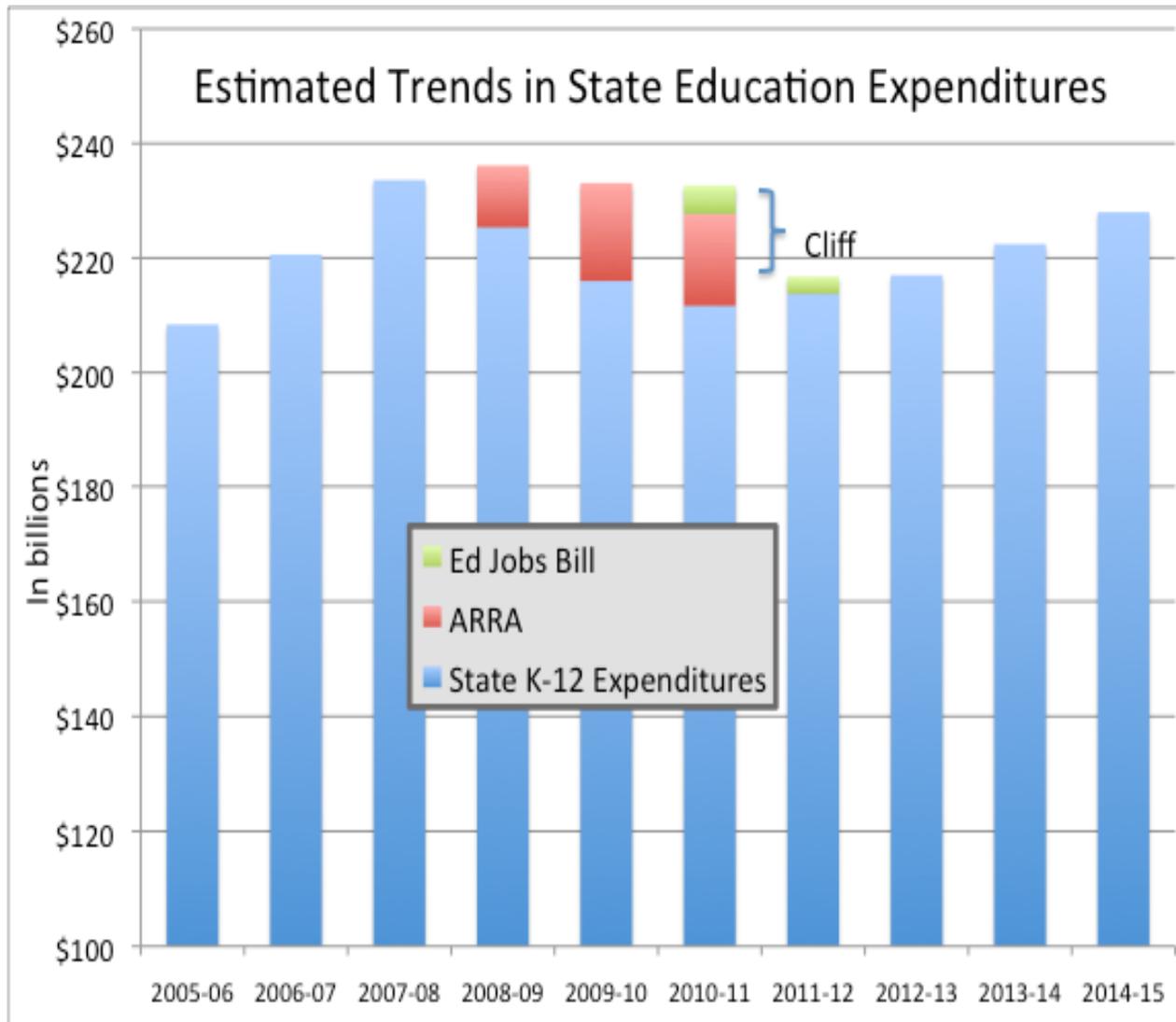

Financing schools for a more productive future

Marguerite Roza

The context:

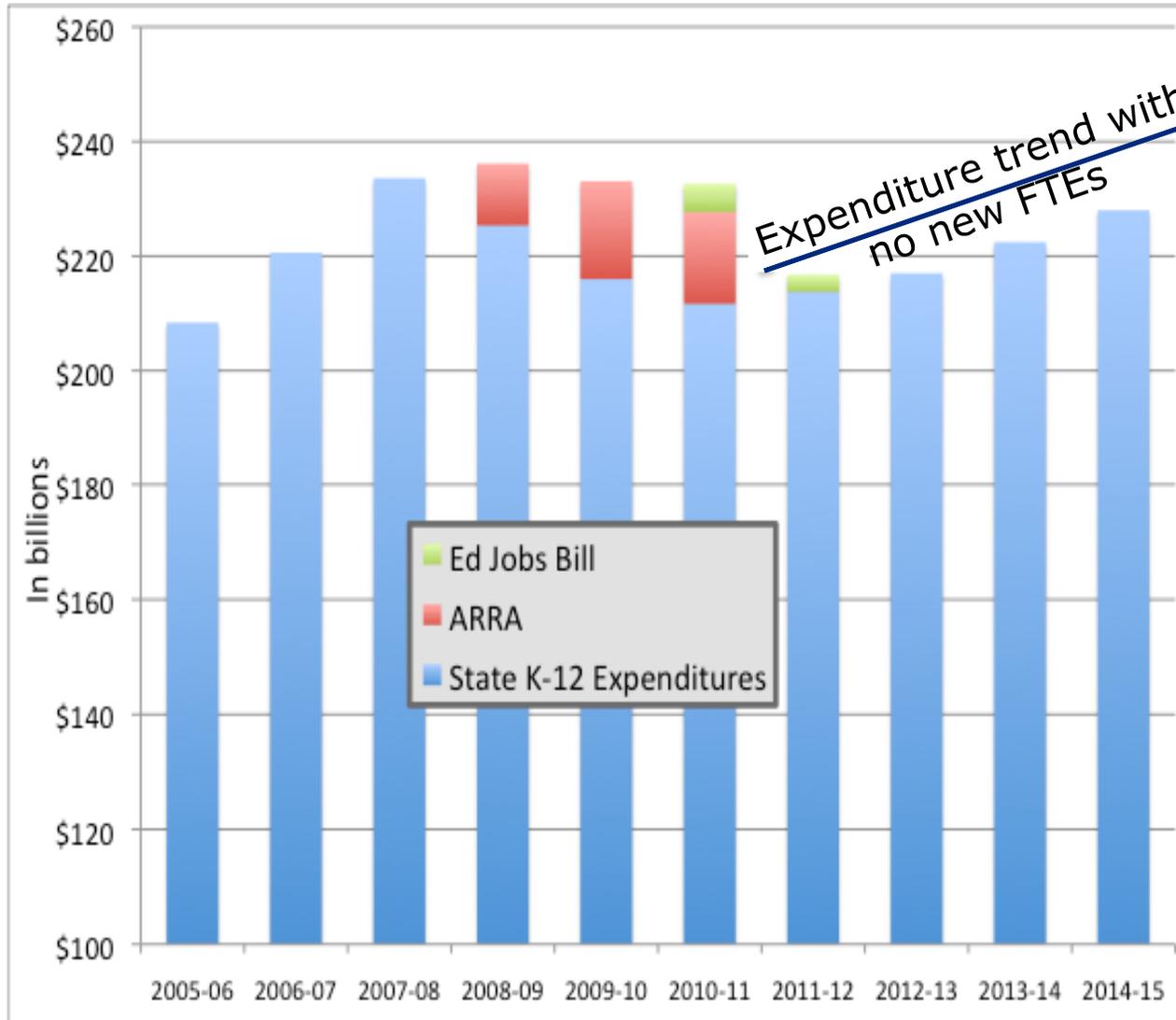
1. Constrained revenues that will struggle to keep pace with traditional cost escalators
2. Current resource allocation practices works drive resources in ways that conflict with goals
3. Rapidly changing schooling processes that enable dramatically different approaches to serving students.

What's happening to revenues?



- State funds: Many states continue to see shortfalls through 2011-12 with slower growth in following years.
- In some states (e.g. WA) local funds will increase; in others, local funds will drop (e.g. NJ).
- Federal: ARRA expires 2010-11. Jobs bill will have some spill over to 2011-12.

Built-in cost escalators drive up costs creating gaps



- Salaries rise 3.16% with step/column changes even without COLAs

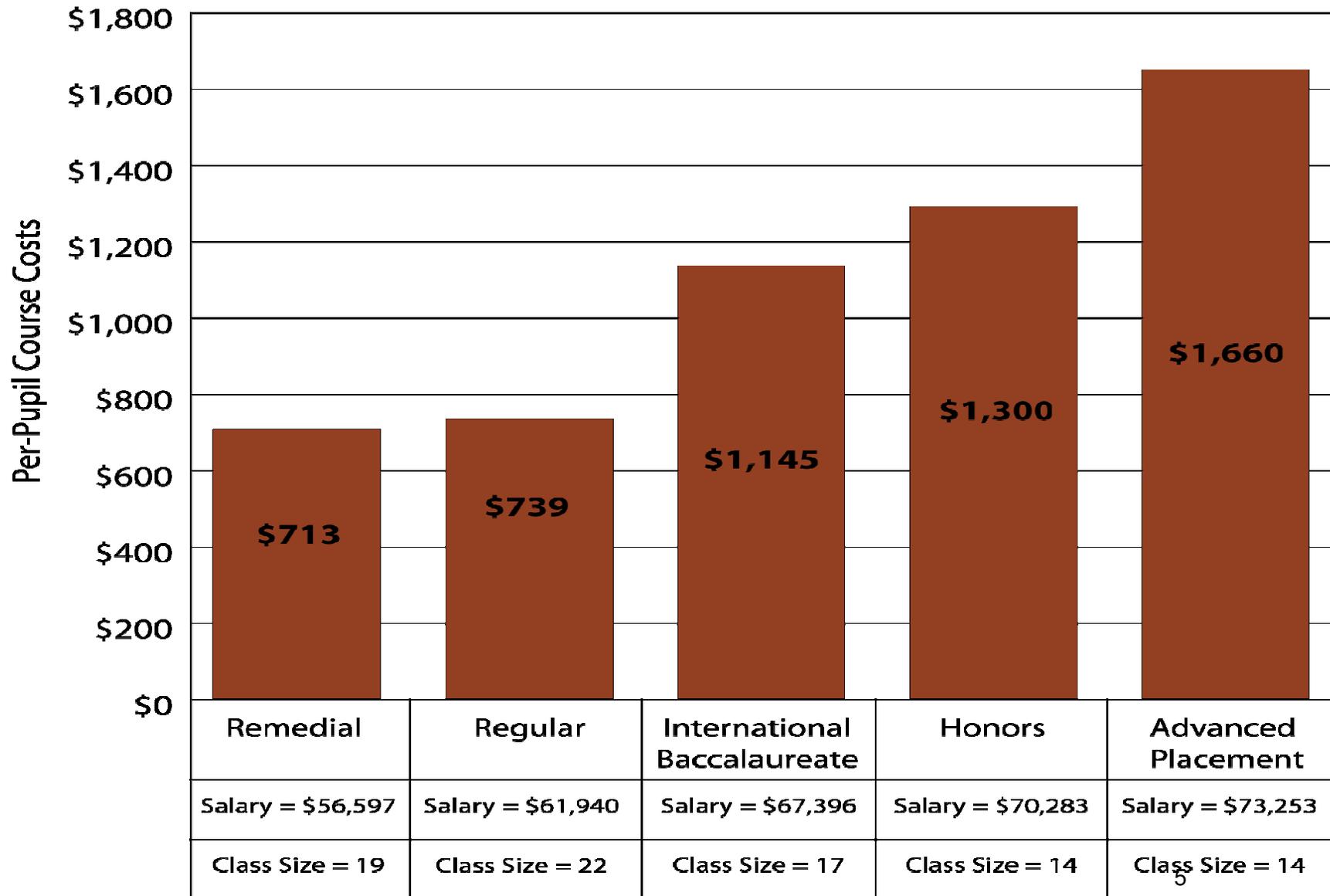
- Attrition is now very low (<3%) bringing few savings

- Benefits costs rising 6% or more per year.

=> Flat (or less steep) revenue increases still leave gaps

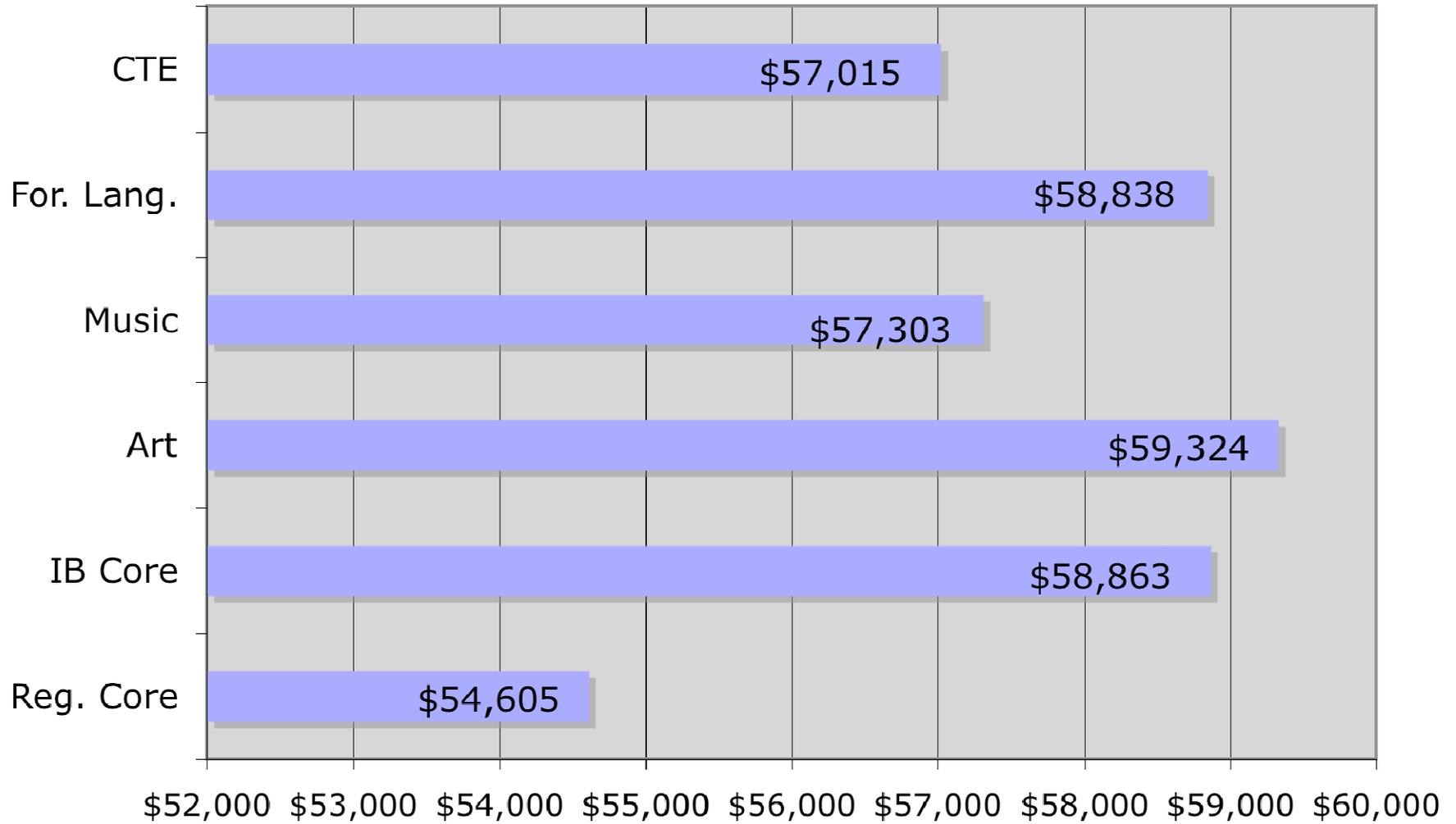
Inside high schools, allocations reinforce achievement gaps

Advanced courses come at a higher price tag for the district



Source: CRPE analysis of 2008 data from an east coast urban district

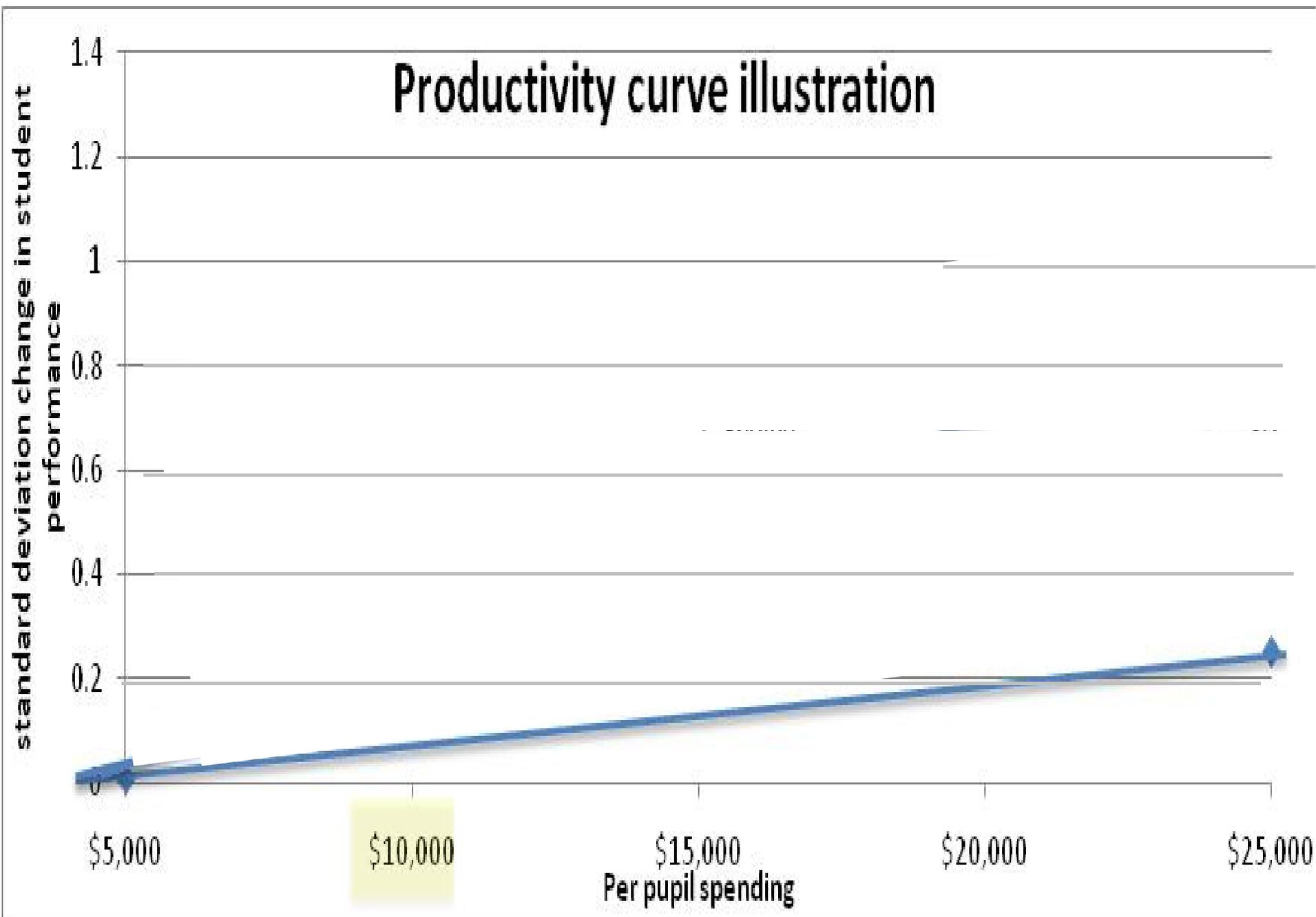
Average salaries among courses



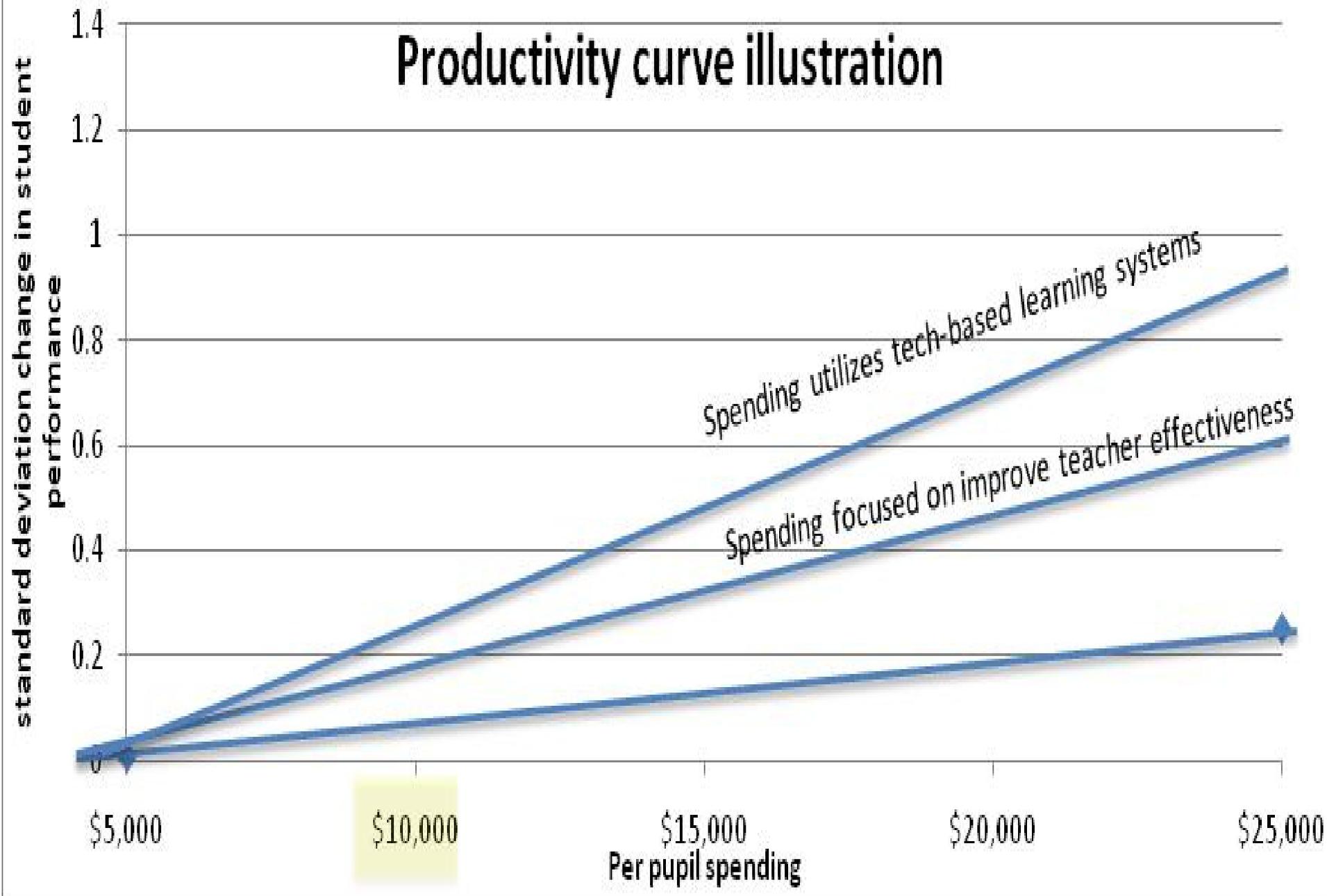
Education processes are changing

- Mass customization
- Technology based learning
- Information systems that inform teaching, learning, effectiveness
- New tools to improve instruction
- Expanded access to learning

Productivity curve illustration



Productivity curve illustration



What does this mean for states...

Allocations must fund a system that:

- Enables resources to be used differently
- Finances reforms without mass infusion of new dollars
- Foster new schooling processes, enable portability of funds
- Is more nimble, adopting best options for schooling processes as they emerge
- Concentrates resources on lower performing students.

Seven design features:

1. Fund students, and student types

- Funding students means not funding programs, services, schooling inputs, staffing, etc.
- Student types might include: poverty, disability, proficiency in English, etc.

2. Funds must be portable

- following students to whatever school/program they attend

3. Funding formula must ensure equity and create stability in revenues

- Formula co-dependent on property tax equalization
- Local funds more stable
- Taxpayers more willing to approve local revenues for schools over long haul

Seven design features:

4. Remove barriers/ process constraints

- Eliminate class size requirements, pay schedules, requirements for master's pay, staffing expectations, delivery models, time requirements, etc.
- The system must be able to move people and money to innovate and improve

5. Augment accountability

- Standards for outcomes
- Include the means for the state to move money to best alternatives (either defined by school or program).
- Student choice

Seven design features:

6. State provides transparency and tools

- Clarity on outcomes needed for accountability
- State provides access to top notch info. Systems including information about best use of resources
- Additional informational tools can be operated at the state.

7. Ensure variation and options, incent innovation

- Fund innovation (especially for productivity), e.g. through challenge grants
- Ensure schooling (or program options) in low performing areas