

Financing Schools for Results

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Despite decades of litigation and research on school finance, Americans are a long way from knowing how much spending is required to educate all our children to standards.

Our children deserve and need a good education and we must do everything possible to provide it. But spending will always be finite, and schools will never be able to afford everything they can use. So it is vital we know the difference between effective and ineffective uses of funds.

Tom Vander Ark, a former superintendent and then head of the Gates Foundation's education initiative, asked the Center on Reinventing Public Education to undertake a study that would totally re-think the linkages between how much money is spent on K-12 education, what resources are purchased, and whether students learn.

After 5 years of work and more than 30 research projects, it is clear that the way we finance schools has little connection with our goals for student learning. Table 1 contrasts our national priorities for public education with the ways we allocate and use funds.

Table 1.

Educational Priorities	What We Pay For
We are trying to close the achievement gap between whites and minorities.	On average, districts employ less expensive teachers to teach minority students than whites.
We are doing everything we can to help give poor students a leg up.	Districts spend a greater share of unrestricted district funds on non-poor students than on poor students.
Our focus is on getting students up to speed in core subjects.	Schools spend more per pupil to offer courses in electives than courses in core subjects.
We want disadvantaged students to get extra resources.	Schools spend more per pupil for an honors or AP course than for regular or remedial courses.
We are trying to prepare our students for a role in our changing economy.	Schools spend more per pupil for students to take ceramics and basketball than math or science.

Why are our priorities and spending so out of sync? We finance schools piecemeal, with set-asides for teacher salaries, buildings, books, and special programs for different groups of kids. But the parts don't add up. Our system is a result of many historical accidents, including different local levies, state foundation programs that provide only partial support for schools, federal and state categorical programs, and court-ordered spending.

Nobody would have designed a system like this as the best way to produce student achievement. Now that we want to know how to fund effective instruction, we face three problems.

First, we lack ways of measuring either the cost or the effectiveness of any instructional practice. We know what whole districts pay for teachers, materials, and services, but not what schools or classrooms cost. Take, for example, a 3rd grade classroom. To instruct the 25 students assigned to it for a year, a district must employ a teacher, school-level administrators, and custodial staff. It also employs some central office staff members who keep the books for the school and pay bills, and others who provide materials, advice, and special instructional programs for students, teacher staff development, and substitutes when teachers cannot be in their classrooms. All these costs can be summed and divided by the number of classrooms in the district to get an estimate for one class.

But any such estimate is sure to be way off. The teacher might get an unusually large or small salary; some of her benefit costs might be covered by the state retirement system and not on the district's books at all. The district central office might run programs (e.g., truancy, enrichment for the gifted) that the school does not use, but still allocate some of the costs to the school. The school might get few or no visits from itinerant service providers (e.g., social workers) employed by the district.

At the secondary level, course costs vary wildly depending on the pay level of the teacher and the size of the class. Elective courses, which often have small enrollments and highly paid senior teachers, can cost two to three times as much as core courses like basic algebra.

Under current circumstances the only way to know what a school, course, classroom, or program costs is to track all the salaries and other resources associated with it, and calculate their total actual costs (not averages or costs excluding hidden state or philanthropic contributions). Our system makes these calculations extremely difficult.

Second, nobody knows what effective instruction costs, because no one has yet met the goal of educating all children to high standards. Though some schools have done a great deal to close achievement gaps, none has been able to do so on a district or citywide scale. Thus, though we have examples of success, we don't now how to get the same results everywhere.

Third, the ways we finance and regulate schools work against experiments with alternative uses of funds that might be much more cost-effective. The idea that "school" is a sharply defined set of services and an institution apart from other community and youth services institutions rules out experiments with new ways to integrate instruction with social services for students and their families. Commitments to traditional teacher careers and set class sizes keep us from trying out new uses of technology that might require fewer teachers, demand different sets of teacher skills, expand students' learning time, or increase individualization.

Though innovators are dreaming up new instructional models all the time, they can't be tried out at scale because the money available for public education is tied up in commitments to people, programs, buildings, and administrative structures.

HOW WE LEARN TO CAN USE MONEY MORE EFFECTIVELY

It is possible to understand the links among funding levels, uses of funds, and student results. In education, as in every other field where performance is unacceptable but higher performance is clearly possible, rules on the uses of funds must be opened up so that:

- Money and people can flow from approaches that are less productive to those that are more productive.
- Potential innovators are encouraged to invest time and money developing new approaches.
- Fair comparisons can be made between new and dominant approaches.

These conditions combine to create a process of *continuous improvement*. No arrangement is ever assumed "good enough" just because it satisfies stakeholders or avoids violating any laws. To the contrary, even the best performing school, teacher, or instructional program is assumed not to be the best possible. Every arrangement, even those that look good at the present time, is subject to challenge and replacement by something better.

A school finance system built for continuous improvement would not assume that district-run schools were less effective than charters or vice versa; or that particular uses of time, money, staff, and materials were always better. Such a system would also minimize rules and constraints on use of funds, so that new ideas could be readily tried. It would be wide open to experimentation, measurement of costs and performance oversight, and differentiation in uses of funds and instructional practice.

The fact that the United States has created continuous improvement processes in other fields is why we benefit from a constant flow of innovations and that we know, for example, that some surgical practices (e.g., arthroscopic knee surgery) are better for patients than other approaches.

The arrangements we have sketched above don't promise success immediately. However, the continuous improvement system sketched here is designed to abandon failures rather than protect or sustain them, and to find and build on successes.

Nor is it certain that continuous improvement will lead to lower costs. A more effective system would use money very differently than the one we have now, but it might indeed cost more.

Table 2 summarizes changes in state law and local practice that would build our school finance system around continuous improvement. As the second column shows, state and local leaders would need both to create new policies and abandon old ones.

Table 2.

Principles	Necessary Policies
People and money flow from less to more productive uses	Fund students, not programs or adults Account for use of funds down to the school, classroom, and student Move money administratively or via choice
Alternative uses of funds are fairly compared	Link records on spending, services, student characteristics, and outcomes Compare programs, schools, teachers on a cost-effectiveness basis
Incentives for innovation	Encourage unprecedented uses of funds, methods, technologies, and human resources Maintain neutrality between conventional and new providers of schools, instruction

The bottom line from our studies is that states and localities cannot *both* fund schools and regulate schools in the ways that have been traditional *and* improve their understanding of the links between levels of spending and student learning. Leaders have a fundamental choice to make: whether to continue tying funds to administrative structures, employee groups, and programs, or to give schools money in ways that allow experimentation and continuous learning. The former choice leads only to a more expensive system. The latter choice can lead to a more effective system, which might or might not cost more.