

**REFLECTIONS ON THE FIELD OF
SCHOOL FINANCE: ENDURING
QUESTIONS AND FUTURE
DIRECTIONS**

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The field of school finance is situated within the worlds of research, policy, and practice. The nature and scope of subject matter that is typically included in this field span a number of disciplines: political science, economics, and sociology, to name a few. Consequently, the field can be characterized in numerous ways and can be viewed from a variety of disciplinary lenses. This brief discussion first examines some of the major questions the field of K–12 public school finance has addressed over the past three decades and describes some contributions that have been made in response to these questions. I highlight some of the challenges the field has experienced and conclude with a discussion of issues and questions that may impact its future direction.

Many of the questions in school finance that are addressed by policy makers, practitioners, and researchers have no simple or lasting resolution. They might best be thought of as representing dilemmas that have persisted over long periods of time. The field struggles with these questions and develops responses. With each passing decade, some advances occur, typically in an incremental fashion. The following questions about school finance are addressed: (1) Who pays and who benefits? (2) Who decides and who provides? (3) With what results? and (4) Whose interests are being served?

WHO PAYS AND WHO BENEFITS?

Clearly, students are prime beneficiaries of education. However, we have long recognized that there are both private and social benefits to education, and this recognition provides the primary basis for justifying public investment in education (Benson 1978). Examples of social benefits include a bolstered economy, a strengthened democracy, a reduction in crime, and improved health. These social benefits, or public goods, are diffuse and imprecise in nature, making it problematic to identify the specific beneficiaries and assign costs according to the benefits that are derived. Thus, as with the provision of other types of public goods (e.g., police and fire protection, national defense), education has relied on a system of taxation as the primary source of revenue. But a good deal of controversy ensues regarding the particular types and levels of taxation that ought to be tapped to provide for K–12 public education. Should the funding of education be largely a matter for states, localities, or the nation as a whole? In order to address this question of responsibility, one must also address questions of authority to act.

WHO DECIDES AND WHO PROVIDES?

The landmark federal case *San Antonio Independent School District v. Rodriguez* established that authority over the provision of K–12 public education resided with the individual states as articulated in their individual constitutional provisions. Each state has developed an independent framework and a set of policies for funding and providing public education. But the state is not the sole provider of funds. Despite an increase in the state share of total school revenue in recent years, local entities still provide significant levels of K–12 school funding. Additionally, while federal sources comprise only a fraction of total revenue, federal initiatives have an ever-increasing influence in education policy. This multilevel, intergovernmental system of providing for education creates numerous tensions around who decides education policy (Kirst 1984). Further complicating this question is the role that parents, students, teachers, communities, and other stakeholders play in determining policy and practice.

Because the determination of the level of school funding is essentially a political one, pressures mount on policy makers as a variety of interest groups advocate for the types and levels of funding that meet the needs, issues, or agendas that each group represents. School funding competes with demands for other types of public goods and with demands to limit taxpayers' burden. Consequently, legislators are often primarily concerned with the level of funding and not whether funds are adequate or resources are being used efficiently and effectively (Hanushek 1991). However, a shift toward a greater

focus on system adequacy has been prompted by another key player in making decisions about school finance: the courts.

The impact of the judicial branch of government on school finance decisions is an important part of the story. Since the 1960s, state courts have played a major role in shaping state school funding policies. A fundamental problem that the courts have addressed concerns the inherent disparities that result from the use of the property tax as a significant source of school revenue. For at least three decades, the primary emphasis has been on examining the differences in spending on school inputs and fashioning systems designed to eliminate inequities in educational expenditures of “property-rich” versus “property-poor” school districts (McCarthy 1994). However, more recent litigation has shifted away from a sole concern with differences in spending levels to an examination of the overall adequacy of the funding system and its relationship to student performance.

Another dynamic that is somewhat unique to decisions about school funding is related to the decentralized nature of school governance systems and the intergovernmental transfers of funds, authority, and accountability. For the most part, local school boards decide the budgets, and school district leaders decide how to allocate resources to individual schools. It is at the individual school level where federal, state, and local decisions about finance are translated into practice.

The vast majority of the nation’s schoolchildren attend public schools within their local school districts, typically located in their neighborhoods and operated by the district. However, increased attention has been given to alternative providers of K–12 public education. Charter schools are one such option, as are voucher-supported private schools, home schooling, “cyberschools,” and for-profit management of schools. Here a critical tension exists regarding the relationships between the role of government, the influence of competition, and the notion of choice in education. Central to the debate about who should provide education services is the question about whether or not our schools are achieving desired results.

WITH WHAT RESULTS?

The past half century has seen an expansion in public education in terms of the number of students served, the scope and types of services offered, and the rise in per pupil expenditures (Guthrie 1997). Given the sizable public investment in education, there is an accompanying expectation that the investment will bring returns. In recent years, the standards-based education reform movement has focused additional attention on the measurement of performance and the development of an accountability system for results. This prompts

questions about the relationship between school finance and accountability for results.

One case of a recent attempt to align finance and accountability for results can be seen with the federal No Child Left Behind Act (NCLB). Under NCLB, performance goals are measured in terms of yearly assessments of students, typically taking the form of standardized tests in reading and mathematics. Portions of federal funding are dependent on compliance with the accountability requirements, and particular features of the law provide parents with increased choice in school selection and additional resources for private tutoring and other support services if schools fail to meet performance goals.

One tension that emerges with the focus on accountability is whether those who are being held accountable have authority over spending decisions. While many state policies regarding education have increased accountability requirements, little attention has been paid to increasing flexibility and providing greater authority and discretion in making decisions about resource allocation at the school level.

An important question that arises from the focus on accountability is: results for whom? This question requires the analysis of disaggregated data (e.g., by race/ethnicity, gender, poverty status, English language proficiency) so that achievement gaps can be identified and progress by subgroup can be monitored. Equity then takes on another dimension. It is not enough to simply have equity of expenditures and inputs; it is equally (and perhaps more) important to focus on equity of outcomes for all students.

VALUES IN TENSION: WHOSE INTERESTS ARE BEING SERVED?

Underlying the actions that may be taken in response to each of the questions discussed above is a fundamental issue regarding the value-laden nature of the field of school finance. For example, the budget has often been described as the expression of the aspirations, goals, and values an organization deems important (Hartman 2003). Guthrie, Garms, and Pierce (1988) identified equity, efficiency, and choice as three fundamental values that must be balanced against each other in shaping education policies. Attempting to address these values simultaneously can create conflicts because goals aimed at improving equity might result in some reduction in efficiency, or policies formulated to increase efficiency might limit individual liberty. Given these values conflicts, the lack of agreement about specific outcomes of education, and the competing demands on policy makers and practitioners to meet numerous expectations, it is no wonder that matters of school finance are among the most emotionally charged of public policy issues. Decisions about school financing systems, resource allocation practices, and accountability provisions impact the type of

access students have to quality education. Evaluating the appropriateness and effectiveness of school finance policies should begin with the question: Whose interests are being served? This question illuminates basic issues of equity and fairness and can serve to help articulate what types of values are represented with a particular fiscal policy.

CONTRIBUTIONS AND CHALLENGES

Researchers have made a number of important contributions that respond to the questions that have just been discussed. For decades important work has focused on enhancing our understanding of the dimensions of equity in funding. Examples of contributions include the concept of fiscal neutrality in school finance and the development of multiple methods to measure the equity of finance systems (Berne and Stiefel 1984). The field has also made numerous contributions to understanding efficiency issues. Advancements have been made in considering the relationship between school expenditures and student performance (Stiefel et al. 2005). Methods have been developed so that the cost-effectiveness and cost-benefit issues of various educational interventions can be analyzed (Levin and McEwan 2000) and cost comparisons can be made (Chambers 1998). Work has been undertaken to assess the impact of increased choice in education as it relates to equity effects on particular subgroups of students as well as overall comparisons of student performance. Contributions have also been made in considering microlevel finance issues related to the individual school as the unit for analyzing both equity and effectiveness (Goertz and Odden 1999) and in appreciating the balance between state and local control and responsibility for education (Theobald and Malen 2000).

Most recently, the field has paid particular attention to matters related to three issues: fiscal adequacy, resource allocation, and teacher quality. A number of new strategies for grappling with the concept of fiscal adequacy have emerged in the last decade (Ladd, Chalk, and Hansen 1999) and are likely to continue to inform the debate. Other work has contributed to improving our understanding of how resource allocation strategies (including resource reallocation) might influence student performance (Miles 1995; Picus and Wattenbarger 1995; Odden and Busch 1998). Clearly, the most valuable resources in education are the teachers who directly provide services to students. And while the premise that teachers are an important influence on student learning has been recognized for some time, recent work is beginning to provide additional understanding about some of the specific ways in which teachers matter (Rice 2003; Hanushek et al. 2005). Significant progress has also been made in expanding our knowledge about teacher mobility and

compensation, including alternatives to traditional forms of compensation (Boyd et al. 2005; Odden and Kelley 2002).

In the course of conducting the work on issues mentioned above, a number of conceptual and methodological challenges have emerged. One major challenge is the lack of specificity and consensus regarding our knowledge about how students learn and how teachers teach students effectively. We know that differences exist in the quality of education services, but the reasons for the differences are not well understood. For the most part, our tools of examination rely heavily on underdeveloped proxies for the quality of inputs (e.g., a teacher's verbal ability, experience, and education level), overly generalized proxies for the nature of the educational needs of students (e.g., socioeconomic status, English language proficiency), and limited measures of student learning (e.g., standardized test scores in selected subjects). Clearly, some recent advances in methodological approaches such as value-added designs and hierarchical linear modeling have contributed to our current knowledge and show promise for future work. However, fully recognizing and understanding the complexities of how schools can operate most effectively will likely remain a challenge for years to come.

FUTURE DIRECTIONS

Among some of the strengths of the field of school finance are its multidisciplinary nature and its close connections to research, policy, and practice. These features make school finance a relevant, dynamic field that is responsive to important theoretical, empirical, practical, and policy-related questions and issues. The future direction of the field is likely to be shaped by continued responses to classic questions and by advances within the disciplines represented in the field. As in the past, the field will also continue to grapple with questions and issues that impact some of the most significant public policy issues of the times in which it resides. Some of the possible influences on the future direction of the field are described below.

From a methodological perspective, the field will continue to be influenced by advances in the variety of methods that form the basis for our inquiry and by technological advances that offer the prospect of access to data that is more specific, comprehensive, reliable, and timely. Access to quality data at the individual school, teacher, and student levels is of importance to researchers, policy makers, and practitioners. However, no one methodological approach is likely to address the full range of issues that need to be understood when examining questions such as how schools can produce high levels of student learning for all students in the most cost-effective way. The sophisticated analysis of large quantitative data sets can contribute greatly to our knowledge,

but it is likely that the field would benefit greatly from using multiple-method approaches.

The strategy of combining robust analyses of large data sets with information derived from targeted surveys and strategically selected, careful qualitative case studies might help fill in the gaps that typically exist when a research effort relies on only one method of posing and answering questions. Furthermore, multiple-method strategies often require multidisciplinary approaches to inquiry that consider a variety of complex, and often conflicting, perspectives on the same question. Considering multimethod, multidisciplinary strategies is clearly ambitious and fraught with numerous practical barriers. However, there are a variety of individuals already working in the field of school finance who represent several different types of disciplinary perspectives and methodological abilities. Thus, the capacity to consider this type of approach is within our reach.

While this discussion has focused on K–12 education, the connections between K–12 education and both early learning and postsecondary education are taking on increased importance and are likely to shape future school finance issues. Developing a “seamless” education system from preschool through college is a matter being considered by many policy makers, and it poses a different set of questions and challenges for research and policy design. Those in the field of school finance are well positioned to develop approaches that embrace this integrated view of the continuum of education programs and services.

It is likely that the focus on quality of teachers, and, more important, the quality of teaching, will only continue to gain prominence among researchers, policy makers, and practitioners. Much improvement is needed, however, in our conceptual and methodological approaches to investigating questions of teaching quality. While progress is definitely being made in this area, it is important to be aware that we have only scratched the surface of understanding how teachers’ subject matter knowledge, pedagogical skills, and personal experiences interact to form the basis for the type of instruction and support students receive. It is equally important to understand more about what students bring to the school setting and to consider not only the educational challenges they present but also the capacities and talents they possess that bear on their educational experiences. Taking these issues into account as the field considers issues related to the equity and effectiveness of education systems would improve the robustness and usefulness of research and policy efforts. Another idea worthy of consideration concerns the extent to which the voices and perspectives of teachers are included in the development of research designs and methodological strategies that attempt to understand teachers’ impact on student performance. Involving teachers as researchers

would also assist with the sense making that needs to occur when one interprets results and articulates the implications of findings.

Finally, the public policy questions posed at the beginning of this essay will continue to be in need of new and innovative responses. Fundamental questions of equity, efficiency, and liberty will continue to be included in education policy debates. Those working in the field of school finance will be challenged to provide necessary information and analyses that contribute to policy and practice in a way that is free of ideological bias and embraces multiple approaches and perspectives.

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