

Per-child funding model for financing school education in India

Centre for Civil Society

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Introduction

The hopes of India's growth are heavily dependent on the demographic dividend that a population of over 1 billion people has the potential to produce. The importance of a well-functioning education system in realizing this demographic dividend cannot be stressed enough and while India has been making some progress in comparison to the past, the reformation process appears to be stalled.

To deliver an optimal output it is essential that the inputs into the system are proper. This means that there should be adequate opportunity, and equal opportunity for all students to get the education they deserve. No student should have to compromise on the quality of education they receive. No student should be denied entry into a school of his/her choice for want of funds.

While this sounds like a perfectly reasonable hypothesis, the reality is that the schooling systems do not function in this way. Equal opportunities are non-existent and a student from a low-income background has no choice but to attend the nearest government school.

In addition to this, government schools, it can be argued, are often in a dilapidated state. In Delhi, the government spends a sum of Rs 1290 per child per month in its schools.¹ However, the facilities are poor and the education severely lacking. As evidenced by this, we can conclude that the funds are available but do not find their way into enriching the public school system. Therefore, what is required is a delivery mechanism that ensures that funds actually reach the schools.

This paper explores Per Child Funding as a possible solution. The solution can be achieved without any further subsidies and without complicated studies. The idea fundamentally creates a system where the money follows the student and not the school. All it requires is agreement with the idea that no child should be denied a good education, just because he/she has been born to parents who cannot afford to pay for a better education.

¹ According to the reply for an application filed under the RTI Act (2005) in 2014.

In this paper we first examine the current funding systems and discuss the Per Child Funding model as a viable set of reforms. The benefits of this model are critically discussed followed by information on how it may be implemented. The paper is concluded with examples of similar systems from around the world.

Current scenario

Accountability Initiative has shed some light as to how the Per-Child Funding System (PCFS) is determined by the Government of India. "It is done in a retrospective manner, where the cost per head is gauged after the entire financial year is complete. Then, the total budgetary allocation for the whole year is divided by the total enrolment in the schools to gather what the amount spent per child was for the time frame." (Do schools get their money?, 2012)

The issue still remains that there is little to no relationship between the budgetary allocation and the amount that is actually spent on the students. The average per child allocation at an all India level is reported to be Rs. 4,269 for the year 2011-2012, as per the calculations of the team at Accountability Initiative.

Schools are currently funded on the staffing ratio model. (Veetil, 2005) This involves a central authority directing the schools to maintain their spending as a direct function of the number of teachers in the school. Example: A school may be allocated one teacher for every 100 students. The funding will depend on the final number of teachers. Unfortunately, this system gives the school minimal control over its budget.

There are three government bodies that fund education in Delhi.

- Directorate of Education
- Department of Social Welfare
- Public Works Department

They fund schools run by the MCD and NDMC. The funding is procured when the MCD furnishes a (yearly) request for grants on the Directorate of Education asking for funding. This document details the quantum of funds required, the various heads they are required under, etc.

However, what the document does not factor in are metrics that would measure the quality of education imparted, learning outcomes, etc. It would suffice to say that there is no system in place for ascertaining whether the education system is doing its job or not.

Public school finance in the capital (and other parts of the country) is based on past budgets of schools. Additionally, infrastructure projects are also funded (as and when proposed by the school). However, under the current system, irrespective of high dropout rates, government school budgets stay the same.

The method of school funding does not appear to be equitable when a school with fewer students receives funding based on a much larger student base (which it may have had in the past). It would seem that it is much more sensible to have a dynamic system where schools teaching more pupils have larger budgets. Budgets need to be fluid and not be extensions of the amounts the school received the previous year.

Conventional wisdom suggests that in the process flows of decentralization, funds must follow functions and enable functionaries. Fiscal decentralization has been neglected by state governments rendering the decentralization of functions and functionaries incomplete and inadequate. (Decentralization Index: Comparing political, fiscal and administration decentralization in Kerala, Andhra Pradesh, Madhya Pradesh, Rajasthan and Uttar Pradesh with developing countries, 2000) In the 1990s, India initiated an ambitious program of decentralization and devolution of power, culminating, in 1993, with the passage of the 73rd and 74th Amendments to the Constitution. A three-tier system of 'Panchayati Raj' or local self-government was established at the village, block and district level to facilitate a more responsive, dynamic and efficient mechanism of public service delivery. Both primary education and secondary education were included in the list of items that states could choose to devolve.

However twenty years after the passage of these landmark constitutional amendments, India's education system remains highly centralized and top-down. Panchayati Raj Institutions are dependent on state governments for over 90% of their annual funds and are generally unable to raise their own financial resources as they lack both the

resources and mandate to raise funds through taxation. Additionally as most financial resources are tied to centrally sponsored schemes, *“Panchayats have limited autonomy or flexibility when it comes to spending. This marginalizes the local development role of PRIs and has reduced them to mere implementing and spending agencies of central and state governments.”* (Local Governance - An Inspiring Journey into the Future, 2007)

Analyzing the expenditure on education through the Sarva Shiksha Abhiyan, the Indian Government’s flagship program designed to provide universal education, reveals that only 3% of total expenditure is at the local level. (Do schools get their money?, 2012)

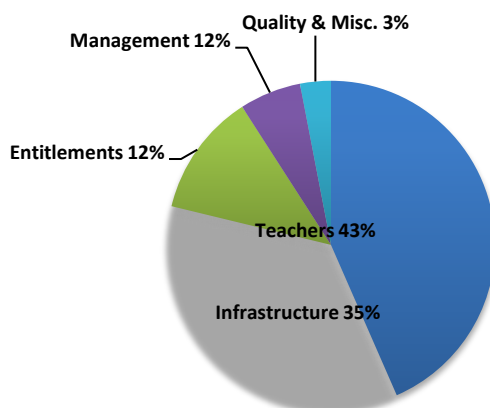


Figure: Sarva Shiksha Abhiyan Expenditure Split by Sector (%) 2011-12 (Source: Do Schools Get Their Money? PAISA 2012. Accountability Initiative)

This money is usually made available to schools in the form of three separate grants:

- School Management Grants: Rs 5000/year for less than 3 classrooms, Rs. 10000/year for above 3 classrooms
- School Development Grant: Rs. 5000/year for Primary schools, Rs. 7000/year for Upper-Primary
- Teacher Learning Material Grant: Rs 500 per teacher/year

Such funds are simply not adequate to transform schools into the ecosystems of leanings that will enable any meaningful transformation in education quality. The 2013

PAISA Report finds that most of the money “seems to get absorbed in just purchasing essential supplies, leaving little for other activities.” Moreover, 67% of schools spent the majority of money on whitewashing their buildings. While whitewashing may be important, it is doubtful that every school in India needs to repaint its building every year. (Do schools get their money?, 2012)

School	Location	Grant per student per month for 2012-13
Government Sarvodaya Coed Senior Secondary School	Anand vihar	162
Government Sarvodaya Kendriya Vidyalaya	New Seemapuri	3044
Government Sarvodaya Bal Vidyalaya	Vivek Vihar	301
Government Boys Secondary School	Khanpur	297
Government Girls Senior Secondary School	Kanti Nagar	3733
Government Boys Secondary School	Hauz Rani	577
Government Coed Secondary School	West Azad Nagar	536

TABLE 1: Per-child expenditure calculated for selected schools across Delhi

In research conducted by the Center for Civil Society (CCS) in Delhi, information pertaining to yearly grant received by schools from the government; was requested. Also requested was the number of students they catered to. Dividing the grant by the number of students, CCS arrived at the following data. It was found that while some students receive education services worthy of Rs. 3733/- per month, others have to be content with Rs. 162/- per month.

There exists a great deal of disparity in the level of funding across different states as well. We do not have access to the actual per child spending figures (Expenditure figures) of the government, however, the SSA directorates are legally bound to publish a per student cost that will be used to reimburse the private schools under section 12.1 (C) of the RTE Act (even though many states are yet to decide on this statistic). This figure is meant to be a reflection of the average expenditure incurred by the government in running government schools. The team at Accountability Initiative

calculated the per-child budgetary allocation set aside by states in 2009-10 based on data available in 2012 and found it to be varying from Rs. 3,982 in West Bengal and Rs. 3,049 in Gujarat to Rs. 19,111 in Himachal Pradesh and Rs. 27,451 in Meghalaya.

It would also be interesting to look at how India's per child expenditure on education compares with the rest of the world. The table below indicates that we can easily conclude that the Indian expenditure in education (expressed as a proportion of the per capita GDP) ranks lower than most nations that would be considered in the same category like South Africa or even Chile.

COUNTRY	%PC-GDP spent on education (taking the latest statistics available)
United Kingdom	33.8
France	28.0
Germany	24.7
Japan	25.8
Chile	17.9
Netherlands	25.8
India	13.3
South Korea	24.9
South Africa	20.1
Bhutan	31.5
Sri Lanka	6.9
Bangladesh	13.9
Nepal	12.2
Singapore	17
United States of America	24.3

TABLE 2: "Public-expenditure-per-pupil as a % of GDP per-capita - Public expenditure (current and capital) includes government spending on educational institutions (both public and private), education administration as well as subsidies for private entities (students/households and other private entities)."

Data Source: UNESCO Institute for Statistics

In most of the developed countries of the world, (USA, UK, France, Germany and Japan) we notice that education expenditure is usually greater than one-fourth of the PC-GDP, whereas in the underdeveloped parts of the world, it lies between 10-15% of the PC-GDP. India is set right in the middle of this category with a 13.3% of the per capita GDP equivalent expenditure in education.

However, while according to global standards Indian public expenditure in education is lagging behind both in terms of total allocation and a per capita GDP allocation, studies (such as the report by *Ambrish Dongre, Vibhu Tewary; Has the relationship between Allocations and Outcomes broken?*) do suggest the possibility that there is little to no link between increasing the budgetary allocation and the performance of the students. This is especially true for developing countries like India. (Do schools get their money?, 2012) Hence, until the link between outcomes and allocations is reestablished, expanding the education budget may not be the best policy action for India to take. However, it is possible to make sure the distribution is more equitable to prevent the inefficient allocation of existing funds due to lopsided and unscientific methods of allocation.

Per-child funding

The government school system in India caters to a great section of the population but still suffers from a lack of quality. One of the main drivers behind this lack of quality is the heterogeneous nature of government schools themselves. As discussed earlier, widespread inequality among government schools continue to exist, be it in the learning outcomes of students or the funding received from the government. The local factors that come into play, requiring different strategies from different schools based on the population that they serve are completely ignored in the policy realm. This is true despite the fact that over the last decade there has been a renewed focus on public school education in the union government's agenda for reforms. Under the current system, the government funds the schools on the basis of staffing needs and other indicators that have little to do with the needs of the students.

A per child funding (PCF) model of school finance aims to solve problems related to allocation of resources by linking funding of a particular school to the number of students in that school. Such a system would be fairer and more transparent than the current case of seemingly arbitrary allocation. The PCF model is highly customisable depending on the socio-economic environment of a country. Extensions of the PCF model can even provide added incentives to schools to admit children from poorer backgrounds. This and other advantages are elaborated in detail in the pages ahead.

Decentralization

A desirable change in policy that is required for effective implementation of a per-child funding model is removing the consolidation of decision-making power and resource allocation at the Centre and distributing power across the local authorities and individual schools. This is also an outcome which can be strengthened with the adoption of the PCF and the complete right to utilize these funds is extended to the Principals of the schools, which they can, of course, be held accountable for. After the planning stage is over and the budget is released, the dispersion of the funds from the centre should then be given over directly to the municipalities instead of the Block Resource Centres and the Cluster Resource Centres. Though the Indian education system is said to be decentralized on paper, much of the decision-making requires a time-consuming process because of poorly designed bureaucratic checks and balances that in effect render the system centralized. Thus, the optimal way to combat the problem of lack of decision-making power at the local level is to increase the role which is played by the educators themselves. The accountability systems can be consequentially strengthened to support the change in the format of funding.

The proper implementation of 'Per Child Funding' would create a healthy and competitive education market. The market would have its foundation on the principle that the money follows the children. Consequently, parents would have the right to choose their children's public schools, and leave under performing schools for better ones, that provide facilities that the parents would like for their children. The market

would also see schools principals free to budget money in ways desirable to the parents.

It follows from the model described above that, the more students a school attracts, the greater the quantum of the budget at its disposal. Consequently, schools can differentiate themselves from one another. Schools may blossom with added emphasis in fields, such as performing arts, law, mathematics, sciences, etc., so as to corner a niche portion of the “market”. Schools can attract parents and students based on these credentials. Parents and children can ascertain whether the education they prefer is generalised or geared towards a specific vertical, and pick a school accordingly. Schools modifying their budgets to differentiate themselves will find the need to market themselves to parents and students alike. There would be dissemination of information to parents and students, through schools or a consolidated and representative body.

In the absence of decentralized decision-making, a central authority would be the deciding factor on spending and budgetary allocations. But decentralization and a per-child funding model have strong synergies. A decentralized school district would be free to spend money in accordance with what is best for the school. The one-size-fits-all formula would cease to apply.

There is a strong case for school district decentralization as observed by William Ouchi of UCLA’s Anderson School of Management. Ouchi did extensive research on the effects of school district decentralization throughout the United States.

Ouchi and his team studied the following districts:

Highly centralized public school districts	✓	New York City
	✓	Los Angeles
	✓	Chicago

Highly decentralized public school districts using the weighted student formula (WSF)	✓	Seattle
	✓	Houston
	✓	Edmonton

Highly decentralized Catholic school systems	✓	New York City
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	• Los Angeles
	• Chicago

In his 2003 book *Making Schools Work*, Ouchi describes how it was observed that in the decentralized public school districts and private Catholic schools there was significantly less fraud, less centralized bureaucracy and staff and more money at the classroom level, all while contributing to higher student achievement. Ouchi also outlines the importance of the money following the child. True local control occurs only when the principal controls the school budget. (Ouchi, 2003)

Lisa Snell of Reason Foundation also observes that, "At John Hay Elementary School in Seattle, which Ouchi profiled, the principal controlled about \$25,000 a year before decentralization and now controls about \$2 million. The principal used her new freedom to hire additional part-time faculty for reading and mathematics and set up a tutoring station outside every classroom." (Snell, 2006)

But having said this, it should also be noted that a per-child funding formula can co-exist within systems where the central authority continues to be responsible for funding allocations. Schools operating would still be contingent on the number of pupils, but the specialized schemes that could have been possible due to school autonomy would suffer.

The PCF model has to be explored as an alternative to the current system of funding. A weighted system of funding is discussed as the delivery model based on the relative success of the system in other parts of the world, i.e. PCF is the central idea and WSF the subset.

The implementation of a weighted system is intended to distribute school funding in a fair and equitable manner. It is also a means of making sure that schools get optimal funding; not more and not less. The premise of the weighted system of funding is that schools will be funded with a specific amount *per* enrolled student. The model can be extended to provide for students with special needs as well, in the following way: Schools may be given extra resources for students that are harder to educate. This means that students with greater learning needs will receive more resources. Integral to

the concept is that the money follows the student to whichever school he/she should choose to attend.

How the Weighted Student formula works

An allocation process called the Weighted Student Formula (WSF) is designed to be a fair and equitable way to distribute funds for school budgets. WSF as a system is best equipped to counter the regressive effects of centralized and rigid resource allocation.

Under this system, schools do not receive a lump sum for their operations. Schools receive a fixed amount of funds for every child they admit. They get extra funds per student with special needs. This ensures that students with more needs will receive more resources. WSF programs provision for extra funds for schools with harder-to-educate children (low-income students, language learners, low achievers etc).

Funding is to follow students to whichever schools they attend, i.e., the WSF formula means funding entitled to a student would shift with him/her to whichever school he/she should choose to attend. Therefore, schools have to work harder to ensure that students do not leave, as their funding is contingent on the number of students

Funds are usually apportioned in the following brackets

- Fixed Cost – This is meant to cover the monthly salary of the Principal, teachers and support staff.
- Per student cost – The rest of the schools budget is allocated on a per-student basis. There would be a base amount per student. The base amount is the amount the school gets for one child. The more students the school attracts, the greater the quantum of funds at its disposal. (Additional funds are assigned on the basis of individual students characteristics, as explained below in the 'Weighted Cost' section)
- Weighted cost – This cost varies depending on the factors like socio-economic status, merit, disabilities, gender, etc. This funding is given over and above the per student portion. It is decided as a percentage of the base funding per child.

For example, the total funding available for a student from a low-income group may be 1.50 of the base funding assigned to an average student.

It should be fairly obvious that for the model to work, schools would require a certain degree of autonomy. When each school has autonomous control over the funds, it should create more freedom to introduce special programs and facilities. A school will thus be able to make decisions based on the environment it functions more freely thus, resulting in increased optimal use of funds. This has positive effects as with this power schools can direct funding based on the profile of the student body.

Across various WSF models worldwide, it has been seen that almost all educational districts with operational WSF programs have formed representative committees, comprising educators and community members, for the creation and monitoring of the program. They annually recommend the formula for allocating money to public schools based on the educational needs of various student groups.

The example below cites a document released by the 'Hawaii State Department of Education', which clearly states the roles and responsibilities of their committee on weights.

What does the Committee on Weights do? (Committee on Weights, 2004)

The primary functions of the Committee on Weights are to determine:

- Which operating funds should be allocated to develop educational programs
- What student characteristics will determine the allocation of funds
- Educational cost for each student characteristic
- Weights or units for each characteristic

The Committee on Weights will also assist the Department of Education with implementing the Weighted Student Formula. The Committee will annually review the system of weights and provide recommendations to the Board of Education on how to improve the accuracy and efficiency of funding allocations.

Also important is the composition of the body deciding these weights. The below *sample* is also taken from the aforementioned document.

The committee will consist of approximately 40 members, with roughly equal numbers of Department of Education employees and community members.

<i>The Composition Includes:</i>	
Principals	6
Teachers	6
Classified School Staff	6
Educational Program Specialists	3
Parents	7
Business Community	3
Military	1
Governor's Office	1
Early Education	1
Higher Education	2
TOTAL	36

WSF, once implemented, should result in several improvements that centralized systems have not been able to address.

- WSF would help to equalize opportunities at the student level. A cascading effect on schools would be created – as they are incentivized to attract and educate a wide variety of students and not just the well to do ones (as the quantum of student base will decide budgets)
- Incremental funding for students with special needs would provide schools with the extra funds required to invest in facilities to service their needs better.
- Funding for schools will be more responsive to student needs as, with WSF, there will be opportunities to fund special programs for students.
- The above would happen in greater numbers if schools were to be decentralized, i.e., schools being able to make decisions about how to spend their funding.

The overall standard of education would improve, as schools would vie for students. Along with increased autonomy, there would be increased accountability of schools towards the parents and the students. It follows that school closure is a possibility if a school declines to the point that it can't cover its expenses with the money received per student.

Lisa Snell, the Director of Education Policy at the Reason Foundation writes in Reason Magazine, "School closure is another prominent feature of the weighted student formula model. In Edmonton, if a school declines to the point that it can't cover its expenses with the per student money, the principal is removed and the remaining teachers and facilities are assigned to a strong principal—or the school is closed altogether, and the staff is moved to other, more successful schools." (Snell, 2006)

Examples of Implementation

Edmonton, Canada

Former Superintendent Mike Strembitsky first implemented WSF in Edmonton in 1977 as a pilot program involving seven schools. The effort faced many obstacles, including obsolete information systems, but ultimately the will of a strong superintendent and a supportive board prevailed. WSF expanded to all Edmonton schools by 1981. The Edmonton, Alberta, Canada, school district implemented complete Weighted school funding in 1980-81, and provided approximately 80% of the total district's budget for weighted school funding. (Archer, 2005)

Principals were now responsible for many decisions, from the staff mix to what equipment and supplies would be needed, decisions that previously had been the domain of the district. In the mid-1990s, after Strembitsky left, Edmonton redesigned its district office, now called Central Services. Schools were now able to buy assistance directly from the district or from outside vendors. Today, principals report to the superintendent with direct accountability and no layers of bureaucracy in between.

Implementing WSF had not only helped the district become more equitable, it had helped academic achievement. Student performance in Edmonton tracked close to the averages for Alberta as a whole--even though it has a higher percentage of students in poverty. Alberta's performance, in turn, tracked with the top-performing countries in mathematics, reading, and science.

The Edmonton district project demonstrated that a school's ability to develop curricula and hire personnel is improved with a WSF system as opposed to a traditional staff based system.

Denmark

Denmark has followed a 'taximeter' model of funding. Started in 1990 with the Open University it followed a phased implementation model. In 1992, the private primary and lower secondary schools came under the purview as well.²

Funds are allocated as grants by central government to the institutions based on the actual levels of pupil/student activity. All courses are given a previously determined rate ("takst"), published annually in the government's finance bill. (Financing of Education in Denmark, 2000)

The grants are in four components:

- A basic grant
- A teaching grant
- An administration/operations grant
- A building grant to cover rent, interest, debt servicing and maintenance

With the exception of the basic grant (which is a lump-sum grant irrespective of the size of the institution, covering basic operational expenses), all grants are activity

² "The taximeter system has been expanded throughout the 90s and today applies to several educational institutions in Denmark. Currently 28% of central government staff are employed in taximeter financed institutions, but this accounts for only 22.1% of the central government budget." (Danish Ministry of Education 1998)

determined, i.e., determined by the number of students. The students are free to select any educational institution of their choice.

Netherlands

The funding of primary and special schools has been governed since 1 August 1998 by the Primary Education Act 1998. Government funding for primary and special schools is divided over three budget heads:

- Staff
- Running costs
- Accommodation.

Each school is awarded a staff budget consisting proportional to the number of pupils enrolled at it. Within this budget, the school can claim the actual staffing costs incurred. The staff establishment budget system accounts for around 85% of total funding. (The Education System in the Netherlands, 2006) This system does not allow the school much freedom as strict regulations apply. Secondary education however, enjoys more freedom and is partially decentralized. However, it operates on a staffing ratio model, i.e., the grant per school is calculated by multiplying the average teacher salary by the number of posts available. The only component of secondary education that is based on a per-child funding model is the 'Running cost'. Running cost includes electricity, heating, teaching grants etc. Schools receive a fixed amount per pupil, i.e. this is not weighted as per student need.

United Kingdom

The United Kingdom introduced a "pupil premium" funding method in 2011. It functions by giving both mainstream and non-mainstream schools (special schools and referral units) additional funding on the basis of each disadvantaged student admitted. The scheme not only caters to the tuition fee of the disadvantaged student, but also guarantees them a Free School Meal.

The pupil premium allocation was £953 (for each primary aged child) and £900 (for each secondary aged child) in the year 2013-2014. This amount has been revised to £1300 (for primary aged child) and £935 (for secondary aged child).

The means to identify which child is eligible for the pupil premium is the eligibility for the Free School Meals. All the allocations are made in January, which is when there is a nationwide school census. During the census, the eligibility of the disadvantaged students is cross-referenced and the conditions of the grants are reviewed. The pupil premium allocation is then dispersed to the local authorities from the Department of Education on a quarterly basis. Local authorities then gauge when and which schools they need to dispatch the funds to. In the case of free schools and non-mainstream schools, an organization called the Education Funding Agency (which falls under the Department of Education) oversees the allocation of funds. (Pupil premium: funding and accountability for schools, 2014)

To a great degree the Principals and head teachers of the schools are free to decide what to spend the pupil premium allocation amounts on. In some cases, the local authorities may give guidelines as to where this extra amount should ideally be spent. An elaborate checks and balances mechanism was put into place to keep track of the decisions made by these head teachers. The system of accountability is in place on the basis of these three factors:

- Comparison of performance of disadvantaged pupils vis-à-vis their peers (performance tables are released for the same)
- Mandatory publication of the utilization of pupil premium funds and how these funds are having an impact on the disadvantaged pupils achievement enrolled in the schools
- Inspection of schools along the lines of the Ofsted inspection framework, where everything from the attainment of pupil groups to the achievements of the pupil groups are looked into.

This system is functioning relatively well in the United Kingdom. (Carpenter & al, 2013) It was realized that out of the schools surveyed, 98% primary schools were using additional staff to teach the disadvantaged students. Without the pupil premium, it was recorded that this figure would have become 76%. Hence, as an intervention the pupil premium was considered to be very effective from the view point of the schools.

Detailed Case Study: San Francisco District, California

In the United States of America, the San Francisco School District under the state of California started to implement a Weighted Student Formula for allocation of funding by the turn of the millennium. The first step was to form a committee which served as a platform for different stakeholders to discuss possible program designs and implementation-related decisions. A pilot was conducted in 2001-02 with 27 schools in the district. A five-year plan was made based on the results of the pilot in 2002. Since then the focus of the district has been on three main goals: "to improve academic achievement for all students, to increase the equitable allocation of district resources, and to establish accountability for student outcomes."

With the migration towards a Weighted Student Formula as the primary method of allocating funds in 2002, there was a shift towards school site-based authority in resource planning and budget development. Instead of delivering resources based on staffing allocations, the WSF was based on student needs. A basic funding amount by grade level is provided for each student and supplemented by additional amounts based on a pre-determined set of weights by category (for e.g. student from low socio-economic household or student requiring English language learner services).

The decentralization of resource planning to each school site by the creation of local school site councils (SSCs) allows schools to be more creative and responsive to local needs. The accountability and transparency of the fund allocation is also ensured to all stakeholders due to this devolution of accounts to SSCs. Each school is required to annually monitor their spending and corresponding effects, and tailor the annual academic plan based on these results. Since 2009, each school in the district uses a template called the "Balanced Scorecard" to prioritize the needs of the school and outline specific objectives and the corresponding plans of action. SSCs and the principals are then required to prepare preliminary budgets using initial allocations based on projected enrolment.

An academic planning guide that tasks SSCs and central offices with funding and administrative responsibilities is published annually and disseminated to all schools. School autonomy can be understood in two ways: budget discretion (what proportion

of funds is sent to schools compared to how much is retained at the district level) and planning discretion (how much control over staffing and program offerings principals have). The budget discretion being the more easily measurable value is often used to indicate school autonomy. The weighted student funds comprised 43.5 percent of the district’s operating budget in 2012-13, which made up between 70 and 80 percent of individual school operating budgets.

The WSF in San Francisco allocates a foundation amount to each school to cover the cost of a principal’s salary and a clerk’s salary. The rest of each school’s budget is allocated on a per-student basis. The additional amounts allocated for each student, on top of the base amount, is dependent on individual characteristics such as grade level, English language skills, socio-economic status, and special education needs. These weights are assigned as a percentage of the base funding. For example, while the base amount was \$2,848 in 2012-13, a kindergarten student would receive 1.264 times the base amount, i.e. \$3,599 and a lower-income kindergarten student would generate a further 0.09% of the base allocation, i.e. \$256 for his/her school. The table below from the San Francisco Weighted Student Formula Yearbook for 2012/13 illustrates the weighting system.





 Base Allocation	K – 3 rd \$3,599 (1.264)	4 th – 5 th \$2,848 (1.00)	6 th – 8 th \$3,247 (1.1402)	9 th – 12 th \$3,389 (1.19)	
 Below Poverty Line	\$256 (0.090)				
 Disabled ^a	Special Day Class		Resource Specialist		
	Non-Severe \$51 – \$54 (0.0179 – 0.0189)	Severe \$90 – \$93 (0.0315 – 0.0328)	\$28.00 (0.0097)		
 English Language Learners	Beginning / Intermediate			Advanced	Long-Term
	K – 5 th \$200 (0.0702)	6 th – 8 th \$240 (0.0843)	9 th – 12 th \$530 (0.1861)	\$155 (0.0544)	\$240 (0.0843)

TABLE 3: Weighted Student Formula used by San Francisco School District in 2014

The level of weights for different student categories is based on studies conducted at the district level by the American Institutes for Research. The weights for kindergarten to third grade are higher than those for grades four and five because of California’s

state-level class size reduction policy at this level. Therefore, more teachers are required at the K-3 level due to lower teacher-student ratios and consequently more funding is required. The weights for English Language Learner requirements increase in the higher grades because English grades drop in the higher grades. The special education staff are allocated centrally and therefore the weights are much lower because they are mainly intended for additional instructional supplies and/or development activities.

The weighted student formula allows school leaders to more flexibly allocate staff in nuanced ways that are not possible using staffing ratios. In an American Institutes for Research study comparing student-based budgeting in Oakland and San Francisco, school leaders reported on the multiple ways they used their discretion:

- Hire additional teachers to reduce class size or provide additional assistance to English learners.
- Hire additional counselors, attendance clerks, parent liaisons and extra security officers.
- Increase certain useful part-time staff (such as a parent liaison) to full-time status.
- Retain teachers to maintain their desired class numbers despite declining enrollment.

Reason Foundation's annual Weighted Student Formula Yearbook analyses how districts that have adopted the WSF model perform relative to other districts in the state. The San Francisco district outperformed at least 60 percent of the California school districts in several categories in their 2011 proficiency calculations for low-income students.³ It was among the top 20 percent of California districts in mathematics proficiency rates among low-income middle school students and science proficiency among low-income high school students. The district also outperformed 60 percent of the districts in California among low-income elementary students in mathematics, reading and science proficiency. However, while the gap between low-income students and high-income students was relatively narrow the same couldn't be said in terms of the gaps between African-American students and white students, and Hispanic students and white students. But this could also be due to a ceiling effect,

³ For detailed descriptions of the methodology adopted for calculating proficiency statistics, refer the Reason Weighted Student Formula Yearbook.

whereby the independent variable does not have any effect on the dependent variable beyond a point.

Thus, the San Francisco district stresses on how while the weighted student formula in isolation is a merely a funding method. It is only with the help of a decentralized planning discretion allowing school leaders to align budgets with academic goals that the allocation can be efficiently utilized based on local student needs to raise student achievement. By understanding that different schools can have different levels of autonomy and support based on school performance, the district can focus on improving the lowest-performing schools without diluting their resources and support across all schools.

It is also fairly obvious that the WSF model has managed to increase equity within the district. Low-income students in middle and high schools in San Francisco have benefitted immensely from the implementation of the model. The focus on per-pupil funding has allowed San Francisco to increase the proportion of total resources allocated to low-income students and the result was a sizeable decrease in the academic achievement between these students and the rest of the student community in the district.

Conclusion

The model of monetary allocation in India is still effectively centralized and dependent on staffing ratios. The inequity in allocation, when it comes to individual schools, has been briefly outlined. Thus, the current system allocates funds without any consideration of the educational needs of the local context. It is in this context that the concept of per-child funding becomes important.

The examples of the per-child funding from across the world, especially the focus case of San Francisco, demonstrate how such a funding model goes hand-in-hand with a decentralization of the education budgeting. As it stands, there is much confusion about how different states calculate their respective per-child expenditure for the

purpose of refunding private schools which accept students from economically weaker sections under the RTE act. This is mostly because the calculations are done based on previous spending and enrollment. The static nature of such a calculation that applies to the entire state without taking into account local variations in the features of the population is curiously inefficient.

A pilot project, stressing on learning outcomes, that covers a selected sample of schools in one district in each state could be the first step in moving towards a more efficient per-child funding system. Representative committees will have to be formed to decide on a base per-child amount, the categories of students that need special weights (based on for e.g. income, caste, and religion) and decide appropriate weights. The implementation would involve decentralizing the allocation of funds based on current enrollment and giving the principal of the school (along with a representative school-level committee like the School Management Committee suggested in the RTE Act) a certain level of autonomy over the spending.

A system for monitoring the expenditure will, of course, have to be in place so that the functioning of the system is accountable and transparent. Based on the pilot study, further recommendations can be made as to how a decentralized per-child funding system may be introduced across states. The onus will definitely be with district-level Weighted Student Formula committees so that each district may have a weighting system that is compatible with the local context.

While the closing down of schools that cannot manage their finances efficiently is definitely a possibility, it is worth comparing with the current scenario where government schools are functioning inefficiently partly due to the lack of control over finances and partly due to the lack of accountability. If government schools continue to be unaccountable for the academic performances of their students and the government keeps funding them arbitrarily, the loss in public finances when juxtaposed with the falling learning outcomes (ASER 2013) is unreasonable. The threat of closing down due to competition from other government schools and the incentive of

increased funding with increase in enrollment are sure to make the system more efficient, thereby improving performance.

However, it is also important to give school managements the chance to implement programmes that are tailored for the student population based on requirements. While the state-level programmes might be in good intention they fail to acknowledge local variations, leaving individual schools with special needs frustrated. An effective implementation of the weighted student formula per-child funding system can effectively address this problem.

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