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Aligning Resources to Improve Student Achievement: San Diego City Schools (B)

SDCS pursued a two-pronged approach in response to the impending budget crisis. The district identified cost-saving measures and began to dramatically decentralize its internal resource allocation processes in order to increase school sites' discretion over their SY05 unrestricted and restricted budgets. The combined actions allowed the district to project a positive \$39.7 million ending balance for the general fund on March 2, 2004 (see **Exhibit 1** for updated SDCS SY04 and SY05 budget projections).

Implementing Site-based Budgeting

Unrestricted Funds

On January 9, 2004, SDCS instructed principals to propose reductions to their SY05 school unrestricted allocations, which primarily consisted of certificated and classified positions and general supply budgets. The mandated reductions were 2% to 3% for elementary schools and 7% for secondary schools. These reductions would generate about \$20 million in savings (approximately \$56,000 in each elementary school, \$270,000 in a middle school, and \$417,000 in a high school)¹ in order to help close the projected \$98 million unrestricted fund deficit.

Pending board approval, principals had until January 24 to develop their SY05 budgets incorporating the mandatory site-based reductions. District officials encouraged principals to collaborate with site governance teams, full staff, parents, and other stakeholders and required that a principal's instructional leader approve the budget.

¹David E. Graham, "S.D. schools face budget reductions; Trustees order cuts totaling \$21 million," *The San Diego Union-Tribune*, January 14, 2004.

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Bersin and other senior officials articulated the rationale for allowing school leaders to propose their own cuts instead of central office administrators: "At a time when funding is more scarce than ever, it is imperative that resources are deployed in the most effective manner possible to support instructional objectives, and principals, in collaboration with their school communities, are best equipped to make such decisions at the site level."²

For the first time, unrestricted budgets included formula-driven certificated and classified staff allocations expressed in full-time equivalents (FTEs) and in dollar equivalents based on average salary and benefit costs. Classroom teachers and *Blueprint* positions (e.g., peer coaches) could not be reduced or eliminated. However, principals gained the flexibility to reconfigure their front-office and nonteaching staff. Following the principals' meeting, district staff proposed the site-based budget-reduction process for unrestricted funds to the board of education (the board). Four days later, the board voted 3–2 to implement the new budgeting process. On March 2, the board voted 3–2 to approve the principals' proposed \$22 million in reductions to their schools' unrestricted budgets.

Restricted Funds

On February 20, 2004, Chief Academic Officer Mary Hopper sent a memo to the board outlining a new mechanism to allocate restricted resources for instructional improvement strategies to school sites in SY05 known as the Core Instructional Improvement Allocation (CIIA). The CIIA effectively replaced the *Blueprint* allocation that schools had received from SY01 through SY04 to fund reform initiatives. In addition, Hopper informed the board that projected revenues for SY05 instructional improvement strategies totaled \$54 million, a 25% decline from the \$72 million SY04 *Blueprint* budget.

The February 20 memo presented the district's rationale for implementing the CIIA:

While the goal is to decentralize the allocation of instructional improvement strategies and to allow schools more choice, it is important to note that the overall goal remains to improve instruction in all schools and in all classrooms so that all students may be challenged by and engaged in increasingly higher levels of learning. To this end, schools will be provided with a conceptual instructional and support framework upon which to make their site-based budgeting decisions.

Under the CIIA, all schools received two categories of resources:

1. Centrally provided resources (e.g., instructional leaders, curriculum support, math- and literacy-block classes, etc.)
2. A baseline instructional improvement allocation (one peer coach/staff developer in elementary schools, one peer coach/staff developer and a site mathematics or literacy administrator in middle schools, and literacy and mathematics site administrators in senior high schools)

In addition, some schools would receive a discretionary CIIA allocation. Principals were offered a menu of former *Blueprint* strategies, such as an additional peer coach or after-school tutoring, and could decide which items to purchase with their discretionary CIIA funds.

Three days later, on February 23, 2004, Hopper announced the new site-based budgeting process for restricted funds to the SDCS principals:

²"Site-based Budgeting Fact Sheet," SDCS Web site, http://www.sandi.net/comm/factsheets/site_budgeting.pdf, accessed March 22, 2004.

Recognizing the degree of professionalism principals brought to the task of reducing unrestricted allocations, the district is extending principals' decision-making authority relative to their restricted budgets as well. Through the introduction of the Core Instructional Improvement Allocation (CIIA), replacing the former *Blueprint* allocation, principals, in collaboration with their school site councils, will now have additional budgetary discretion over these resources to support sound instructional strategy at their sites.³

On March 8, district officials presented principals with their tentative SY05 restricted fund allocations, which included the CIIA and any other restricted funds specific to the school site, such as special education. Principals were instructed to develop their restricted fund budgets with their school site councils and other stakeholders and obtain their instructional leader's approval by April 2.

Results and Perceptions

Principals In general, principals were glad that they, and not the central office, were proposing unrestricted reductions in their school sites. While one middle school principal welcomed "the opportunity to clean house and make sure that every dollar is going towards improving student achievement," he also conceded that "it would be really difficult to cut more again next year." Many principals, however, did not feel that they had regained much new control over restricted resources through the new Core Instructional Improvement Allocation. One principal observed, "My SY05 CIIA baseline allocation is exactly the same as my SY04 *Blueprint* allocation, although a little reduced since my enrollment is projected to decline." Another elementary school principal supported an outright transition to site-based budgeting and management: "I know how to increase student achievement in my school, but I need to have 100% control over my financial and human resources to do it."

Central Office staff SDCS central office administrators were generally pleased with the SY05 site-based budgeting. Lead Instructional Leader Ann Van Sickle observed that "the preliminary budgets I've seen from my principals are responsible and smart. They've had to negotiate with site governance teams and school site councils in a whole new way. It's definitely been challenging, but they've learned a lot, and they have demonstrated that they have the skills to operationalize our core values and preserve the focus on improving instruction."

San Diego Education Association (SDEA) Union leadership countered that site-based budget reductions simply "safeguarded Bersin from having to make the cuts." SDEA President Terry Pesta called the process a "sham," declaring it more akin to "cannibalism" of school staff than of authentic shared decision making over resources, and encouraged SDEA members not to participate in the January site-based reductions to unrestricted funds. SDEA objected to both the site-based unrestricted and restricted budgeting processes, in which principals (and instructional leaders) had the final decision-making authority and the content, including former *Blueprint* positions such as peer coach/staff developers and instructional leaders, remained off the negotiating table. In the spring 2004 SDEA leadership elections, 569 votes from the nearly 9,000 SDEA members were cast for Pesta, reelecting him as the union's president.

Teachers and school staff Classroom teachers and other certificated school employees tended to view site-based budgeting with skepticism. Some followed the union's counsel and boycotted the unrestricted budgeting process, and those who participated often felt torn. One

³ "Site-based Budgeting Fact Sheet," SDCS.

elementary school teacher resented “being put in the position of having to make decisions over people’s livelihood. In my school, we’re debating whether to cut the nurse, the librarian, or the counselor, when really, most teachers would rather cut the peer coaches.” A 22-year veteran teacher recalled the massive influx of resources during SY00 through SY02 and observed how quickly the tables had turned: “The district was spending money like water under the *Blueprint*, and now our kids are losing their librarians and counselors.” While peer coach/staff developers’ positions were protected for SY05, some speculated that if Bersin lost his majority after the November 2004 board elections that those would be the first positions to be eliminated.

Next Steps

By late April 2004, Bersin and his leadership team had successfully implemented site-based budgeting for unrestricted and restricted revenues districtwide. Concurrently, Bersin announced his intention to fully implement site-based budgeting and a weighted student formula in SY06. In the interim, SDCS faced board elections in November 2004, a discontented union and teachers, and projected structural imbalances for the SY05 and SY06 budgets.

As Bersin and his senior team thought about their next steps, they reflected on the impact of decentralizing their resource allocation system. By initially centralizing the allocation of human and financial resources under the *Blueprint*, management at the district level felt they had been able to strongly influence what happened in the classroom. They believed the *Blueprint’s* centralized resource allocation mechanism was integral to implementing their districtwide reform strategy to improve teaching and learning.

Now that the district had taken steps to decentralize resource allocation and restore decision rights to principals, they were entering uncharted waters. Although the reform process was now at an advanced stage of implementation, could the district still maintain a coherent focus on improving student achievement through teaching and learning? A difficult school year was finally winding down, but stakeholders throughout the district had many questions about the journey ahead.

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Exhibit 1 SDCS Multiyear Financial Statement for General Fund Activity, SY04–SY05 (projections as of spring 2004, \$ million)

RESOURCES	PROJECTIONS	
	2004	2005
STATE		
Restricted	\$ 248.13	\$ 247.1
Unrestricted ^a	642.40	640.5
TOTAL STATE	890.53	887.6
FEDERAL		
Restricted	131.02	130.5
Unrestricted	11.03	10.4
TOTAL FEDERAL	142.05	140.9
LOCAL ^b		
Restricted	25.57	25.4
Unrestricted	14.20	20.0
TOTAL LOCAL	39.77	45.4
TOTAL RESOURCES	\$ 1,072.4	\$ 1,073.9
EXPENDITURES		
Instructional ^c	\$ 682.1	\$ 652.0
Instructional Support ^d	179.9	171.9
Pupil Services ^e	76.1	72.7
General Support ^f	163.2	156.4
Auxiliary Programs ^g	5.0	4.8
Other Outgo ^h	28.2	26.9
TOTAL EXPENDITURES	\$ 1,134.5	\$ 1,084.7
OPERATING SURPLUS/(DEFICIT)	(62.1)	(10.8)
OTHER FINANCING		
Transfers In ⁱ	2.6	0.0
Transfers Out/Other Uses ^j	3.7	5.7
TOTAL OTHER FINANCING	(1.1)	(5.7)
NET CHANGE IN FUND BALANCE	\$ (63.2)	\$ (16.5)
BEGINNING BALANCE ^k	102.9	39.7
ENDING BALANCE	39.7	23.2
NET CHANGE IN FUND BALANCE	\$ (63.2)	\$ (16.5)
ENROLLMENT	131,040	129,024
Per Pupil Expenditure	\$ 8,658	\$ 8,407

Exhibit 1 (continued)

Source: SDCS Office of School Site Support, Financial Operations, Budget Operations, May 5, 2004.

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^aIncludes local property tax.

^bIncludes grants from private foundations.

^cExpenses incurred in the classroom and/or directly related to instructions.

^dExpenses incurred that support instructions, i.e., school administration, professional development, course and library support.

^eAttendance, counseling, health services, and pupil welfare.

^fDistrict administration, maintenance, custodial, landscape, utilities, police, transportation, and so on.

^gFood service, capital outlay, and Associated Student Body/Parent Teacher Association.

^hTransfers to charters/nonpublic schools.

ⁱTransfers in from other funds.

^jTransfers to other funds and debt service.

^kDue to audit adjustments some years' beginning balance will not equal prior year's ending balance.

Beginning in fiscal year 2003, to be in compliance with Standardized Account Code Structure (SACS) & Governmental Accounting Standards Board (GASB 34), the district was required to recognize fund balances for "Special Projects" restricted funds of approximately \$41.6 million.

The projections for fiscal years 2004 and 2005 assumed that the expenses in the "Special Projects" restricted funds would be equal to the revenue, thus netting to a \$0 ending balance.

The district is required to end the fiscal year with a balance that covers the Reserve For Economic Uncertainty, which is 1% of the budget, or \$11 million in 2004 and 2005.