PL: You've suggested that the predominant school funding model is inadequate in this era of achievement and accountability and that we need to expand our thinking about school funding. Can you provide us a baseline? What has the traditional model in most states been?

ODDEN: The traditional focus was on equity of school finance. And there were two pieces of that: number one, equity of access to local resources, and number two, equality of resources per pupil. Local revenues primarily were property taxes, and there was clear evidence that there were districts with a very high property tax base and districts with a very low property tax base. So at the same tax rate, the rich district would raise a lot more money locally than a poorer school district. That was clearly unfair in terms of the ability to raise local dollars for schools.

This unequal access to local revenues was linked to overall spending disparities. Even though a state's enacted equalization formula helped offset the disparities by sending...
higher amounts of state aid to poorer rather than to wealthier districts, substantial per-pupil spending differences remained across school districts. And those differences were correlated with the size of the local tax base, and that situation was viewed as unfair. Those inequities were the focus of school finance policies, school finance textbooks, and school finance discussions, pretty much up until the ’90s.

PL: So, then, how have the standards and testing movements influenced school funding?

ODDEN: In implementing standards-based education reform, with content standards, tests, and student performance levels linked to those tests, states were saying that they expected the education system to educate all kids up to at least a proficiency level of performance. In part as a result, school finance litigation, which had focused on just the equity, began to shift to what was called “adequacy,” arguing that while dramatic differences in dollars per pupil were still a problem, the bigger issue was whether or not school districts had adequate money to deploy programs to teach their kids to the proficiency levels of the state testing systems. And what analysis showed in many cases was that districts didn’t have an adequate amount of money. So school finance adequacy basically asks, Do all districts and do all schools have enough money—adequate resources—to teach their students to a proficiency standard?

PL: How are states responding to the question?

ODDEN: Just about all the legal challenges have shifted to make the adequacy argument. In most cases, plaintiffs are winning the adequacy argument in the courts. And states are responding by trying to determine how to define adequacy in programmatic, as well as financial, terms and then inject an appropriate or adequate amount of money for the system. Usually, an adequacy analysis concludes that the state needs to budget substantially more money for public schools. And while finding those revenues is difficult today, with a rather anemic national economy, the power of the adequacy argument, because it is linking performance to the finance system, is very, very strong.

The best example of this power is what happened in Maryland in 2002. A well done adequacy report was declared dead on arrival because it concluded that the state needed to spend another one or two billion dollars. The legislature initially claimed the money wasn’t there. But there was a backlash both in the legislature and among the public that no, the state had standards, that the state needed to put in the money to allow students to perform to those standards. As a result, the legislature finally enacted a bill that provided billions of new state dollars for public schools. So even in tough economic times, at least one state responded positively to the adequacy rationale for money for public schools. And the adequacy issue is on state agendas all over the country.

PL: Where are principals’ voices in these discussions of school funding? Is there an advocacy role for the principal at state and district levels for adequate school funding?

ODDEN: I would say yes, at three different levels. One, there are four strategies that have been used, methodologies that have been used, to identify what school finance adequacy would be. One of them is called a “professional judgment panel,” where professionals—leading professional educators in every state includes principals—describe the kinds of education programs that would be needed in different kinds of schools, and then those ingredients and programs are priced out, and an adequacy dollar amount is determined. So in many states, principals have been key members of the professional judgment panels helping states define what adequacy is.

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Once adequate money is provided to the school site, principals have two additional roles. One is to identify the most-effective educational strategies to produce the desired result, and the second is to deploy the school’s resources to those strategies. Sometimes the latter requires resource reallocation. In other words, principals lead the unit in the education system that has the prime responsibility for using adequate dollars in ways that produce students who learn to high proficiency levels on state tests. So principals are crucial to school finance adequacy.

Principal will need skills to match dollars and resources with needed educational programs. Doing this effectively will require a new kind of principal leadership and a new kind of analytical skill. Principals will not be able to go open school in September and assume that what was done last year was effective and just deploy incremental resources.
to new uses. The principal's role in this adequacy challenge is to take a brand new look at the school and restructure all of its strategies to those strategies that are the most effective. And in many cases, that will entail both substantial program restructuring and resource reallocation.

**PL:** This all presumes a lot more budget authority than many principals have. Is the budget authority you describe a necessary condition for standards-based reform?

**ODDEN:** At our CPRE [Consortium for Policy Research in Education] research center, we've studied principals in different kinds of school districts all over the country who want to restructure their schools programmatically. But when they do not have budget authority, they are very much limited in the kinds of program restructuring they can implement because they cannot eliminate ineffective programs and use those dollars for more-effective programs. So if one assumes, which I do, that teaching students to high standards will require a considerable amount of programmatic restructuring, that will only happen if principals have some substantial discretion over the resources in their schools so they can fund a program restructuring effort.

Yes, principals will need to know what the more-effective programs are. That is a precondition for engaging in program restructuring. But if they know what more-effective programs they need but cannot reallocate their site dollars, that is if they do not have the fiscal discretion, they will not be able to engage in either the restructuring or the resource reallocation activities that are needed. So both standards-based education reform and school finance adequacy require districts to give principals some substantial authority over how the resources at their schools can be used.

**PL:** There has been some research done on the effects of school-based budgeting. And today's primary litmus test, of course, is student achievement, typically judged by student performance on standardized tests. Is the research conclusive? Does school-based budgeting work more often than not in an increase in student achievement?

**ODDEN:** We have a funny record in the U.S. because most of the research is on programs that have the label of “school-based budgeting.” But when probed, such labels overstate actual change or actual new authority. So a lot of what we've called school-based budgeting is really not much of a change. And those programs do not have an effect.

A second problem in knowing whether school-based budgeting works is that very few of these programs are evaluated. Sometimes places try big changes and don't evaluate them, so we don't know what the effect is.

The third complicating issue in knowing whether school-based budgeting works is that in many of the places that today have substantial school-based budgeting, also have implemented many other system changes. For example, Cincinnati, Broward County, Seattle, Memphis, and Houston all moved to a school-based budgeting system, but they also had new testing systems, school-based management, new standards, schools adopting various comprehensive school reform, and new accountability systems. And since the schools implemented all the changes simultaneously, it is almost impossible to identify the particular effect of school-based budgeting. In most of those districts, performance has improved, but the achievement rise is a result of all the changes combined. School-based budgeting is there, but only one of several major systemic changes.

**PL:** Do we have reason to think that at least our best examples of school-based budgeting programs have been successful? What models or contexts merit the most attention?

**ODDEN:** We know that one strategy for improving schools is more school-level authority in an accountability context. And I think that can be successfully designed and implemented. But another strategy is more centrally driven, which is the strategy being pursued by San Diego and Los Angeles. The central office realizes that many of their extant programs in the schools are not that effective, and the school restructuring and resource reallocation process is orchestrated by the central office. So, for example, there's a more common reading program. There's a more common mathematics program. Rather than pull out remedial programs, there's more one-to-one tutoring. In sum, the process of programmatic restructuring to improve performance can be accomplished through a decentralized strategy and it can be accomplished through a more centralized strategy. And I would say the jury is out as to whether either one of them is inherently better. We have success stories associated with both strategies.

**PL:** What have principals' experiences been with these various models of school-based management?

**ODDEN:** My take on principals' experiences is they really love it. It does require more work, but that potential negative is overcome by the high positive of having more decision-making authority. I'll give a couple of foreign examples because I've conducted considerable research in schools in England and Victoria, Australia. These schools were provided real budget authority. And we studied schools with direct interviews. We interviewed principals, and they would give many, many examples of new resource deployment—from developing new literacy programs to hiring tutors to providing more training and literacy in mathematics, sometimes to fixing up their buildings. They would go on and on about changes that they were able to make. Before they had that freedom, they would have to ask for permission, and usually they would not get the permission. True, they also said they worked harder. But the support for
the new responsibilities under school-based management and budgeting was something like in the high 90%. So one can conclude that if principals receive real budget and management authority, they will strongly support the change.

**PL:** Can you identify the particular skills or prerequisites of principals who are most successful with using funds and reallocating resources in their schools?

**ODDEN:** The schools that succeeded the best were characterized by two things: Number one, the principals had a really good understanding of effective educational strategies, that is, had notions, educationally, about what they wanted to do and where they wanted to put the resources that they now controlled. That was really important.

Two, we found that the most successful principals didn’t engage in this program restructuring and resource reallocation alone. They did it with a set of empowered teacher leaders. We have studied some principals that tried to do everything alone. And they started working 80 hours a week, and they basically said they were going to burn out or die.

But the smarter ones concluded, “OK. Now I’m like a CEO. I cannot do everything. I need to move teachers into leadership roles and empower teachers to engage in instructional leadership.” So they had a lot more leadership in the school working on the details of program restructuring and resource reallocation. And those were the most successful principals.

**PL:** What, if any, conditions do districts put on the schools for those funds to trickle down to the school without a specific allocation? Was a comprehensive needs analysis required of the principal?

**ODDEN:** No. And I don’t think I’d recommend that.

Training in program budgeting would help. More training in effective educational strategies would be good. Training in the change process would help. Setting school-based budgeting in an accountability system is needed. But not preconditions or a district-required “needs” analysis. Set achievement goals, provide budget authority, seed with ideas on effective educational strategies, invest heavily in professional development, and hold schools accountable for the results. That is what will make this work.

**PL:** Once the money has gone down to the school site level, are there essential supports that a district has to put into place that a principal can fall back on?

**ODDEN:** I would say yes. Schools need to be able to recruit and retain staff so that they, and not the central office, select staff to work in the school. You know that means schools will need to follow due process and tenure requirements and be subject to all the personnel constraints that are part of the system. But personnel recruiting and hiring decisions should be decentralized to the school site.

Second, schools need much information. They need access to their budget information in some kind of an online, interactive, menu-driven system. They need to decentralize the check-writing processes should be automated. That’s what the private sector does when they decentralize.

Third, sites need information about students so they can analyze student performance to determine what they’re doing well and where they need to focus new energy and resources. Sites also need access to best practices. What are evidence-based strategies that work? So the more the central office or the state department of education can have online descriptions of evidence-based practices and the more that information and knowledge is made available (through technologies and the Internet) to the schools, the better-equipped principals will be able to make good decisions.

And finally, there needs to be some accountability—a mandate to produce results—so that budget discretion is provided to improve the schools, not just because it’s “cool” and makes schools more democratic. An accountability system can be an incentive if schools improve results, or some kind of assistance if the school is struggling—or a takeover if the school is consistently going backwards. **PL**

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