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Research-Based Options for Education Policymaking

Public Funding of School Choice

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Various forms of school choice now exist across the United States: charter schools, conventional vouchers, neovouchers, magnet schools, open enrollment, and across-district choice. In addition, private schooling and home schooling have made claims for public support through methods such as tax benefits and partial enrollments. The threshold policy decision is whether public funds should be provided to choice schools, particularly to schools run by private corporations or religious institutions. Issues such as democratic governance, accountability of public funds, quality control and church/state concerns must first be carefully deliberated. When lawmakers do decide to allocate public funding to choice schools, as they have increasingly done over the past couple of decades, they must then engage in a new level of scrutiny regarding the structure, level and conditions of these subsidies.[1]

While the threshold "yes/no" issue is indisputably important, this brief focuses on the subsequent question: *what criteria should policymakers consider in making decisions about the nuts and bolts of choice school funding?*

The most common way of thinking about school funding is per-pupil spending.[2] On the face, a "neutral" policy would simply allot the same amount of money per student to a

school of choice as it would to a conventional public school. But as professor Clive Belfield has explained, the issue is far more complicated.[3] For example, student populations may vary. Schools that serve autistic children will have different cost requirements than a school with a high population of economically deprived children.[4] Further, while cyber-schools require technology-related resources, they require only minimal resources for facilities, maintenance expenses and transportation. Should these schools receive the same amount of money as a school that must pay these expenses?[5] There are no easy or value-free answers to these issues.

Funding sources also vary. Some states have high levels of state support and others do not. Different states also pay charter schools, the most common form of choice, different percentage amounts of the state's base support level. Likewise, there are great variations in local tax support, pensions and construction aid.[6] If the state stipend is low, then questions arise as to whether the difference should be paid by local districts, parents or private sources.[7] Some private schools have substantial endowments and grant support while others do not. Start-up funds are available for some schools but not for others.[8] Unless all revenue sources are considered, inequality of opportunities may arise.[9]

When a school receives public support, either directly or through tax benefits, the issue of accountability—the "strings attached"—must also be considered. Private enterprises are not generally required to have the same level of transparency as public undertakings. However, as a general rule, the greater the amount of public assistance, the greater the requirement for public accountability for the school's operations and results.

Policies must also consider regional cost variations. The cost of living and the cost of operating a school vary by location. A school in Manhattan, New York will have different costs than one in Manhattan, Kansas.[10] The largest expenditure for traditional schools is for salary and benefits. These costs vary dramatically based on geography as well as faculty seniority, class ratios, salary schedule and the like.

Should tax-based funding be predicated on actual spending (cost-plus) or on a set amount per pupil?[11] A set amount gives market-oriented operations an incentive to keep salaries low and class size high. A cost-plus system doesn't discourage funding a high-quality education but it has no incentive to keep costs low or efficient. Again, there are no easy or absolute answers to these dilemmas.

There are also unique school factors such as age and condition of the facility, variations in contracted services, rurality, and availability of community services. Compounding an already complicated topic is the funding of private and public combinations. Should public school cocurricular activities such as school-sponsored clubs and teams be available for students enrolled in a cyber-school? Does the local school, the state or the cyber-school pay the costs?[12]

School funding formulas are therefore convoluted—and particularly so when choice is added to the mix. The accumulation of discrete political decisions and compromises has produced a crazy-quilt pattern of laws and rules both across and within states.[13] Thus, determining "fair" funding for various school choice approaches requires careful

examination and inquiry. While it is likely impossible and arguably unwise to eliminate these variations, clarity, fairness, equality and cogency require that policymakers make funding decisions applying principles of scientific analysis and problem solving.

Key Research Points and Advice for Policymakers

- As a threshold matter, policymakers should deliberate about the advantages and disadvantages of providing public resources to financially support each type of schooling. Based on effectiveness, democratic governance, legal, financial and equality concerns, are public subsidies to a given choice option in the public interest? Only after a decision is made to provide such support do the following issues and questions come into play.

- Each conventional public school and choice school receiving public funding should operate using a uniform chart of accounts, spending and revenue definitions. Finances should be subject to regular and public audit.[14] Otherwise, informed decisions regarding funding, equity, and fairness are not possible.

- Each type of school choice requires separate finance projections. Cyber schools, home schools, elementary, preschools, high schools, etc., all have natural cost-profile differences.

- Comparable costs should be established using comparable schools. If feasible, such comparisons should be within the same neighborhoods and with comparable student populations.[15] Regional cost factors have been used in some states and may be indicated, particularly in states with large cost-of-living differences.[16]

- Facility, transportation, and administrative costs should be separately analyzed. Neighborhood public schools and choice schools vary considerably with regard to these elements.[17]

- Rules and laws should guard against malfeasance and should place appropriate limits on profits and on the salaries of those running schools and management corporations.[18]

- Different funding structures for special education, English language learners, compensatory education and the like should be based on careful adequacy studies. Heretofore, funding weights have been primarily determined through an arbitrary political process, and they vary widely across states.[19]

- For students with relatively rare and unique high-cost disabilities, a cost-reimbursement approach may be indicated.

- In terms of revenue, all sources—public and private—should be considered in calculations to determine a fair level of public funding.[20] When private donations or tuition costs are added to public funding, inequities can result.

- The interactions of various policies should be considered. These may form a set of unintended consequences, such as when a tax credit policy is added to a voucher.
- All schools receiving public funding should be held accountable using the same system, including regular monitoring of fiscal issues and educational programs.[21]

Notes and References

1 For examples of controversies surrounding these issues, see

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3 Belfield, 2008, 1.

4 Batdorff ,M., Maloney, L. & May,J. (2010). *Charter school funding: Inequity persists*. Muncie, Ind.: Ball State University.

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7 She & Berger, 2011.

8 For further exploration of these issues, see, the U. S. Government and American Institute for Research's site, "National Charter School Resources," at http://www.charterschoolcenter.org/.

9 Belfield, 2008, 18.

10 Mathis, W. J. (2005) The cost of implementing the federal No Child Left Behind Act: different assumptions, different answers. *Peabody Journal of Education*, *80*(2), 91-120.

Also see, for example,

EdSources (2010, September). How does California's per-pupil expenditure compare with that of other states? (web page). Oakland, CA: Author. Retrieved November 28, 2012, from http://www.edsource.org/data-ca-per-pupil-exp-compare-states.html.

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12 Panepinto, P.(November 12, 2012). Easton Area School District to bill cyber and charter schools for students who play sports. *The Express-Times* (Easton, PA) */ lehighvalleylive.com*. Retrieved November 14, 2012, from http://www.lehighvalleylive.com/easton/index.ssf/2012/11/easton_area_school_district_to_6.html.

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14 Belfield,2008, 1.

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