,720	23.00	727	43,689	31,760,323			
8	Middle School	296,879	20.00	14,844	43,689	648,523,863			
9	High School	329,254	23.00	14,315	43,689	625,431,429			
10	Vocational Lab	70,701	20.00	3,535	43,689	154,444,355			
11	Spec. Ed. I	17,566	8.00	2,196	43,689	95,931,088			
12	Spec. Ed. II	9,589	6.50	1,475	43,689	64,452,006			
13	Spec. Ed. III	49,589	5.00	9,918	43,689	433,303,128			
14	Spec. Ed. IV	8,489	3.00	2,830	43,689	123,626,552			
15	Spec. Ed. V	11,444	8.00	1,431	43,689	62,497,744			
16	Gifted	73,247	12.00	6,104	43,689	266,676,701			
17	Remedial Ed.	17,390	15.00	1,159	43,689	50,650,624			
18	Alternative Ed.	18,793	15.00	1,253	43,689	54,737,043			
19	ESOL	14,335	7.00	2,048	43,689	89,469,732			
20	Salaries & Benefits	1,650,981		103,639		\$ 4,527,931,574	4,527,931,969	(395)	
21	Paraprofessionals	At 1 position per 18 students in kindergarten					102,630,879	102,630,879	-
22	Subject Specialists	At 1 position per 345 students in grades 1-5					114,448,620	114,448,620	-
23	Counselors	At 1 position per 462 students in 1-5, 624 in 6-8, & 400 in 9-					141,165,855	141,165,855	-
24	Tech. Specialists	At 1 position per 1,100 students in grades K-12					65,345,828	65,345,828	-
25	Media Specialists	According to current allocation formula					124,582,319	124,582,319	-
26	Extended Instruction	Based on 20 of instruction for 10% of students					42,409,840	42,409,840	-
27	Salaries & Benefits					\$ 5,118,514,915	5,118,515,310	(395)	
28	Adjustment for Training & Experience		(equal to	48.90987%	of base cost)	2,453,262,330	2,453,262,523	(193)	
29	Total Salaries & Benefits					\$ 7,571,777,245	7,571,777,833	(588)	

					<u>Proposed</u>	<u>Current</u>	<u>Difference</u>
29	Total Salaries & Benefits				\$ 7,571,777,245	7,571,777,833	(588)
30	Staff Development	1.5%	of earned base salaries of	\$ 3,569,447,561	53,541,713	39,668,188	13,873,525
31	Instructional Support	75%	of est. exp. in FY 10 of	330,196,200	247,647,150	172,191,960	75,455,190
32	School Administration	7%	of total teacher costs of	7,571,777,245	530,024,407	411,563,707	118,460,700
33	General Administration	3%	of total teacher costs of	7,571,777,245	227,153,317	232,407,266	(5,253,949)
34	Facility Maintenance	60%	of actual exp. in FY 10 of	1,116,838,088	670,102,853	491,992,353	178,110,500
35	Spec. Ed. Itinerant & Speech		As shown in FY 11		6,488,339	6,488,339	-
36	Transportation	60%	of actual exp. in FY 10 of	645,464,823	387,278,894	133,083,261	254,195,633
37	Nursing Services	75%	of est. exp. in FY 10 of	50,000,000	37,500,000	26,399,520	11,100,480
38	Sparsity Grants & Migrant Ed.		Estimated		6,000,000	2,863,975	3,136,025
39	Hold Harmless & Charter Systems		As shown in FY 11		-	27,038,093	(27,038,093)
40	Total Formula Amount				<u>\$ 9,737,513,918</u>	<u>9,115,474,495</u>	<u>622,039,423</u>
41	Local Share	Based on	20% of the total formula amount		<u>(1,947,502,784)</u>	<u>(1,697,504,713)</u>	<u>(249,998,071)</u>
42	State Share				\$ 7,790,011,135	7,417,969,782	372,041,353
43	Equalization Grants	Based on an estimate for FY 11 of		600,000,000	<u>600,000,000</u>	<u>437,133,725</u>	<u>162,866,275</u>
44	Total State Funds				\$ 8,390,011,135	7,855,103,507	534,907,628
45	Less State Charter Commission		As shown in FY 11			(514,173)	514,173
46	Less Net Austerity Cut	Reduced by ARRA funds in FY 11 of		126,169,796	<u>-</u>	<u>(963,351,900)</u>	<u>963,351,900</u>
47	Adjusted State Funds				\$ 8,390,011,135	6,891,237,434	1,498,773,701

- This is the **entire formula!**
- No base school and system sizes
- No Program Weights
- No Salary and Operations Detail
- No ranking of systems by wealth

Examples of the Model

Two aspects of the printed tables:

- Example A: The **indicated criteria** produce a formula that costs \$1.5 billion more than the current appropriation.
- Example B: The formula can be adjusted to equal the current appropriation by **increasing class sizes** by an average of 28%.

Conclusion

- This example provides a “**foundation**” of financial support for the basic instructional program needed by every student.
- The basic program would be available to **every student** without regard to the fiscal capacity or political will of the local system.

- The local share of the foundation would require the **same tax effort** in each system.
- Local systems would raise their own funds to meet **local expectations** in excess of the basic program.

- The proposed formula won't work if the components are not estimated **realistically**.
- There would still have to be a balanced **evaluation of the educational outcomes** in every school.

Wrap-Up

- Yes, it's possible to design a **simple formula** that is not simplistic.
- Appropriate **adjustments** can be made for
 - the varying needs of each student, and
 - the wide fiscal disparities among local systems.
- The formula can be **transparent**, even when state funding is being reduced.