

FINANCING SCHOOLS

Financing Schools



ANALYSIS

- ◆ Each year Americans pay more than \$900 per capita in taxes to support elementary and secondary schools. In 1993–94, the cost of educating 43.5 million students was \$265 billion, not including school construction.
- ◆ The cost of educating a single student has climbed for decades. Cost increases are partly due to
 - ◆ improved student-teacher ratios;
 - ◆ increased numbers of nonteaching staff;
 - ◆ additional services such as compensatory education, special education, and a longer school year;
 - ◆ changes made to promote desegregation and to increase equity in school funding.
- ◆ Ultimate responsibility for school finance rests at the state level. Every state is required by its constitution to ensure that schools are adequately funded.
 - ◆ Nationally, 48% of school funds come from state governments, 45% from local property taxes, and 7% from the federal government.
 - ◆ However, funding sources vary widely among states and within states.

- ◆ The mechanisms by which states distribute funds to school districts are very important. Various distribution mechanisms can enhance or impede funding equality, school efficiency, program stability, and accountability.
- ◆ Almost all states guarantee every school district a foundation level of funding.
 - ◆ This funding is presumed to be adequate to provide a basic education, but that presumption is not always justified.
 - ◆ The amount of foundation funding is usually a political calculation.
- ◆ There is great similarity in how school districts divide their operating budgets. Wealthier districts simply purchase more or higher-quality goods and services in the same categories.
 - ◆ Roughly 60% goes to instruction, mainly for teachers' salaries.
 - ◆ Roughly 10% goes to administration, at the district office and school site.
 - ◆ Roughly 10% goes to facilities maintenance and operation, including utilities but not construction.
 - ◆ Roughly 10% goes to transportation and food service.
 - ◆ Roughly 10% goes to student services such as school nurses, attendance officers, counselors, and speech therapists.
- ◆ Many property-poor districts must tax themselves at a high rate just to provide a basic education, while their property-rich neighbors can provide superior academic programs at low tax rates.
- ◆ The most academically and fiscally challenged schools are those serving a concentration of students in poverty.

- ◆ About 40% of urban students attend schools with high poverty concentrations.
- ◆ Some of these schools also serve a concentration of students with limited proficiency in English, an estimated 2.3 million students nationally.
- ◆ Successful school reforms in low-income communities have required substantial resources for technical assistance, planning, and staff development.
- ◆ Many schools suffer from leaky roofs, substandard electrical or ventilation systems, or serious overcrowding. The lion's share of the problem is caused by overreliance on local communities to pay for facilities construction. Statewide school construction bonds address only a small portion of the problem.
- ◆ The school finance system can enhance or impede effectiveness and efficiency in education.
 - ◆ Accountability is enhanced when states and school districts specify a few stable, measurable academic goals.
 - ◆ Experience with financial incentives and sanctions in education provides more insight into what problems to avoid than what incentives result in improved student outcomes.
 - ◆ Charter schools are being widely implemented, and voucher programs are widely discussed. Schools are also experimenting with contracts to provide educational services. However, evidence concerning the effectiveness of these innovations is very limited.
 - ◆ Much more detailed information is needed about how school districts divide funding among schools, among grade levels, and among academic programs.

RECOMMENDATIONS

RECOMMENDATION 1

To provide adequate funding for all schools, states should guarantee every school district a foundation level of funding sufficient to achieve state-specified basic academic goals. The foundation level of funding should be based on the actual expenditures of schools currently meeting or exceeding those academic goals.

RECOMMENDATION 2

To improve student outcomes, schools serving concentrated populations of low-income students should have access to high-quality technical support and sufficient funding for planning and focused staff development.

RECOMMENDATION 3

To provide needed supplemental services, the foundation level of funding should be adjusted to account for the level of student poverty and limited English proficiency within each school district.

RECOMMENDATION 4

Foundation funding plus supplemental funding for poverty and limited English proficiency should make it fiscally possible to deliver a basic education. In addition, every community should have the option of providing an enriched, higher-quality school program at a reasonable cost to local taxpayers. When local communities voluntarily use this option to raise local taxes to benefit schools, states should partly subsidize low-property-value communities to reward them for their tax efforts, up to a reasonable limit.

RECOMMENDATION 5

To relieve school overcrowding or to pay for major building repairs or improvements, low-property-value school districts in most states currently must levy local taxes far higher than those in high-property-value school districts. When school districts raise local taxes (or issue bonds) for construction, states should equalize funds generated by low-property-value districts, up to a reasonable limit.

RECOMMENDATION 6

To hold schools accountable for the efficient and effective use of funds, education authorities at the state and local levels should commit to a few highly stable, measurable academic priorities.

RECOMMENDATION 7

To make ongoing, informed decisions about the use of funds, education departments at all levels should collect much more detailed information about how education budgets are spent and how resources are utilized.

ARTICLE SUMMARIES

School Finance: Fifty Years of Expansion

James W. Guthrie, Ph.D.

Since 1949–50, inflation-adjusted per-pupil expenditures in public elementary and secondary schools have more than quadrupled. A significant share of the increase is due to an 86% real increase in teachers' salaries between 1949–50 and 1971–72. Another substantial factor is the expansion in services provided by the schools. More expensive, specialized classes for high school students, compensatory education for students from disadvantaged backgrounds, special education and related services for students with disabilities, and desegregation efforts all contribute to higher costs. Efforts to improve funding equity have led to increased expenditures: Rather than take funding from wealthier districts, most states prefer to raise the funding available to schools at the bottom and the middle of the scale, increasing total spending.

Sources of Funding for Schools

Penny L. Howell and Barbara B. Miller, M.S.

The method of distributing the state contribution to school districts is complex, often involving some combination of basic funding (which guarantees a minimum level of general purpose support per student), power equalization (which guarantees that a certain level of local taxation will yield a given level of per-pupil funding), local option (higher levels of taxation approved in some school districts, not equalized by the state), and categorical funding (supplemental state and federal funds, earmarked for specific priorities, such as textbook purchases). Typically, wealthier districts receive more of their funding from local taxes, while lower-income districts are more heavily dependent on state and federal sources.

How and Where the Education Dollar Is Spent

David H. Monk, Ph.D., John C. Pijanowski, and Samid Hussain

Locally elected school boards have the authority and responsibility to decide how school budgets will be spent. In doing so, however, they must balance multiple funding restrictions and competing priorities. Despite great variance in local circumstances, most school districts have remarkably similar spending patterns. Polls show that many districts are attempting to delegate more decisions over resource allocation to the school site level. Research is just beginning to show what aspects of school site decision making are associated with improved teaching and learning.

Equity and Adequacy in School Funding

John G. Augenblick, Ed.D., John L. Myers, M.S., and Amy Berk Anderson

Since 1971, most states have been subject to lawsuits seeking to reform their education funding systems. The potential of litigation has prompted other states to revise their funding policies. Much of current litigation in education funding seeks to assure "adequacy," that is, an adequate level of funding to deliver a basic education to every student in the state. Most states have not explicitly addressed the questions of what is included in a basic education or how much it costs to deliver a basic education.

In most states, wealthy districts have significantly higher per-pupil expenditures than do poor districts. District-to-district per-pupil funding is likely to be more equal when the residents of poor districts pay higher taxes. (In some states, residents in poorer areas pay twice as much of their income in local taxes as do residents of wealthier communities.) Funding is also more equal in those states where the state's share of the education budget is higher.

School Finance Policy and Students' Opportunities to Learn: Kentucky's Experience

Jacob E. Adams, Jr., Ph.D.

Kentucky, in response to a 1989 state supreme court ruling, created an entirely new elementary and secondary education system, with new finance and governance mechanisms, new academic expectations, new emphasis on supplemental services, and new accountability mechanisms. This article describes these changes, identifies barriers to change, and concludes that the Kentucky Education Reform Act's strategy is promising, but more focus should be placed on school-level uses of education dollars. The article concludes that school site councils should be offered substantial guidance regarding which practices will most reliably promote learning.

Considering Nontraditional Alternatives: Charters, Private Contracts, and Vouchers

Julia E. Koppich, Ph.D.

Though states are moving quickly to set up charter schools and some states and districts are debating the merits of vouchers or contracts with private agencies to deliver educational services, there is little information about the educational effectiveness of these innovations. All of these models reflect the belief that a substantial part of budgeting, decision making, and accountability should occur at the level of individual schools, rather than at the school district level.

Many charter school laws are vague on key questions of authority, financing, and school-district relations. Their educational strategies vary widely, and their students are self-selected, making it difficult to assess their effectiveness. Contracting with private agencies presents a wide range of options, many of which have been tried in only a few locations.

Using publicly funded vouchers for tuition at private schools is extremely controversial. It is also unclear whether vouchers to religious schools violate the constitutional requirement of separation of church and state.

Appendix A: School Facilities

Appendix B: Equity Considerations in Funding Urban Schools

Appendix C: Catholic Schools Serving Disadvantaged Students

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CHILD INDICATORS: Class Size

Eugene M. Lewit, Ph.D., and Linda Schuurmann Baker, M.P.H.

REVISITING THE ISSUES: Tuition Reimbursement for Special Education Students

Perry A. Zirkel, Ph.D., J.D., LL.M.

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