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R E P O R T

Deregulating School Aid in California

How Districts Responded to Flexibility in
Tier 3 Categorical Funds in 2010–2011

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with

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Supported by the William and Flora Hewlett Foundation, the Dirk and Charlene
Kabcenell Foundation, and the Stuart Foundation

The research described in this report was supported by the William and Flora Hewlett Foundation, the Dirk and Charlene Kabcenell Foundation, and the Stuart Foundation, and was conducted by PACE research network and RAND Education, a division of the RAND Corporation.

Library of Congress Control Number: 2012941292

ISBN: 978-0-8330-7642-7

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Published 2012 by the RAND Corporation
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Preface

Since 2010, researchers at the RAND Corporation, the University of California at Berkeley and Davis, and San Diego State University have examined the impact of a new school funding policy that increased flexibility over 40 previously restricted categorical programs in California. The overall objective of the project is to gather evidence about how districts have responded to the fiscal freedom awarded by the state. This report—the fourth in a series—is based on a statewide survey of district chief financial officers (CFOs). It describes how district leaders made decisions regarding this flexibility in 2010–11: how priorities were set, who participated in decisions with what information, and the CFOs’ forecasts and expectations regarding the use of consolidated Tier 3 funds in 2011–12.

Other reports from the project entitled “Deregulating School Aid in California” include the following:

- B. Fuller, J. Marsh, B. Stecher, and T. Timar, *Deregulating School Aid in California: How 10 Districts Responded to Fiscal Flexibility, 2009–2010*, 2011.
- J. Imazeki, *Deregulation of School Aid in California: Revenues and Expenditures in the First Year of Categorical Flexibility*, 2011.
- J. Imazeki, *Deregulating School Aid in California: Revenues and Expenditures in the Second Year of Categorical Flexibility*, 2012.

This report should be of interest to policymakers in California and other states, as well as researchers and other stakeholders in the broader education community.

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Summary

Background

California policymakers have long debated how state funds should be allocated to schools. Some argue for policies that target funds to particular purposes (“categorical funding”) while others advocate giving schools and districts flexibility in determining how to allocate their funds. For the most part, the former approach has held sway since the 1970s, as the percentage of earmarked education funding has grown from about 25 percent of state education funding in 1980 to nearly 40 percent in 2007–08 (Imazeki, 2012). Yet, neither research nor recent experience provides clear evidence about which approach yields more positive student outcomes.

The issue became relevant again in 2009 when the legislature, faced with declining revenues, decided to reduce educational funding in the state. To lessen the impact on districts, the legislature enacted SBX3-4, which grouped the state’s categorical programs totaling \$19.1 billion in state funding (LAO, 2010) into three tiers with varying levels of flexibility. For Tier 3 programs, which included 40 of the more than 60 categorical programs and accounted for roughly \$4.5 billion, districts were given complete flexibility to use the resources as general funds. Although this particular deregulation was likely the result of political expediency rather than a discrete change in philosophy concerning fiscal regulation (Fuller et al., 2011), policymakers expressed a number of competing hypotheses about how districts would use additional flexibility. Their predictions about district responses included the following: districts would “sweep” deregulated dollars into the general fund to maintain financial solvency; districts would make focused investments in new instructional approaches to meet local needs and state accountability demands; districts would further delegate decisionmaking to the school level where educators are most familiar with student needs; and districts would be influenced by vocal, organized constituencies, resulting in greater disparities among schools or student groups. This study examines how districts made allocation decisions about these funds and sheds light on the accuracy of those predictions.

This research project, which began with case studies of ten districts in 2010 and ends with the statewide survey reported here, aims to inform the ongoing debate over categorical funding by examining the effects of Tier 3 flexibility. The survey was designed to help us answer five questions:

1. How informed were district leaders about Tier 3 policies, where did they get their information, and what opinions did they hold regarding regulations and legislative intent?
2. What did districts do with the newly flexible Tier 3 funds?
3. How did district leaders make these allocation decisions and who was involved?

4. What were the reported consequences of these allocation decisions?
5. What do district leaders think is likely to happen with Tier 3 funds in the future?

This report illuminates how district leaders responded to sudden, limited fiscal flexibility and the conditions that shaped their decisions. The situation did not permit us to answer more-general questions about potential responses to flexibility, such as whether district leaders allocate dollars to more cost-effective instructional strategies or whether their decisions lead to better student outcomes.

Methods

To answer these five questions, we conducted a survey of 350 California school district chief financial officers (CFOs) between April and August of 2011. The survey questions grew out of case studies of Tier 3 deregulation we had conducted previously. We selected a stratified sample of districts that varied across the key characteristics identified in our ten-district case studies as relevant to districts' use of fiscal flexibility.

Each CFO was contacted initially by email and was offered a \$25 gift certificate for participation. Over the next four weeks, respondents received four follow-up emails. Our final response rate was 64 percent of the original sample (223 individual districts). We used non-response weighting so the final results would reflect the population of districts in California.

Key Findings

How Well Did Districts Understand the Regulations and the Purposes of the Legislation?

Even after a year of implementation, uncertainty persisted over the purposes of Tier 3 flexibility and the rules governing it. For example, about half of CFOs thought that Tier 3 flexibility represented a fundamental shift in the legislature's policy of controlling categorical aid funding; about half did not. Opinions among CFOs also differed as to whether the law enabling flexibility superseded court orders and legal mandates.¹ Similarly, CFOs differed in whether they continued to track revenues and expenditures using the categorical funding "object codes."

Who Did Districts Turn to for Information and Advice?

CFOs relied heavily on School Services of California and their county office of education to make sense of the rules and regulations related to Tier 3 flexibility. The state Department of Education was not commonly seen as a source of information.

What Was Done with Tier 3 Categorical Funds?

According to CFOs, the bulk of Tier 3 program funds were reallocated, that is, "swept" into district general funds. Some programs took heavier hits than others—pupil retention, Targeted Instructional Improvement Block Grants (TIIBGs), and programs linked to teacher quality, such as the Professional Development Block Grant. Some programs were less likely to have their funds reallocated, such as preparation for the California High School Exit Exam (CAHSEE).

¹ Although, as noted previously, this may be partially explained by confusion about the interpretation of the survey item.

A number of districts also protected the Professional Development Block Grant. Programs not essential to core subjects—for example, the stream for arts and music—were commonly swept into the general fund. Even programs that may have strong local constituencies, such as Gifted and Talented Education (GATE), were also frequently swept. Most districts swept unexpended prior-year balances from Tier 3 categories into their general fund as well. Sweeping into general funds was common across all types of districts, but particular district leaders showed a stronger inclination in this direction: those in rural districts, small districts, and less fiscally healthy districts.

What Priorities Did District Leaders Emphasize?

CFOs reported three top priorities: preserving fiscal solvency, retaining staff, and preserving current instructional programs. Concern over potential conflicts with labor unions was not a sizable worry for most CFOs, although those in urban districts were more concerned about this than CFOs in suburban and rural districts. Still, about one-third of CFOs reported that aligning spending with “school improvement goals” was a high priority, and a few reported allocating newly flexible dollars to instructional reforms. CFOs in urban districts were significantly more likely to fund new initiatives, compared with rural or suburban CFOs.

Who Influenced Decisions About Tier 3 Programs?

According to the CFOs, most major decisions were made by the superintendent and district office staff. Parent groups, local constituencies, and union leaders were much less involved or influential. These latter groups, however, were more involved in the budget process within large and urban districts. Almost three-fifths of CFOs reported that principals were not awarded additional fiscal discretion in the wake of the Tier 3 reform.

What Were the Consequences for Students, Staff, and Other Stakeholders?

We found nearly unanimous agreement that flexibility helped districts avoid layoffs and salary reductions. CFOs also reported that reallocation of Tier 3 funds, and the accompanying reduction of some long-standing categorical programs, did not cause great conflict among parents and various stakeholder groups. Nearly 80 percent of CFOs believed that deregulation did not harm low-achieving students by allowing resources to be shifted away from them. The exception is that CFOs in some large districts, urban districts, and districts serving English learner (EL) and minority populations expressed some concerns about Tier 3 categorical funds flowing away from those students who needed them. Finally, many CFOs reported that districts used categorical program flexibility as an opportunity to align local priorities and needs with their financial resources.

What Do Districts Expect to Happen in 2011–12?

Looking forward, CFOs expect fiscal pressures to lead to further belt tightening. CFOs expect to reduce classified and certificated staff and increase class size in 2012, but they were less likely to anticipate changes that require renegotiating contract provisions. As noted, CFOs indicate that they will continue to sweep Tier 3 funds into the general fund in 2012 to mitigate financial difficulties and that, in many districts, the level of Tier 3 funds they sweep is likely to increase.

Lessons Learned from Tier 3 Flexibility

Does the evidence we collected support any of the common hypotheses about how flexibility would be used? For example, were districts more likely to sweep deregulated dollars into the general fund to maintain financial solvency; make focused investments in new instructional approaches to meet local needs and state accountability demands; further delegate decision-making to the school level; or respond to vocal, organized constituencies resulting in greater disparities among schools or student groups? Before looking at these questions, it is important to remember that the legislature granted districts flexibility over Tier 3 categorical funds during a time of sharp budget cuts and great fiscal uncertainty. As a result, we must be cautious in generalizing these findings to other situations because responses to flexibility might be different in a different fiscal context.

Overall, responses from CFOs were consistent with the general notion that districts were displaying “rationality on the ground” in face of declining revenues and uncertainty over policy. Most CFOs reported that their district engaged in a serious assessment of budget priorities in the face of fiscal uncertainty and newfound flexibility, and they chose a conservative strategy of protecting employees, class sizes, and core instructional programs. A few reported capturing newly flexible dollars to mount instructional reforms, but this was not common. We found little evidence that districts engaged in careful weighing of the relative effectiveness of programs as a basis for linking spending priorities to student achievement. For the most part, decisions were made centrally, not passed down to the school level. Generally, vocal constituencies did not dominate the decisionmaking process, although some CFOs in large districts were concerned that the choices made were reducing resources for low-achieving students.

Going forward, the legislature must decide by 2015 whether to continue Tier 3 flexibility. Governor Jerry Brown has proposed a broad expansion of this approach, hoping to create a \$7.1 billion flexible block grant for local districts. As this policy proposal is considered, we encourage California policymakers and education stakeholders to attend to the following issues:

- The legislature and governor should articulate clearly the purposes of fiscal flexibility in order to reduce confusion at the local level. Two issues are intertwined in debates about deregulation and flexibility—which educational programs will be supported and who will make the choices. It would be helpful to send clearer signals about each of these issues.
- Similarly, if the legislature and governor hold particular priorities with regard to improving the performance of low-achieving students or advancing certain reform models, those priorities should be made explicit to local educators.
- Other policies are being considered that interact with flexibility, and educators will need much clearer information and guidance to deal with multiple, interrelated policy changes. In particular, the Governor’s plans also include a new approach to allocating educational funds—a weighted student formula. Such a change would add additional uncertainty for districts and schools, and clearer guidelines about purposes and procedures will be essential if such changes are made.
- The Department of Education should require districts to use a common system for reporting on revenues and expenditures, and the system should permit tracking of resources in ways that are relevant to any new program and finance priorities.

- Policymakers should require evaluation of the impact of flexibility to determine which students, schools, and programs benefit from fiscal flexibility, and which do not.

Acknowledgments

We are grateful to the hundreds of chief financial officers and business officers who took time from their busy schedules to complete our survey. They shared their knowledge about district actions and opinions about the change in state educational funding policy. We also gratefully acknowledge the support we received from the William and Flora Hewlett Foundation, the Dirk and Charlene Kabcenell Foundation, and the Stuart Foundation, and in particular, the continuing interest and involvement of Derry Kabcenell, Matt Keleman, Kristi Kimball, and Christy Pichel. Our advisory committee (listed in Appendix A) provided thoughtful guidance throughout the project. Our contractor, School Services of California, played a key role in data collection, and we appreciate the willingness of Ron Bennett and his staff to take on this task and perform it with such care. This report would not have been completed without aid from Laurie Kimbler at the University of California, Berkeley, and Donna White at the RAND Corporation. David Plank at Policy Analysis for California Education (PACE) graciously supported efforts to disseminate these findings. While the authors are responsible for the final report, our efforts benefited greatly from careful reviews and suggestions provided by Fabian Duarte and Margaret Weston.

Abbreviations

API	Academic Performance Index
BTSA	Beginning Teacher Support and Assessment
CAHSEE	California High School Exit Exam
CASBO	California Association of School Business Officials
CFO	chief financial officer
EL	English learner
ESL	English as a Second Language
FRPM	free and reduced-price meals
GATE	Gifted and Talented Education
LAO	Legislative Analyst's Office
PACE	Policy Analysis for California Education
PDBG	Professional Development Block Grant
SACS	Standardized Account Code Structure
SSC	School Services of California
TIIBG	Targeted Instructional Improvement Block Grant

Deregulating School Aid in California

Introduction

California policymakers—both in Sacramento and at the local level—have long disagreed about how state funds should be allocated to schools. Some prefer policies that target funds for particular purposes (“categorical funding”), while others advocate giving schools and districts more flexibility. The percentage of state education funding that is earmarked for specific purposes and regulated from Sacramento grew from about 25 percent of state education funding in 1980–81 to nearly 40 percent in 2007–08 (Imazeki, 2012), and California has more categorical programs than most states (“Finance Snapshots,” 2005). Yet, this balance remains a contentious issue among policymakers, education interest groups, and local educators. Neither research nor recent experience has yielded a clear answer about which approach is better at achieving positive outcomes for students.¹

This study aims to inform the ongoing debate over categorical funding by evaluating the effects of the most recent effort to give schools and districts greater flexibility over a portion of their state educational funding. This change gave districts control over funds that had previously been earmarked for 40 categorical programs. As we earlier noted, this particular deregulation was likely the result of political expediency rather than a broad change in philosophy concerning fiscal regulation (Fuller et al., 2011). However, policymakers expressed a number of competing hypotheses about how districts would use additional flexibility. Their predictions about district responses included the following: Districts would sweep deregulated dollars into the general fund to maintain financial solvency; districts would make focused investments in new instructional approaches to meet local needs and state accountability demands; districts would further delegate decisionmaking to the school level where educators are most familiar with student needs; and districts would be influenced by vocal, organized constituencies, resulting in greater disparities among schools or student groups. This study examines how districts made allocation decisions about these funds and sheds light on the accuracy of these predictions.

We also hope that our findings will inform decisionmakers as they continue to debate the relative merits of categorical funding and fiscal flexibility. The findings are especially relevant now because in January 2012, Governor Jerry Brown proposed an even greater shift toward local flexibility. In his state of the state message he called for the legislature to “replace categorical programs with a new weighted student formula that provides a basic level of funding

¹ For a more thorough discussion, see T. Timar and M. Roza, “A False Dilemma: Should Decisions About Education Resource Use Be Made at the State or Local Level?” *American Journal of Education*, Vol. 116, No. 3, May 2010.

with additional money for disadvantaged students and those struggling to learn English. This change would give more authority to local school districts to fashion the kind of programs they see their students need.” The governor also proposed a broad expansion of the Tier 3 concept, folding all but 11 categorical aid programs into a \$7.1 billion “block grant” to local districts.²

Similarly, the Obama Administration is granting wider flexibility to school districts under waivers from certain requirements of the No Child Left Behind Act. For example, previous set-asides for after-school tutoring are being erased under waivers granted by the U.S. Department of Education to ten states in February 2012. “If you’re willing to set higher, more honest standards than the ones that were set by No Child Left Behind, then we’re going to give you the flexibility to meet those standards,” President Obama said.³

Brief History of Categorical Funding

Over the past four decades, state policymakers in California have debated the merits of categorical aid to schools. While the size and number of such programs increased significantly over the past 30 years, there have also been a few notable efforts to change direction. Fuller et al. (2011) list five cases of where the legislature consolidated categorical programs between 1979 and 2009. Stakeholders remain divided on the most effective way to allocate education funds. Supporters of centrally earmarked funding argue that it advances statewide priorities by targeting resources toward specific student subgroups and promising program models. The goal of this funding strategy is to improve achievement by ensuring the equitable distribution of resources to California’s students. Some policymakers are concerned that this statewide goal would not be achieved if funding decisions were delegated entirely to school districts, where they could be subject to collective bargaining by unions.

Opponents of centrally earmarked programs contend that students would be better served if local districts determine how scarce resources are allocated. Local districts, they argue, understand the needs of their unique student populations and schools. On more than one occasion, the legislature’s budget analyst has recommended deregulation, insisting that greater flexibility would not undermine state education goals (Legislative Analyst’s Office [LAO], 1993; 2004).

In 2009, the California legislature, faced with significant revenue shortfalls, was forced to make cuts to the state education budget. During this period of economic slowdown, beginning in the 2008–09 school year, state education spending decreased by nearly 20 percent, while school enrollment declined by only 1 percent. To lessen the impact on districts, the legislature enacted SBX3-4, which included the largest effort to deregulate categorical programs since the state and federal government began to earmark educational funding for specific programs in the 1960s.

Chapter 12 of SBX3-4 grouped the state’s roughly 60 categorical programs totaling \$19.1 billion in state funding (LAO, 2010) into three tiers with varying levels of flexibility. For Tier 1 programs, which included Special Education, Economic Impact Aid, Pupil Transportation, and others, districts were required to maintain existing program boundaries and regulations. For Tier 2 programs, which included Child Nutrition, After School Safety and Educa-

² Governor Jerry Brown, “State of the State, 2012: ‘California on the Mend,’” January 18, 2012.

³ White House press statement appearing in J. Solocheck and R. Matus, “Free Tutoring May End: A Relaxing of No Child Left Behind Standards in Florida Provides Options for Schools,” *Tampa Bay Times*, February 10, 2012, p. B1.

tion, and Year Round Schools, districts were provided limited flexibility in the use of funds. For Tier 3 programs, which included 40 of the more than 60 categorical programs, accounting for roughly \$4.5 billion, districts were given complete flexibility to use the resources as general funds. Tier 3 included large programs, such as the Targeted Instructional Improvement Block Grant (TIIBG) (\$1.1 billion) and Adult Education (\$800 million), and smaller programs, such as Gifted and Talented Education (GATE) (\$44 million) and Advanced Placement Fee Waivers (\$2 million). See Appendix B for a complete list of Tier 3 programs, and see Fuller et al. (2011) for a detailed overview of state policies regarding categorical aid.

Tier 3 Flexibility

The new state law gave districts the authority to allocate Tier 3 funds without regard to existing program mandates, temporarily setting aside regulation and monitoring at the program level by the California Department of Education. Districts could continue to use the resources to fund the programs exactly as they had in the past (e.g., paying for the same personnel, materials, support services), or they could consider them general fund revenues to be used in any manner they deemed relevant. Districts were also freed from rules that required them to track the revenues and account for the expenditures by program code. It is important to note that Tier 3 flexibility did not take precedence over court orders, legal settlements, or existing contracts (e.g., labor agreements, court-monitored initiatives). In addition, the legislature must act explicitly to extend Tier 3 flexibility; if not, all 40 categorical programs will be reestablished, at least statutorily, in 2015.⁴

Previous Findings

Our research project was designed in 2009 at a time when districts were facing a great deal of fiscal uncertainty. State funding was being reduced substantially, federal stimulus dollars were made available for two years to help stabilize employment, and flexibility over Tier 3 programs was enacted with little debate or preparation. Districts had to respond quickly to dramatic changes, and no one had a clear sense of how most districts would react.

Under these circumstances we opted to begin with in-depth case studies of ten districts.⁵ The case studies allowed us to explore district decisionmaking related to Tier 3 flexibility, along with the use of federal stimulus funds, in an open-ended and detailed manner. By visiting a diverse set of districts and talking with central office administrators, school board members, school principals, union representatives, and parent and community leaders, we were able to develop a clearer understanding of the district perspective on flexibility.

To capture the variety of district contexts across the state, we selected the case study sample so that it varied across four key district characteristics: relative fiscal health, student enrollment, concentration of administrative staff in the central office, and geographic location.

⁴ During the period that we were conducting this study, the expiration date was changed from 2013 to 2015 as part of Senate Bill (SB) 70, Ch. 7, 2011.

⁵ We also initiated an analysis of statewide revenue and expenditure patterns that is reported separately (see Imazeki, 2011; 2012).

The first three characteristics were chosen to reflect concerns voiced by policymakers in previous debates about deregulation. Fiscally healthy districts might be better able to use flexibility to support new program initiatives rather than backfilling budget shortfalls. Large districts might realize administrative efficiencies that could maximize the benefits of deregulation. On the other hand, districts with proportionally more central office staff might be less able to take advantage of flexibility. The final category was chosen to ensure that the results reflected the geographic diversity of the state. In the spring of the 2009–10 school year, we conducted over 90 interviews with district, school, and community leaders. The interviews provided insight into how leaders used the flexibility they were granted and how they made funding decisions. We also tracked categorical aid budgets in the ten districts, focusing on the 40 programs, and collected relevant documents that shed light on the allocation of categorical funds.

In addition to the district case studies, we interviewed 12 Sacramento stakeholders who were either influential in crafting the Tier 3 reform or had a long history of influencing school finance policy. These stakeholders included legislative staff members and leaders of state education associations.

As reported in Fuller et al. (2011), we found that these ten districts “swept” the bulk of their Tier 3 program funds into their general fund and then reallocated these dollars to address their most important needs.⁶ Superintendents and chief financial officers (CFOs) were the primary decisionmakers, largely due to the timing and technical complexity of the Tier 3 flexibility policy. This centralization of decisionmaking did not appear to generate strong complaints from stakeholders. The lack of conflict may have been due to the fact that even though many program funds were reallocated, district leaders often remained openly committed to the goals of the Tier 3 programs. It may also have been the case that using the funds to protect jobs and maintain reasonable class sizes represented shared priorities among local stakeholders. The case studies also suggested that districts were uncertain whether to change their fiscal reporting or not. Some continued with past practices, some stopped using accounting codes for these programs, and some adopted interim codes generated locally.

With only ten districts in our initial study, we could not draw any conclusions about the use of flexibility statewide. However, the case studies helped us develop a framework for examining the questions that inform the present study. We identified four different ways districts tended to respond to fiscal flexibility (consistent with the predictions we heard from policymakers) and a large number of contextual factors that were salient in shaping district decisionmaking.

District Response Patterns

The four types of responses to Tier 3 flexibility we identified were

- retrenchment by sweeping dollars into the general fund
- rethinking priorities among Tier 3 program activities
- combining Tier 3 and other categorical aid to sustain new initiatives
- sharing decisionmaking stemming from flexibility with school-level leaders.

⁶ The terms “sweep” and “swept” were widely used but rarely defined. In this study, we define *sweeping* to mean using funds to support different activities or to pay for different services than previously. Technically, the funds were unrestricted, so they did not have to be swept, but this is the way that district staff in our study described their thinking about the reallocation of these funds (Fuller et al., 2011).

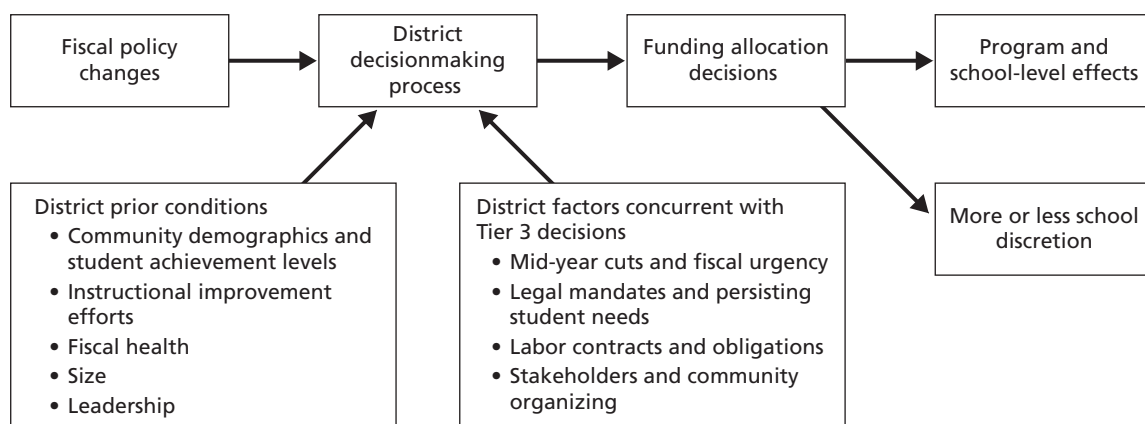
Retrenchment and backfilling are characterized by the reallocation of Tier 3 funds to balance budgets and avoid staff layoffs in areas deemed essential to the district's leadership. In contrast, some districts made an effort to consider the purposes and priorities among their Tier 3 programs and to continue to support those same goals, albeit at lower levels. Although it was unusual in our ten cases, we were told in at least two districts that flexibility was going to be used to allocate funds to program initiatives started in response to a previous priority-setting exercise. The fourth approach differed mostly in terms of process. While most of the decisionmaking we saw was highly concentrated at the central office level, an alternative approach was to push flexibility down to the school level and let school leaders and school site councils deliberate and have input as to how the funds would be spent. However, we did not find much evidence of this strategic alternative, even though advocates of deregulation argue that greater school-level control would occur as a result.

Contextual Factors Salient to Decisionmaking

We also developed a conceptual framework for thinking about the elements involved in fiscal decisionmaking (see Figure 1.1), which helped us identify elements of context that were relevant to district decisionmaking. This framework identifies the prior conditions relevant to the decisionmaking process at the district level and details local-level effects of the resulting allocation of funds. The three inputs that influence district budgetary decisions include state policy changes, the district's preexisting conditions regarding Tier 3 programs (e.g., demographics, fiscal health, size), and other concurrent district characteristics (e.g., fiscal cuts, labor contracts). The case study findings helped us flesh out this framework and identify the range of preexisting local conditions and district characteristics that were most relevant. According to the framework, district budgetary decisions result in either an increase or decrease in school-level discretion over the allocation of funds, as well as other effects on programs and schools.

After completing our ten district case studies, we used this framework in developing the statewide survey. For example, our district sampling is guided by some of the district charac-

Figure 1.1
How Fiscal Policy Changes Influence District Actions



teristics identified above: demographics, student achievement, fiscal health, and district size. Similarly, we incorporated some of the preexisting and concurrent district factors into our survey questions. For example, we asked about legal mandates, labor contracts, superintendent tenure, and community stakeholders.

Related Research

Two other studies have recently examined Tier 3 flexibility and provide information relevant to our research. The LAO administered a budget survey to California school district superintendents in the fall of 2009, 2010, and 2011 (LAO, 2010; 2011; 2012). The initial findings were consistent with our first-year case study findings: The majority of districts used Tier 3 flexibility to reallocate program funds in 2009–10, with the goal of better addressing local priorities, and funds were diverted from categorical programs to address other concerns, including budget shortfalls.

According to the LAO’s second and third surveys, districts increased the amount of categorical program funds they swept up, and many programs were discontinued altogether. Many districts, still faced with budget constraints, took advantage of the reform in other ways by shortening the school year, increasing class size, and requiring furlough days. The LAO recommends that the state continue to expand flexibility provisions.

A study by the Public Policy Institute of California looked at Tier 3 flexibility from a broader policy perspective (Weston, 2011). The study examined the history of categorical funding in California and the increasing reliance by the legislature and governor on this funding strategy. Much of the study focused on the rationality of the policy and which programs were included or excluded from deregulation. This study also found that some Tier 3 program dollars had been historically targeted on low-achieving students, while other funds were spread across a wide variety of districts and pupils.

Research Questions

We designed our statewide survey to help us answer five questions about Tier 3 flexibility:

1. How informed were district leaders about Tier 3 policies, where did they get their information, and what opinions did they hold regarding regulations and legislative intent?
2. What did districts do with the newly flexible Tier 3 funds?
3. How did district leaders make these allocation decisions and who was involved?
4. What were the reported consequences of these allocation decisions?
5. What do district leaders think is likely to happen with Tier 3 flexibility in the future?

In each case, we also explored the extent to which the answer to the question was associated with the characteristics of districts—for example, their enrollment size, fiscal health, racial/ethnic composition, and the overall achievement of their students.

Organization of This Report

In Chapter Two, we describe our survey methods. The following five chapters present our findings organized by stages, beginning with CFOs' sources of information and knowledge about Tier 3 flexibility (Chapter Three) and then addressing districts' use of Tier 3 funds (Chapter Four), districts' decisionmaking processes (Chapter Five), the consequences of flexibility for districts (Chapter Six), and districts' future plans regarding flexibility (Chapter Seven). Chapter Eight draws conclusions and discusses implications for state policy.

Methods

We used the findings from our 2009–10 case studies to help design the survey on districts’ use of Tier 3 flexibility that we administered statewide in 2010–11. In this chapter we describe the procedures we followed to design and implement the survey and to analyze the results.

Survey Design

As part of our case studies we interviewed district superintendents, central office staff, school board members, school principals, union representatives, and other stakeholders. These experiences led us to believe that district CFOs or persons with equivalent responsibility would be the best source of information for the key questions we had regarding Tier 3 flexibility. There were at least three reasons for this choice. In all of the case study districts, CFOs were closely involved in decisionmaking regarding flexibility. In most districts, they were the best informed administrator with respect to the regulations governing flexibility. Finally, CFOs had to account for the use of the funds and submit budget reports and knew these details better than any other administrators. We recognize, however, that CFOs offer only one perspective on district responses to Tier 3 flexibility, and other district leaders or stakeholders might have responded differently to our survey.

To develop the survey, we outlined our areas of interest—understanding of the regulations, sources of information, use of Tier 3 funds, decisionmaking process, consequences for the district, and expected future actions—and developed related questions. In many cases, we were able to use information from the case studies to help frame the question or identify likely response options. Because the number of Tier 3 programs is so large and a reasonable survey instrument can include only a limited number of questions, we focused program-specific questions on a subset of Tier 3 programs, including large programs and programs that have vocal constituencies, such as programs to improve instruction (e.g., the TIIBG), GATE programs, and Adult Education.

The draft survey was circulated among the members of the research team and revised based on internal feedback. With the help of School Services of California, we pilot-tested the instrument with a few CFOs, and their suggestions were incorporated into the final version, which was completed in April 2011. The text of the survey will be found in Appendix G.

Survey Administration

We drew a stratified random sample of 350 districts from the population of 960 elementary, high school, and unified districts in California at the time of our study. The sample size was selected to ensure that we had adequate power to detect moderate differences between districts with different background characteristics. (Appendix C describes sampling, data collection, and analysis procedures in greater detail.)

We contracted with School Services of California (SSC), a consulting firm that works with educational agencies in California, to recruit CFOs in the sampled districts and administer the survey online. The list of the sampled districts was sent to SSC, which used information from its internal database to contact 350 district CFOs by email in April 2011. (In the case of small districts, the survey request was sent to the superintendent.¹) Each respondent received an email invitation to participate in the survey from the president of SSC. The message included a brief description of the project, assurances of confidentiality, and a unique hyperlink to the web-based survey. Participants were offered a \$25 electronic gift certificate as an honorarium. SSC sent three automated electronic reminders during the next four weeks. Participating CFOs consented voluntarily to complete the survey.

Data collection ended in mid-August 2011. We received usable responses from 223 individual districts, representing 64 percent of the original sample. We used nonresponse weighting in our analyses so that the values reported here generalize to all school districts in California. All of the analyses were conducted using version 2.13.1 of the software program “R,” with survey-adjusted procedures for estimating ratios, means, or two-way contingency tables. For each of the district background characteristics we found the median value and compared the performance of districts above the median (high-relative position) to the performance of districts below the median (low-relative position). The median values that differentiate between high and low districts are reported in Appendix D.

We used statistical tests to determine whether differences between types of districts were significant. Because of the large number of statistical tests we conducted, we applied a false-discovery rate control procedure (Benjamini and Hochberg, 1995), which effectively removes the otherwise excessive false significance, while retaining good power in detecting true significance. In the results chapters, we present figures showing only those comparisons that were significantly different based on these procedures.² Appendix E contains tables showing all the differences in responses between districts, based on district background characteristics.

To examine whether certain district attributes were independently associated with various budget behaviors, we examined the correlations among the attributed and conducted survey-adjusted regressions (see Appendix F). These analyses were done to tease apart the separate effects of characteristics that co-occur in many districts (size and location, minority concentration and family income, etc.). The correlations confirmed the interrelatedness of many of these features. For example, Table F.1 shows that districts with high percentages of minority students tend to have high percentages of English learner (EL) students and students eligible for free and reduced-price meals (FRPM), and they tend to have higher proportions of restricted funds (i.e.,

¹ In a few cases, the CFOs indicated that they were unable to complete the survey and forwarded the survey link to other members of the district’s administrative cabinet or a business manager.

² Therefore, the figures will display different sets of comparisons depending on which differences were significant.

categorical funds) and lower Academic Performance Index (API) scores. Urban districts tend to be larger than suburban or rural districts.

Multiple regression models predicting selected district actions revealed that location and enrollment (i.e., size) were the most consistent predictors of selected district behaviors (Tables F.2–F.5). Although responses were sometimes associated with other district features, such as student demographic characteristics, the relationships were not significant when location and size were included in the models. Furthermore, fiscal health was rarely significant once the other variables were included.

Limitations

While CFOs are likely to be well informed about districts' use of Tier 3 flexibility, they are only one source of information. We might have obtained a more complete picture if we had collected data from other key stakeholders, including superintendents, board members, and union leaders (as we did in ten district case studies). In addition, CFOs are likely to know more about revenues and expenditures than about programmatic priorities and decisionmaking, so their responses to some questions may be more accurate than their responses to others. Many of the questions asked CFOs to report about their own actions and the actions of their district, and responses may be biased toward actions they perceive to be more desirable.

As a result of these limitations, readers should interpret the findings from this survey with caution; they represent the opinions of a single key decisionmaker in each district. Nevertheless, our prior case studies suggested that CFOs were among the core staff directly involved in decisions about Tier 3 flexibility, so they are likely to be an authoritative source.

Opinions, Sources of Information, and Knowledge About Tier 3 Flexibility

The legislation that created Tier 3 flexibility was enacted quickly with limited discussion or consultation with local school districts. Initially, districts were uncertain about some of the rules and regulations that applied to them, and they sought information from a variety of sources (Fuller et al., 2011). For example, the law stated unambiguously that Tier 3 flexibility would sunset in 2013 unless the legislature chose to extend that date, but not all districts seemed to be aware of its short-term nature. The legislation is also clear that districts are free to allocate Tier 3 funds in any way they choose. The only requirement placed on districts was that any changes in allocation had to be presented at a school board meeting and approved by the district's board. However, some staff we interviewed in our initial case studies believed that some of the requirements from the original programs still applied. According to those interviews, districts sought clarification from a wide range of public and private sources. Furthermore, respondents were quite open about their opinions regarding flexibility and the legislature's actions.

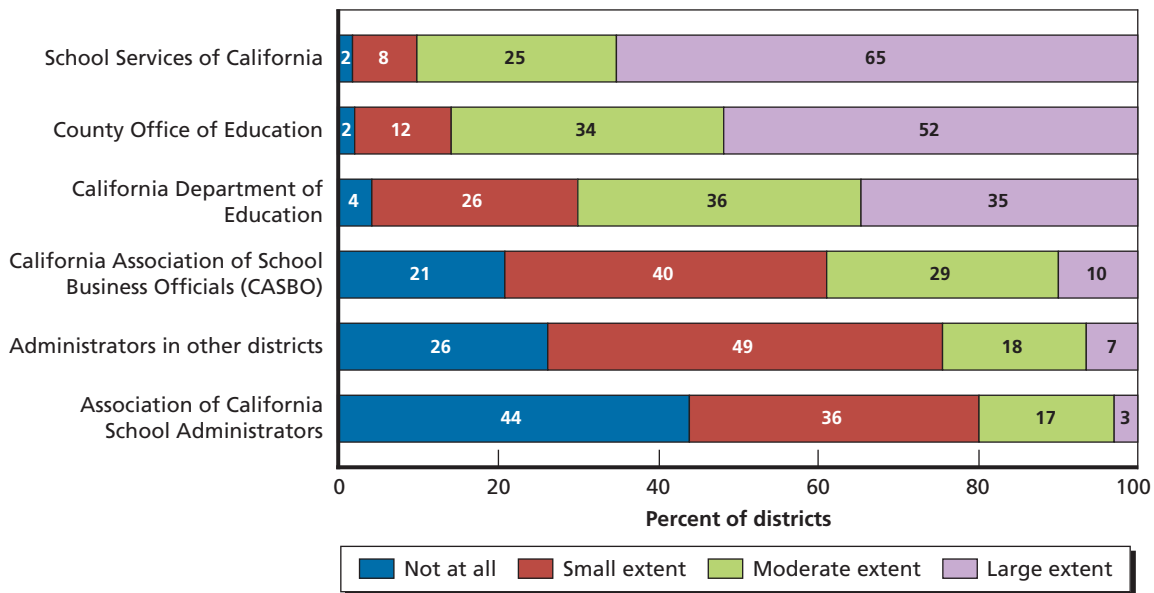
This chapter presents information about three broad topics: the sources of information districts relied on to understand Tier 3 flexibility, CFOs' perceptions and beliefs about the adoption of the Tier 3 policy, and their understanding of the rules governing flexibility.

Sources of Information About Tier 3 Flexibility

Many superintendents and CFOs in our ten-district case studies did not fully understand the rules governing Tier 3 flexibility. To improve communication about fiscal policies in the future, we wanted to find out where CFOs obtained their information regarding the policy. We asked CFOs about the sources of information they relied upon "to understand your options with respect to spending and reporting" Tier 3 funds. About three-quarters of the CFOs said they relied to a large extent on School Services of California, the private firm based in Sacramento (Figure 3.1). This compares with one-third of CFOs relying to a large extent on the California Department of Education.

There were minor differences in these reports based on district background characteristics. For example, county offices were more heavily relied upon by CFOs working in low-API districts than high-API districts and by CFOs working in districts serving higher shares of students from low-income families (those eligible for free and reduced-price meals) than lower-shares of low-income families. While some of these differences were statistically significant, few were important in practice.

Figure 3.1
Percentage of CFOs Who Reported That Their District Relied on Information from Different Sources to Understand the District’s Options for Tier 3 Flexibility



RAND TR1229-3.1

Opinions About the Adoption of Tier 3 Flexibility

We asked CFOs about their understanding of the legislature’s intent in enacting Tier 3 flexibility and their opinion of the impact of the reform on services to low-achieving students.

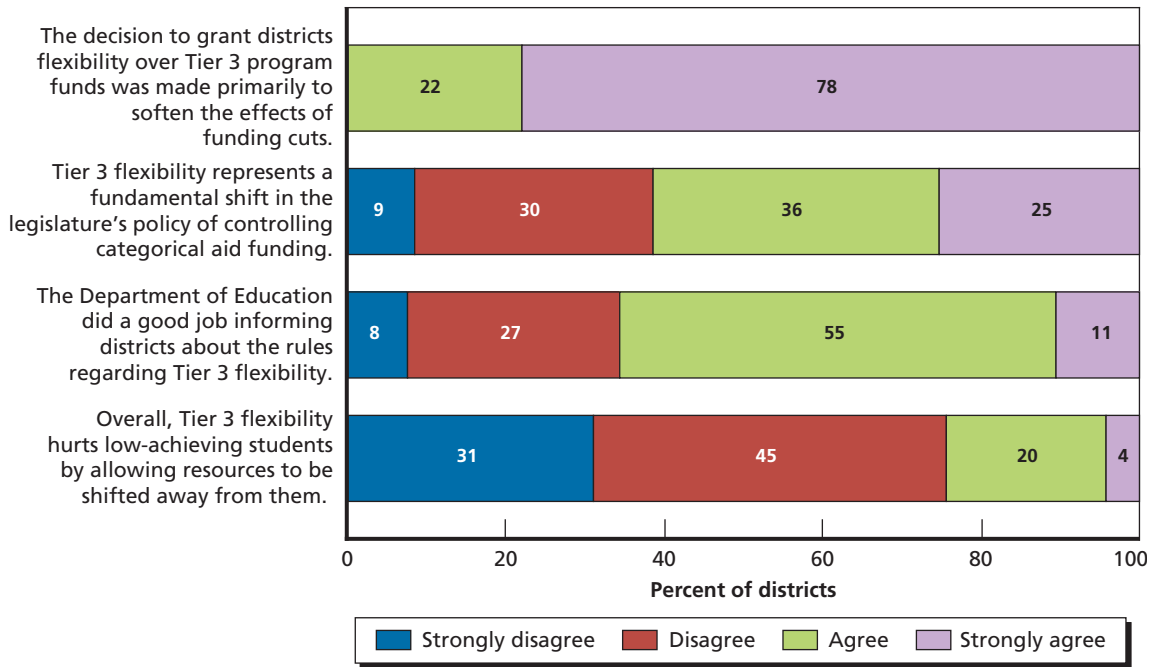
Legislative Intent

Respondents conveyed a wide range of opinions about the legislative intent of categorical flexibility. As Figure 3.2 illustrates, the responses indicated widespread agreement among CFOs that the decision to grant districts flexibility over Tier 3 program funds was made primarily to soften the effects of funding cuts. This opinion is consistent with conversations we had with policymakers who indicated that the legislation was driven primarily by the fiscal crisis rather than a desire to decentralize educational decisionmaking.

On the other hand, CFO responses to a second question about legislative intent were not aligned with the current political consensus. A large percentage of CFOs agreed that Tier 3 flexibility represented a fundamental shift in the legislature’s approach to categorical funding (Figure 3.2). In light of the law’s sunset provisions, CFO agreement with this statement strongly suggests that CFOs misunderstood the temporary nature of the policy change. (We return to this issue below.)

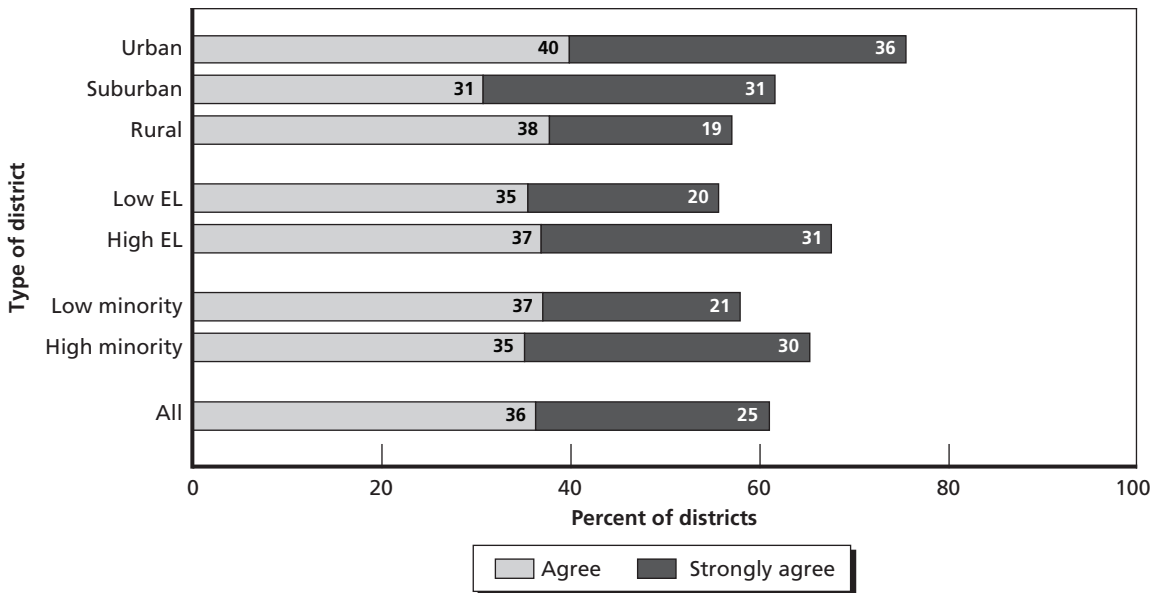
There were small but significant differences in response to this question between CFOs in districts with different characteristics. Figure 3.3 shows that 65 percent of CFOs in high-minority districts agreed with the statement versus 58 percent of CFOs in low-minority districts. Agreement with the statement about legislative intent was lower among CFOs in rural districts and districts with low percentages of English learners than in districts with the opposite characteristics.

Figure 3.2
Percentage of CFOs Who Agreed or Disagreed with Statements
Regarding Legislative Intent of Tier 3 Flexibility



RAND TR1229-3.2

Figure 3.3
Percentage of CFOs Who Agreed or Strongly Agreed That Tier 3 Flexibility Represents a
Fundamental Shift in the Legislature's Policy of Controlling Categorical Aid Funding, by
District Characteristics



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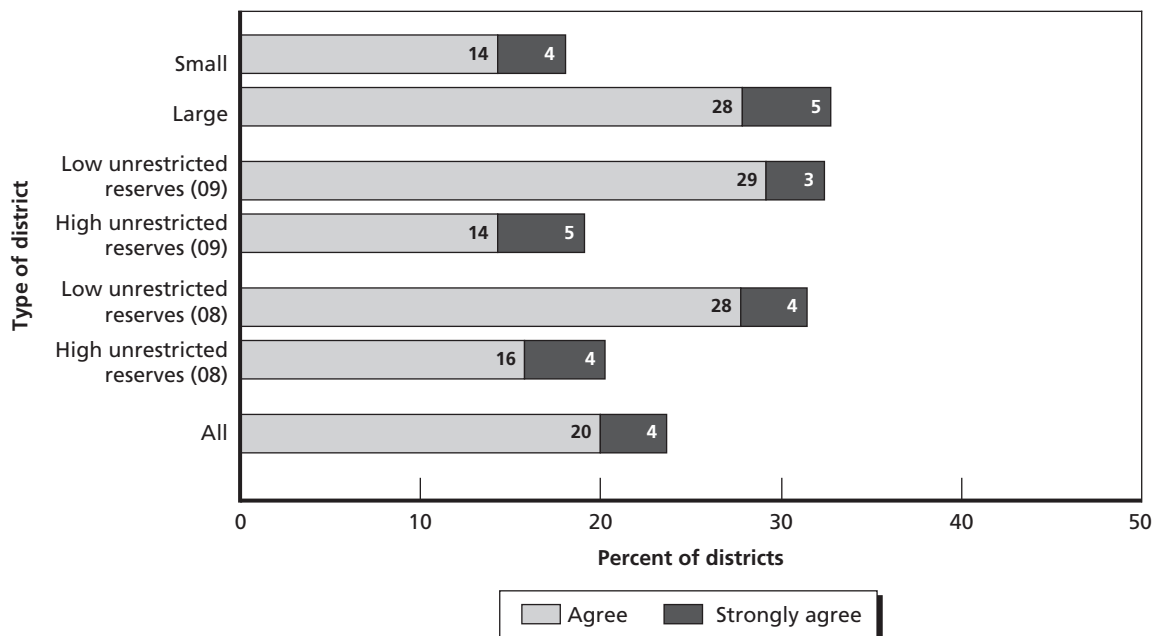
Resources for Low-Achieving Students

Policymakers and categorical funding advocates have long debated if deregulation of categorical programs would shift funds from serving those students who have the lowest achievement to serving other students or if it would shift resources from legislatively designated purposes to other goals. Shifts might come as the result of competing pressures from well-organized constituencies, such as teacher unions fighting for strong compensation or parents of GATE pupils advocating for more extensive services.¹

However, as shown above, only one-quarter of CFOs agreed with the statement that Tier 3 flexibility hurts low-achieving students by shifting funds away from them. While these are opinions, not the result of independent fiscal analyses, they are the opinions of CFOs, who are the most familiar with the disposition of state funds. Our earlier interviews with policy analysts working in Sacramento suggested that key conditions have changed since the 1970s, when categorical programs were first created to better serve low-achieving students.

Furthermore, when responses are disaggregated by district characteristics (see Figure 3.4), we found higher agreement among CFOs in large districts (33 percent) than in small ones (18 percent). This difference raises concerns for two reasons: (1) Large districts enroll a higher proportion of students in the state than small districts, and (2) they tend to have a higher proportion of low-performing students, as well. If these CFOs representing 33 percent of districts are correct, then flexibility is hurting more than just 33 percent of students. Further research is

Figure 3.4
Percentage of CFOs Who Agreed or Strongly Agreed That Tier 3 Flexibility Hurts Low-Achieving Students by Allowing Resources to Be Shifted Away from Them, by District Characteristics



RAND TR1229-3.4

¹ Our case studies suggested the opposite. Not only were districts not diverting resources from low-achieving students, some were also using flexible dollars to provide services to students for whom services had previously been unavailable.

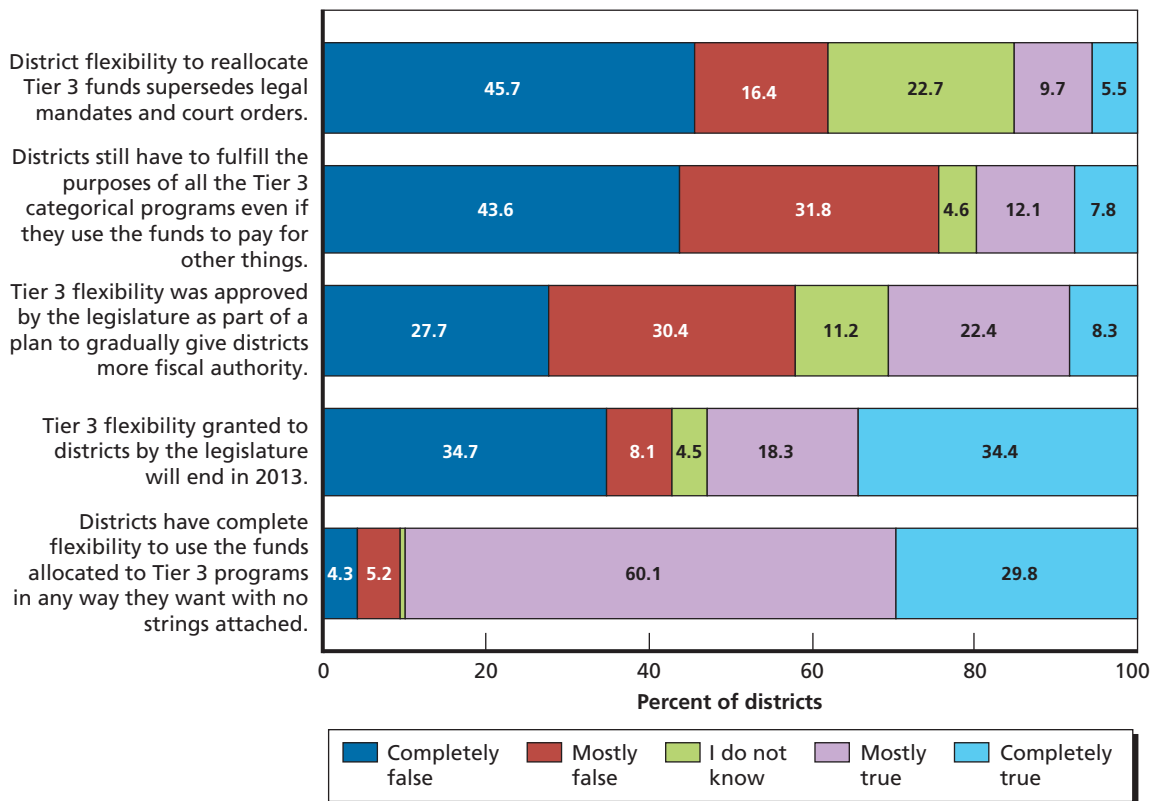
required to understand why flexibility might be having a negative effect on lower-performing students.

We also found differences associated with a district’s level of reserves: CFOs in districts that had lower levels of unrestricted reserves in 2008 or 2009 were more likely to agree that flexibility hurts low-achieving students. Districts with lower reserves may have felt more pressure to reduce programs, including those that serve low-achieving students.

District Understanding of the Rules Governing Tier 3 Flexibility

Our survey findings suggest that most CFOs understood the rules and regulations governing Tier 3 flexibility, but a number of them did not (see Figure 3.5). At the time we prepared the survey, the first three statements in Figure 3.5 were false and the latter two were true.² If we give credit for either “completely” or “mostly” correct responses, the majority of CFOs understood these aspects of the law. Yet in every case, a minority gave the opposite response. For example, 15 percent of CFOs believed that flexibility to reallocate Tier 3 funds supersedes

Figure 3.5
Percentage of CFOs Who Perceived Statements About the Rules Governing Tier 3 Flexibility to Be True or False



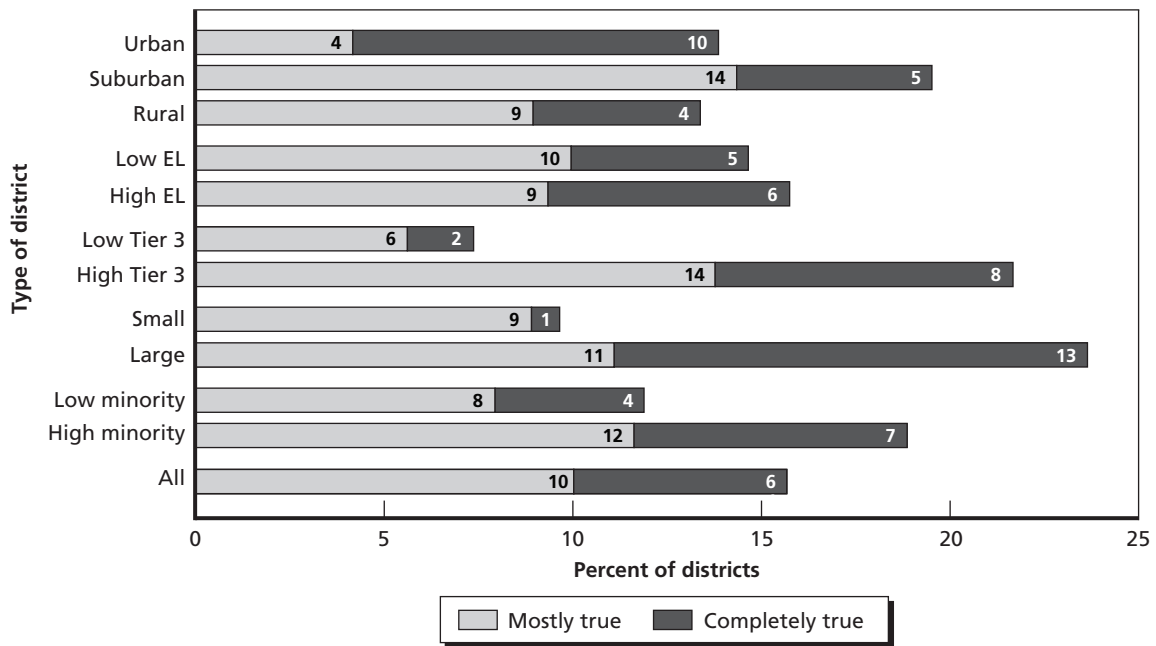
RAND TR1229-3.5

² By the time the final surveys were completed in August 2011, the legislature had extended Tier 3 flexibility to 2015, so this item is ambiguous, and we do not discuss it further.

legal mandates and court orders, a statement that is false, according to most policy analysts.³ Another important question addressed in the survey was whether CFOs believed that flexibility over funding allowed districts to ignore the specific aims of the programs included in Tier 3. About one-quarter of CFOs believed that districts still have to fulfill the purposes of all the Tier 3 categorical programs regardless of how they used the funds, although the law actually removes these program requirements. Similarly, slightly more than one-third of CFOs believed that Tier 3 flexibility was part of a plan by the legislature to gradually give districts more fiscal authority. Our advisory board generally agreed that this was not the case; that Tier 3 flexibility was a one-time legislative compromise rather than an initial step in a longer-term plan.

There were some minor differences in CFOs’ understanding of the regulations associated with district background characteristics. For example, Figure 3.6 shows that responses to the item concerning legal mandates varied for differently situated districts. For instance, 19 percent of CFOs in high-minority districts versus 12 percent of CFOs in low-minority districts believed that the statement was mostly or completely true. Similarly, 24 percent of large-district CFOs as opposed to 10 percent of small-district CFOs believed that the statement was mostly or completely true. On the other hand, there was general unanimity among

Figure 3.6
Percentage of CFOs Who Believed the Following Statement Is Mostly or Completely True:
“District Flexibility to Reallocate Tier 3 Supersedes Legal Mandates and Court Orders,” by District
Characteristics



RAND TR1229-3.6

³ Reviewers of earlier drafts of this report pointed out that CFOs might have misinterpreted the item. It is possible that some CFOs agreed that Tier 3 flexibility “supersedes legal mandates and court orders” because it supersedes prior state laws establishing the categorical programs.

CFOs that districts have complete flexibility to use the funds allocated to Tier 3 programs in any way that they want, which was the intent of the legislature. The level of agreement was similar across all types of districts.

How Were Tier 3 Program Funds Used and Accounted For?

This chapter describes CFO reports of how districts acted to reallocate Tier 3 program funds or “sweep” them into their general fund, including which programs experienced the sharpest reallocation of funds and how district responses to fiscal flexibility varied based on student demographics and other district characteristics. We also present information on districts’ accounting practices regarding Tier 3 revenues and expenditures in 2010–11.

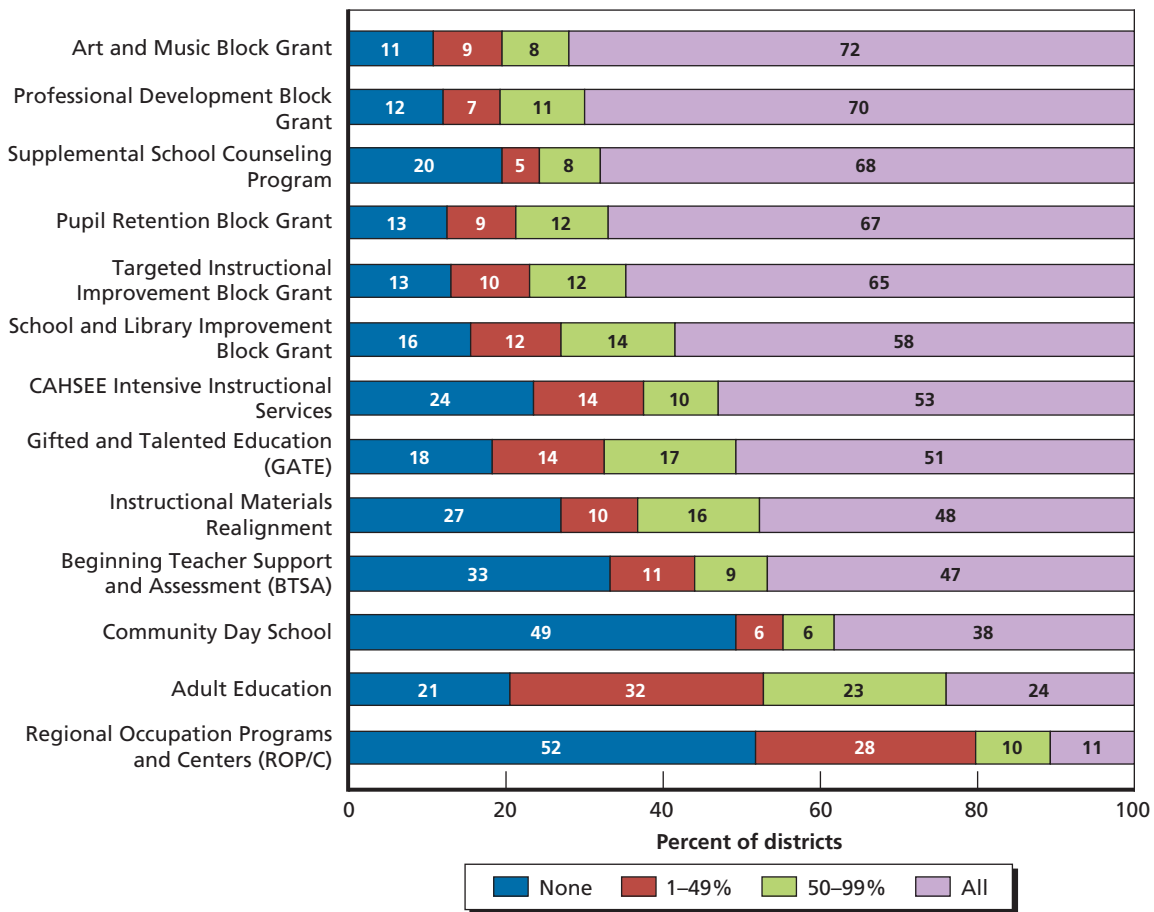
Two opposing views dominate the policy debate over fiscal deregulation in California. On the one hand, advocates of increased flexibility argue that deregulation of categorical aid will empower district and school-level educators to rethink priorities and shift resources to teacher quality and instructional improvement (e.g., LAO, 2010; Ouchi, 2008). That is, those closest to the problem will allocate resources most efficiently. On the other hand, many policymakers believe that funds should be targeted by the legislature, which can do a better job of balancing competing interests and setting priorities. Those who hold this view believe districts will not be as effective at allocating resources to meet student needs. By studying districts’ responses to Tier 3 flexibility, we can learn more about their actions when given greater control over resources. For example, our earlier case studies found that under current fiscal conditions, districts commonly swept Tier 3 funds into their general fund to minimize staff layoffs and avoid raising class size (Fuller et al., 2011). The case studies also revealed that budget flexibility was rarely shared with school-level leaders; i.e., districts did not further delegate decisionmaking to the school level.

The CFO survey aimed to provide additional information about what happens when fiscal control is deregulated to districts. Responses to the survey indicate the extent to which Tier 3 flexibility was used for various purposes.

Tier 3 Programs Experiencing the Largest Reductions

Figure 4.1 displays the percentage of CFOs who reported sweeping into their general fund varying shares of funding from Tier 3 programs. For example, the top horizontal bar shows that about three-quarters (72 percent) of CFOs reported sweeping all of the Art and Music program dollars into their general fund, very few (8 percent) CFOs reported sweeping most (50–99 percent) of the program dollars into the general fund, and very few (9 percent) reported sweeping less than half (1–49 percent) of program dollars. Only 11 percent of CFOs reported sweeping none of the Art and Music program dollars into the general fund. Note that results for adult education and for regional occupation programs and centers are based only on those districts that receive such funds. Other results are based on all districts. Appendix B shows the

Figure 4.1
Percentage of CFOs Who Reported That Districts Swept None, Some, or All Tier 3 Program Funds into General Funds in 2010–11



NOTE: Very few school districts operate ROP/C programs. Most are operated by county offices of education or joint powers administrations, which were not included in our survey.
 RAND TR1229-4.1

total amount of funding for each program; there does not appear to be a strong relationship between program size and the likelihood that dollars would be swept into the general fund.

The largest Tier 3 program—the Targeted Instructional Improvement Block Grant (TIIBG)—had 50 percent or more of its resources swept into general funds in 77 percent of districts, and 65 percent of districts swept all of these funds into their general fund. As noted above, only a handful of urban districts have historically benefited substantially from TIIBG funding. Teacher in-service training funds were reallocated substantially as well, including the Professional Development Block Grant and the Beginning Teacher Support and Assessment Program. Half of the CFOs reported eliminating all earmarked dollars for preparing students to take the California High School Exit Exam (CAHSEE).

In contrast, districts that received adult education and regional occupational center funding protected larger shares of these categorical funds as indicated by the bottom two bars. (Note: Only about one-third of the districts in the state—and in our sample—receive funding for adult education or for regional occupational programs and centers.) For example, just

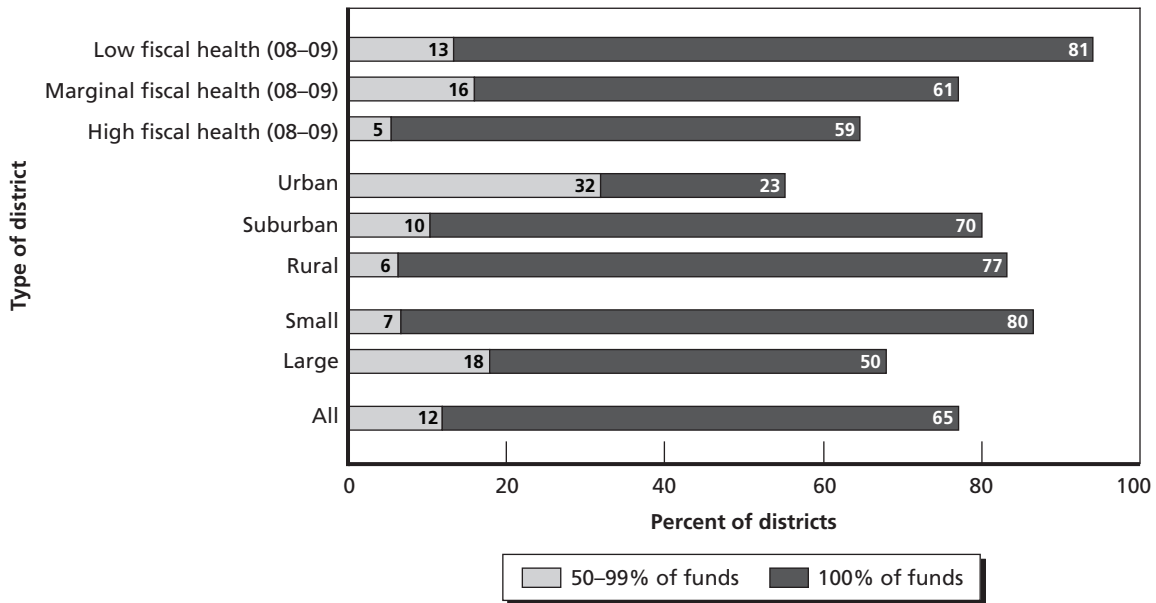
24 percent of CFOs in districts that received adult education funds reported sweeping all adult education dollars into their general fund. Still, 47 percent said that at least half their adult education dollars were moved into their general fund as they exercised Tier 3 flexibility.

Types of Districts Most Likely to Reallocate Tier 3 Program Funds

We examined whether district characteristics—including location, student demographics, and other local conditions—were associated with CFO reports of the reallocation of Tier 3 program funds. In the following charts we only display differences between types of districts that are statistically significant. As noted earlier, urban, suburban, or rural status, along a district’s relative fiscal health, were the most consistent features associated with district behavior.

Figure 4.2 focuses on the TIIBG program (i.e., funds to support instructional materials). It compares districts’ use of TIIBG grants based on district size, location, and fiscal health.¹ In each case it shows the percentage of the CFOs reporting that districts swept 50 percent or more of their TIIBG funds into general funds. The figure shows that fully 87 percent of CFOs in small districts reported sweeping at least half of their TIIBG dollars into general funds, compared with 68 percent of their peers in large districts. This result is consistent with the differences reported by CFOs in rural and suburban districts relative to urban districts. Both patterns probably reflect the fact that TIIBG as presently constituted is a combination of two

Figure 4.2
Percentage of CFOs Who Reported That Districts Swept 50–99 Percent or 100 Percent of Targeted Instructional Improvement Grant (TIIBG) Funds into General Funds in 2010–11, by District Characteristics



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¹ These three variables were the only ones among the nine features we examined on which there were significant differences with respect to the use of TIIBG funds.

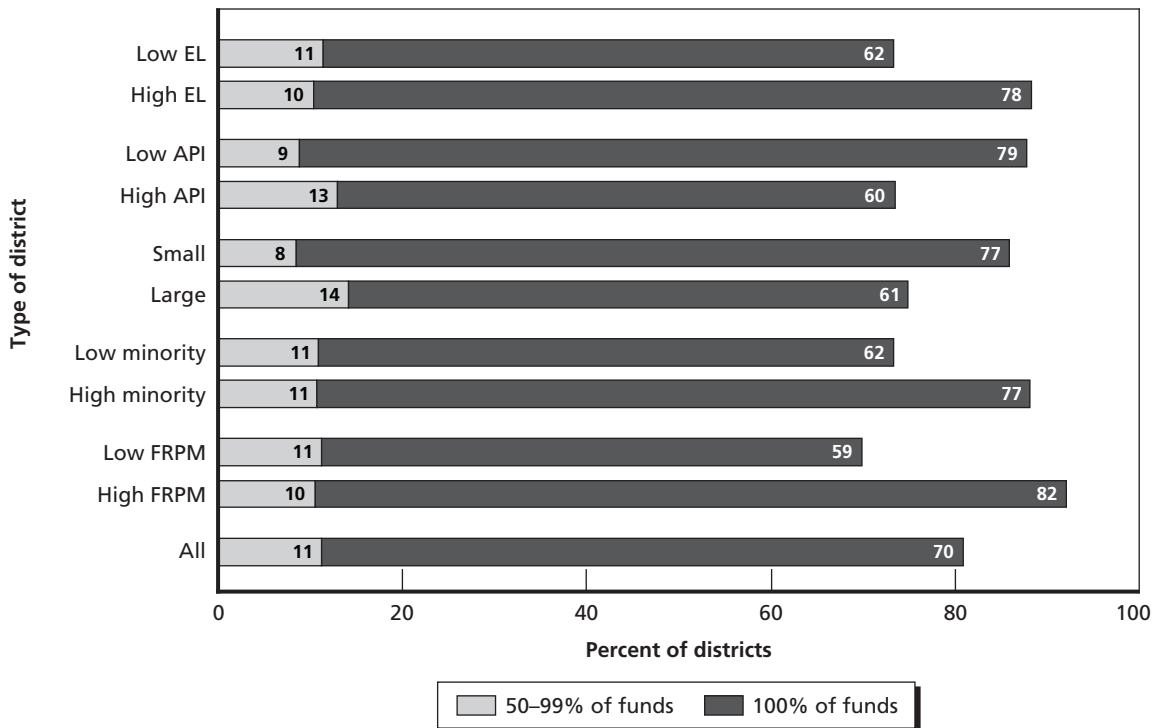
previous funding streams, one of which was focused on desegregation and was allocated primarily to urban districts.

Figure 4.2 also shows that a district’s relative fiscal health was related to its decision whether to reallocate Tier 3 funds. Fully 94 percent of CFOs working in fiscally unhealthy districts swept at least half their TIIBG dollars into their general fund, compared with 64 percent of their peers in districts that were in relatively strong fiscal health.

The Professional Development Block Grant (PDBG) was focused on improving teacher quality. It is interesting to compare differences between the districts that reallocated these funds to general purposes and those that retained their focused use. Districts serving lower-achieving students from low-income families may have faced stiffer pressure to reallocate PDBG funds. Figure 4.3 shows that greater percentages of low-API districts than high-API districts swept at least half of their PDBG dollars into their general fund. Similarly, 92 percent of CFOs in districts with high proportions of students eligible for free or reduced-price meals swept at least half of their PDBG funds compared with 70 percent of CFOs in districts with smaller proportions of FRPM-eligible students.

A similar pattern is evident when comparing districts with high or low concentrations of English learners and ethnic minority students. Note that CFOs in small districts were more likely to report sweeping PDBG dollars into their general funds than CFOs in large districts.

Figure 4.3
Percentage of CFOs Who Reported That Districts Swept 50–99 Percent or 100 Percent of Professional Development Block Grant Funds into General Funds in 2010–11, by District Characteristics



A different pattern emerged for Gifted and Talented Education funds. Urban districts and fiscally healthy districts (features that are inversely correlated in California) were less likely to reallocate GATE funding than districts with the opposite characteristics. Forty-five percent (45 percent) of CFOs in urban districts reported sweeping at least half their GATE dollars compared with 73 percent of their peers in suburban districts. At the same time, CFOs in fiscally less healthy districts were more likely to redirect GATE funding than peers from comparatively fiscally healthy districts.

Another key program included in Tier 3 was CAHSEE Intensive Instructional Services. Urban districts were more somewhat likely to use these funds to prepare secondary students for the CAHSEE. Just over half of the CFOs located in urban districts said they redirected at least half of all CAHSEE-preparation funding into their general fund, compared with 58 percent of their peers in suburban and 74 percent of CFOs in rural districts.

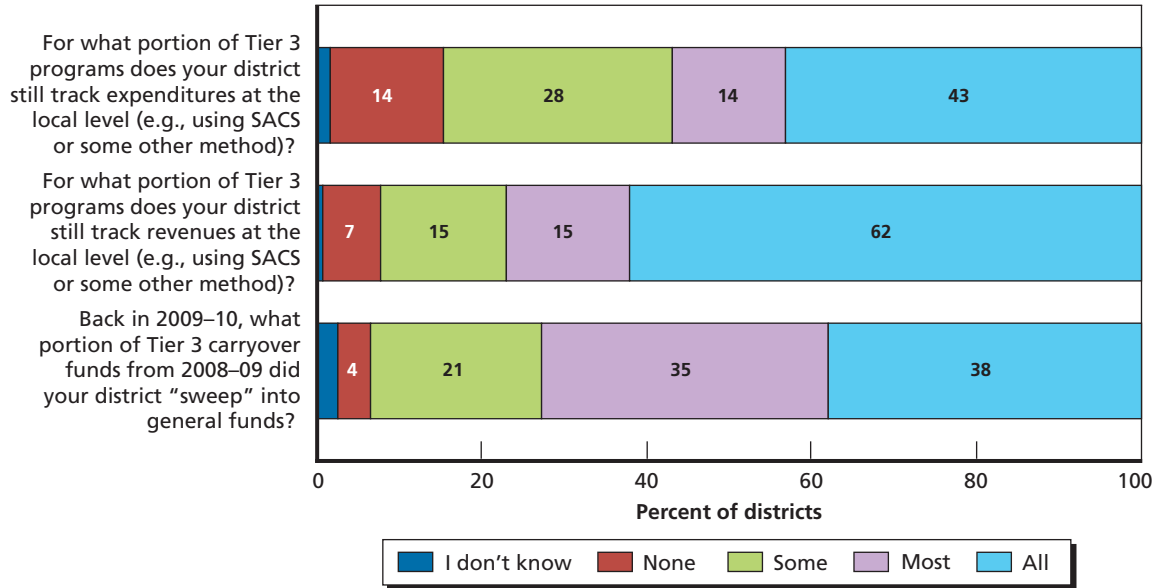
Carryover Funds

One part of the Tier 3 reform provided greater flexibility in allocating carryover dollars to the district's general fund. That is, prior-year funding attached to any one of the 40 Tier 3 programs was available to be swept into a district's general fund in the subsequent year. We found that, on average, 38 percent of CFOs reported sweeping all carryover dollars into their general fund, and another 35 percent swept most of their carryover to protect the general fund. Rural districts—often finding themselves in weak fiscal positions—were most likely to sweep at least half of their carryover dollars. Fully 80 percent of rural CFOs reported sweeping at least half of all carryover dollars, compared with 56 percent of peers working in urban districts. This difference is mirrored when comparing districts with large and small enrollment.

Accounting Procedures Related to Tier 3 Revenues and Expenditures

Under Tier 3 flexibility, districts were no longer required to track revenues and expenditures for the 40 Tier 3 programs. However, our survey indicated that many chose to continue past practices. This will become a crucial issue when 2014 approaches, as Tier 3 flexibility will end unless the policy is renewed by the legislature and governor. Figure 4.4 reveals that just over two-fifths (43 percent) of all CFOs still track expenditures in terms of the previous Tier 3 program codes. Three-fifths report that they still keep track of revenues received in terms of the Tier 3 program areas prior to flexibility.

Figure 4.4
Percentage of CFOs Who Reported That Districts Still Track Tier 3 Expenditures and Revenues



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How Districts Made Budget Decisions—Goals, Local Constituencies, and Outside Advice

This chapter examines the question of how district leaders made budget decisions in the wake of Tier 3 flexibility. We examine CFO reports of who was involved in budget decisionmaking and how their choices were influenced by various factors, including the desire to realign spending with district priorities, the press of local constituencies, feedback from school principals, and information from outside agencies (e.g., advice regarding fiscal strategies).

Advocates of greater fiscal flexibility argue by decentralizing fiscal decisionmaking greater engagement of local stakeholders will occur and dollars will be allocated more efficiently (e.g., school principals might be given greater control over their budgets and teaching staff). However, recall that Tier 3 flexibility was enacted in the middle of a school year and coincided with a sharp reduction in Tier 3 funding. This timing required quick action by district leaders and, based upon our initial case studies, may have concentrated decisionmaking in the hands of a small group of key administrators (Fuller et al., 2011). One question we pursued in the survey phase of this study was to verify if this pattern persisted in subsequent years of Tier 3 flexibility.

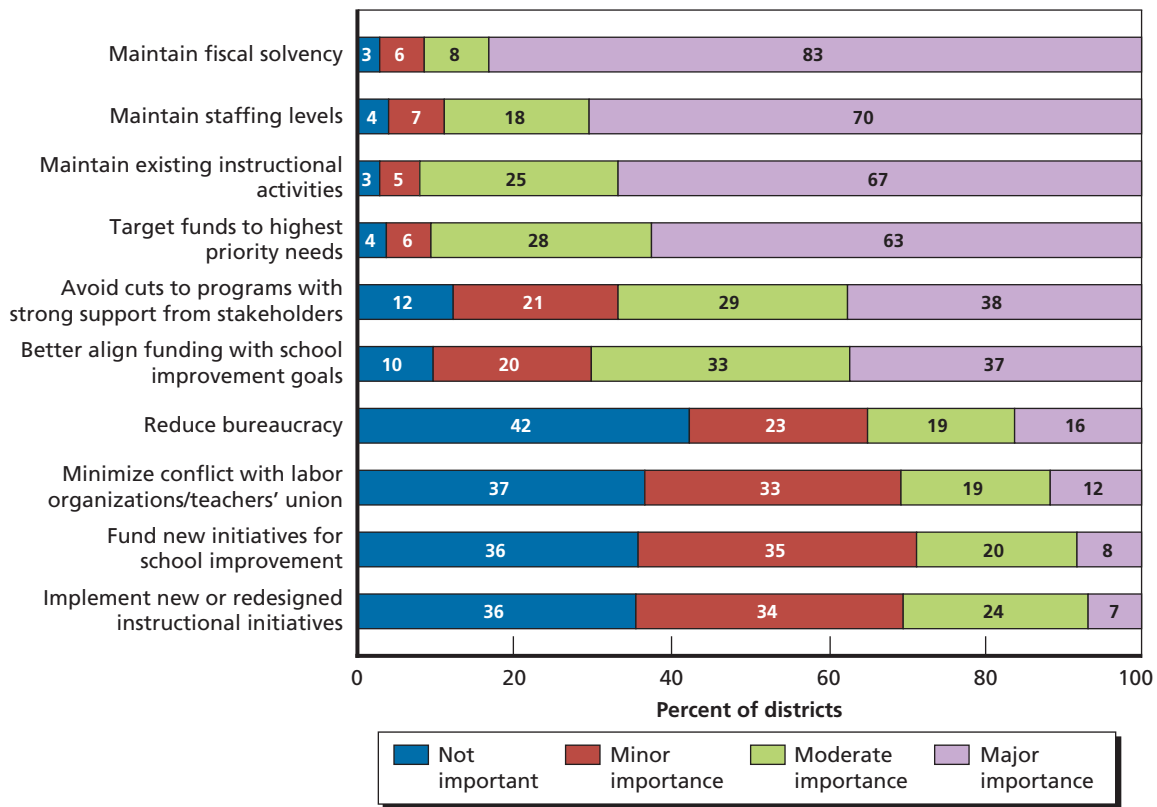
Goals That Influenced Decisions About Flexibility

Districts varied in the extent to which budget decisions were driven by a clear strategic plan or an explicit set of priorities. Our earlier district case studies revealed that districts' initial responses to Tier 3 flexibility were influenced by many factors, including their existing priorities relating to instructional improvement, a desire to keep class sizes from growing, and a desire to protect the jobs of teaching staff.

The survey asked CFOs about the relative importance of ten goals in deciding how to use flexibility in 2010–11. Figure 5.1 displays the relative importance that CFOs reported that their districts placed on differing criteria. Fiscal solvency, not surprisingly, was the most salient policy goal pursued in considering whether to sweep Tier 3 dollars into the general fund. More than 80 percent of CFOs reported that maintaining solvency was of major importance in their district's use of flexibility in 2010–11. The next most important goals were to maintain existing staff and current instructional programs.

Relative to other goals, most districts awarded less importance to avoiding cuts to programs with strong stakeholder support, with just over one-third of CFOs saying this was of major importance. This is consistent with findings from the ten-district study, showing that budget decisionmaking did not engender more than minimal political conflict in most districts. Many respondents emphasized the importance of minimizing teacher layoff and maintaining

Figure 5.1
Percentage of CFOs Who Reported the Importance of Various District Goals in Making Decisions About Tier 3 Flexibility



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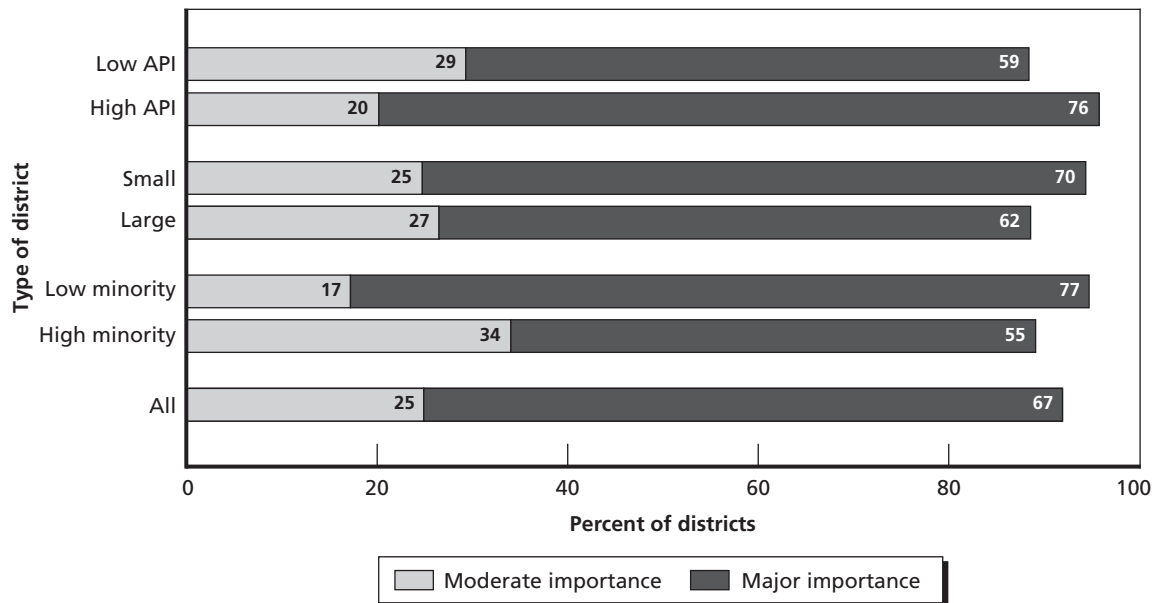
class size. According to CFOs statewide, even less importance was given to reducing district bureaucracy or funding *new* efforts to improve instruction. Both findings are consistent with earlier results.

In a few cases, district characteristics were related to the importance placed on specific goals when making decisions about flexibility. For example, the priority placed on maintaining current instructional activities varied somewhat by district type, as shown in Figure 5.2. CFOs from smaller districts, those serving smaller proportions of minority students, and districts with higher API scores were more likely to give major or moderate importance to basic maintenance of instructional efforts, compared with CFOs from districts with the opposite characteristics.

With a few exceptions, district background characteristics were not related to the importance given to other goals in their decisions about Tier 3 flexibility. One exception was that CFOs in urban districts (45 percent) were more likely to indicate that their districts placed moderate or major importance on funding new initiatives for school improvement than CFOs in suburban or rural districts (26 percent each). Another exception was aligning funding with school improvement goals; a greater percentage of CFOs in districts serving high proportions of English learners (77 percent) gave this goal moderate or high importance than peers in districts serving lower proportions of EL students (64 percent).

Fiscal solvency—simply balancing the general fund—was a salient concern for almost all CFOs. This is not surprising in light of the severity of cuts that were occurring during this

Figure 5.2
Percentage of CFOs Who Reported That Districts Consider Maintaining Existing Instructional Activities to Be of Moderate or Major Importance in Decisions about Tier 3 Flexibility, by District Characteristics



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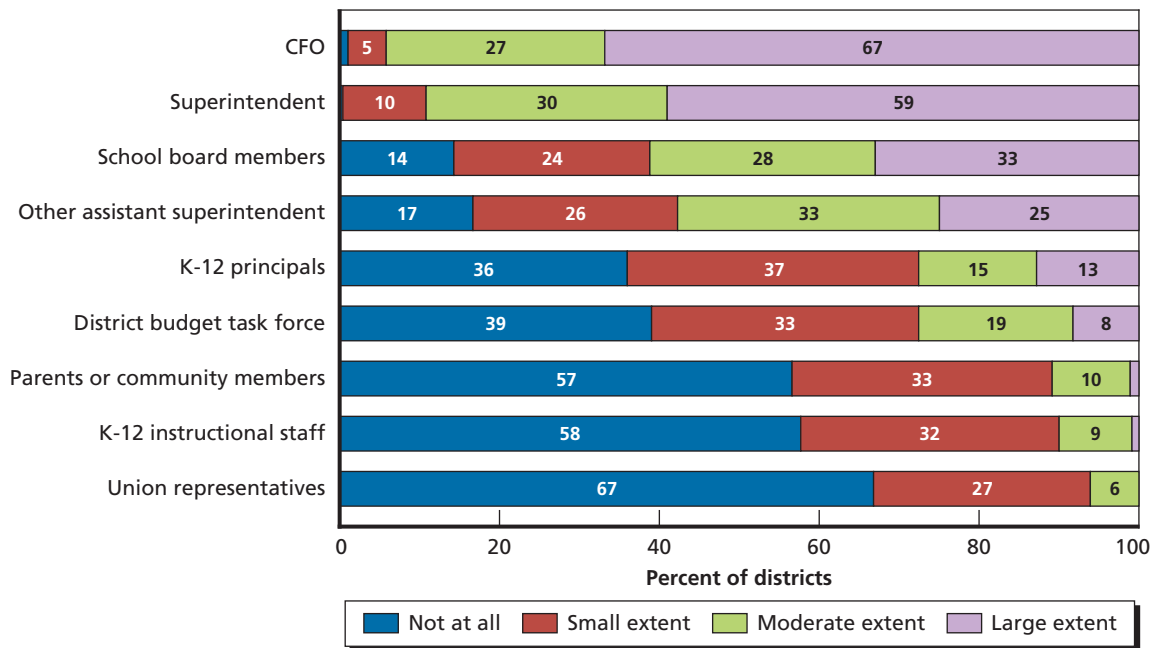
period. We found that fiscal solvency was more important in decisions relating to the use of flexibility for CFOs located in large districts, urban districts, and districts experiencing poor fiscal health. Fiscal solvency was also more likely to be of moderate or major importance to CFOs in districts receiving higher proportions of categorical aid and serving higher proportions of students receiving subsidized meals. Despite receiving larger shares of categorical aid, CFOs in these districts were more preoccupied with fiscal solvency than their peers from districts that did not share these characteristics. Neither the survey data nor the prior case studies explain this difference.

Types of Constituents Participating in Decisions About Tier 3 Flexibility

Our earlier case studies indicated that while districts may have solicited input from other stakeholders, superintendents and top administrators were the primary decisionmakers about the use of Tier 3 funds. To confirm or disconfirm this pattern statewide, we asked CFOs which local groups and individuals exercised significant influence in deliberations about the use of Tier 3 funds. Figure 5.3 shows the percentage of districts in which CFOs reported that each individual or group had displayed influence, ranging from a “large extent” to “not at all.”

Superintendents and CFOs influenced Tier 3 decisions to a large or moderate extent in roughly 90 percent of districts. CFOs were more likely to report that they had a large influence on Tier 3–related decisions than superintendents had. About 60 percent of the CFOs reported that school board members influenced decisions to a large or moderate extent. The legislature did require, when approving the Tier 3 reform, that school boards publish a listing of how funding for each program would be altered under the superintendent’s budget plan. Thus,

Figure 5.3
CFO Reports on the Extent to Which Various Individuals Influenced District Decisions About Tier 3 Flexibility Since 2009



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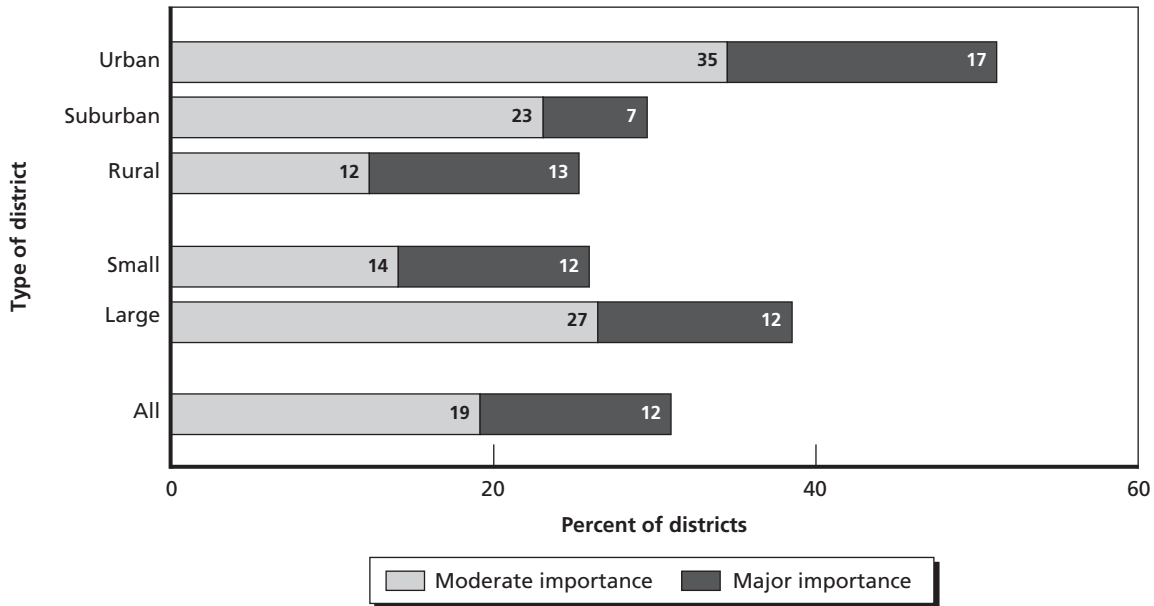
it makes sense that board members frequently influenced these decisions. Fuller et al. (2011) also reported board involvement when an external constituency was displeased with a staff recommendation.

In contrast, CFOs reported little involvement by either parent groups or community members. About half of the CFOs reported that these groups were “not at all” involved in budget decisionmaking. Nor were school principals or union representatives involved in budget decisionmaking. Overall, the Tier 3 reform did not appear to prompt broad, democratic discussion among local stakeholders, as some advocates of fiscal decentralization postulate. Instead, these responses are consistent with behaviors one might expect from districts operating under severe fiscal pressures. It is plausible that under different conditions—absent the budget crisis—categorical flexibility would have played out quite differently.

Differences in decisionmaking behavior did emerge among differing types of districts. For example, CFOs in urban and large districts were more likely to report that minimizing conflicts with labor unions had a large influence on decisions about Tier 3 flexibility than CFOs in suburban or rural districts or in small districts. Figure 5.4 shows that 52 percent of CFOs in urban districts said minimizing labor conflicts was of major or moderate importance compared with just 30 percent of their counterparts in suburban districts and 25 percent in rural districts.

Some decentralization advocates argue that under such policies school principals will gain greater control over resources, allowing them to be more responsive to local priorities. Two sets of responses from the survey indicate that this occurred to only a limited degree in the case of Tier 3 regulation.

Figure 5.4
Percentage of CFOs Who Reported That Districts Consider Minimizing Conflict with Labor Organizations to Be of Moderate or Major Importance in Decisions About Tier 3 Flexibility, by District Characteristics

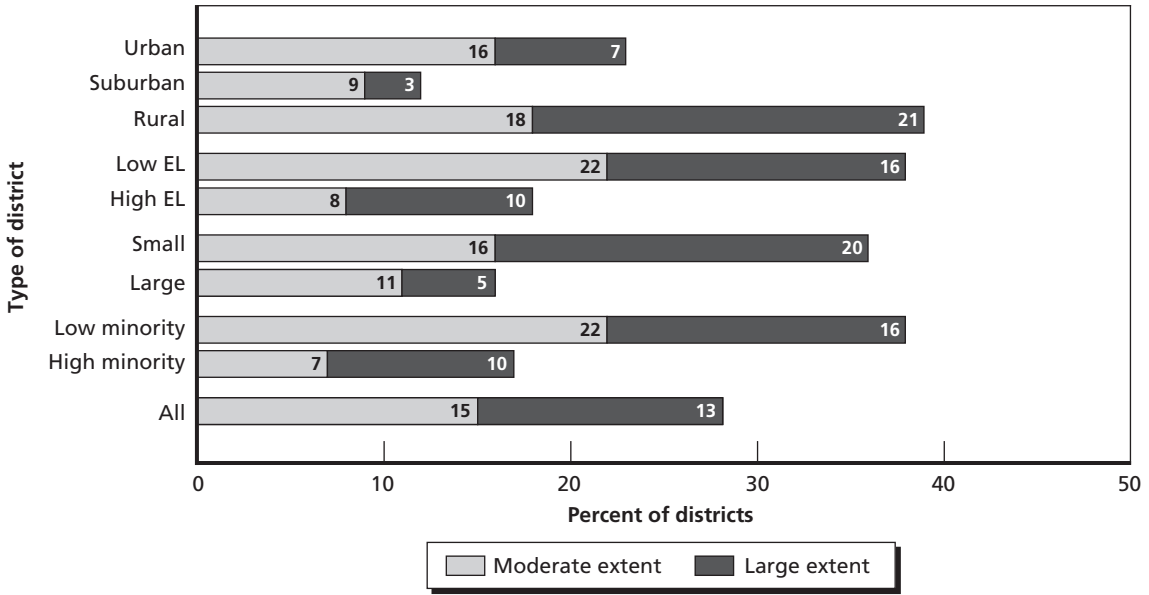


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First, as Figure 5.3 showed, principals were reported to have a moderate or large influence in only about 30 percent of districts. Examining these responses further, Figure 5.5 shows that principals’ reported influence varied across districts. For example, CFOs in smaller districts and districts serving lower shares of ethnic minority students were more likely to report that their districts involved principals in Tier 3 budget decisions than CFOs from districts of the opposite type. Just over one-third of CFOs in small districts reported involving principals to a large or moderate extent, compared with only 16 percent of CFOs in large districts.

Second, the survey also asked CFOs to report the portion of Tier 3 programs for which principals or school site councils were given greater discretion than in the past. Just 9 percent of CFOs reported sharing additional discretion over “all” Tier 3 programs; 7 percent reported sharing authority over “most” programs, and 22 percent gave increased discretion to principals or school site councils over “some” Tier 3 program dollars. The remaining 60 percent of CFOs reported that none of the Tier 3 discretion was passed down to principals or school site councils.

Figure 5.5
Percentage of CFOs Who Reported That K–12 Principals Influenced District Decisions About Tier 3 Flexibility to a Moderate or Large Extent, by District Characteristics



Consequences of Tier 3 Flexibility for Districts

This chapter details how CFOs viewed the consequences of Tier 3 flexibility. We focus on two fundamental questions: (1) Did flexibility enable districts to survive drastic budget cuts by allowing them to target funds on local priorities? (2) Did budget and program reductions cause conflict among stakeholders and school officials? We also sought to learn whether the answers to these questions differed systematically among districts with contrasting attributes. For instance, were significant differences apparent among urban, suburban, and rural districts?

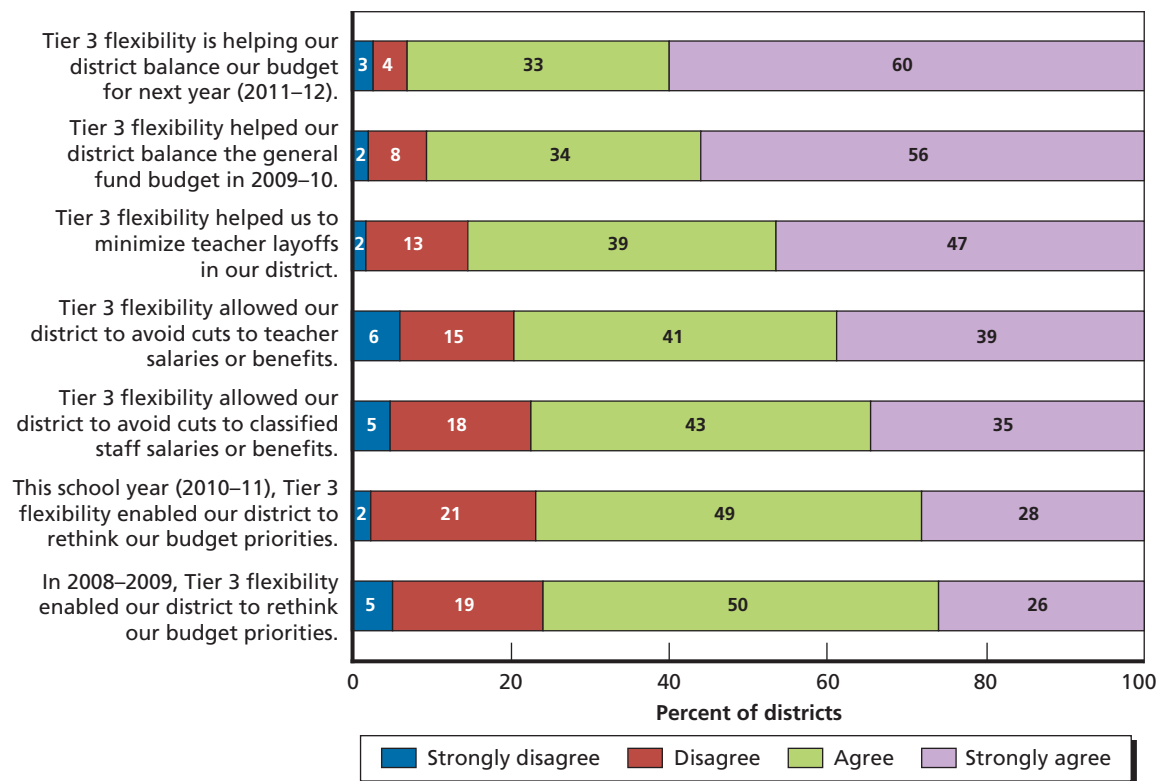
The ten-district study we conducted in 2010 revealed that sharp budget reductions and the uncertain fiscal conditions that they created caused districts to use flexibility to try to minimize reductions in teaching staff and core classroom programs. Educators and policymakers in California have made varying predictions about how funds would be allocated in the absence of explicit targeting. Our interviews with advisors and policymakers in Sacramento revealed two common opinions. One group worries that unrestricted funds would be subject to collective bargaining and be used primarily for teacher salaries rather than new services for students. The other group counters that district and school officials have a better understanding of local needs and that they will know how to allocate funds to align with those needs. We hoped that the survey would shed some light on this unresolved dispute.

Reported Effects on Services, Programs, and Staffing

Our previous study found that the ten districts generally felt that “flexibility helped to minimize layoffs and sparked discussions about how spending priorities might be adjusted” (Fuller et al., 2011, p. 50). The statewide survey results echoed these findings. Among our survey respondents, about three-quarters agreed or strongly agreed that Tier 3 flexibility enabled their district to rethink its budget priorities in 2008–09 and in 2009–10 (see Figure 6.1).

While there was general agreement that flexibility enabled districts to rethink budget priorities, responses differed by types of districts: 86 percent of CFOs in districts with high levels of unrestricted reserves agreed that flexibility enabled rethinking of budget priorities in 2008–09, compared with 66 percent of CFOs in districts with low unrestricted reserves (Figure 6.2). Less fiscal pressure may have allowed for greater reevaluation of priorities. Similarly, districts with high shares of minority and EL students reported a greater likelihood of rethinking priorities. One interpretation of these findings is that districts that were relatively fiscally healthy in 2008–09 and/or drew more categorical-aid dollars overall were better able to use Tier 3 flexibility to rethink spending priorities.

Figure 6.1
Percentage of CFOs Who Agreed That Tier 3 Flexibility Had Various Effects on Services, Budgets, and Staffing



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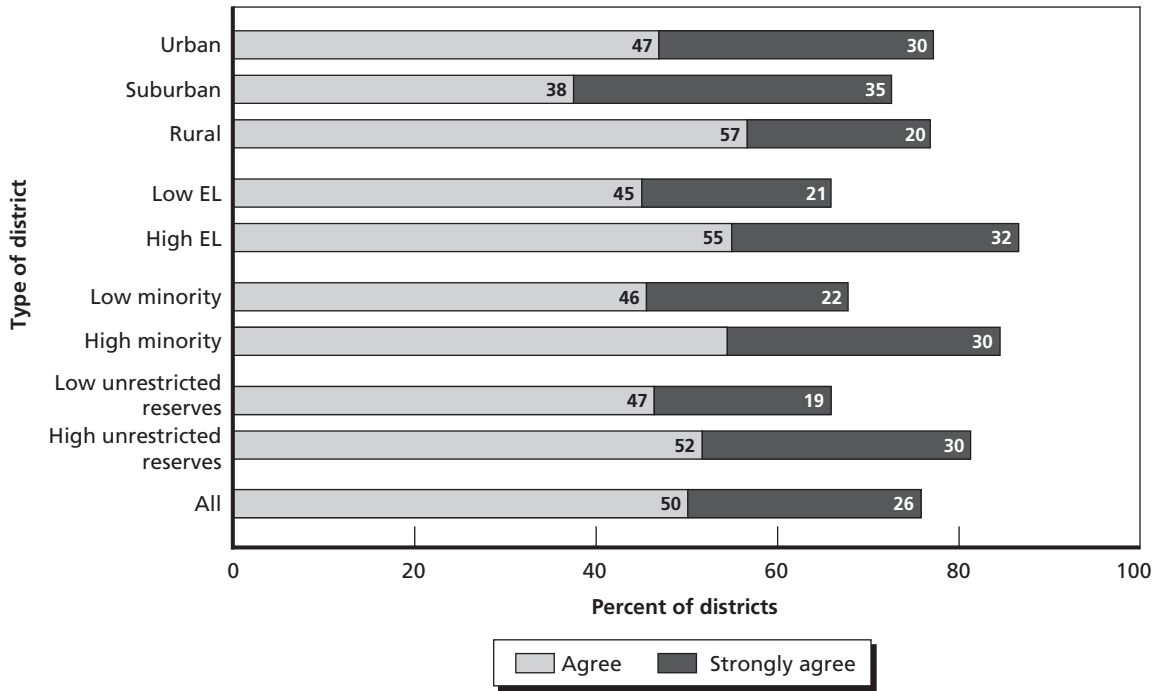
There was broad agreement among districts in our case studies that allowing districts to shift categorical funds to general funds was crucial in preserving fiscal solvency (and avoiding layoffs, which we discuss below). Consistent with these prior findings, over 90 percent of CFOs reported that Tier 3 flexibility helped districts balance their general fund budgets in 2009–10 and is helping them again in 2010–11 (Figure 6.1).

However, some differences surfaced among contrasting types of districts. CFOs in districts with high levels of restricted revenues (i.e., categorical programs) and districts with high percentages of EL students were more likely to agree that flexibility was helpful for balancing the budget than CFOs from opposite types of districts. Figure 6.3 shows the comparisons for 2009–10, and the results for 2010–11 were similar. These findings suggest that districts with fewer categorical dollars had less freedom to shift monies in their budgets.

Avoiding layoffs and avoiding salary cuts are closely related to balancing the budget. Thus, it is not surprising that the results in Figure 6.1 related to salary cuts and layoffs closely parallel those for balancing the district budget. Almost 86 percent of CFOs agreed or strongly agreed that Tier 3 flexibility helped minimize teacher layoffs, and about 80 percent agreed or strongly agreed that flexibility allowed districts to avoid cuts to teacher salaries or benefits and classified staff salaries or benefits.

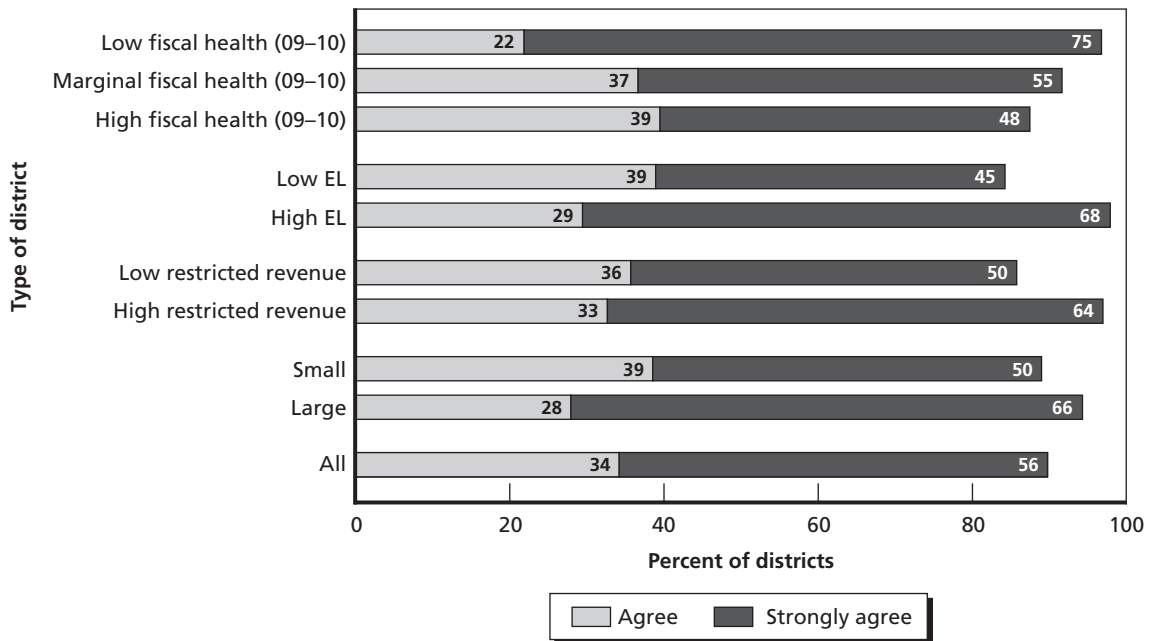
Here, too, district characteristics are associated with CFO responses. For example, 54 percent of CFOs in low-API districts as opposed to 38 percent of CFOs in high-API districts agreed or strongly agreed that flexibility helped minimize teacher layoffs. CFOs in dis-

Figure 6.2
Percentage of CFOs Who Agreed or Strongly Agreed That Tier 3 Flexibility Enabled Them to Rethink Their Budget Priorities in 2008–09, by District Characteristics



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Figure 6.3
Percentage of CFOs Who Agreed or Strongly Agreed That Tier 3 Flexibility Helped Them Balance the General Fund Budget, in 2009–2010



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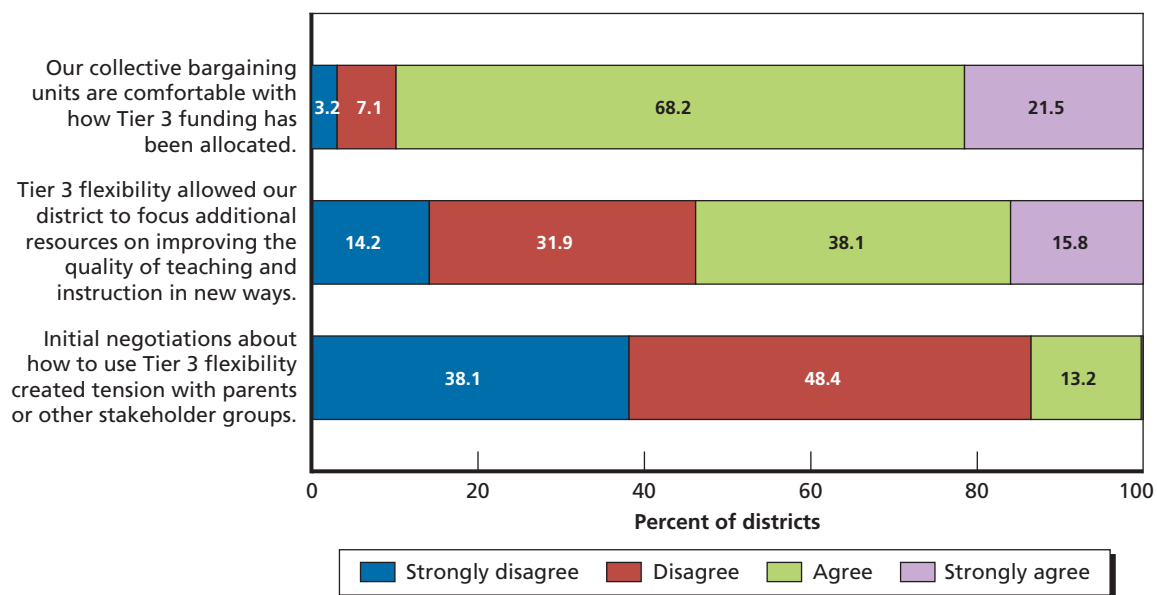
tricts with large EL populations also had a higher level of agreement than peers in districts with small EL populations (56 percent agreed or strongly agreed compared with 38 percent). The patterns among types of districts are similar to those reported above for other consequences.

Reported Effects on Teaching and Instructional Improvement

In our ten-district case studies, we found a few cases in which districts used Tier 3 flexibility to undertake specific efforts to improve teaching and learning in spite of the difficult fiscal challenges they faced. To investigate this topic further, the statewide survey asked whether Tier 3 flexibility allowed districts to focus additional resources on improving the quality of teaching and instruction in new ways. As Figure 6.4 shows, slightly more than half of the CFOs agreed or strongly agreed that flexibility “allowed districts to focus additional resources on improving the quality of teaching and instruction in new ways.”

We think it is noteworthy that over half of CFOs reported using the opportunity provided by categorical funding deregulation for instructional improvement. We interpret this response to mean that the availability of unrestricted monies allowed districts to target funds to meet local priorities and needs. CFOs believed that flexibility made it possible for districts to use funds more effectively. In our case studies, a few districts noted that the amount of funding they received in any single program category was insufficient to have much impact academically. However, when they were permitted to pool these funds it allowed them to target resources on instructional priorities. This situation may be more likely to occur in districts with lower levels of categorical program funding.

Figure 6.4
Percentage of CFOs Who Agreed That Tier 3 Flexibility Had Various Effects on Teaching and on Labor Relations



Reported Effects on District Relations with Labor and Community Groups

State efforts to increase categorical funding flexibility have run into opposition from constituencies that express strong support for particular groups of students (e.g., those with disabilities) or organizational models (e.g., smaller class size or after-school programs). However, Fuller et al. (2011) reported only minor resistance to sweeping categorical funds into the general fund as constituent groups realized that districts had few options available to them to maintain fiscal solvency. One exception is recent vocal opposition to cuts in adult education programs.

Still, the statewide survey generally confirmed what we found in the case studies. As Figure 6.4 shows, 87 percent of CFOs disagreed or strongly disagreed that negotiations over Tier 3 flexibility created tension with parents or other stakeholder groups. Similarly, CFOs generally reported that Tier 3 negotiations did not create conflict with collective bargaining units.

District Leaders' Future Plans

During the past three years, school funding policies enacted in Sacramento have been unusually unpredictable, even by California standards. It is difficult for districts to adapt to the changing fiscal situation, and CFOs have been challenged to help districts maintain their fiscal health in the face of such volatility. Under these circumstances, CFO predictions of budget actions in the coming year are likely to involve some speculation. Nevertheless, we asked respondents to report on their district's financial plans for school year 2011–12, and their responses suggest a moderate level of pessimism about future educational funding in California.

Likely Actions for 2011–12

Roughly one-half of the CFOs in California reported that in 2011–12 their districts were moderately or highly likely to increase the level of funds they swept from Tier 3 into the general fund (Figure 7.1). About the same percentage reported that they were likely to reduce the number of certificated staff, reduce the number of classified staff, and increase class size to balance their budgets for 2011–12.

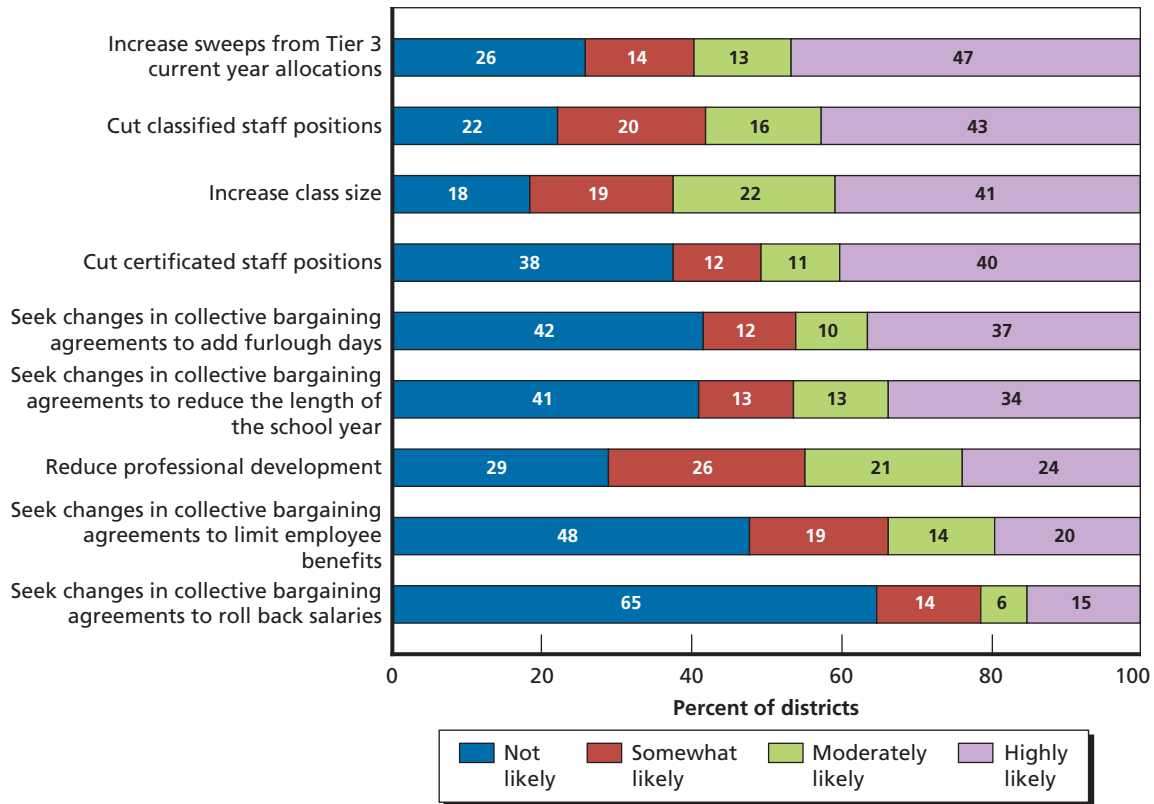
A lower but notable percentage of CFOs reported that they were likely to seek changes in negotiated collective bargaining agreements that would reduce costs by increasing the number of furlough days, reducing employee benefits, or even (in a small percentage of districts) reducing salaries.

As shown in the figure, 60 percent of CFOs reported that their districts were highly or moderately likely to increase sweeps of Tier 3 funds into the general fund in 2011–12. We found that these actions were more likely to occur in districts with high rather than low proportions of English learners and minority students and in districts with high rather than low levels of unrestricted reserves in 2008 and 2009.

Although more than half of the CFOs reported that their district was likely to seek cuts to certificated staff in 2011–12, such cuts were reported more often in certain types of districts. Figure 7.2 shows that efforts to cut staffing were more likely to be reported in districts that were high minority, high EL, large, and fiscally unhealthy. While we do not know all the factors that caused CFOs in these districts to anticipate that their districts would seek to reduce certificated staff, we know that many of these features are correlated, and the pattern of responses is consistent with the challenges such districts face. Less clear is why CFOs in suburban districts would be more likely to anticipate staffing reductions than CFOs in rural or urban districts.

The distinctions among districts are not quite so stark when it comes to reductions in classified staff. We did not find significant differences in reports from CFOs in large and small

Figure 7.1
Percentage of CFOs Who Reported Their District Was Likely to Take Various Actions in 2011–12



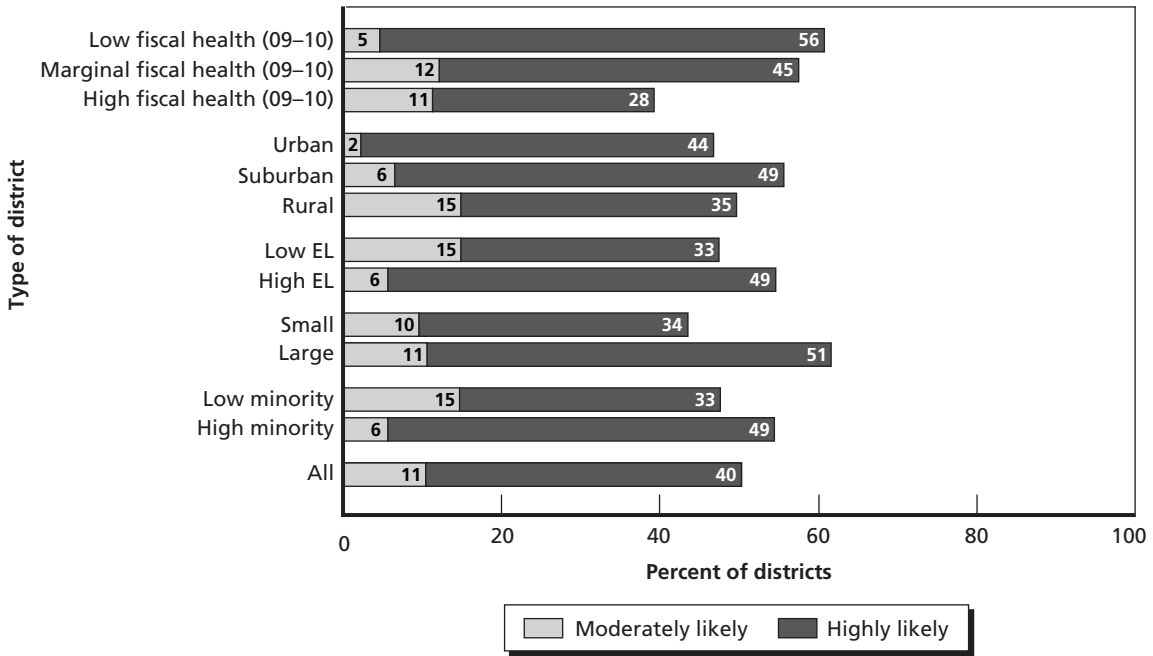
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districts; high-minority and low-minority districts; or rural, suburban, and urban districts. The greatest differences are based on the fiscal health of the district and also its API status. Sixty-nine percent of CFOs in districts with low fiscal health reported that their district was moderately or highly likely to cut classified staff, compared with 54 percent and 57 percent, respectively, in districts with marginal or high fiscal health. Similarly, low-API districts were more likely to expect to cut classified staff (64 percent) than high-API districts (53 percent). The relationship between staff reductions and fiscal health seems clear; that with API status is less obvious.

The pattern of CFO responses to questions about changes in the length of the school day is similar to the pattern we observed with respect to reducing certificated staff levels. As shown in Figure 7.3, CFOs in districts with the following characteristics were more likely to anticipate that their district would seek reductions in the school day: large, high-EL, and relatively low fiscal health. Again, CFOs in suburban districts were more likely to predict such changes for 2011–12 than their peers in either rural or urban districts. Similar predictions were made about negotiating additional furlough days during the school year. Additional furloughs were more likely to be anticipated by CFOs in high-minority districts, large districts, and districts with low fiscal health, compared with CFOs in districts with the opposite characteristics.

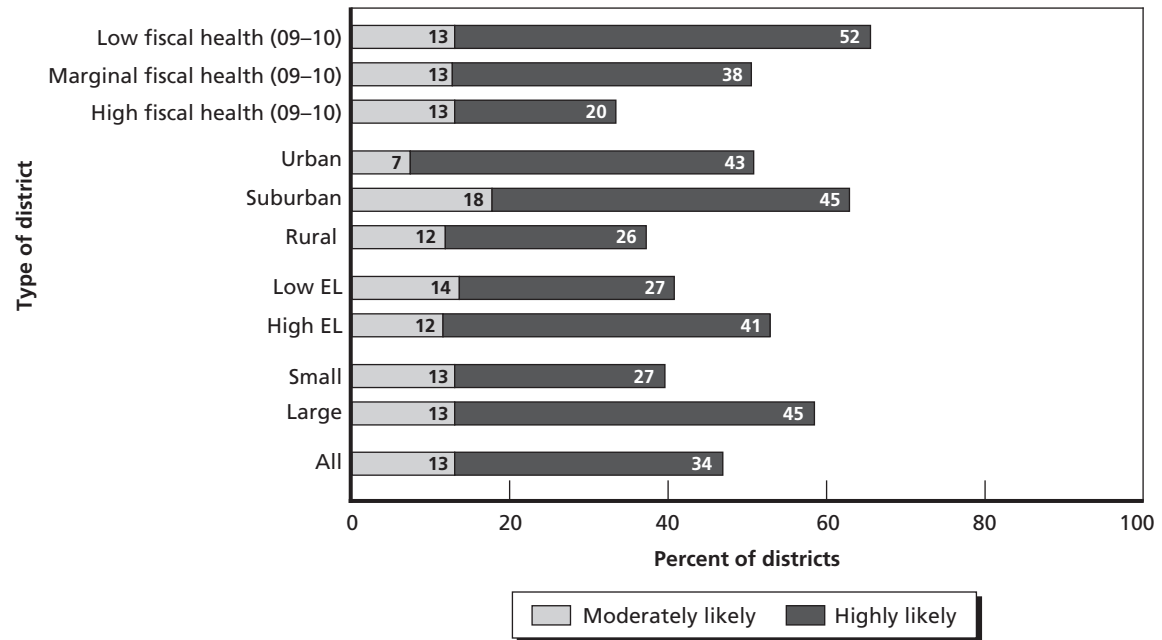
Among the more dramatic measures that districts might have to take in 2011–12 to balance their budgets is changing collective bargaining agreements to roll back teacher salaries or benefits. Figure 7.4 shows differences in CFO reports of the likelihood their district will seek

Figure 7.2
Percentage of CFOs Who Reported That Districts Are Moderately or Highly Likely to Cut Certificated Staff Positions, by District Characteristics



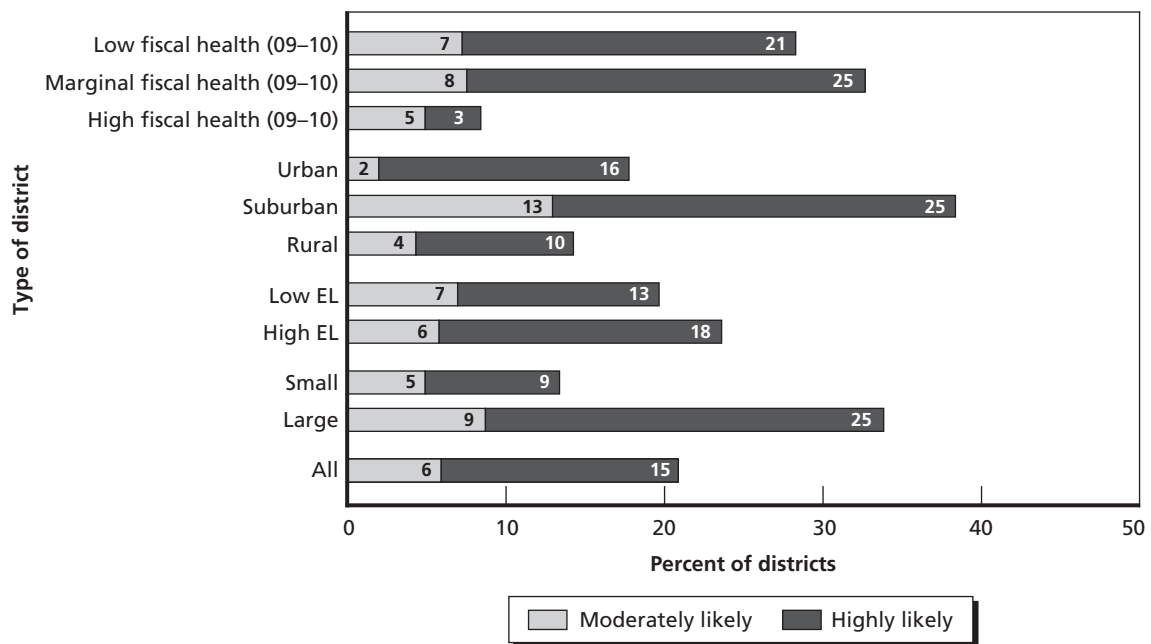
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Figure 7.3
Percentage of CFOs Who Reported That Districts Are Moderately or Highly Likely to Seek Changes in Collective Bargaining Agreements to Reduce the Length of the School Year, by District Characteristics



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Figure 7.4
Percentage of CFOs Who Reported That Districts Are Moderately or Highly Likely to Seek Changes in Collective Bargaining Agreements to Roll Back Salaries, by District Characteristics



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to roll back salaries, based on district characteristics. (The results for rolling back employee benefits were very similar.)

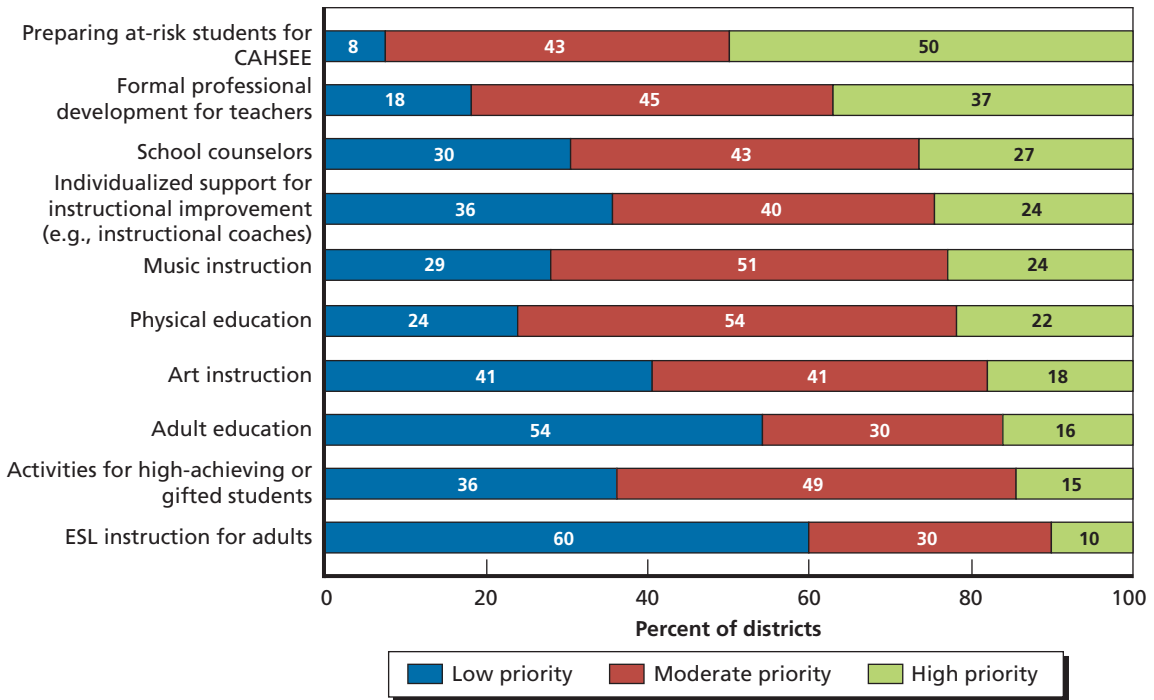
Similar patterns are evident in these results as in the other comparisons reported above, although there are some interesting differences. In general, CFOs in districts with high proportions of EL students, large districts, and districts with weak fiscal health were more likely to anticipate the need to negotiate reductions in teacher benefits or salaries than CFOs in districts with the opposite characteristics. CFOs in suburban districts were more likely to predict such changes than those in rural or urban districts. In addition, greater proportions of CFOs in districts with lower levels of Tier 3 revenues reported that such changes were likely.

Overall, these analyses are consistent with patterns seen in other chapters of this report. CFOs in districts that serve high proportions of minority and EL students, large districts, and fiscally unhealthy districts report that reductions in functions described here are more likely in 2011–12 than CFOs in districts with the opposite characteristics. Also, suburban district CFOs reported that these changes were more likely than rural or urban district CFOs, perhaps because of lower levels of categorical aid funding overall or shrinking cash reserves.

District Priorities for 2011–12

When asked to report about their district's priorities for 2011–12 in terms of Tier 3 categorical programs, CFOs indicated they would give the greatest priority to supporting programs that meet basic educational needs (see Figure 7.5). By far, the greatest percentage of CFOs gave high

Figure 7.5
Percentage of CFOs Who Reported Priorities for Maintaining Activities in 2011–12



priority to preparation for CAHSEE, followed by teacher professional development, counselors, and improving individual teachers' instruction. The lowest priorities were given to programs farther from the educational core—adult education, English as a Second Language (ESL) programs, GATE, art, and music.

Conclusions and Policy Implications

The legislature enacted Tier 3 flexibility in the middle of the 2008–09 school year, simultaneously making substantial cuts in state funding of categorical programs. The legislation aggregated 40 categorical programs into one group, called Tier 3, and gave districts flexibility to use those funds, which had previously been targeted to particular students, materials, or program models, in any way they wanted. As we described in our ten-district study, central district office staff scrambled to respond, endeavoring to understand new rules and address their pressing budgetary and programmatic needs.

Two years after the Tier 3 reform was enacted, we conducted a statewide survey of chief financial officers to find out how districts were using this flexibility during a relatively normal, annual budget cycle. The results are consistent with those reported earlier and with those reported by other researchers (LAO, 2010; 2012).

How Well Did Districts Understand the Regulations and the Purposes of the Legislation?

Even after a year of implementation, uncertainty persisted over the purposes of Tier 3 flexibility and the rules governing it, and the policy goals of the legislature were not clear to CFOs. Although virtually all CFOs believed that categorical deregulation was enacted to cushion the impact of severe budget cuts, about half thought that Tier 3 flexibility also represents a fundamental shift in the legislature’s policy of controlling categorical aid funding. In our Sacramento interviews, a number of legislative staff insisted that the flexibility provisions were not meant to be permanent and would revert to their regulated form in 2013 (this was extended to 2015 during the course of the study). Of course, it is not possible to know from our surveys whether those districts that regarded deregulation as a permanent feature of the school finance system were stating what they believed to be true as opposed to stating what they hoped would happen. Opinions among CFOs also varied concerning whether the law enabling flexibility superseded court orders and legal mandates.¹

CFOs remained uncertain about what the law required in terms of services to students. They disagreed about whether districts still had to provide the services that the Tier 3 funds previously had been used for. Similarly, CFOs differed in whether they continued to track revenues and expenditures using the categorical funding “object codes.” Two-fifths of districts still track expenditures by Tier 3 program source; three-fifths do not.

¹ As noted previously, however, this may be partially explained by confusion about the interpretation of the survey item.

Who Did Districts Turn to for Information and Advice?

CFOs relied heavily on School Services of California and on their county offices of education to make sense of the rules and regulations related to Tier 3 flexibility. The state Department of Education was not commonly seen as a source of information. This suggests that the policy signal from Sacramento down to local districts was weak and unclear.

What Was Done with Tier 3 Categorical Funds?

According to CFOs, the bulk of Tier 3 program funds were reallocated, that is, “swept” into district general funds. That means that sweeping did affect programs linked to teacher quality and students. Some programs took heavier hits than others—including programs linked to teacher quality, such as the Professional Development Block Grant, pupil retention, and TIIBG. Some programs were less likely to have their funds reallocated, such as preparing students for the CAHSEE. This was due perhaps to the legal vulnerability they might have faced had they not done so, or because they recognized the importance of students passing the exit exam. A number of districts also protected the Professional Development Block Grant. In some instances they may have done so because professional development activities were integral to ongoing school improvement efforts or because those funds were tied up in collective bargaining agreements. In our case studies, some districts reported that they were able to support professional development activities from other sources, independent of the sweeping of the Tier 3 account.

Programs not essential to core subjects under state and federal accountability regimes, such as the stream for arts and music, were commonly swept into the general fund. Even programs that may have strong local constituencies, like GATE, were also frequently swept; this is also consistent with our ten-district findings. Most districts swept unexpended prior-year balances from Tier 3 categories into their general fund, as well.

CFOs in all types of districts reported sweeping Tier 3 funds into the general fund, but leaders in certain types of districts showed a stronger inclination in this direction: those in rural districts, small districts, and less fiscally healthy districts. These three features were the most predictive of districts’ decisions to sweep Tier 3 funds into the general fund. Furthermore, predictions from CFOs suggest that over time more districts will sweep additional Tier 3 dollars into the general fund to minimize layoffs and slow the growth of class sizes in the face of declining revenues.

What Priorities Did District Leaders Emphasize?

CFOs reported three top priorities: preserving fiscal solvency, retaining staff, and preserving current instructional programs. Concern over potential conflicts with labor unions was not a sizable worry for most CFOs, although those in urban districts were more concerned about this than CFOs in suburban and rural districts.

Still, about one-third of CFOs reported that aligning spending with “school improvement goals” was a high priority. A few reported allocating newly flexible dollars to instructional reforms. CFOs in urban districts were significantly more likely to fund new initiatives,

compared with rural or suburban CFOs. A significant share of CFOs cited reducing district bureaucracy as a local goal, as well.

Who Influenced Decisions About Tier 3 Programs?

Most major decisions were made by the superintendent and key district office staff, according to CFOs. Parent groups, local constituencies, and union leaders were much less involved or influential. These latter groups, however, were more involved in the budget process within large and urban districts. Almost three-fifths of CFOs reported that principals were not awarded additional fiscal discretion in the wake of the Tier 3 reform. According to CFOs, principals were more involved in budget deliberations around Tier 3 in smaller and suburban or rural districts than in urban districts. There is little evidence to suggest that principals shared in the fiscal flexibility awarded to district leaders under the Tier 3 reform.

What Were the Consequences for Students, Staff, and Other Stakeholders?

The overall message from CFOs was that Tier 3 flexibility was pivotal in maintaining fiscal stability and weathering sizable budget cuts. There was nearly unanimous agreement that flexibility helped districts avoid layoffs and salary reductions. All the evidence from our survey supports the fact that flexibility did smooth the waters for districts in very turbulent times. These reports suggest that the consequences of budget reductions would have been much more severe without flexibility.

Another important CFO observation is that reallocation of Tier 3 funds, and the accompanying reduction of some long-standing categorical programs, did not cause great conflict among parents and various stakeholder groups. Nearly 90 percent of CFOs reported that constituents, including collective bargaining units, were comfortable with how Tier 3 funds had been allocated.

Contrary to worries among some policy leaders that flexibility would permit districts to reallocate resources away from the students most in need, nearly 80 percent of CFOs believed that deregulation did not harm low-achieving students by allowing resources to be shifted away from them. Since 1980 when categorical program regulation became an issue, advocates of regulation have generally believed that strict state regulation and oversight were necessary to make certain that schools provided services to poor and disadvantaged children. Proponents of categorical programs argued that, without central regulation, funds intended for low-achieving children would be reallocated by local interest groups. Yet the vast majority of respondents said this effect had not occurred. The exception to this general result is that CFOs in some large districts, urban districts, and districts serving EL and minority populations expressed some concerns about Tier 3 categorical funds flowing away from those students who needed them.

Finally, many CFOs reported that districts used categorical program flexibility as an opportunity to align local priorities and needs with their financial resources. Over three-quarters of CFOs believed that flexibility enabled their district to rethink budget priorities.

What Do Districts Expect to Happen in 2011–12?

Looking forward, CFOs expected ongoing fiscal pressures to lead to further belt tightening. CFOs expect to reduce classified and certificated staff and to increase class size in 2012, but they were less likely to make changes that require renegotiating contract provisions. As noted, CFOs indicate that they will continue to sweep Tier 3 funds into the general fund in 2012 to mitigate financial difficulties and that, in many districts, the level of Tier 3 funds they sweep is likely to increase.

Lessons Learned from Tier 3 Flexibility

What can California learn from this two-year experience with fiscal flexibility? Does the evidence we collected support any of the common hypotheses about how flexibility would be used—i.e., would districts be more likely to sweep deregulated dollars into the general fund to maintain financial solvency; make focused investments in new instructional approaches to meet local needs and state accountability demands; further delegate decisionmaking to the school level; or respond to vocal, organized constituencies, resulting in greater disparities among schools or student groups? Before revisiting these questions, it is important to remember that the legislature granted districts flexibility over Tier 3 categorical funds during a time of sharp budget cuts and great fiscal uncertainty. As a result, we must be cautious in generalizing these findings to other situations because responses to flexibility might be different in a different fiscal context.

Overall, responses from CFOs were consistent with the general notion that districts were displaying “rationality on the ground” in face of declining revenues and uncertainty over policy. Most CFOs reported that their district engaged in a serious assessment of budget priorities in the face of fiscal uncertainty and newly found flexibility and chose a conservative strategy of protecting employees, class sizes, and core instructional programs. A few reported capturing newly flexible dollars to mount instructional reforms, but this was not common. We found little evidence that districts engaged in careful weighing of the relative effectiveness of programs as a basis for linking spending priorities to student achievement. For the most part, decisions were made centrally, not passed down to the school level. Generally, vocal constituencies did not dominate the decisionmaking process, although some CFOs in large districts were concerned that the choices made were reducing resources for low-achieving students.

Some proponents of deregulating categorical aid argue that it will promote stronger participation of local stakeholders and school-level leaders in setting budget priorities (perhaps allocating larger shares to teacher quality or instructional programs). We found no consistent evidence of wider participation or of an inclination on the part of district leaders to share fiscal flexibility with their school principals, given the urgent need to balance district general funds. As of January 2012, districts are required to hold a special public hearing to discuss the use of Tier 3 flexibility; this requirement may change the decisionmaking process in the future.

Going forward, the legislature must decide by next year whether to continue Tier 3 flexibility. Governor Brown has proposed a broad expansion of this approach, hoping to create a \$7.1 billion flexible block grant for local districts. As this policy proposal is considered, we encourage California policymakers and education stakeholders to attend to the following issues:

- The legislature and governor should articulate clearly the purposes of fiscal flexibility in order to reduce confusion at the local level. Two issues are intertwined in debates about deregulation and flexibility—which educational programs will be supported and who will make the choices. It would be helpful to send clearer signals about each of these issues.
 - If flexibility is intended to broaden democratic participation in district and school decisionmaking, this should be made clearer. Our study found that decisions about Tier 3 flexibility were made centrally for the most part, with the greatest input from key district administrative staff.
 - If flexibility is intended to facilitate the redesign of educational programs to better serve the needs of students, then the policy should be designed and communicated with that in mind. We did not find that Tier 3 flexibility led to much rethinking of the alignment between programs and student needs.
- Similarly, if the legislature and governor hold particular priorities with regard to improving the performance of low-achieving students or advancing certain reform models, those priorities should be made explicit to local educators, and the collection of programs granted flexibility should be linked to those priorities.
- Other policies are being considered that interact with flexibility, and educators will need much clearer information and guidance to deal with multiple, interrelated policy changes. In particular, the governor’s plans include a new approach to allocating educational funds—a weighted student formula. Such a change would add additional uncertainty for districts and schools, and clearer guidelines about purposes and procedures will be essential if such changes are made.
- The California Department of Education should require districts to use a common system for reporting on revenues and expenditures, and the system should permit tracking of resources in ways that are relevant to any new program and finance priorities.
- Policymakers should require evaluation of the impact of flexibility to determine which students, schools, and programs benefit from fiscal flexibility, and which do not. A number of questions are worthy of attention.
 - What happens to programs whose funds are most often swept up, such as art and music?
 - How do changes in adult education funding affect communities and other institutions providing such services?
 - If policymakers want to identify the distinct effects of flexibility, it might be best to conduct an experimental study before adopting a statewide policy.

List of Advisory Group Members

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Chief Financial Officer, Stockton Unified School District

List of Tier 3 Categorical Programs (2009–2010)

	\$ Millions
Targeted Instructional Improvement Block Grant	855
Adult Education	635
Regional Occupational Centers and Programs	385
School and Library Improvement Block Grant	370
Supplemental Instruction	336
Instructional Materials Block Grant	334
Deferred Maintenance	251
Professional Development Block Grant	218
Grade 7–12 Counseling	167
Charter Schools Categorical Block Grant	136
Teacher Credentialing Block Grant	90
Arts and Music Block Grant	88
School Safety Block Grant	80
Ninth-Grade Class Size Reduction	79
Pupil Retention Block Grant	77
California High School Exit Exam Supplemental Instruction	58
California School-Age Families Education	46
Professional Development Institutes for Math and English	45
Gifted and Talented Education	44
Community Day Schools	42
Community-Based English Tutoring	40
Physical Education Block Grant	34
Alternative Credentialing/Internship Programs	26
Peer Assistance and Review	24
School Safety Competitive Grants	14
California Technology Assistance Projects	14
Certificated Staff Mentoring	9
County Offices of Education Williams Audits	8
Specialized Secondary Programs	5
Principal Training	4

American Indian Education Centers	4
Oral Health Assessments	4
Advanced Placement Fee Waivers	2
National Board Certification Incentive Grants	2
Bilingual Teacher Training Assistance Program	2
American Indian Early Education Program	1
Reader Services for Blind Teachers	— ^a
Center for Civic Education	— ^a
Teacher Dismissal Apportionments	— ^a
California Association of Student Councils	— ^a
Total	\$4,529

SOURCE: Legislative Analyst's Office, *Year-One Survey: Update on School District Finance and Flexibility*, 2010.

^aStatewide, less than \$500,000 are spent on each of these programs.

Procedures for Sampling, Data Collection, and Analysis

Sampling

There were 960 elementary, high school, and unified districts in California at the time of our study, and we considered them to be the population of interest. A power calculation (based on two-sample z -tests for two proportions) revealed that a total sample size of 340 is sufficient to detect the difference between two proportions of 0.5 and 0.65 at a significance level of .05 and a power of .80. Assuming a response rate of 76 percent ($n=260$), we can still detect the difference between two proportions of 0.5 and 0.68 at the same setting. Given budget considerations, we chose an initial sample size of 350 districts.

We used a stratified sampling strategy to ensure that our sample varied across the key district characteristics found to be related to districts' use of fiscal flexibility. The sampling strata were formed by combining total enrollment (small and large districts), demographics (Hispanic majority, white majority, and others), district type (elementary, high school, and unified), and urbanicity (rural, suburban, and urban). We dropped strata that contained no districts and combined several small strata that had similar characteristics.

We sampled proportionally, with the number of sampled districts in a stratum being proportional to the size of that stratum. This strategy produced a nearly constant sampling probability across the strata. We fine-tuned the sampling probability in order to achieve a total sample size of 350 across all strata. As a result of the stratified design, the sampled districts are roughly self-weighted. However, since some slight differences in sampling probability persist due to rounding errors, the inverse of the sampling probability was used as a sampling weight in the design phase.

Data Collection

We contracted with School Services of California (SSC), a consulting firm that works with educational agencies in California, to recruit CFOs in the sampled districts and administer the survey online. The list of the sampled districts was sent to SSC, which used information from

its internal database to contact 350 district chief financial officers by email in April 2011. (In the case of small districts, the survey request was sent to the superintendent.)¹

Each respondent received an email invitation to participate in the survey from the president of SSC. The message included a brief description of the project, assurances of confidentiality, and a unique hyperlink to the web-based survey. Participants were offered a \$25 electronic gift certificate as an honorarium. SSC sent three automated electronic reminders during the next four weeks. Participating CFOs voluntarily consented to complete the survey.

After the initial four-week follow-up period, the main research team assumed responsibility for nonresponse follow-up. SSC provided us with the names and email addresses of the remaining nonrespondents. Members of the research team contacted the nonrespondents via phone or electronic means and offered to complete the survey over the phone or resend the hyperlink to the survey. In all cases, the respondents opted to complete the survey online. The researchers continued to follow up with nonrespondents from mid-May through mid-August, 2011.

The data collection period ended in mid-August 2011. SSC provided a response file, containing district identifiers but no individual identifying information, to the research team for analysis. SSC provided a separate file containing the names and email addresses of all responding CFOs, which we used to distribute the electronic gift certificates in the fall of 2011.

Data Analysis

We reviewed the data file and discarded a few cases because of errors in district codes. The cleaned data set contained responses from 223 individual districts, representing 64 percent of the original sample. Those districts that responded did not differ significantly from those that did not respond (see Table C.1). To account for nonresponding CFOs, we employed post-stratification adjustments using nonresponse weighting. The final sample weight was computed as the product of the design sampling weight and the nonresponse weight. Due to the nonresponse, the final sample weights further deviated from the ideal self-weighting that we aimed to achieve with the stratified design. Wherever possible in our statistical analysis, we used survey-adjusted procedures based on the final weight. Thus, the mean values reported here generalize to all school districts in California.

All of the one-sample and two-sample analyses were conducted using the library survey in version 2.13.1 of the software program “R,” with survey-adjusted procedures for estimating ratios, means, or two-way contingency tables. For each of the district background characteristics, we found the median value and compared the performance of districts above the median (high-relative position) to the performance of districts below the median (low-relative position). The median values that differentiate between high and low districts are reported in Appendix D.

We used statistical tests to determine whether differences between types of districts were significant. Because of the large number of statistical tests we conducted, controlling each individual test at the regular significance level ($p < 0.05$) would result in falsely identifying many differences as significant. To address the multiple-testing issue, we applied the Benjamini-

¹ In a few cases, the CFOs indicated that they were unable to complete the survey and forwarded the survey link to other members of the district’s administrative cabinet or a business manager.

Table C.1
Comparison of Responding and Nonresponding Districts

Characteristic	Responding Districts (N=223)	Nonresponding Districts (N=127)	Statistic
Enrollment	7,835 (14,039)	8,694 (59,533)	Mean (sd)
% FRPM	53 (28)	57 (25)	Mean (sd)
API, 2009	779 (76)	763 (72)	Mean (sd)
% English learner	19 (18)	19 (19)	Mean percentage (sd)
Number of schools	12 (20)	15 (85)	Mean (sd)
Elementary district	57	68	Percentage
High school district	8	8	Percentage
Unified district	35	24	Percentage
Urban	20	17	Percentage
Suburban	33	14	Percentage
Rural	47	69	Percentage
White student majority	65	69	Percentage
Hispanic student majority	35	31	Percentage

NOTE: sd = standard deviation.

Hochberg false-discovery rate control procedure (Benjamini and Hochberg, 1995). This procedure ensures that, on average, the proportion of false findings among all significant findings is below 0.05 after adjustments. This method can effectively remove the otherwise excessive false significance while retaining good power in detecting true significance.

To apply this procedure, we separated all the statistical tests into five families. Specifically, survey responses fell naturally into two groups: actions taken by districts and people's knowledge and opinions. Similarly, district characteristics were grouped into those that were outside district administrative control (such as size, urbanicity, percentage of students eligible for subsidized meals, and percentage of minority students) and those that were subject to district policy and practices (such as fiscal health, level of reserves, and student performance). The fifth family consisted of all chi-squared tests for overall associations between an outcome and a categorical explanatory variable (e.g., urban, suburban, rural). Within each family, we applied the Benjamini-Hochberg method, which produced a list of significant findings. The collection of significant findings, in its entirety and within a family of tests, may contain a very small proportion of mistakes—namely, the expected proportion of false significance is below 0.05. In other words, the false discovery rate is controlled at the nominal level of 0.05. Each individual p-value should not be interpreted separately.

Median Values on Selected District Characteristics

We used the values reported below to split the sample into groups for comparing outcomes.

Table D.1
Categories and Cut-Points for District Classifications

District Characteristic	Range in the Population ^a	Cut-Point
Superintendent experience (as reported on survey)	1 year to "6 or more" ^a	Less than or equal to 3 years
Percentage of district general fund budget held as unrestricted reserves, 2008–09 (as reported on survey)	0 percent to "6 percent or above" ^a	Less than 6 percent
Percentage of district general fund budget held as unrestricted reserves, 2009–10 (as reported on survey)	0 percent to "6 percent or above" ^a	Less than 6 percent
Fiscal health, 08–09	Unhealthy, marginal, healthy	NA
Fiscal health, 09–10	Unhealthy, marginal, healthy	NA
Percentage of students eligible for free and reduced-price meals	0 percent–100 percent	Less than or equal to 57 percent
Percentage of minority students (non-white, non-Asian)	0 percent–100 percent	Less than or equal to 48 percent
Urbanicity	Urban, suburban, rural	NA
District size (p2-ADA)	6–110,000 students ^a	Less than or equal to 2,666 students
Percentage of district revenue from Tier 3 in 2008–09	0 percent–23 percent	Less than or equal to 4.36 percent
Percentage of district revenue from all restricted sources 2008–09	1 percent–78 percent	Less than or equal to 23.5 percent
District API (2008–09)	574–956	Less than or equal to 772.5
Percentage of EL students	0 percent–94 percent ^a	Less than or equal to 14 percent

^aRange in the survey sample.

Comparing CFO Responses Based on District Characteristics

Tables E.1–E.20 present all the reported differences in CFO responses between districts, based on district background characteristics.

Table E.1
Percentage of CFOs Indicating That Each Individual or Group Participated in Decisions About Tier 3 Flexibility to a Moderate or Large Extent, by District Characteristics (Split at the Median into High and Low Groups of Districts)

Individual or Group/ Extent of Participation	Superintendent Tenure			Unrestricted Reserves (2008)		Unrestricted Reserves (2009)		FRPM		Minority		Size		Tier 3 Revenue		Restricted Revenue		API		EL	
	All	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
Superintendent																					
Moderate	30	33	28	26	37	26	37	29	31	27	33	27	31	33	29	26	33	31	30	25	34
Large	59	58	60	63	52	63	54	60	58	60	58	62	58	54	63	63	57	58	59	63	55
CFO																					
Moderate	27	24	30	27	28	24	32	24	30	25	29	26	28	27	27	21	32	30	25	25	30
Large	67	67	67	68	64	70	62	69	65	68	66	69	66	66	68	72	63	66	67	66	67
Other assistant																					
Moderate	33	35	30	26*	45*	28	40	29	36	35	30	38*	22*	34	32	33	32	32	34	33	32
Large	25	21	29	29	18	29	20	28	22	25	26	32**	12**	21	27	24	26	28	21	28	22
K–12 principals																					
Moderate	15	16	13	15	13	13	17	12	17	7**	22**	11	16	12	19	10	17	17	11	8**	22**
Large	13	13	13	14	11	15	10	12	14	10	16	5*	20*	8	15	8*	18*	14	12	10	16
K–12 instructional staff																					
Moderate	9	10	8	9	9	11	7	10	8	11	8	9	9	6	13	7	11	8	10	10	8
Large	1	2	0	1	1	1	1	0	2	0	2	2	0	1	1	1	1	2	0	0	2
Union representatives																					
Moderate	6	5	7	7	5	8	3	6	6	6	6	6	7	4	8	6	6	4	8	6	6
Large	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
School board members																					
Moderate	28	31	26	30	25	29	27	25	31	23	33	27	29	27	29	23	32	34	23	22	34
Large	33	36	30	33	33	32	34	36	30	35	31	34	33	34	33	34	33	28	37	34	32
District budget task force or committee																					
Moderate	19	26	13	19	20	21	17	14	25	11*	26*	17	22	18	23	13	25	22	15	13	25
Large	8	11	6	9	7	9	7	9	7	9	8	8	8	10	6	10	7	6	11	9	8
Parents or community members																					
Moderate	10	10	9	11	7	11	8	10	9	8	11	9	10	10	9	8	11	11	9	9	10
Large	1	1	1	2	0	1	2	2	0	3	0	0	2	0	3	3	0	0	1	3	0

* Significantly different, $p < 0.05$; ** significantly different, $p < 0.01$.

Table E.2
Percentage of CFOs Indicating That Each Individual or Group Participated in Decisions About Tier 3 Flexibility to a Moderate Extent or to a Large Extent (Comparisons Between Two of Three Groups of Districts)

Individual or Group/ Extent of Participation	Urbanicity					Fiscal Health (2008–09)				Fiscal Health (2009–10)			
	Rural v. Suburban		Rural v. Urban		Healthy v. Marginal		Healthy v. Unhealthy		Healthy v. Marginal		Healthy v. Unhealthy		
	All	Rural	Suburban	Rural	Urban	Healthy	Marginal	Healthy	Unhealthy	Healthy	Marginal	Healthy	Unhealthy
Superintendent													
Moderate	30	34	30	34*	18*	28	30	28	33	28	32	28	29
Large	59	55	60	55	70	63	57	63	58	60	56	60	65
CFO													
Moderate	27	28	22	28	35	20	27	20	38	27	25	27	28
Large	67	68	70	68	58	75	66	75	58	66	67	66	70
Other assistant													
Moderate	33	28	28	28	46	35	28	35	39	30	34	30	34
Large	25	21	27	21	27	21	27	21	27	21	23	21	33
K–12 principals													
Moderate	15	18	9	18	16	16	9	16	24	15	11	15	14
Large	13	21**	3**	21*	7*	9	14	9	15	15	14	15	8
K–12 instructional staff													
Moderate	9	9	4	9	18	8	9	8	12	14	7	14	6
Large	1	0	0	0	5	0	1	0	2	0	1	0	2
Union representatives													
Moderate	6	6	5	6	8	7	3	7	12	7	4	7	7
Large	0	0	0	0	0	0	0	0	0	0	0	0	0
School board members													
Moderate	28	29	28	29	25	31	25	31	31	28	31	28	24
Large	33	31	35	31	37	35	31	35	34	30	35	30	37
District budget task force or committee													
Moderate	19	22	17	22	15	25	17	25	16	19	27	19	10
Large	8	8	8	8	9	10	8	10	6	9	8	9	7
Parents or community members													
Moderate	10	12	8	12	7	14	8	14	8	13	8	13	8
Large	1	1	0	1	3	2	0	2	2	2	2	2	0

* Significantly different, $p < 0.05$; ** significantly different, $p < 0.01$.

Table E.3
Percentage of Districts That Consider Maintaining the Following Activities to Be of Moderate or High Priority for 2011-12, by District Characteristics
(Split at the Median into High and Low Groups of Districts)

Activity/ Priority Level	Superintendent Tenure			Unrestricted Reserves (2008)		Unrestricted Reserves (2009)		Frpm		Minority		Size		Tier 3 Revenue		Restricted Revenue		Api		EI	
	All	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
Formal professional development for teachers																					
Moderate	45	45	45	38**	57**	42	49	43	47	46	44	50	42	50	40	48	43	44	46	42	47
High	37	41	34	41	30	40	33	42	32	40	35	40	36	33	42	37	38	37	36	43	31
Adult education																					
Moderate	30	36	23	30	31	33	25	26	34	26	37	31	28	32	25	24	37	28	31	22*	42*
High	16	17	15	18	12	14	20	19	13	21	7	22**	4**	21**	3**	16	17	8	22	19	12
Preparing at-risk students for CAHSEE																					
Moderate	43	40	45	39	47	36	52	37	48	36	51	49	34	45	40	38	46	52*	34*	40	46
High	50	54	45	54	43	58*	39*	59*	41*	59*	38*	47	54	51	50	55	45	41*	59*	55	45
ESL instruction for adults																					
Moderate	30	29	31	26	36	30	30	23	40	27	36	39**	16**	30	28	28	33	38	24	28	34
High	10	10	10	9	12	7	15	13	6	13	3	9	12	11	9	11	9	3*	15*	11	9
Individualized support for instructional improvement (instructional coaches)																					
Moderate	40	39	41	40	40	38	43	42	38	44	35	38	41	39	43	44	36	34	45	45	35
High	24	25	24	24	25	25	24	31*	17*	32**	16**	36**	15**	24	23	30	19	21	28	34**	14**
Activities for high-achieving or gifted students																					
Moderate	49	49	49	49	49	51	46	44	54	44	54	46	52	41*	56*	48	51	53	45	45	53
High	15	19	11	15	14	13	17	16	13	18	12	19	11	15	14	13	16	16	14	20*	9*
Art instruction																					
Moderate	41	50*	34*	44	38	45	36	36	46	33*	49*	44	40	43	43	39	43	47	36	35	47
High	18	23	13	19	16	18	18	17	20	18	19	19	18	11*	24*	16	20	20	14	19	17
Physical education																					
Moderate	54	56	53	52	58	51	59	54	54	50	58	55	52	53	52	54	53	57	52	51	57
High	22	26	18	22	21	22	22	23	21	22	22	18	25	19	26	21	23	22	21	24	20
Music instruction																					
Moderate	51	50	45	49	44	52	40	43	51	41	53	49	45	49	48	42	51	55*	41*	43	51
High	24	32**	16**	27	17	25	21	22	25	20	26	24	24	19	29	21	26	26	20	23	24
School counselors																					
Moderate	43	46	40	44	41	49*	34*	42	44	42	44	51	38	43	45	44	43	46	41	40	46
High	27	35*	19*	28	23	25	29	31	22	29	24	27	25	27	26	25	28	22	31	31	22

* Significantly different, p < 0.05; ** significantly different, p < 0.01.

Table E.4
Percentage of Districts That Consider Maintaining the Following Activities to Be of Moderate or High Priority for 2011–12, by District Characteristics
(Comparisons Between Two of Three Groups of Districts)

Activity/Priority Level	Urbanicity				Fiscal Health (2008–09)				Fiscal Health (2009–10)				
	Rural v. Suburban		Rural v. Urban		Healthy v. Marginal		Healthy v. Unhealthy		Healthy v. Marginal		Healthy v. Unhealthy		
	All	Rural	Suburban	Rural	Urban	Healthy	Marginal	Healthy	Unhealthy	Healthy	Marginal	Healthy	Unhealthy
Formal professional development for teachers													
Moderate	45	43	45	43	50	33**	53**	33	43	43	44	43	52
High	37	33	42	33	42	51**	27**	51	39	40	35	40	37
Adult education													
Moderate	30	37	37	37*	11*	36	22	36	43	34	29	34	26
High	16	9	11	9*	33*	14	16	14	19	6	17	6*	27*
Preparing at-risk students for CAHSEE													
Moderate	43	42	41	42	46	29	45	29*	54*	34	46	34	49
High	50	49	52	49	47	59	48	59	43	57	43	57	49
ESL instruction for adults													
Moderate	30	21*	43*	21	27	31	28	31	34	27	28	27	36
High	10	5	10	5	20	5	15	5	5	7	12	7	13
Individualized support for instructional improvement (instructional coaches)													
Moderate	40	40	37	40	46	47	36	47	38	47	32	47	40
High	24	17*	33*	17	32	29	20	29	28	22	24	22	29
Activities for high-achieving or gifted students													
Moderate	49	52	51	52	38	42	52	42	53	45	52	45	52
High	15	12	15	12	21	15	11	15	20	15	14	15	16
Art instruction													
Moderate	41	42	42	42	39	43	39	43	44	40	40	40	46
High	18	15	23	15	20	18	16	18	23	22	14	22	18
Physical education													
Moderate	54	56	53	56	51	45	57	45	60	46	55	46	63
High	22	22	26	22	13	22	19	22	27	26	16	26	24
Music instruction													
Moderate	51	50	48	50	40	42	51	42	48	48	44	48	49
High	24	19	31	19	28	25	20	25	29	29	18	29	24
School counselors													
Moderate	43	41	49	41	40	40	43	40	48	39	44	39	51
High	27	21	31	21	34	27	22	27	35	30	19	30	31

* Significantly different, $p < 0.05$; ** significantly different, $p < 0.01$.

Table E.5
Percentage of Districts that Swept None, Some, or All of Tier 3 Program Funds into General Funds in 2010–11, by District Characteristics
(Split at the Median into High and Low Groups of Districts)

Tier 3 Program/ Percent of Funds Swept	Superintendent Tenure			Unrestricted Reserves (2008)		Unrestricted Reserves (2009)		FRPM		Minority		Size		Tier 3 Revenue		Restricted Revenue		API		EL	
	All	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
Targeted Instructional Improvement Block Grant																					
50–99%	12	9	15	12	13	11	15	14	10	16	9	18	7	10	13	17	8	10	15	17	7
100%	65	63	66	61	73	65	64	69	60	62	67	50**	80**	57	72	66	64	64	65	60	70
Adult education																					
50–99%	23	24	22	25	20	31*	11*	16	30	21	28	25	17	27	12	18	29	32	16	19	28
100%	24	30	17	26	21	28	18	28	21	29	14	17*	42*	20	38	23	25	24	24	25	23
School and Library Improvement Block Grant																					
50–99%	14	17	12	15	14	15	14	14	15	15	14	16	13	16	13	16	12	16	13	14	15
100%	58	54	62	58	58	59	57	69**	48**	61	56	46**	69**	55	58	64	54	50**	68**	62	56
Instructional materials realignment																					
50–99%	16	19	12	14	18	13	19	12	19	18	14	28**	6**	14	16	17	13	18	14	18	13
100%	48	46	49	52	40	52	41	56*	40*	51	45	42	53	49	46	53	44	39**	57**	52	44
Regional Occupation Programs and Centers (ROP/C)																					
50–99%	10	22	0	13	6	15	5	14	5	15	0	6	26	7	22	17	0	5	14	16	0
100%	11	11	10	14	6	16	5	16	5	16*	0*	7	27	7	26	14	6	11	10	13	7
Professional Development Block Grant																					
50–99%	11	12	10	9	15	9	15	10	11	11	11	14	8	7	13	11	11	13	9	10	11
100%	70	67	72	73	64	72	66	82**	59**	77*	62*	61**	77**	75	64	75	65	60**	79**	78*	62*
Beginning Teachers Support and Assessment (BTSA)																					
50–99%	9	10	8	8	11	7	12	7	11	9	10	15**	2**	11	5	8	11	13	6	8	10
100%	47	47	46	52	38	57**	32**	53	39	51	41	33**	64**	43	51	46	48	39	54	50	42
Supplemental School Counseling Program																					
50–99%	8	8	8	9	5	7	9	6	9	7	8	15**	1**	8	7	10	6	8	8	7	9
100%	68	66	70	70	64	71	63	75	61	73	62	57**	80**	69	65	70	67	62	73	73	64
Gifted and Talented Education (GATE)																					
50–99%	17	18	15	16	17	15	20	15	18	16	17	24*	10*	18	15	17	16	21	12	16	17
100%	51	48	53	53	46	54	46	57	45	47	54	40**	60**	42	56	54	48	48	53	52	50
CAHSEE Intensive Instructional Services																					
50–99%	10	8	11	7	13	9	10	12	7	10	9	14**	2**	10	9	13	7	10	10	9	10
100%	53	54	51	58	44	56	49	60	47	57	47	41**	71**	46	64	58	48	55	50	60	44

Table E.5—Continued

Tier 3 Program/ Percent of Funds Swept	Superintendent Tenure			Unrestricted Reserves (2008)		Unrestricted Reserves (2009)		FRPM		Minority		Size		Tier 3 Revenue		Restricted Revenue		API		EL	
	All	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
Art and Music Block Grant																					
50–99%	8	7	10	7	10	7	11	8	9	8	9	15**	3**	8	10	11	6	9	8	8	9
100%	72	70	74	75	68	76	67	79*	65*	76	69	62**	81**	73	68	76	70	66	77	77	68
Community Day School																					
50–99%	6	9	4	8	3	9	3	9	2	9	3	8	4	6	4	9	2	5	7	9	2
100%	38	31	45	40	35	41	35	42	33	37	41	30	51	34	50	48*	24*	34	41	37	40
Pupil Retention Block Grant																					
50–99%	12	13	10	12	11	9	17	11	13	11	12	13	9	10	14	15	8	16	9	11	12
100%	67	65	68	67	66	67	66	74	59	72	60	62	73	63	70	74	59	58	74	71	62

* Significantly different, $p < 0.05$; ** significantly different, $p < 0.01$.

Table E.6
Percentage of Districts That Swept None, Some, or All of Tier 3 Program Funds into General Funds in 2010–11, by District Characteristics
(Split at the Median into High and Low Groups of Districts)

Tier 3 Program/ Percent of Funds Swept	Superintendent Tenure			Unrestricted Reserves (2008)		Unrestricted Reserves (2009)		FRPM		Minority		Size		Tier 3 Revenue		Restricted Revenue		API		EL	
	All	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
Targeted Instructional Improvement Block Grant																					
50–99%	12	9	15	12	13	11	15	14	10	16	9	18	7	10	13	17	8	10	15	17	7
100%	65	63	66	61	73	65	64	69	60	62	67	50**	80**	57	72	66	64	64	65	60	70
Adult education																					
50–99%	23	24	22	25	20	31*	11*	16	30	21	28	25	17	27	12	18	29	32	16	19	28
100%	24	30	17	26	21	28	18	28	21	29	14	17*	42*	20	38	23	25	24	24	25	23
School and Library Improvement Block Grant																					
50–99%	14	17	12	15	14	15	14	14	15	15	14	16	13	16	13	16	12	16	13	14	15
100%	58	54	62	58	58	59	57	69**	48**	61	56	46**	69**	55	58	64	54	50**	68**	62	56
Instructional materials realignment																					
50–99%	16	19	12	14	18	13	19	12	19	18	14	28**	6**	14	16	17	13	18	14	18	13
100%	48	46	49	52	40	52	41	56*	40*	51	45	42	53	49	46	53	44	39**	57**	52	44
Regional Occupation Programs and Centers (ROP/C)																					
50–99%	10	22	0	13	6	15	5	14	5	15	0	6	26	7	22	17	0	5	14	16	0
100%	11	11	10	14	6	16	5	16	5	16*	0*	7	27	7	26	14	6	11	10	13	7
Professional Development Block Grant																					
50–99%	11	12	10	9	15	9	15	10	11	11	11	14	8	7	13	11	11	13	9	10	11
100%	70	67	72	73	64	72	66	82**	59**	77*	62*	61**	77**	75	64	75	65	60**	79**	78*	62*
Beginning Teachers Support and Assessment (BTSA)																					
50–99%	9	10	8	8	11	7	12	7	11	9	10	15**	2**	11	5	8	11	13	6	8	10
100%	47	47	46	52	38	57**	32**	53	39	51	41	33**	64**	43	51	46	48	39	54	50	42
Supplemental School Counseling Program																					
50–99%	8	8	8	9	5	7	9	6	9	7	8	15**	1**	8	7	10	6	8	8	7	9
100%	68	66	70	70	64	71	63	75	61	73	62	57**	80**	69	65	70	67	62	73	73	64

Table E.6—Continued

Tier 3 Program/ Percent of Funds Swept	Superintendent Tenure			Unrestricted Reserves (2008)		Unrestricted Reserves (2009)		FRPM		Minority		Size		Tier 3 Revenue		Restricted Revenue		API		EL	
	All	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
Gifted and Talented Education (GATE)																					
50–99%	17	18	15	16	17	15	20	15	18	16	17	24*	10*	18	15	17	16	21	12	16	17
100%	51	48	53	53	46	54	46	57	45	47	54	40**	60**	42	56	54	48	48	53	52	50
CAHSEE Intensive Instructional Services																					
50–99%	10	8	11	7	13	9	10	12	7	10	9	14**	2**	10	9	13	7	10	10	9	10
100%	53	54	51	58	44	56	49	60	47	57	47	41**	71**	46	64	58	48	55	50	60	44
50–99%	8	7	10	7	10	7	11	8	9	8	9	15**	3**	8	10	11	6	9	8	8	9
100%	72	70	74	75	68	76	67	79*	65*	76	69	62**	81**	73	68	76	70	66	77	77	68
Community Day School																					
50–99%	6	9	4	8	3	9	3	9	2	9	3	8	4	6	4	9	2	5	7	9	2
100%	38	31	45	40	35	41	35	42	33	37	41	30	51	34	50	48*	24*	34	41	37	40
Pupil Retention Block Grant																					
50–99%	12	13	10	12	11	9	17	11	13	11	12	13	9	10	14	15	8	16	9	11	12
100%	67	65	68	67	66	67	66	74	59	72	60	62	73	63	70	74	59	58	74	71	62

* Significantly different, p < 0.05; ** significantly different, p < 0.01.

Table E.7
Percentage of Districts That Still Track Tier 3 Expenditures and Revenues and Most or All of Tier 3 Funds and Programs, by District Characteristics (Split at the Median into High and Low Groups of Districts)

Question/ Proportion of Tier 3 Funds	Superintendent Tenure		Unrestricted Reserves (2008)		Unrestricted Reserves (2009)		FRPM		Minority		Size		Tier 3 Revenue		Restricted Revenue		API		EL		
	All	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
Back in 2009–10, what portion of Tier 3 carryover funds from 2008–09 did your district “sweep” into general funds?																					
Most	35	34	36	36	33	33	37	35	34	41	30	43*	29*	33	35	38	32	33	37	41*	29*
All	38	38	38	40	35	43*	30*	43	33	37	39	23	48	38	36	37	39	38	39	40	37
Since 2009–10, for what portion of Tier 3 programs have school principals or school site councils received increased discretion over the use of the funds?																					
Most	7	7	7	7	8	6	9	8	6	8	6	6	8	6	9	8	6	8	6	9	6
All	9	10	8	10	6	9	7	11	6	8	9	4*	12*	9	6	10	7	7	10	8	9
For what portion of Tier 3 programs does your district still track revenues at the local level (e.g., using SACS or some other method)?																					
Most	15	14	16	16	12	15	15	16	14	15	15	16	15	13	16	16	14	17	13	15	15
All	62	65	59	64	59	63	61	61	63	63	62	68	59	65	58	62	64	60	64	60	64
For what portion of Tier 3 programs does your district still track expenditures at the local level (e.g., using SACS or some other method)?																					
Most	14	14	13	14	12	13	15	17*	9*	14	13	14	13	11	15	18	10	14	13	13	14
All	43	53**	34**	43	44	41	47	41	46	43	44	48	41	44	40	40	48	41	45	40	46

* Significantly different, p < 0.05; ** significantly different, p < 0.01.

Table E.8
Percentage of Districts that Took Selected Actions for Most or All of Tier 3 Funds and Programs, by District Characteristics (Comparisons Between Two of Three Groups of Districts)

Question/ Proportion of Tier 3 Funds	Urbanicity				Fiscal Health (2008–09)				Fiscal Health (2009–10)				
	Rural v. Suburban		Rural v. Urban		Healthy v. Marginal		Healthy v. Unhealthy		Healthy v. Marginal		Healthy v. Unhealthy		
	All	Rural	Suburban	Rural	Urban	Healthy	Marginal	Healthy	Unhealthy	Healthy	Marginal	Healthy	Unhealthy
Back in 2009–10, what portion of Tier 3 carryover funds from 2008–09 did your district “sweep” into general funds?													
Most	35	28**	45**	28	41	33	34	33	38	27	39	27*	42*
All	38	52**	23**	52**	15**	36	40	36	37	37	38	37	38
Since 2009–10, for what portion of Tier 3 programs have school principals or school site councils received increased discretion over the use of the funds?													
Most	7	6	10	6	8	7	7	7	8	8	7	8	5
All	9	13**	1**	13*	4*	7	10	7	8	10	10	10	5
For what portion of Tier 3 programs does your district still track revenues at the local level (e.g., using SACS or some other method)?													
Most	15	12	16	12	20	13	17	13	12	20	14	20*	9*
All	62	59	66	59	67	72*	58*	72	59	59	61	59	72
For what portion of Tier 3 programs does your district still track expenditures at the local level (e.g., using SACS or some other method)?													
Most	14	12	15	12	16	17	13	17	9	19	13	19*	6*
All	43	39	48	39	52	46	42	46	43	41	46	41	46

* Significantly different, $p < 0.05$; ** significantly different, $p < 0.01$.

Table E.9
Sources of Information Used by CFOs to a Moderate or Large Extent, by District Characteristics (Split at the Median into High and Low Groups of Districts)

Source/ Extent of Use	Superintendent Tenure			Unrestricted Reserves (2008)		Unrestricted Reserves (2009)		FRPM		Minority		Size		Tier 3 Revenue		Restricted Revenue		API		EL	
	All	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
California Department of Education																					
Moderate	36	38	33	37	34	38	32	39	32	32	39	37	35	35	36	37	35	37	35	35	37
Large	35	34	35	35	35	31	40	36	33	39	31	35	35	37	31	32	38	30	39	41*	28*
County office of education																					
Moderate	34	32	36	31	39	32	38	25**	43**	30	38	44**	27**	35	34	29	38	45**	24**	27*	40*
Large	52	56	47	54	47	53	50	63**	40**	57**	47**	38**	61**	47	55	57	47	39**	63**	60**	44**
School Services of California																					
Moderate	25	30	20	26	24	25	24	24	26	25	25	23	26	22	31	28	21	25	26	28	22
Large	65	63	67	65	65	66	64	66	65	72*	59*	75**	60**	67	63	61	70	64	66	67	63
Association of California School Administrators																					
Moderate	17	16	17	16	19	15	20	18	16	18	16	13	20	10**	25**	22*	12*	17	17	17	16
Large	3	3	3	3	4	2	4	5*	1*	4	2	4	2	4	3	4	2	1*	5*	4	2
California Association of School Business Officials (CASBO)																					
Moderate	29	31	28	27	33	30	28	34	24	36*	23*	36	25	27	30	39**	21**	24	34	36*	23*
Large	10	9	11	11	8	11	9	12	8	14*	6*	13	8	7*	14*	11	9	9	11	13	8
Administrators in other districts																					
Moderate	18	20	16	20	16	18	18	22	14	19	18	18	18	17	19	23*	13*	17	20	19	18
Large	7	7	6	7	6	7	6	8	5	9	4	7	7	8	6	7	6	5	8	8	5

* Significantly different, $p < 0.05$; ** significantly different, $p < 0.01$.

Table E.10
Sources of Information Used by CFOs to a Moderate or Large Extent, by District Characteristics
(Comparisons Between Two of Three Groups of Districts)

Source/ Extent of Use	Urbanicity														
	Rural v. Suburban					Rural v. Urban				Fiscal Health (2008–09)		Fiscal Health (2009–10)			
	All	Rural	Suburban	Rural	Urban	Healthy	Marginal	Healthy	Unhealthy	Healthy	Marginal	Healthy	Unhealthy		
California Department of Education															
Moderate	36	34*	47*	34	23	32	36	32	39	31	39	31	40		
Large	35	35*	21*	35**	57**	37	35	37	30	35	32	35	40		
County office of education															
Moderate	34	29	39	29	43	38	28	38	40	32	35	32	35		
Large	52	61**	43**	61**	37**	46	56	46	51	57	46	57	52		
School Services of California															
Moderate	25	26	26	26	19	24	24	24	29	30	19	30	24		
Large	65	58*	72*	58*	79*	71	63	71	62	65	64	65	72		
Association of California School Administrators															
Moderate	17	19	15	19	14	16	15	16	21	15	15	15	24		
Large	3	3	3	3	2	3	5	3	0	4	3	4	1		
California Association of School Business Officials (CASBO)															
Moderate	29	29	30	29	27	31	26	31	33	30	29	30	28		
Large	10	6*	17*	6*	14*	10	12	10	6	10	9	10	12		
Administrators in other districts															
Moderate	18	20	16	20	14	15	19	15	21	16	21	16	16		
Large	7	6	7	6	5	7	5	7	9	9*	2*	9	9		

* Significantly different, $p < 0.05$; ** significantly different, $p < 0.01$.

Table E.11
Sources of Information Used by CFOs to a Moderate or Large Extent, by District Characteristics (Split at the Median into High and Low Groups of Districts)

Goal/ Level of Importance	Superintendent Tenure			Unrestricted Reserves (2008)		Unrestricted Reserves (2009)		FRPM		Minority		Size		Tier 3 Revenue		Restricted Revenue		API		EL	
	All	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
Fund new initiatives for school improvement																					
Moderate	20	28	19	27	18	27	19	21	26	20	27	22	24	20	27	22	24	29*	18*	18	28
Major	8	5	9	6	8	5	9	9	5	10*	4*	9	5	11**	2**	7	7	4*	10*	12**	2**
Maintain existing instructional activities																					
Moderate	25	21	29	26	23	26	23	30	21	34**	17**	27	25	24	27	30	22	20	29	29	22
Major	67	73*	61*	66	68	67	66	60*	74*	55**	77**	62	70	69	64	59*	74*	76**	59**	59*	74*
Maintain staffing levels																					
Moderate	18	20	17	16	23	18	18	17	20	21	16	25**	13**	18	20	18	18	20	17	19	17
Major	70	74	67	72	67	70	70	72	69	68	73	62**	76**	71	68	70	71	68	72	71	70
Target funds to highest priority needs																					
Moderate	28	22*	34*	26	31	27	29	28	27	30	26	29	26	24	33	25	30	27	29	30	26
Major	63	72**	54**	65	58	64	61	65	60	61	64	65	62	67	59	68	58	62	63	63	63
Better align funding with school improvement goals																					
Moderate	33	30	36	34	31	31	35	36	30	31	35	36	30	35	33	36	30	33	34	31	35
Major	37	43	32	40	32	42	30	40	34	45*	31*	34	40	39	33	39	37	34	39	46**	29**
Implement new or redesigned instructional initiatives																					
Moderate	24	20	21	24	15	22	17	23	18	22	19	20	21	20	20	20	21	20	21	22	19
Major	7	8	9	10	6	9	7	9	7	9	8	9	8	8	8	11	7	8	7	12	5
Reduce bureaucracy																					
Moderate	19	16	21	24**	10**	22	13	24*	13*	24*	14*	22	17	18	18	21	17	15	22	22	16
Major	16	15	18	17	16	18	15	22*	11*	17	16	13	19	21*	11*	20	13	12*	21*	20	14
Maintain fiscal solvency																					
Moderate	8	6	11	7	11	8	10	4**	13**	6	11	9	8	9	8	5*	12*	12*	5*	5*	12*
Major	83	85	81	84	81	84	82	88*	78*	89*	78*	90*	79*	84	81	92**	76**	75**	91**	92**	75**
Minimize conflict with labor organizations/teachers' unions																					
Moderate	19	19	19	18	20	19	19	17	21	23	15	27**	14**	15	21	20	18	19	19	21	17
Major	12	13	11	14	8	11	13	9	14	10	14	12	12	14	9	14	10	12	10	12	12
Avoid cuts to programs with strong support from stakeholders																					
Moderate	29	31	27	28	31	27	32	34	25	29	29	30	29	30	28	28	31	29	30	31	27
Major	38	43	33	44**	27**	42	31	33	42	39	37	42	36	38	38	38	38	42	33	40	35

* Significantly different, p < 0.05; ** significantly different, p < 0.01.

Table E.12
Percentage of Districts That Consider the Following Goals to Be of Moderate or Major Importance When Making Decisions About Tier 3 Flexibility, by District Characteristics (Comparisons Between Two of Three Groups of Districts)

Goal/ Level of Importance	Urbanicity				Fiscal Health (2008–09)				Fiscal Health (2009–10)				
	Rural v. Suburban		Rural v. Urban		Healthy v. Marginal		Healthy v. Unhealthy		Healthy v. Marginal		Healthy v. Unhealthy		
	All	Rural	Suburban	Rural	Urban	Healthy	Marginal	Healthy	Unhealthy	Healthy	Marginal	Healthy	Unhealthy
Fund new initiatives for school improvement													
Moderate	20	20	29	20	27	22	24	22	24	22	32	22	12
Major	8	5	5	5*	15*	7	7	7	6	6	9	6	6
Maintain existing instructional activities													
Moderate	25	26	25	26	23	31	24	31	21	23	24	23	30
Major	67	67	64	67	72	62	70	62	67	68	69	68	59
Maintain staffing levels													
Moderate	18	16	19	16	25	26	18	26**	10**	22	16	22	15
Major	70	72	68	72	68	59*	75*	59*	76*	69	71	69	73
Target funds to highest priority needs													
Moderate	28	28	26	28	30	29	27	29	28	31	20	31	33
Major	63	60	66	60	64	64	61	64	65	62	68	62	57
Better align funding with school improvement goals													
Moderate	33	35	29	35	33	40	32	40	26	35	31	35	32
Major	37	34	38	34	48	34	42	34	33	36	43	36	33
Implement new or redesigned instructional initiatives													
Moderate	24	20	16	20	32	23	22	23	14	16*	30*	16	14
Major	7	6	10	6	13	7	6	7	15	7	13	7	3
Reduce bureaucracy													
Moderate	19	18	23	18	14	14*	25*	14	13	16	22	16	18
Major	16	18	16	18	12	11	19	11	19	14	17	14	21
Maintain fiscal solvency													
Moderate	8	6	10	6	14	10	5	10	12	11	6	11	7
Major	83	82	83	82	86	77*	88*	77	81	78	83	78**	93**
Minimize conflict with labor organizations/teachers' unions													
Moderate	19	12*	23*	12**	35**	23	21	23*	10*	20	22	20	14
Major	12	13	7	13	17	15	11	15	10	7	12	7*	19*
Avoid cuts to programs with strong support from stakeholders													
Moderate	29	30	30	30	26	30	28	30	29	25	34	25	31
Major	38	34	41	34	45	40	42	40	26	39	40	39	33

* Significantly different, p< 0.05; ** significantly different, p< 0.01.

Table E.13
Percentage of Districts That Perceived Statements About the Rules Governing Tier 3 Flexibility to Be Mostly or Completely True, by District Characteristics (Split at the Median into High and Low Groups of Districts)

Activity/ Priority Level	Superintendent Tenure		Unrestricted Reserves (2008)		Unrestricted Reserves (2009)		FRPM		Minority		Size		Tier 3 Revenue		Restricted Revenue		API		EL		
	All	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
Districts have complete flexibility to use the funds allocated to Tier 3 programs in any way they want with no strings attached.																					
Mostly true	60	61	59	60	60	59	61	54*	66*	52**	67**	52*	65*	59	58	56	63	64	57	51**	68**
Completely true	30	31	29	29	30	31	28	36*	24*	40**	21**	39**	24**	29	32	35	26	29	30	40**	21**
Tier 3 flexibility granted to districts by the legislature will end in 2013.																					
Mostly true	18	16	21	20	16	20	16	19	17	14	22	14	22	15	20	21	17	18	19	15	22
Completely true	34	38	31	31	41	31	39	31	37	34	35	31	36	32	36	31	36	33	36	33	36
Tier 3 flexibility was approved by the legislature as part of a plan to gradually give districts more fiscal authority.																					
Mostly true	22	26	19	23	22	23	21	19	26	21	24	16	26	21	24	17	26	21	24	23	22
Completely true	8	7	10	9	8	9	8	8	9	11	6	10	8	4	10	10	7	9	8	12*	5*
Districts still have to fulfill the purposes of all the Tier 3 categorical programs even if they use the funds to pay for other things.																					
Mostly true	12	12	12	11	14	12	12	7*	17*	10	14	10	14	11	14	11	13	13	12	9	15
Completely true	8	9	7	9	7	9	6	10	6	6	9	2**	12**	10	6	6	9	7	8	7	8
District flexibility to reallocate Tier 3 funds supersedes legal mandates and court orders.																					
Mostly true	10	12	8	10	9	9	10	9	10	12	8	11	9	14*	6*	10	10	10	9	9	10
Completely true	6	5	6	5	7	5	6	6	5	7	4	13**	1**	8*	2*	8	3	5	6	6	5

* Significantly different, $p < 0.05$; ** significantly different, $p < 0.01$.

Table E.14

Percentage of Districts That Perceived Statements About the Rules Governing Tier 3 Flexibility to Be Mostly or Completely True, by District Characteristics (Comparisons Between Two of Three Groups of Districts)

Statement/Belief	Urbanicity					Fiscal Health (2008–09)				Fiscal Health (2009–10)			
	Rural v. Suburban		Rural v. Urban		Healthy v. Marginal		Healthy v. Unhealthy		Healthy v. Marginal		Healthy v. Unhealthy		
	All	Rural	Suburban	Rural	Urban	Healthy	Marginal	Healthy	Unhealthy	Healthy	Marginal	Healthy	Unhealthy
Districts have complete flexibility to use the funds allocated to Tier 3 programs in any way they want with no strings attached.													
Mostly true	60	62	61	62	51	58	63	58	58	59	58	59	64
Completely true	30	25	35	25	36	31	28	31	33	28	33	28	30
Tier 3 flexibility granted to districts by the legislature will end in 2013.													
Mostly true	18	23*	13*	23*	11*	19	18	19	18	24	15	24	15
Completely true	34	41*	26*	41*	26*	33	37	33	31	33	36	33	32
Tier 3 flexibility was approved by the legislature as part of a plan to gradually give districts more fiscal authority.													
Mostly true	22	23	24	23	18	23	29	23**	8**	27	18	27	20
Completely true	8	8	8	8	10	3*	9*	3*	13*	6	12	6	8
Districts still have to fulfill the purposes of all the Tier 3 categorical programs even if they use the funds to pay for other things.													
Mostly true	12	11	10	11	19	9	13	9	14	6*	15*	6*	19*
Completely true	8	12**	0**	12	5	8	8	8	8	9	6	9	8
District flexibility to reallocate Tier 3 funds supersedes legal mandates and court orders.													
Mostly true	10	9	14	9	4	5*	14*	5	7	6	9	6*	17*
Completely true	6	4	5	4	10	3	7	3	7	4	5	4	9

* Significantly different, $p < 0.05$; ** significantly different, $p < 0.01$.

Table E.15
Percentage of Districts That Agreed or Strongly Agreed with Statements About the Legislature’s Decision to Grant Tier 3 Flexibility, by District Characteristics (Split at the Median into High and Low Groups of Districts)

Statement/ Level of Agreement	Superintendent Tenure			Unrestricted Reserves (2008)		Unrestricted Reserves (2009)		FRPM		Minority		Size		Tier 3 Revenue		Restricted Revenue		API		EL	
	All	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
The decision to grant districts flexibility over Tier 3 program funds was made primarily to soften the effects of funding cuts.																					
Agree	22	18	26	23	20	22	22	23	22	19	25	13**	26**	19	25	21	21	23	22	18	26
Strongly agree	78	82	74	77	80	78	78	77	78	81	75	87**	74**	81	75	79	79	77	78	82	74
Tier 3 flexibility represents a fundamental shift in the legislature’s policy of controlling categorical aid funding.																					
Agree	36	30	42	39	32	39	31	36	37	35	37	33	38	38	33	33	39	33	39	37	35
Strongly agree	25	29	22	25	25	25	26	26	25	30	21	32*	21*	27	24	31	21	26	25	31*	20*
Overall, Tier 3 flexibility hurts low-achieving students by allowing resources to be shifted away from them.																					
Agree	20	16	25	16*	28*	14**	29**	15*	25*	17	23	28**	14**	21	19	18	21	23	18	21	19
Strongly agree	4	8**	1**	4	4	5	3	5	4	6	3	5	4	6	3	3	5	3	5	5	4
The Department of Education did a good job informing districts about the rules regarding Tier 3 flexibility.																					
Agree	55	56	54	57	51	54	56	55	55	54	55	58	52	50	59	50	58	59	50	56	54
Strongly agree	11	11	10	10	11	11	10	11	10	13	8	14	8	9	12	15*	6*	9	12	15*	6*

* Significantly different, p< 0.05; ** significantly different, p< 0.01.

Table E.16
Percentage of Districts That Agreed or Strongly Agreed with Statements About the Legislature’s Decision to Grant Tier 3 Flexibility, by District Characteristics (Comparisons Between Two of Three Groups of Districts)

Statement/ Level of Agreement	Urbanicity				Fiscal Health (2008–09)				Fiscal Health (2009–10)				
	Rural v. Suburban		Rural v. Urban		Healthy v. Marginal		Healthy v. Unhealthy		Healthy v. Marginal		Healthy v. Unhealthy		
	All	Rural	Suburban	Rural	Urban	Healthy	Marginal	Healthy	Unhealthy	Healthy	Marginal	Healthy	Unhealthy
The decision to grant districts flexibility over Tier 3 program funds was made primarily to soften the effects of funding cuts.													
Agree	22	27	19	27**	9**	14*	26*	14	24	28*	15*	28	19
Strongly agree	78	73	81	73**	91**	86*	74*	86	76	72*	85*	72	81
Tier 3 flexibility represents a fundamental shift in the legislature’s policy of controlling categorical aid funding.													
Agree	36	38	31	38	40	42	33	42	34	39	32	39	37
Strongly agree	25	19	31	19*	36*	19	30	19	24	18*	30*	18*	32*
Overall, Tier 3 flexibility hurts low-achieving students by allowing resources to be shifted away from them.													
Agree	20	18	17	18	31	17	21	17	21	15	25	15	20
Strongly agree	4	4	5	4	5	4	2	4	8	2	4	2	8
The Department of Education did a good job informing districts about the rules regarding Tier 3 flexibility.													
Agree	55	52	61	52	53	62	53	62	51	54	57	54	50
Strongly agree	11	8	10	8	19	6	13	6	11	8	11	8	15

* Significantly different, $p < 0.05$; ** significantly different, $p < 0.01$.

Table E.17
Percentage of Districts That Agreed or Strongly Agreed That Tier 3 Flexibility Had Various Effects, by District Characteristics
(Split at the Median into High and Low Groups of Districts)

Statement/ Level of Agreement	Superintendent Tenure			Unrestricted Reserves (2008)		Unrestricted Reserves (2009)		FRPM		Minority		Size		Tier 3 Revenue		Restricted Revenue		API		EL	
	All	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
In 2008–2009, Tier 3 flexibility enabled our district to rethink our budget priorities.																					
Agree	50	49	50	52	47	54	43	54	46	55	46	46	52	52	47	55	45	44	56	55	45
Strongly agree	26	26	26	30*	19*	28	22	25	27	30	22	30	24	23	29	27	25	26	26	32*	21*
This school year (2010–11) Tier 3 flexibility enabled our district to rethink our budget priorities.																					
Agree	49	49	48	50	46	49	48	50	48	46	50	41*	54*	47	50	52	45	50	47	46	51
Strongly agree	28	27	29	31	23	32	23	26	30	33	24	36*	24*	24	32	29	28	28	29	34	23
Our collective bargaining units are comfortable with how Tier 3 funding has been allocated.																					
Agree	68	66	71	74**	58**	71	63	70	67	68	68	65	70	69	66	65	71	68	68	66	70
Strongly agree	22	25	18	19	26	21	22	19	24	22	21	24	20	24	22	23	21	23	20	24	20
Tier 3 flexibility helped us to minimize teacher layoffs in our district.																					
Agree	39	39	40	38	42	38	40	38	40	36	42	34	44	42	38	29**	50**	41	37	34	44
Strongly agree	47	49	44	49	42	48	44	52	41	54*	39*	53	43	47	44	58**	36**	38**	54**	56**	38**
Initial negotiations about how to use Tier 3 flexibility created tension with parents or other stakeholder groups.																					
Agree	13	13	13	10*	19*	11	17	13	13	15	12	15	12	11	15	12	15	13	13	15	11
Strongly agree	0	0	1	0	1	0	1	1	0	1	0	1	0	0	1	1	0	0	1	0	1
Tier 3 flexibility allowed our district to avoid cuts to teacher salaries or benefits.																					
Agree	41	43	39	39	44	39	44	42	40	42	40	44	39	40	42	37	44	40	42	38	43
Strongly agree	39	36	41	43	32	42	34	43	35	41	37	35	43	42	34	47*	32*	33	44	44	34
Tier 3 flexibility allowed our district to avoid cuts to classified staff salaries or benefits.																					
Agree	43	42	44	44	41	42	44	42	44	37	48	42	42	45	43	36*	48*	45	41	36*	49*
Strongly agree	35	33	36	37	30	37	31	38	31	42*	28*	32	37	35	32	43*	28*	30	39	42*	28*
Tier 3 flexibility allowed our district to focus additional resources on improving the quality of teaching and instruction in new ways.																					
Agree	38	35	41	43*	30*	40	35	40	36	35	41	33	41	37	39	40	36	41	36	37	39
Strongly agree	16	17	14	16	15	17	14	17	15	19	13	12	19	13	17	18	14	12	18	21*	11*
Tier 3 flexibility helped our district balance the general fund budget in 2009–10.																					
Agree	34	31	37	36	32	37	30	34	34	32	36	28	39	33	38	33	36	37	32	29	39
Strongly agree	56	57	55	56	57	55	59	61	52	64*	50*	66**	50**	58	52	64*	50*	50*	62*	68**	45**
Tier 3 flexibility is helping our district balance our budget for next year (2011–12).																					
Agree	33	33	33	34	31	35	30	32	34	28	38	24**	39**	33	36	29	36	38	29	26*	40*
Strongly agree	60	60	60	58	63	60	61	65	56	68**	53**	71**	54**	61	57	69*	54*	53*	67*	71**	50**

* Significantly different, $p < 0.05$; ** significantly different, $p < 0.01$.

Table E.18

Percentage of Districts That Agreed or Strongly Agreed That Tier 3 Flexibility Had Various Effects, by District Characteristics (Comparisons Between Two of Three Groups of Districts)

Effect/Level of Agreement	Urbanicity					Fiscal Health (2008–09)				Fiscal Health (2009–10)			
	All	Rural v. Suburban		Rural v. Urban		Healthy v. Marginal		Healthy v. Unhealthy		Healthy v. Marginal		Healthy v. Unhealthy	
		Rural	Suburban	Rural	Urban	Healthy	Marginal	Healthy	Unhealthy	Healthy	Marginal	Healthy	Unhealthy
In 2008–09, Tier 3 flexibility enabled our district to rethink our budget priorities.													
Agree	50	57**	38**	57	47	54	52	54	39	58*	41*	58	49
Strongly agree	26	20*	35*	20	30	26	25	26	28	20	33	20	28
This school year (2010–11), Tier 3 flexibility enabled our district to rethink our budget priorities.													
Agree	49	53	43	53	45	52	50	52	42	56*	42*	56	46
Strongly agree	28	22*	37*	22	33	27	26	27	34	21*	34*	21	33
Our collective bargaining units are comfortable with how Tier 3 funding has been allocated.													
Agree	68	69	69	69	63	84**	64**	84**	57**	84**	58**	84**	58**
Strongly agree	22	20	20	20	28	14	24	14	25	14*	28*	14	25
Tier 3 flexibility helped us to minimize teacher layoffs in our district.													
Agree	39	42	39	42	28	36	40	36	41	41	47	41*	27*
Strongly agree	47	46	44	46	50	48	48	48	42	42	45	42*	58*
Initial negotiations about how to use Tier 3 flexibility created tension with parents or other stakeholder groups.													
Agree	13	10*	21*	10	11	13	14	13	12	12	15	12	13
Strongly agree	0	1	0	1	0	0	1	0	0	0	0	0	1
Tier 3 flexibility allowed our district to avoid cuts to teacher salaries or benefits.													
Agree	41	39	40	39	48	45	38	45	41	47	40	47*	31*
Strongly agree	39	45*	32*	45*	28*	37	42	37	35	37	37	37	45
Tier 3 flexibility allowed our district to avoid cuts to classified staff salaries or benefits.													
Agree	43	45	40	45	41	48	39	48	43	47	41	47	37
Strongly agree	35	39	28	39	31	33	39	33	29	35	35	35	36
Tier 3 flexibility allowed our district to focus additional resources on improving the quality of teaching and instruction in new ways.													
Agree	38	38	39	38	38	38	40	38	34	43	30	43	41
Strongly agree	16	18	10	18	18	19	11	19	20	19	15	19	13
Tier 3 flexibility helped our district balance the general fund budget in 2009–10.													
Agree	34	38	32	38	27	41	32	41	31	39	37	39*	22*
Strongly Agree	56	55	55	55	63	49	59	49	59	48	55	48**	75**
Tier 3 flexibility is helping our district balance our budget for next year (2011–12).													
Agree	33	36	34	36	23	40	32	40	28	38	35	38*	21*
Strongly agree	60	58	60	58	68	52	62	52	66	53	59	53**	77**

* Significantly different, p< 0.05; ** significantly different, p< 0.01.

Table E.19
Percentage of Districts That Are Moderately or Highly Likely to Take the Following Actions to Balance Their Budgets for 2011–12, by District Characteristics (Split at the Median into High and Low Groups of Districts)

Action/ Likelihood	Superintendent Tenure			Unrestricted Reserves (2008)		Unrestricted Reserves (2009)		FRPM		Minority		Size		Tier 3 Revenue		Restricted Revenue		API		EL	
	All	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
Increase sweeps from Tier 3 current year allocations																					
Moderate	13	15	11	17**	6**	17**	7**	11	15	11	14	11	13	12	14	9	15	14	12	13	13
High	47	47	47	47	47	44	51	52	42	55**	39**	50	45	48	44	54	42	40*	53*	57**	38**
Cut certificated staff positions																					
Moderate	11	7	14	8	15	6*	17*	10	11	6*	15*	11	10	11	9	10	10	9	12	6*	15*
High	40	40	41	41	40	38	44	42	39	49**	33**	51**	34**	37	40	44	38	38	42	49**	33**
Cut classified staff positions																					
Moderate	16	16	15	13	20	13	19	15	16	10*	20*	18	13	16	16	16	14	14	18	9**	21**
High	43	37*	49*	44	41	41	46	44	42	50*	36*	48	40	40	42	47	40	39	46	51*	35*
Seek changes in collective bargaining agreements to reduce the length of the school year																					
Moderate	13	12	14	15	9	16	8	14	11	12	13	13	13	10	16	14	12	12	14	12	14
High	34	36	31	29	42	29*	42*	31	37	40*	28*	45**	27**	34	32	40	29	36	31	41*	27*
Seek changes in collective bargaining agreements to add furlough days																					
Moderate	10	9	11	9	11	10	8	11	8	10	9	10	9	6	13	11	9	10	9	9	11
High	37	37	37	34	41	33	43	35	38	45**	29**	52**	27**	36	37	42	33	35	38	47**	28**
Seek changes in collective bargaining agreements to roll back salaries																					
Moderate	6	6	7	7	5	5	9	7	5	7	6	9	5	5	6	7	6	9*	3*	6	7
High	15	13	17	12	21	14	17	13	17	17	13	25**	9**	12	16	17	14	16	15	18	13
Seek changes in collective bargaining agreements to limit employee benefits																					
Moderate	14	15	13	17*	9*	16	11	15	14	15	13	10	17	10	18	16	13	14	14	13	15
High	20	16	23	21	18	20	20	20	19	25*	15*	29**	14**	14*	23*	26*	15*	20	20	25*	15*
Reduce professional development																					
Moderate	21	19	23	18	27	18	26	15*	27*	16	25	18	22	19	21	18	23	28**	14**	17	25
High	24	27	21	23	25	20	29	24	24	28	20	29	21	20	29	31*	18*	26	21	27	21
Increase class size																					
Moderate	22	16*	27*	19	26	21	23	24	19	20	23	17	25	20	22	26	18	18	25	21	22
High	41	44	38	42	40	39	44	41	41	45	37	54**	32**	37	43	45	37	45	36	47	36

* Significantly different, p < 0.05; ** significantly different, p < 0.01.

Table E.20
Percentage of Districts That Are Moderately or Highly Likely to Take the Following Actions to Balance Their Budgets for 2011–12, by District Characteristics (Comparisons Between Two of Three Groups of Districts)

Effect/ Level of Agreement	District Characteristics													
	Urbanicity					Fiscal Health (2008–09)				Fiscal Health (2009–10)				
	All	Rural v. Suburban		Rural v. Urban		Healthy v. Marginal		Healthy v. Unhealthy		Healthy v. Marginal		Healthy v. Unhealthy		
	Rural	Suburban	Rural	Urban	Healthy	Marginal	Healthy	Unhealthy	Healthy	Marginal	Healthy	Unhealthy		
Increase sweeps from Tier 3 current year allocations														
Moderate	13	14	12	14	9	9	15	9	14	15	11	15	11	
High	47	47	43	47	55	45	50	45	44	45	44	45	57	
Cut certificated staff positions														
Moderate	11	15*	6*	15**	2**	9	13	9	8	11	12	11	5	
High	40	35*	49*	35	44	35	44	35	41	28*	45*	28**	56**	
Cut classified staff positions														
Moderate	16	17	15	17	13	17	18	17	8	19	16	19*	9*	
High	43	41	48	41	39	40	45	40	42	35	41	35**	60**	
Seek changes in collective bargaining agreements to reduce the length of the school year														
Moderate	13	12	18	12	7	9	15	9	13	13	13	13	13	
High	34	26**	45**	26*	43*	28	35	28	39	20**	38**	20**	52**	
Seek changes in collective bargaining agreements to add furlough days														
Moderate	10	9	15	9*	2*	6	11	6	12	9	9	9	11	
High	37	28**	46**	28**	51**	36	38	36	35	25**	42**	25**	50**	
Seek changes in collective bargaining agreements to roll back salaries														
Moderate	6	4*	13*	4	2	5	5	5	10	5	8	5	7	
High	15	10**	25**	10	16	10	18	10	17	3**	25**	3**	21**	
Seek changes in collective bargaining agreements to limit employee benefits														
Moderate	14	16	14	16	7	20	15	20**	5**	20	15	20**	4**	
High	20	12**	30**	12*	27*	15	21	15	22	11**	24**	11**	28**	
Reduce professional development														
Moderate	21	20	20	20	26	13	23	13*	27*	16	18	16*	29*	
High	24	21	29	21	27	24	23	24	25	20	24	20	32	
Increase class size														
Moderate	22	28*	17*	28	7	19	23	19	22	18	20	18	30	
High	41	30**	52**	30	60	38	40	38	46	34	43	34*	49*	

* Significantly different, p < 0.05; ** significantly different, p < 0.01.

School Characteristics Associated with District Responses to Tier 3 Flexibility

We have detailed how various district-level responses to Tier 3 are related to attributes of California's school districts. However, these attributes themselves are correlated with each other. Districts in urban areas, for example, tend to be larger, and their students are more likely to be of color, English-learner status, and eligible for lunch subsidies.

How District Characteristics are Intercorrelated

We conducted a limited analysis of how district attributes are intercorrelated, and we built simple multivariate regression models to identify the specific district characteristics that are most consistently and independently related to CFO responses.

Table F.1 reports simple correlations among district characteristics. Districts situated in urban areas, for example, tend to be larger, and their students are more likely to be of color, English-learning status, and eligible for lunch subsidies. These relationships are likely understated, given that the urban designation is simply a dichotomous indicator. The high correlations among many of these characteristics mean that survey responses related to one feature are likely to be related to others, as well.

We also see that districts serving higher concentrations of ethnic-minority students operate with larger concentrations of categorical aid, consistent with the fact that these programs were focused on low-income students. Looking at the two indicators of relative fiscal health, for fiscal years 2008 and 2009, we see that heavier reliance on categorical aid as the district's share of total revenue is weakly related to stronger fiscal health.

Do District Attributes Help to Predict CFO Reports About Tier 3 Flexibility?

The short answer is yes, but weakly. We combined survey items to construct four indexes (informed by our earlier ten-district study) to measure the extent to which

- Tier 3 flexibility made funds available for instructional improvement efforts
- a district's priority was to minimize layoffs
- a district's priority was to minimize labor conflicts or advance benefits for union members
- school principals were involved in budget decisionmaking or shared in decentralized control of Tier 3 funds.

Table F.1
Correlations Among District Characteristics

	Size	% EL	% FRPM	% Minority	Tier 3 Share	% Restricted (09)	API (09)	Fiscal Health (08)	Fiscal Health (09)	Urban	Superintendent experience	Reserve \$ (08)	Reserve \$ (09)
Size	1.00	0.09	0.02	0.23	0.09	0.20	-0.08	0.03	-0.24	-0.50	-0.06	-0.07	-0.15
% EL	0.09	1.00	0.59	0.77	-0.16	0.44	-0.46	0.07	0.04	-0.10	-0.15	0.08	0.11
% FRPM	0.02	0.59	1.00	0.68	0.08	0.59	-0.74	0.08	0.10	0.22	-0.06	0.01	0.08
% Minority	0.23	0.77	0.68	1.00	0.00	0.50	-0.68	0.10	-0.02	-0.12	-0.13	0.06	0.08
Tier 3 Share	0.09	-0.16	0.08	0.00	1.00	-0.01	-0.18	0.05	-0.08	-0.07	-0.08	-0.05	0.00
% Restricted (09)	0.20	0.44	0.59	0.50	-0.01	1.00	-0.58	0.05	-0.16	-0.02	-0.05	-0.04	-0.07
API (09)	-0.08	-0.46	-0.74	-0.68	-0.18	-0.58	1.00	-0.16	0.03	-0.22	0.17	0.06	0.00
Fiscal Health (08)	0.03	0.07	0.08	0.10	0.05	0.05	-0.16	1.00	0.55	0.02	0.08	0.20	0.19
Fiscal Health (09)	-0.24	0.04	0.10	-0.02	-0.08	-0.16	0.03	0.55	1.00	0.16	0.19	0.13	0.22
Urban	-0.50	-0.10	0.22	-0.12	-0.07	-0.02	-0.22	0.02	0.16	1.00	0.00	0.02	0.05
Superintendent experience	-0.06	-0.15	-0.06	-0.13	-0.08	-0.05	0.17	0.08	0.19	0.00	1.00	0.09	0.09
Reserve \$ (08)	-0.07	0.08	0.01	0.06	-0.05	-0.04	0.06	0.20	0.13	0.02	0.09	1.00	0.82
Reserve \$ (09)	-0.15	0.11	0.08	0.08	0.00	-0.07	0.00	0.19	0.22	0.05	0.09	0.82	1.00

Tables F.2 through F.5 report regression results predicting the four outcome indexes based on district characteristics. For each of the four models, we first entered basic demographic features of the students served and the location of the district (Column 1). Then, we added predictors related to the districts' relative receipt of categorical aid and relative fiscal health (Column 2). Finally, we added predictors for district API score means and the superintendent's length of tenure (Column 3). Each model applies survey weights, so findings are generalizable to all California districts.

Table F.2 shows that urban and suburban districts were somewhat more likely to move dollars into instructional improvement, compared with rural districts (the reference group), which were generally most in need of funds, as seen in this report. These results hold even after all predictors are entered into the model. However, the model explains only 8 percent of all the variance in the outcome, suggesting that it failed to capture other factors that shaped this response.

Turning to district emphasis on minimizing staff layoffs, Table F.3 shows that urban and suburban districts were less likely to worry about layoffs, again compared with rural districts. We also see that greater reliance on categorical aid reduced the concern with layoffs (at marginal statistical significance), even after taking into account other district attributes.

Table F.4 focuses on the extent to which districts involved unions in decisionmaking and tried to avoid conflicts with bargaining units. Here we see that suburban districts were more intent on consulting with unions, while larger districts (in terms of enrollment) were less serious about this form of participation. CFOs in districts headed by more-experienced superintendents, reporting longer tenure in their present job, reported more-intense consultation with bargaining units.

Finally, Table F.5 reports findings for the extent to which school principals were involved in budget decisionmaking or even shared in decentralized control over Tier 3 funds. Interestingly, CFOs from healthier districts reported greater collaboration with principals. The coefficients on fiscal health in 2008 and 2009 are only marginally significant, but these tandem fiscal-health measures are highly collinear, sharing the variance explained.

Table F.2
District Characteristics Associated with Instructional Improvement Efforts

	Column 1			Column 2			Column 3		
	Estimate	Std. Error	p	Estimate	Std. Error	p	Estimate	Std. Error	p
(Intercept)	6.522	0.321	0.00	6.496	0.416	0.00	6.511	0.577	0.00
% FRPM	-0.326	0.366	0.37	-0.453	0.416	0.28	-0.473	0.420	0.26
% Minority	0.108	0.508	0.83	0.101	0.502	0.84	0.120	0.560	0.83
Suburban	0.866	0.346	0.01	0.856	0.338	0.01	0.853	0.347	0.01
Urban	1.692	0.367	0.00	1.740	0.372	0.00	1.763	0.377	0.00
Size	0.548	0.320	0.09	0.503	0.322	0.12	0.455	0.322	0.16
% EL	-0.467	0.494	0.35	-0.412	0.513	0.42	-0.368	0.521	0.48
Reserve \$ (09)	—	—	—	-0.383	0.304	0.21	-0.437	0.301	0.15
Fiscal health (08)	—	—	—	0.268	0.320	0.40	0.361	0.324	0.27
Fiscal health (09)	—	—	—	0.130	0.413	0.75	0.209	0.413	0.61
% Restricted (09)	—	—	—	0.154	0.402	0.70	0.167	0.407	0.68
API (09)	—	—	—	—	—	—	-0.016	0.418	0.97
Superintendent experience	—	—	—	—	—	—	-0.144	0.289	0.62
Survey-adjusted R2		0.069			0.079			0.084	

Table F.3
District Characteristics Associated with Priority to Minimize Layoffs

	Column 1			Column 2			Column 3		
	Estimate	Std. Error	p	Estimate	Std. Error	p	Estimate	Std. Error	p
(Intercept)	10.493	0.288	0.00	10.647	0.363	0.00	10.341	0.471	0.00
% FRPM	-0.127	0.291	0.66	0.107	0.321	0.74	0.216	0.314	0.49
% Minority	-0.358	0.399	0.37	-0.237	0.425	0.58	-0.139	0.447	0.76
Suburban	-0.943	0.322	0.00	-0.946	0.315	0.00	-0.903	0.321	0.01
Urban	-0.892	0.383	0.02	-0.852	0.379	0.03	-0.810	0.380	0.03
Size	-0.354	0.304	0.25	-0.324	0.306	0.29	-0.351	0.308	0.26
% EL	-0.174	0.398	0.66	-0.082	0.393	0.83	-0.056	0.396	0.89
Reserve \$ (09)	—	—	—	-0.263	0.262	0.32	-0.317	0.263	0.23
Fiscal health (08)	—	—	—	0.140	0.284	0.62	0.160	0.282	0.57
Fiscal health (09)	—	—	—	-0.222	0.370	0.55	-0.182	0.372	0.63
% Restricted (09)	—	—	—	-0.608	0.324	0.06	-0.564	0.326	0.09
API (09)	—	—	—	—	—	—	0.268	0.295	0.37
Superintendent experience	—	—	—	—	—	—	0.029	0.256	0.91
Survey-adjusted R2		0.055			0.076			0.075	

Table F.4
District Characteristics Associated with Priority to Minimize Conflicts

	Column 1			Column 2			Column 3		
	Estimate	Std. Error	p	Estimate	Std. Error	p	Estimate	Std. Error	p
(Intercept)	6.790	0.378	0.00	6.592	0.481	0.00	6.825	0.749	0.00
% FRPM	0.485	0.407	0.24	0.824	0.456	0.07	0.486	0.518	0.35
% Minority	-0.574	0.588	0.33	-0.539	0.578	0.35	-0.734	0.603	0.22
Suburban	1.184	0.413	0.00	1.159	0.416	0.01	1.195	0.409	0.00
Urban	0.007	0.492	0.99	0.030	0.491	0.95	0.048	0.495	0.92
Size	-1.078	0.392	0.01	-0.970	0.396	0.02	-0.976	0.390	0.01
% EL	-0.402	0.571	0.48	-0.353	0.550	0.52	-0.349	0.557	0.53
Reserve \$ (09)	—	—	—	0.296	0.351	0.40	0.234	0.341	0.49
Fiscal health (08)	—	—	—	0.230	0.384	0.55	0.313	0.371	0.40
Fiscal health (09)	—	—	—	0.190	0.438	0.67	0.243	0.439	0.58
% Restricted (09)	—	—	—	-0.656	0.413	0.11	-0.658	0.425	0.12
API (09)	—	—	—	—	—	—	-0.737	0.531	0.17
Superintendent experience	—	—	—	—	—	—	0.684	0.320	0.03
Survey-adjusted R2		0.127			0.141			0.175	

Table F.5
Conflicts District Characteristics Associated with School Principals' Involvement in Decisionmaking

	Column 1			Column 2			Column 3		
	Estimate	Std. Error	p	Estimate	Std. Error	p	Estimate	Std. Error	p
(Intercept)	5.271	0.249	0.00	4.984	0.282	0.00	-0.651	0.318	0.04
% FRPM	-0.425	0.282	0.13	-0.547	0.329	0.10	0.042	0.416	0.92
% Minority	0.251	0.382	0.51	0.156	0.373	0.68	-0.277	0.241	0.25
Suburban	-0.199	0.242	0.41	-0.223	0.241	0.36	0.195	0.268	0.47
Urban	0.180	0.270	0.51	0.231	0.269	0.39	0.376	0.235	0.11
Size	0.416	0.229	0.07	0.388	0.230	0.09	0.413	0.404	0.31
% EL	0.425	0.385	0.27	0.433	0.401	0.28	-0.179	0.222	0.42
Reserve \$ (09)	—	—	—	-0.171	0.221	0.44	0.493	0.265	0.06
Fiscal health (08)	—	—	—	0.424	0.254	0.10	0.556	0.304	0.07
Fiscal health (09)	—	—	—	0.513	0.302	0.09	0.244	0.324	0.45
% Restricted (09)	—	—	—	0.284	0.329	0.39	-0.345	0.298	0.25
API (09)	—	—	—	—	—	—	-0.125	0.229	0.59
Superintendent experience	—	—	—	—	—	—	—	0.090	—
Survey-adjusted R2	—	0.060	—	—	0.082	—	—	0.175	—

Online Survey

On the following pages, we present the text of the online survey.

2. Please indicate whether the answer to each question is none, some, most or all Tier 3 funds or programs. (Check one box in each row.)

	I don't know	None	Some	Most	All
Back in 2009–10, what portion of Tier 3 carryover funds from 2008–09 did your district “sweep” into general funds?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Since 2009–10, for what portion of Tier 3 programs have school principals or school site councils received increased discretion over the use of the funds?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
For what portion of Tier 3 programs does your district still track revenues at the local level (e.g., using SACS or some other method)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
For what portion of Tier 3 programs, does your district still track expenditures at the local level (e.g., using SACS or some other method)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Part II: Information Sources and Decision Making About Tier 3 Flexibility

3. To improve communication about fiscal policies in the future, we want to know where CFOs obtained their information regarding Tier 3 flexibility. To what extent did you rely on information from the following sources to understand the district’s options with respect to spending and reporting the use of Tier 3 program funds? (Check one box in each row.)

	Not at All	Small Extent	Moderate Extent	Large Extent
California Department of Education	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
County Office of Education	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
School Services of California	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Association of California School Administrators	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
California Association of School Business Officials (CASBO)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Administrators in Other Districts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other Source (Please identify): _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

4. In your district, who made the decisions regarding Tier 3 flexibility? To what extent did each of the following individuals influence the district’s decisions about how to use Tier 3 flexibility since 2009? (Check one box in each row.)

	No Such Person	Not at All	Small Extent	Moderate Extent	Large Extent
Superintendent	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Assistant superintendent of business services or Chief Financial Officer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other Assistant Superintendent (e.g., Educational Services, Human Resources, etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
K–12 principals	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
K–12 instructional staff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Union representatives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
School board members	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
District budget task force or committee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Parents or community members	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

5. What were the major factors that determined how Tier 3 flexibility was used in your district? How important was each of the following goals in your district’s decisions about Tier 3 flexibility? (Check one box in each row).

Our desire to:	Not important	Minor Importance	Moderate Importance	Major Importance
Implement new or redesigned instructional initiatives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Maintain existing instructional activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Maintain staffing levels	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Target funds to highest priority needs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Better align funding with school improvement goals	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fund new initiatives for school improvement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reduce bureaucracy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Maintain fiscal solvency (e.g., limit deficit spending, increase reserves, etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Minimize conflict with labor organizations/teachers’ union	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Avoid cuts to programs with strong support from internal and external stakeholder groups	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (Please specify) _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Part III: Testing Your Knowledge of Tier 3 Regulations

6. Please indicate whether each of the following statements about the rules governing Tier 3 flexibility is true or false. (Check one box in each row.)

	Completely False	Mostly False	I do not know	Mostly True	Completely True
Districts have complete flexibility to use the funds allocated to Tier 3 program in any way they want with no strings attached.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tier 3 flexibility granted to districts by the legislature will end in 2013.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tier 3 flexibility was approved by the legislature as part of a plan to gradually give districts more fiscal authority.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Districts still have to fulfill the purposes of all the Tier 3 categorical programs even if they use the funds to pay for other things.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
District flexibility to reallocate Tier 3 funds supersedes legal mandates and court orders.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Part IV: Your Opinions About Tier 3 Flexibility

7. Please indicate how strongly you agree or disagree with the following statements about the legislature's decision to grant Tier 3 flexibility. (Check one box in each row.)

	Strongly Disagree	Disagree	Agree	Strongly Agree
The decision to grant districts flexibility over Tier 3 program funds was made primarily to soften the effects of funding cuts.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tier 3 flexibility represents a fundamental shift in the legislature's policy of controlling categorical aid funding.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Overall, Tier 3 flexibility hurts low-achieving students by allowing resources to be shifted away from them.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The Department of Education did a good job informing districts about the rules regarding Tier 3 flexibility.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

8. How has Tier 3 flexibility affected your district? Please indicate how strongly you agree or disagree with the following statements about the effects of Tier 3 flexibility in your district. (Check one box in each row.)

	Strongly Disagree	Disagree	Agree	Strongly Agree
In 2008–2009, Tier 3 flexibility enabled our district to rethink our budget priorities.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
This school year (2010–11), Tier 3 flexibility enabled our district to rethink our budget priorities.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Our collective bargaining units are comfortable with how Tier 3 funding has been allocated.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tier 3 flexibility helped us to minimize teacher layoffs in our district.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Initial negotiations about how to use Tier 3 flexibility created tension with parents or other stakeholder groups.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tier 3 flexibility allowed our district to avoid cuts to teacher salaries or benefits.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tier 3 flexibility allowed our district to avoid cuts to classified staff salaries or benefits.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tier 3 flexibility allowed our district to focus additional resources on improving the quality of teaching and instruction in new ways.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tier 3 flexibility helped our district balance the general fund budget in 2009–10.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tier 3 flexibility is helping our district balance our budget for next year (2011–12).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Part V: Future Plans

9. Has your district notified any certificated staff about potential layoffs for 2011–12 in order to have flexibility in responding to different budget scenarios for next year? (Check yes or no.)

	Yes	No
	<input type="checkbox"/>	<input type="checkbox"/>

10. In a time of declining revenues, most districts are facing difficult challenges in balancing their budgets. How likely is it that your district will take the following actions to balance its budget for 2011-12? (Check one box in each row.)

	Not Likely	Somewhat Likely	Moderately Likely	Highly Likely
Increase sweeps from Tier 3 current year allocations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cut certificated staff positions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cut classified staff positions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Seek changes in collective bargaining agreements to reduce the length of the school year	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Seek changes in collective bargaining agreements to add furlough days	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Seek changes in collective bargaining agreements to roll back salaries	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Seek changes in collective bargaining agreements to limit employee benefits	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reduce professional development	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Increase class size	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (Please specify): _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

11. How high a priority is it in your district to maintain each of the following activities for 2011-12? (Check one box in each row.)

	Not Applicable	Low Priority	Moderate Priority	High Priority
Formal professional development for teachers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Adult education	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Preparing at-risk students for CAHSEE	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ESL instruction for adults	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Individualized support for instructional improvement (e.g., instructional coaches)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Activities for high-achieving or gifted student	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Art instruction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Physical education	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Music instruction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
School counselors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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