

E51.2020: FINANCING SCHOOLS: EQUITY & ADEQUACY IN PUBLIC EDUCATION
NEW YORK UNIVERSITY
FALL 2008

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Lecture:	Wednesdays 6:45 – 9 pm (3 credit hours)	Office hours:	Thursdays 10 am – 12 pm or by appointment
Location:	246 Greene Street (Kimball Hall), Room 301 HMSS conference room		

COURSE DESCRIPTION An introduction to the concepts, practice, and economics of elementary and secondary school finance in the United States. Emphasis on the analysis of equity and adequacy in school funding, and the policies targeted toward meeting these objectives. In part through the use of state case studies, the course will examine the causes and consequences of school finance reform, and the impact of funding systems on the level and distribution of resources and student achievement. Other topics will include: the link between school finance and accountability, school-level resource allocation, facilities financing, and teacher compensation policy.

PREREQUISITES A prior introductory course in statistics or quantitative methods is recommended. An undergraduate or graduate course in microeconomics would be beneficial, but is not required (I will assume you have no training whatsoever in economics). If you are concerned about your preparation for this course, please see Prof. Corcoran at the beginning of the semester.

COURSE OBJECTIVES Upon completion of this course, students will be able to:

- describe the basic structure and history of K-12 education finance in the United States
- apply basic theoretical concepts of microeconomics and public choice to describe how local school budgets are determined, and how intergovernmental aid programs can influence these decisions
- apply conventional equity measures to real-life data, and assess a U.S. state's experience with school finance reform
- identify, describe, and evaluate commonly-used techniques of assessing resource adequacy
- understand the varying ways in which school finance systems account for the special needs of students or school districts (including special education, English language instruction and rural education) and how accountability and finance systems interact
- describe how teachers are compensated in the United States and analyze recent proposals for redesigning teacher salary structures

**TEXTBOOKS
AND READINGS**

Required text:

Ladd, Helen F. and Edward B. Fiske. 2008. *Handbook of Research in Education Finance and Policy*. New York: Routledge.

Also useful:

Allan Odden and Lawrence O. Picus. 2008. *School Finance: A Policy Perspective*, 4th edition. New York: McGraw-Hill.

Yinger, John (ed). 2004. *Helping Children Left Behind: State Aid and the Pursuit of Educational Equity*. Cambridge: MIT Press.

Additional readings will be assigned from book chapters and journal articles from a variety of sources (a reading list follows, subject to minor revision). Most if not all of the assigned journal articles are available for download through the NYU Library e-journal portal (below). In some cases I will provide copies of readings, or direct links to the article source, on Blackboard. Class discussion will focus on the assigned readings, so please prepare for each meeting by reading the assigned articles before class.

http://library.nyu.edu/collections/find_ejournals.html

**COURSE
REQUIREMENTS**

Your grade for this course will be determined as follows: *three* problem sets (10% each for a total of 30%), a written case study and presentation of a state school finance system or reform (30%), an in-class midterm (20%) and final exam (20%). *To pass the course, you must submit all problem sets and the case study.*

The problem sets are designed to give you practice with the analytical tools introduced in class, and thus will be assigned early in the semester. Many concepts will be introduced in the first half of the course that are key to your success in the remainder of the course.

The written case study will be due in class on [date]. More details on the requirements for this written analysis will be provided at a later date (the final product will be about 15-20 pages plus any accompanying tables and graphs). You will be asked to spend 10-15 minutes during class formally presenting your case study to the class for discussion.

BLACKBOARD

All materials pertaining to this course (lecture notes, readings, problem sets, handouts, etc) will be made available via Blackboard, which is accessible through NYUHome (home.nyu.edu). Enrollment in the course should automatically give you access to Blackboard. Check in with Blackboard frequently for new announcements, lecture notes, readings, and the like.

**MISC.
POLICIES**

- 1) Policies of New York University and the Steinhardt School of Culture, Education, and Human Development pertaining to academic integrity will be *strictly enforced* in this class. You are encouraged to study and work together on homework assignments, but all work submitted must be that of the individual student.
- 2) Please make an effort to be on time (I will do the same) and please turn off your cell phone.

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- 3) If you wish to withdraw from this course, please do so formally with the University Registrar. If you withdraw without authorization, you may receive an “F” for the course. *Note [date] is the last day for graduate and undergraduate students to withdraw without receiving a “W” on transcripts.*
 - 4) Any student attending NYU who needs an accommodation due to a chronic, psychological, visual, mobility and/or learning disability, or is Deaf or Hard of Hearing, should register with the Moses Center for Students with Disabilities at 212-998-4980, 240 Greene Street (www.nyu.edu/csd).
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CLASS SCHEDULE

September 3	Lecture 1: Education finance in the United States	
September 10	Lecture 2: Concepts and measurement of equity and adequacy	
September 17	Lecture 3: Public choice and education spending	Problem set 1 due
September 24	Lecture 4: Intergovernmental aid programs	
October 1	Lecture 5: Impact of school finance reform	Problem set 2 due
October 8	Lecture 6: What is an “adequate” level of resources?	
October 15	MIDTERM EXAM	
October 22	Lecture 7: Student presentations—case studies	
October 29	Lecture 8: Student presentations—case studies	
November 5	Lecture 9: Financing special needs	Written case study due
November 12	Lecture 10: School finance and accountability	
November 19	Lecture 11: Inter-district resource allocation	
November 26	NO CLASS – classes run on a Monday schedule	
December 3	Lecture 12: Teacher compensation	Problem set 3 due
December 10	Lecture 13: Financing facilities	
December 17	FINAL EXAM – 8:00 – 9:50 pm (note special time)	

READING LIST

(*) = required, all others are optional and will be referenced in the lecture

Lecture 1

Education finance in the United States

(*) Ladd and Fiske, chapters 1, 3, and 17

Chapter 1: History and scholarship (Springer, Houck, and Guthrie)

Chapter 3: Past, present, and future of litigation (Koski and Hahnel)

Chapter 17: The changing federal role in education finance (Gordon)

Hanushek, Eric A., and Steven G. Rivkin. 1997. "Understanding the Twentieth-Century Growth in U.S. School Spending." *Journal of Human Resources* 32(1), 35—68.

Yinger, Appendix A ("A Guide to State Court Decisions on Education Finance")

Odden and Picus, chapters 1 and 2 ("Introduction and overview," "Legal issues")

Lecture 2

Concepts and measurement of school finance equity and adequacy

(*) Ladd and Fiske, chapters 12 and 13

Chapter 12: Conceptions of equity and adequacy (Baker and Green)

Chapter 13: Measuring equity and adequacy (Downes and Stiefel)

Odden and Picus, chapters 3 and 4

Chapter 3: A framework for assessing equity and adequacy

Chapter 4: Adequate staffing and resources for America's schools

Lecture 3

Public choice and education spending

(*) Chapters 3-5 in Ronald C. Fisher, *State and Local Public Finance, 3rd edition*

Chapter 3: Public choice without mobility: voting

Chapter 4: Demand for state and local goods and services

Chapter 5: Public choice through mobility

Harris, Amy Rehder, William N. Evans, and Robert M. Schwab, "Education Spending in an Aging America," *Journal of Public Economics*, 81 (2001), 449-472.

Tiebout, Charles M., "A Pure Theory of Local Expenditures," *The Journal of Political Economy*, 64 (1956), 416-424.

Lecture 4
Intergovernmental aid formulas

- (*) Ladd and Fiske, chapter 15
Chapter 15: Intergovernmental aid formulas and case studies (Picus et al.)
- (*) Yinger, chapter 1 and Appendix B
Chapter 1: State aid and the pursuit of educational equity: an overview (Yinger)
Appendix B: Guide to state operating aid programs

Hines, J. and R. Thaler. 1995. "Anomalies, The Flypaper Effect," *Journal of Economic Perspectives*, pp. 217-226.

Cullen, Julie Berry, "The Impact of Fiscal Incentives on Student Disability Rates," *Journal of Public Economics*, 87 (2003), 1557-1589.

Lecture 5
Impact of finance reform

- (*) Ladd and Fiske, chapter 19 and 21
Chapter 19: The evolving state role in education finance (Corcoran and Evans)
Chapter 21: Tax and expenditure limits (Downes and Figlio)

Silva, Fabio and Jon Sonstelie. 1995. "Did *Serrano* Cause a Decline in School Spending?" *National Tax Journal*. 48(2), 199—215.

Fischel, William. 1989. "Did *Serrano* Cause Proposition 13?" *National Tax Journal* 42, 465-473.

Card, David A. and Abigail Payne. 2002. "School Finance Reform, the Distribution of School Spending, and the Distribution of Test Scores." *Journal of Public Economics*. 83, 49-82.

Baicker, Katherine, and Nora Gordon. 2006. "The Effect of State Education Finance Reform on Total Local Resources," *Journal of Public Economics* 90, 1519-1535.

Lecture 6
What is an "adequate" level of resources?

- (*) Ladd and Fiske, chapter 14
Chapter 14: Measurement of cost differentials (Duncombe and Yinger)
 - (*) Hanushek, Eric A. 2006. "Science Violated: Spending Projections and the "Costing Out" of an Adequate Education," in *Courting Failure*, Eric Hanushek, ed. Education Next Books.
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Duncombe, William D., John Ruggiero, and John Yinger. 1996. "Alternative Approaches to Measuring the Cost of Education" in Helen Ladd (ed.), *Holding Schools Accountable: Performance Based Reform in Education*. Washington, DC: Brookings Institution, pp. 327-356.

Imazeki, Jennifer, and Andrew Reschovsky. 2005. "Assessing the Use of Econometric Analysis in Estimating the Costs of Meeting State Education Accountability Standards: Lessons from Texas," *La Follette School Working Paper*, University of Wisconsin.

Lectures 7 – 8

Student presentations – state case studies

Useful references for state case studies:

Odden and Picus, chapter 7 (Improving state school finance systems)

Yinger, chapter 5. Kansas (Duncombe and Johnston).

Yinger, chapter 6. Kentucky (Flanagan and Murray).

Yinger, chapter 7. Michigan (Cullen and Loeb).

Yinger, chapter 8. Texas (Imazeki and Reschovsky).

Yinger, chapter 9. Vermont (Downes).

Stern, Sol. 2006. "Campaign for Fiscal Equity v. New York: The March of Folly," in *Courting Failure*, Eric Hanushek (ed).

***A bibliography of additional state-specific research will be distributed in class to aid in the preparation of your written case study.*

Lecture 9

Financing special needs

(*) Ladd and Fiske, chapters 32 and 33

Chapter 32: Special education (Harr, Parrish, and Chambers)

Chapter 33: Linguistic minorities (Rumberger and Gandara)

Ladd and Fiske, chapters 34 and 35

Chapter 34: Rural school settings (Sipple and Brent)

Chapter 35: Transient student populations (Killeen and Schafft)

Lecture 10

School finance and accountability

(*) Ladd and Fiske, chapter 10

Chapter 10: School accountability and student achievement (Figlio and Ladd)

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- (*) Yinger, chapter 3.
Chapter 3: Funding and accountability: some conceptual and technical issues in state aid reform (Figlio)

Figlio, David and Larry Getzler. 2002. "Accountability, Ability and Disability: Gaming the System?" *NBER Working Paper* #9307.

Lecture 11
Inter-district resource allocation

- (*) Odden and Picus, chapter 9
Chapter 9: Allocation and use of funds at the district, school, and classroom levels

(*) Rubinstein, Ross, Amy Ellen Schwartz, Leanna Stiefel, and Hella Bel Hadj Amor. 2007. "From Districts to Schools: The Distribution of Resources across Schools in Big City School Districts," *Economics of Education Review*, 26(5), 532—545.

Lecture 12
Teacher compensation

- (*) Odden and Picus, chapter 12
Chapter 12: Redesigning teacher salary structures

Ladd and Fiske, chapter 9
Chapter 9: Teachers matter, but teacher quality policies are elusive (Goldhaber)

Lecture 13
Financing facilities

- (*) Odden and Picus, chapter 5
Chapter 5: Financing educational facilities
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