**Massachusetts Department of Elementary and Secondary Education**

**Guidance for School Districts on School Budget Autonomy**

**January 2015**

**Introduction**

***Why autonomy matters***

As districts embrace new strategies to better meet the specific needs of the students they serve, they have also begun to experiment with increased school-level flexibility. Innovation schools provide one venue for increasing autonomy for schools. Innovation schools are in-district, semi-autonomous schools that have access to 6 areas of autonomy. They can use these autonomies to implement innovative strategies to strengthen student achievement, including the flexibility to use financial, staffing, curricular, professional development, and scheduling resources in the ways they deem most appropriate for serving their students.

Though in theory these autonomies should afford schools considerable new freedoms, in practice, many innovation schools are often unable to exercise these autonomies because districts and schools lack clarity about what each autonomy looks like in practice. Furthermore, they do not always have the necessary strategies and structures in place to implement the requested autonomies successfully.

While all the autonomies available to innovation schools play an important part in their success, this paper focuses on one autonomy in particular, budget autonomy. This paper seeks to provide district and school leaders with the information necessary to develop the structures needed for in-district autonomous schools to implement budget autonomy. This paper is intended to foster collaboration and cooperation amongst all in-district autonomous stakeholders. Each school district and school is different. The information contained in this paper is not meant as a prescription, rather, it is meant to be used as a tool to assist district and school leaders communicate about, and set clear expectations regarding budget autonomy and its implementation.

***Methodology***

The Massachusetts Department of Elementary and Secondary Education (Department), in collaboration with the Executive Office of Education (EOE) issued an RFQ and contracted with an independent organization, the District Management Council (DMC), to conduct an innovation school analysis and develop this report. DMC identified the need to focus on budget autonomy by listening to the concerns of district leaders in districts with innovation schools and innovation school principals in seven mid-sized Gateway districts in Massachusetts. Many felt that budget autonomy was one of the most important levers for schools to implement their models, but also one of the most difficult to provide. To understand the best practices that could help unlock this autonomy, DMC spoke with 19 district leaders, school leaders, and national experts to learn from their experiences.

***Why budget autonomy matters***

Budgets are vital financial and communication tools that reflect resource allocation decisions. Budget autonomy is often necessary for innovation schools to exercise other approved autonomies. With the latitude to move funds, schools have the ability to implement changes in staffing, curriculum, professional development, and other key levers for implementing their differentiated strategies for increasing student achievement. For example, a school that has the ability to purchase textbooks aligned to it educational model, increase the number of instructional coaches, or purchase professional development aligned to the school’s mission and vision may be able to realize the school’s instructional goals.

This paper defines the three main areas of budget autonomy that an in-district, autonomous school may exercise, and identifies how districts and schools can overcome the most common challenges to providing these autonomies.

***Defining budget autonomy***

Resource allocation or reallocation is often a critical component of school redesign efforts. Expanding budget autonomy to schools requires school districts and central office administration to permit the schools themselves to make decisions as to how to spend components of the budget, letting school-based personnel direct the resources and take actions that are tailored to the school-based learning environments. While there are many different components to budgeting, the three largest areas that an autonomous school may have control over are:

1. School-based budget
2. Central based services
3. Centrally managed grants

These components are defined as follows:

***School-based budget***

This accounts for all the funds allocated directly to the school, such as general education staff, special education staff (if not centrally based), administrators, clerical support, PD, material, supplies, etc. The size of this budget may be calculated using one of the following two methodologies, or in combination:

1. FTE allocation plus use-specific funding: Under this model, schools receive a budgeted amount of dollars for a given number of employees, (known as full-time equivalents, or FTEs) based on some set of staffing formulas. Non-personnel costs are distributed through relevant use-specific funds (e.g., a set amount for course materials, printing, etc.). Budgets may be based on the current number of FTEs at the school and adjusted for changes in enrollment yearly, or may be built using a “zero-sum” model, in which the budget is built from the ground up every year, typically influenced by total enrollment.
2. Per-pupil allocation: This funding system allocates dollars on a per-pupil basis, with schools receiving a pre-determined amount for each student at the school as a means of covering the basic costs associated with educating that student. One common type of per-pupil budget is weighted student funding. In weighted student funding, per-pupil allocations are weighted based on student need. Typically, English Language Learners, students receiving free and reduced-price lunch, and students with disabilities “bring” additional dollars to cover the additional costs typically associated with their educational needs. As a result, two schools with equal enrollment may have different budgets, if one school has more ELL students than the other.

***Central-based services***

This accounts for the cost of central office services, staff, or programs provided in schools but managed at the district level. While there are many types of central-based services, there are three services that autonomous schools most often request autonomy over:

1. Textbooks and curriculum materials:Schools may receive funds in place of materials that the district purchases for all schools. For example, schools may receive funds in place of textbooks in order to purchase their own curricular material if the district purchases textbooks for a grade level served by the school. The school may not have the autonomy to receive funds if the district does not buy textbooks or curriculum materials in a given year.
2. Professional development:Schools may receive funds in place of professional development (PD) services provided by the central office. Central offices provide PD in a number of ways, such as (1) funding participation in specific courses or workshops, (2) funding outside providers, and (3) providing the expertise of central office leaders.

It is more practical to provide PD budget autonomy based on “variable” costs—costs that vary depending on the number of schools or teachers participating—because it may be very difficult to provide autonomy over “fixed” costs—costs that do not vary depending on the number of participants. For example, a district may offer to send staff to a professional development event out of district for a specific fee per participant; an autonomous school could receive the funds that the district would have spent sending someone to the event instead of attending. However, if a district is hosting a district-wide professional development event and the cost does not vary based on the number of participants, the school may not receive funds instead of sending staff to the event. The school may still attend the event. [[1]](#footnote-1)

1. Services provided directly by central-based staff: Schools might receive funds in place of services provided by discrete central-based staff, such as a centrally funded instructional coach who worked 2.5 days a week in each school. It is very difficult to provide budget autonomy for staff that are widely spread across the district, and who spend only a small portion of their time in a given school, such as a math director. If an instructional coach is assigned to a school full-time, the funds for that FTE may be devolved to the school. In contrast, a school may not easily receive funds equal to the few hours a week the district math director spends at the school. As is the case with some PD, when the autonomous school chooses not to participate, the district may not have any funds freed up to give to the school. The district still has one PD event and one math director.[[2]](#footnote-2)

***Centrally managed grants***

This accounts for grant funds historically managed by central office but used to provide services and staff to schools. A school may receive a portion of these funds based on the school’s enrollment (or relevant enrollment), and may direct the use of funds subject to the broad expectations of the grant, or may direct the staff funded by these grants. This autonomy most commonly applies to three grants:

1. Title I: These funds are specifically designated for schools with a large population of high-poverty students. Schools may determine how their share of these funds will be spent. This does not include broadly shared costs (e.g., a percent of the Title I administrator’s time). This is often a very large lever for budget autonomy.
2. Title IIa: These funds, provided through the Elementary and Secondary Education Act (ESEA), provide resources for principal and teacher training and professional development. See “professional development” above for additional detail on the types of professional development provided by Title IIa that can be devolved to schools.
3. IDEA: These funds are designated for serving students with special education needs through the Individuals with Disabilities Education Act. This relates primarily to providing schools with autonomy over how special education services are provided in their buildings.

***Potential challenges and possible solutions to implementation***

As district and school leaders begin to implement budget autonomy, there are many good lessons to be learned. Below are three sets of potential challenges and possible solutions to implementing budget autonomy.

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**Potential Challenge #1: district and school leaders may not have a common understanding of what budget autonomy means in practice**

A school’s budget permeates every aspect of its operations, creating considerable gray area as to where budgeting autonomy stops and other autonomies begin. Consequently, districts and schools can agree on the theoretical principles of budget autonomy but may lack a common understanding on its day-to-day implementation.

Districts and schools may also lack a common understanding on which existing funds a school with budget autonomy can control. For example, an innovation school or academy may decide to request a portion of central-based Title I funds, however the district may not be clear on whether these funds can be allocated to schools, and if so, how much. This lack of common understanding may lead the innovation school or academy to instead ask their central offices for funding for materials and services on an ad hoc basis, rather than receiving funds through a clearly articulated methodology.

**Possible Solution #1: establish a shared definition of budget autonomy**

***Negotiate common expectations***

Districts and schools should agree on what budget autonomy means and what specific autonomies the school will have. (The definition of budget autonomy provided above can be used as a starting place.) Three strategies can help districts and schools come to agreement:

1. Districts should frame the theoretical purpose of budget autonomy for schools: A strong theoretical foundation as to the purpose of budget autonomy can help district and school leaders better understand how and why this freedom can be used.
2. Provide concrete examples of what budget autonomy does—and does not—include: Tangible explanations of what budget autonomy will include and, just as important, what it will exclude can provide a reference point for innovation schools and academies receiving this autonomy. The format can take several forms, including but not limited to a bulleted list, a narrative of a sample budget, or an FAQ document. Such artifacts assist district officials with communicating to stakeholders what to expect as autonomy is implemented. Innovation schools and academies may also find that creating school based FAQs may assist their central office with day-to-day operations.
3. District staff should codify the definition of budget autonomy into a written reference for all stakeholders: The theoretical purpose of budget autonomy, its official definition, and concrete examples of what it does and does not include should all be compiled into a single reference document. This document can be easily shared with any individual who becomes involved in the budget autonomy transition, ensuring that even central office staff and school leaders late to onboard and/or those only peripherally involved understand the shared vision of this autonomy. Such a reference document can also provide an anchor for school and district leaders to refer back to as time passes, ensuring that new gray areas are handled fairly and consistently. *Existing innovation schools and academies may find it helpful to amend their innovation plans to clarify with district leaders what budget autonomy means for their schools.*

***Determine which central-based services will be devolved***

To provide autonomy over central-based services to in-district autonomous schools, districts may first find it helpful to determine what specific services can be devolved. Districts may ensure that the list of central-based services aligns to their theory of action by following two guiding principles:

1. Districts should determine which (if any) services may not be devolved to autonomous schools as they are perceived as required for school success: District leadership should be clear on the services that will not be devolved to autonomous schools and provide transparency regarding how those decisions were made.
2. The list of services devolved should fit the district’s vision for the autonomous school: The district’s vision and theory of action provide a foundation for defining the role of all schools and as such, districts may want to ensure that autonomy over central services aligns with this vision.

***Create systems to ensure that centrally managed grant requirements are******met***

Districts can roll out autonomy over centrally managed grants slowly and iteratively to ensure that money is carefully tracked and spent in alignment with the requirements of the grant; this may also help ensure that the autonomy is implemented smoothly. For many districts, Title I funds are the best place to start. Since most schools already receive Title I funds, they are likely comfortable managing the requirements for these funds. Once processes have been established around these funds, districts can build on those systems to decentralize control over other federal grants, such as Title IIa and IDEA.

In an effort to ensure that funds are used appropriately, districts may request that schools articulate the proposed use of grant funding, and review these proposals to ensure requirements for each grant are met. As noted above, Title I funds may be the best place to start, since funds for school-wide programs can be used for any effort that supports Title I’s purpose of improving the achievement of at-risk students.

 **Potential Challenge #2: There may not be clear methodologies for determining budgets for in-district autonomous schools**

Budget development usually involves a complex series of trade-offs, negotiations, and adjustments, rather than a formula driven process. Further, the institutional knowledge around budget appropriations may be dispersed among employees from several departments (decentralization), which may make it difficult determine the total amount of money an autonomous school should receive up-front.

**Possible Solution #2: Develop a clear and transparent methodology for developing budgets**

***Developing school based budgets***

While some districts with autonomous schools may not yet have a formula-driven process for determining school budgets, there are many others that have articulated clear methodologies in order to increase transparency around the process and to ensure schools are funded equitably. In particular, many districts have focused on establishing clear methodologies for calculating (1) school-based budgets, and (2) centrally-managed grants.

As described above, districts use two common methodologies for calculating school-based budgets: FTE-based allocations and/or per-pupil allocations. In many cases, districts have a system for establishing base budgets, but may not have yet clearly communicated it to schools.

Regardless of the school-based budget approach that is used, districts can calculate how much of a centrally managed grant should be allocated on a per-pupil or relevant per pupil basis. This can be done by taking the total amount of grant funds housed in central office, subtracting the costs for central office administrators who are funded by the grant, and dividing that amount by the total number of students to whom the grant applies. For example, a district may receive $5 million in Title I funds, $4 million of which is already devolved to schools. The remaining $1 million is housed centrally, and $100,000 goes to paying for central-based staff who oversees Title I administration. This leaves $900,000 that could potentially be devolved to schools. In a district with 5,000 at-risk students, the relevant per-pupil allocation would be $180 per student ($900,000 divided by 5,000). If an innovation school or academy has 200 at-risk students, the school or academy could receive 200 x $180, or $36,000. Principals and district leaders at existing innovation schools report that Title I funds are the most common funds dispersed using this method.

**Potential Challenge #3: Districts may not have systems and structures in place to ensure that granted budget autonomy is implemented**

It can be really difficult for districts to find the tools and resources to create these complex transparent fiscal systems. Further, Budget autonomy can create complications for existing central office standard operating procedures.

**Possible Solution #3: Establish structural systems to ensure that granted autonomy may be exercised once budgets are established**

***Adjust the timeline for budget decisions***

Districts can move up the timeline for determining what services a school will have autonomy over so that these decisions are made before the budget cycle begins. If a school asks for flexibility over a central-based service or grant, an earlier timeline may give districts sufficient time to plan accordingly. In some districts, autonomous schools meet with district leaders over the summer to determine what budget autonomies the school will receive two school years in advance.

***Create systems for disbursing centrally held funds to schools***

District officials with experience granting budget autonomy identified two approaches to determining how to provide agreed-upon funds to schools:

1. The opt-out approach: In this approach, a district may add to the school’s budget funds for the services and grants the school wants autonomy over. This requires the central office to calculate how much each service is worth only for the services that a school opts out of.
2. The buy-back approach: In this approach, a district may include funds for all the services and grants that can be devolved to a school in the school budget, and then give the school the option of “buying back” each service at the established per-pupil rate that the school does want the district to provide. In this case, the district may need to calculate the appropriate school allocation for every service and grant that a school can opt out of, even if the school chooses not to do so. This method increases the transparency around the budgeting process, as schools know how much they pay for each service they receive.

As mentioned above, the list of services the school will buy back should be determined in advance, so the district can plan for the upcoming budget cycle. This may be achieved through face-to-face conversations; or in some cases, district leaders send the list of potential services to autonomous schools with the relevant per-pupil rate, and simply ask school leaders to indicate which services they wish to “purchase” from the district.

***Concluding thoughts***

The decision to grant budget autonomy to schools brings a new set of opportunities and challenges. It demands detailed transparency and has the potential to provide increased financial flexibility and allow schools to more effectively respond to student needs as they arise. Translating the concept of enhanced budget autonomy into the day-to-day activities is still the road less traveled. All stakeholders may need to work together to build a common understanding of what budget autonomy means and how they will or will not use it to advance the mission and vision of districts and schools.

1. Please see the sub-section “Adjust timeline for budget decisions” as advanced planning may allow a school to receive a portion of “fixed” costs. [↑](#footnote-ref-1)
2. 2 Ibid. [↑](#footnote-ref-2)