

THE "NEW" SCHOOL FINANCE: IMPLICATIONS FOR POLICY

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VIEWS INFORMED BY:

- National Research Council report (1999): *Making Money Matter*
- Committee for Economic Development report (2004): *Investing for Learning*
- Experiences of states (e.g., Maryland, New York) attempting standards-based reform of school finance systems

WHAT IS THE “NEW” SCHOOL FINANCE?

**School finance that is designed
to support and encourage efforts to
improve student learning**

“OLD” SCHOOL FINANCE POLICIES ARE NOT ALIGNED WITH REFORM EFFORTS

- **Per-pupil spending determined by political bargaining, not cost of meeting educational standards**
- **Authority not aligned with accountability**
- **Finance policies focused on reducing input disparities, not improving outcomes**
- **Little attention to cost-effectiveness and efficient use of resources**
- **Teacher compensation divorced from labor market realities**
- **Few financial incentives for educators to improve performance**

DOES MONEY MATTER?

- Money can matter

BUT

- Knowledge about how to make money matter, though growing, is still limited
- How money matters is partially contingent on local circumstances

IMPROVING ALIGNMENT UNDER CONDITIONS OF UNCERTAINTY

- Shift focus from districts to schools
- Pursue change strategies supported by plausible “theories of action”
- Improve data systems
 - To support reform efforts
 - To allow reform efforts to be evaluated and modified
- Improve linkages with preschool and postsecondary education

STRATEGIES FOR ACHIEVING BETTER ALIGNMENT

- **Allocate resources more effectively**
- **Redesign teacher compensation to reflect labor market realities**
- **Add performance incentives**

RESOURCE ALLOCATION

- **School-based budget authority**
 - Is the capacity there?
 - What about accountability?
- **Student-weighted budgets**
- **Cost-effectiveness analyses**
- **Data for planning, monitoring, and evaluation**

INCREASES IN FUNDING EQUITY WITH STUDENT-WEIGHTED BUDGETING

		% of schools with actual budget allocations within	
		5% of what school would have received using weighted average expenditure	10% of what school would have received using weighted average expenditure
Cincinnati	Last year using staff-based formula	23%	42%
	1st year using student-based formula	23%	49%
	4 th year using student-based formula	87%	97%

THE IMPACT OF SALARY AVERAGING

	Baltimore City	Baltimore County	Cincinnati	Seattle
Avg. gain or loss if actual salaries used to calculate school budget	(+/-) \$101,786	(+/-) \$120,612	(+/-) \$106,974	(+/-) \$72,576
Avg. gain or loss per pupil	(+/-) \$246	(+/-) \$232	(+/-) \$189	(+/-) \$144
Max. benefit as % of school budget	21.8%	17.7%	15.6%	11.0%
Max. loss as % of school budget	-20.8%	-18.4%	-19.2%	-21.8%

TEACHER PAY AND LABOR MARKETS

- Flexible compensation systems
- Pay for relevant knowledge and skills
- Transfer and pension policies

INCENTIVES

- Pay for performance
- Equitable funding for charter schools

LINKAGES

- To early education
- To postsecondary education