

Fast Response Policy Brief Series

Back-of-the Napkin School Finance Policy in Connecticut and Rhode Island

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1.0 Weighted Student Funding & *Money Follows the Child*

Since the 2006 release of the Thomas B. Fordham Institute's *Fund the Child* manifesto, Weighted Student Funding as a "reform" strategy has gained some attention, as has the analogy of "back-pack" funding. That is, each child carrying with him/her their allotted need based funding to whichever service provider (school) they choose. Three major aspects of the *Money Follows the Child* framework are:

- 1) decentralized governance/devolution of control to individual schools rather than districts, including expansion of charter schooling
- 2) distribution of funds directly to schools, and movement of funds to "follow the child" to whichever school the child chooses
- 3) determination of the funding formula which defines the amount of funding that should travel with each child (basic level of funding and additional need weightings)

In most cases proponents of the *Money Follows the Child* ideology emphasize #1 and #2 above and consider as an afterthought #3. That is, pundits most aggressively pushing this "reform strategy" emphasize as the centerpiece of the strategy the decentralization of control and distribution of resources to charter schools, but pay short shrift to the determination of the levels of funding required for individual children, in their various schooling contexts, to achieve constitutionally adequate or statutorily mandated outcomes.

In most cases, backers of *Money Follows the Child* as an ideology provide little more than back-of-the-napkin explanations for how money should be allocated across school districts and/or children. Even worse, they argue that there is no credible basis, either theoretical or empirical for addressing these issues. They argue this in order to open the door to their back-of-the-napkin alternatives.

Proponents of the "backpack" analogy in particular fail to consider that the "costs" of achieving desired outcome levels not only vary across individual students according to their needs, but also across the settings in which they are educated - in small, more remote rural districts versus larger, more population dense areas, and across labor markets with different competitive wages for teachers and other school staff. Further, other costs such as costs

associated with poverty concentrations in schools and districts may not vary on a 1 for 1 basis with each child as he/she comes or goes, but rather with the concentration of needy children in a particular setting. Equalizing the opportunity to achieve desired outcomes requires more than sticking arbitrary and/or back-of-the-napkin weighting calculations on each individual child.

The ability to apply appropriate weightings or adjustments may be contingent on the overall level of available resources. Extending the back pack analogy, Scott Thomas and I explained in 2006 to the Hawaii Board of Education:

“In other words, assume Johnny and Malaya both need backpacks and currently they both have \$10, sufficient to buy an ordinary backpack at Target or Wal-Mart. But, Malaya, by virtue of combined economic disadvantage and limited English proficiency, needs a \$20 backpack. Johnny may need only an \$8 backpack—the cheapest available (but with less padded shoulder straps than Johnny is used to). Unfortunately, if we redistribute the necessary resources to Malaya, then Johnny is out of luck altogether. If we leave Johnny with enough for the \$8 backpack, then Malaya is out of luck. It’s a lose/lose proposition. For both Johnny and Malaya to get the backpack (read *education*) they need through a WSF, we will likely have to find more money.”

Most disconcerting to me as a widely published expert in public school finance and state aid formulas, is pundits’ utter disregard for a vast body of empirical literature on education costs and methods of cost analysis. Again, in 2006, while aiding the Hawaii Board of Education, Scott Thomas and I noted:

We offer what we see as a particularly problematic example (blatantly ignoring this reality) in the Fordham Institute’s recent report *Fund the Child*¹: a report which claims that there are neither available methods nor specific findings regarding how pupil weights should be set and/or who is in need of pupil weighting. *Fund the Child* provides unsatisfying descriptions and critiques of *expert costing* (professional judgment) and *successful schools* (average expenditure) methods for cost analysis, somehow missing entirely more rigorous econometric literature on education costs. We are comparably skeptical of these approaches. See pages 61 to 63 of our initial report for more thorough explanations and comparisons of cost analysis methods. *Fund the Child* then points to existing weights in city district models (with no description of the application or yield of those weights) as its only evidence of appropriate weighting strategies for a WSF.²

The authors of the report suggest that weights should simply be used for providing incentives for schools to serve certain children (in an open enrollment model), or that weights should simply be a result of political negotiation. Political negotiation is a reality of the process in which any and all school governance and finance policies are adopted. However, political negotiation can and should be informed by *best* and *second best* information—which is and/or can be available. Our previous report documents the

¹ www.100percentsolution.org

² Citing a table from: T.R. DeRoche, B.S. Cooper, W.G. Ouchi and L. Segal. “When Dollars Follow Students: The Political Viability, Equity, and Workability of Weighted Funding Formulas.” *The School Administrator*, August 2004, 14-17.

types of problems that may occur when pupil weighting is determined solely on the basis of political preferences.³

The authors of *Fund the Child* seem unaware of the fact that a substantial body of rigorous empirical literature has evaluated education costs and cost variations associated with student needs, labor market variation and school and district characteristics. Peer reviewed articles on these topics appear in journals including the *National Tax Journal*,⁴ *Journal of Policy Analysis and Management*,⁵ *Journal of Education Finance*⁶ and *Economics of Education Review*⁷ among others.⁸ We will gladly provide references to additional literature on request. We find omissions such as these unfortunate for such a highly publicized report on a topic that we believe is of considerable importance and a reform with great potential.

With some time lag in between, these arguments and crudely crafted proposals have now made their way east to Connecticut and Rhode Island in particular.

ConnCan's *The Tab* presents a particularly egregious example of back-of-the-napkin school finance policy design and utter disregard for rigorous peer reviewed literature on education costs in relation to state school finance policies. Rhode Island's recently adopted new state school finance formula provides a cautionary tale regarding methods for manipulating information to create a veneer of empirical validity around otherwise back-of-the-napkin approaches.

³ In Kansas, leading to the necessity for the State Supreme Court to intervene, declaring the pupil weighting system "politically distorted" and the funding formula unconstitutional (*Montoy v. Kansas*). Further, the Federal District Court of Kansas has acknowledged (and the 10th Circuit Court has affirmed), that differences created in funding across schools (via the weighting system) may be challenged in Federal Court as violation of equal protection (*Robinson v. Kansas*), held to a *rational basis* standard. Arguably, any reasonable pupil weighting scheme should easily surpass this legal standard. That said, some may be so politically distorted that they cannot.

⁴ Including, but not limited to Downes, T. and T. Pogue (1994) "Adjusting School Aid Formulas for the Higher Cost of Educating Disadvantaged Students." *National Tax Journal* XLVII (1994): 89-110, Duncombe, W.D. and J.M. Yinger (1998) "School Finance Reforms: Aid Formulas and Equity Objectives." *National Tax Journal* 51, (2): 239-63, Imazeki, Jennifer and Andrew Reschovsky, "Is No Child Left Behind an Un(or)underfunded Federal Mandate? Evidence from Texas" *National Tax Journal* 57, No. 3, September 2004: 571-88.

⁵ Duncombe, W.D. and J.M Yinger (1997) "Why Is It So Hard to Help Central City Schools?" *Journal of Policy Analysis and Management* 16, (1): 85-113

⁶ Imazeki, Jennifer and Andrew Reschovsky, "Financing Adequate Education in Rural Settings," *Journal of Education Finance* 29 Fall 2003: 137-156.

⁷ W. Duncombe and J. Yinger. *How much more does a disadvantaged student cost? Center for Policy Research, Working Paper #60*. (Syracuse, NY: Maxwell School of Citizenship and Public Affairs. Syracuse University, 2004). Retrieved March 1, 2006 from <http://www-cpr.maxwell.syr.edu/cprwps/pdf/wp60.pdf>. This article also appears in the *Economics of Education Review*

⁸ Instead, the authors of *Fund the Child* cite a handful of non-peer reviewed, politically motivated articles including Hanushek, E. (2005) "Pseudo-Science and a Sound Basic Education," *Education Next* 5(4) 67-73. Arguments put forth in this particular brief by Hanushek are refuted in Duncombe, W. (Fall 2006 – in Press) Responding to the Charge of Alchemy: Strategies for Evaluating the Reliability and Validity of Costing Out Research. *Journal of Education Finance* and in Baker, B.D. (Fall 2006 – in Press) Evaluating the Reliability, Validity and Usefulness of Education Cost Analyses. *Journal of Education Finance* Pre-publication drafts available on request.

Relationship to Recent Proposals for Connecticut

In The Tab, Bryan Hassel and colleagues craft a back-of-the-napkin state school finance formula for Connecticut. The Tab authors show complete disregard for a vast body of literature by far more credible scholars, a disregard that is equal to or greater than the hubris displayed in the earlier Fordham Institute document. On behalf of ConnCan, Hassel proposes a foundation level of \$11,000 per child and that each child in poverty should receive an additional \$3,000 per pupil and each child with limited English language proficiency should receive an additional \$400 per pupil. The report provides no definitions of the populations in need, such as the method by which poverty should be counted, or by which limited English proficiency should be defined, or how these values relate to the additional needs of those undefined populations. Further no framework for understanding why some children need more than others is provided - e.g. to provide equal opportunity to achieve common educational outcomes.

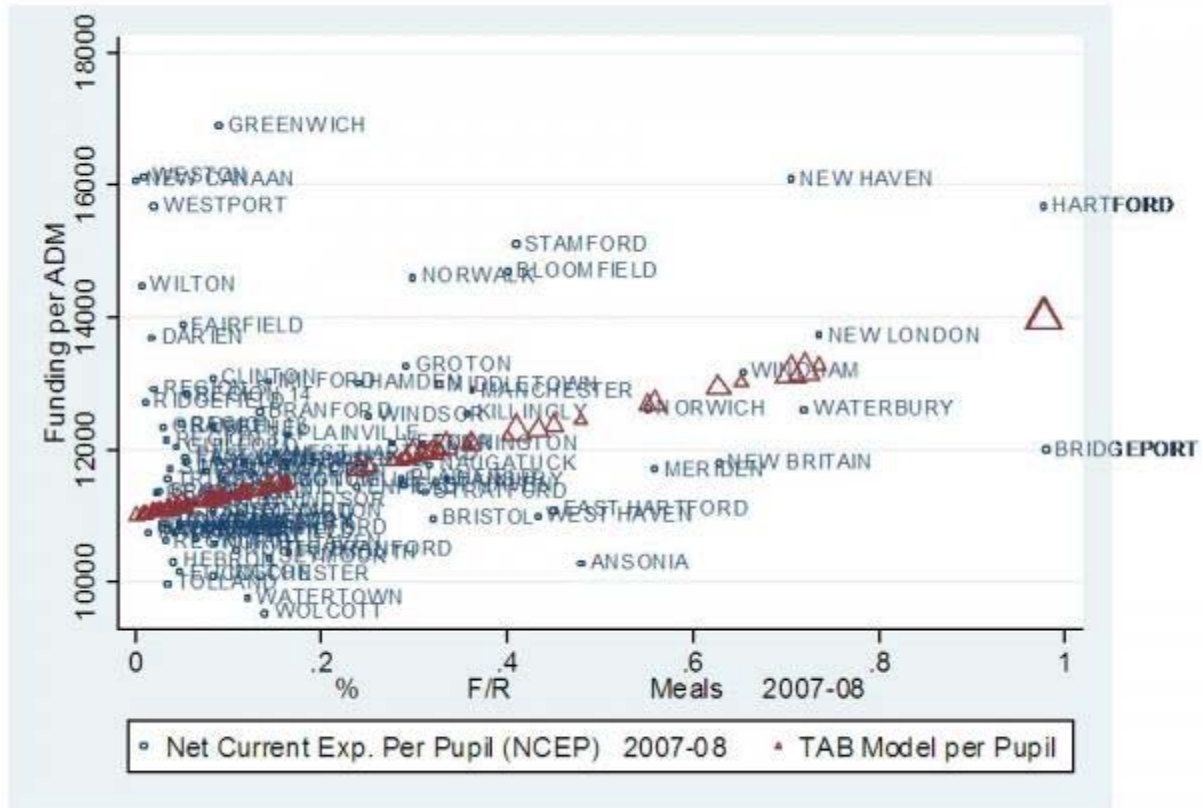
There is minimal attempt in the report to explain why these figures are reasonable. The authors provide only back-of-the-napkin, cursory and insufficient explanations for the numbers they choose. For example, the authors argue that these weights are reasonable simply because they are larger than the amounts typically allocated (which is not necessarily true). They write off the possibility that better numbers might be derived, using a footnote to a chapter in the Handbook of Research on Education Finance and Policy by Bill Duncombe and John Yinger which actually explains methods for deriving such estimates.

The authors of The Tab conclude: *“Combined with federal funding that flows on the basis of poverty and (in some cases) the English Language Learner weight of an additional \$400, the \$3,000 poverty weight would enable districts and schools to devote considerable resources to meeting the needs of disadvantaged students.”* These claims are wholly insufficient and unsubstantiated, and indicate that the authors of the report are not even minimally aware of the vast body of conceptual and empirical literature by leading scholars in education finance.

ConnCan’s the Tab Applied

Here I provide a brief snapshot of the distribution of resources by simulating the application of the proposed TAB funding formula. Below is a simulated allocation of the \$11,000 foundation + \$3,000 poverty weight (applied to free or reduced lunch) + \$400 per ELL/LEP child compared against 2007-08 Net Current Expenditures per ADM.

Figure 1



The Tab report conceals any real changes to individual districts or patterns of changes by lumping them into a summary table by groups of districts without any documentation as to how the summary stats were estimated (page 27). Above is what the district by district changes would look like. Overall, it would appear that the Tab proposes an attempt at roughly break-even analysis. But note that this is a proposal for the future compared against actual spending from 2007-08 – two years back.

Specifically, the proposal would dramatically reduce funding in Hartford and New Haven, and by greater amounts than it would increase funding in districts like New Britain and Waterbury and only similarly to the increase for Bridgeport. That is, the Tab proposal levels down high poverty districts as much as it levels some up – a fact concealed by the claims of a net increase of \$620 per pupil in the short term. The Tab certainly provides no evidence that districts like Hartford and New Haven are massively over-funded, as their own policy solutions would imply.

Lessons from Fast-Tracked, back-of-the-napkin School Finance in Rhode Island

More recent than The Tab is Rhode Island’s new fast-tracked state school finance formula. This funding formula follows the same policy-development template of the proposals in the Tab - oversimplified and manipulative assumptions regarding the establishment of “base” funding and completely arbitrary establishment of a single pupil weight for poverty.

On a recent blog on school reform from the National Journal⁹ David Sciarra of the Education Law Center in New Jersey commented that the Rhode Island formula appeared to provide little empirical basis for either the selected foundation level or weights chosen. Rhode Island Commissioner of Education Deborah Gist responded:

Our core instructional amount was based on national research, using data from the NCES, is sufficient to fund the requirements of the Rhode Island Basic Education Program, and it in no way focused on states with low per-pupil expenditures. **In fact, we looked particularly carefully at our neighboring states**, which have some of the highest per-pupil expenditures in the nation, and we included only those states that have an organizational structure and staffing patterns similar to ours.

Yet, as it turns out this process involved three very deceptive decisions that have little or nothing to do with the actual costs of achieving desired educational outcomes in Rhode Island. All three twists in the analyses had largely to do with setting a lower basic funding figure - and a base funding figure that would be much lower than current expenditures in most Rhode Island districts already were.

Decision 1: The first decision, which I will not dig through here in great detail, is the pruning back of core instructional expenditures, a definition in the NCES data intended to be reported uniformly across states, albeit imperfect. The choice of core versus all current operating expense clearly drops the foundation value, and quite significantly. What remains unknown is the extent to which other aid beyond the foundation formula will actually address those other cost areas. In 2007-08, Rhode Island instructional spending per pupil was about \$8,500 and current operating expenditures per pupil over \$14,000. That's a big difference to cover with other aid. Let's hope they do.

Decision 2: I was also quite intrigued by Gist's explanation of how national data were used, and her defense to the accusation that they picked low spending states and took the average of the low spending states. Gist responds by saying they took "neighbors" of Rhode Island, which are, of course high spending states.

Here's how the actual legislation describes the process:

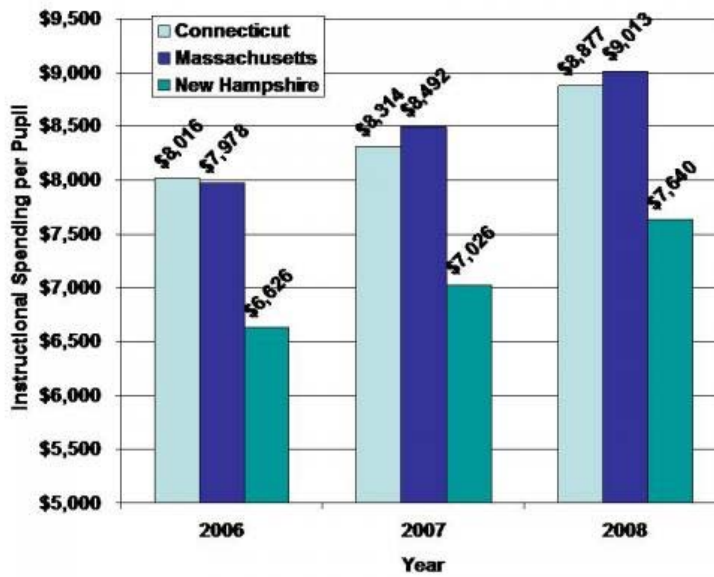
(1) The core instruction amount shall be an amount equal to a statewide per pupil core instruction amount as established by the department of elementary and secondary education, derived from the average of northeast regional expenditure data for the states of Rhode Island, **Massachusetts, Connecticut, and New Hampshire** from the National Center for Education Statistics (NCES) that will adequately fund the student instructional needs as described in the basic education program and multiplied by the district average daily membership as defined in section 16-7-22.

http://www.ride.ri.gov/Finance/Funding/FundingFormula/Docs/H8094Aaa_FINAL_6_10_10.pdf

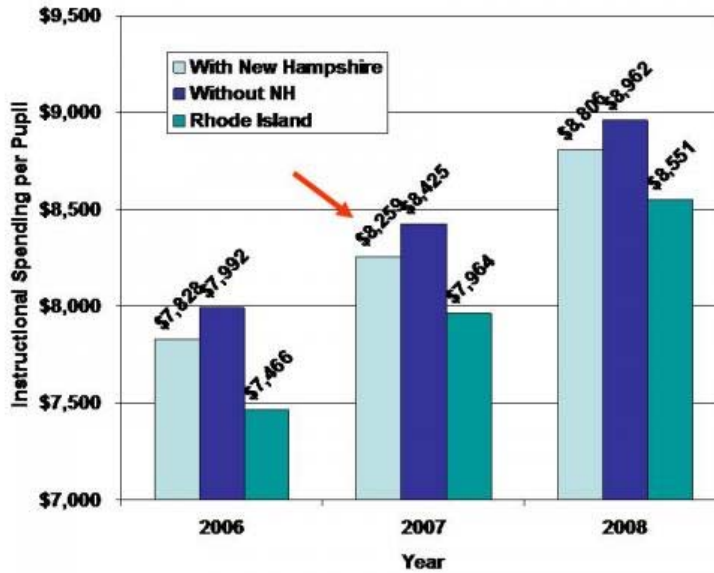
The selection of New Hampshire as a "neighboring state" to Rhode Island is indeed intriguing, but makes sense when one begins to crunch the numbers.

⁹ <http://education.nationaljournal.com/2010/06/a-funding-formula-for-success.php#comments>

Here's the average core instructional spending per pupil for the states used:



New Hampshire's per pupil spending is somewhat lower. But, it is a smaller state than the other two, and thus has lessened effect on the averages. However, it has some effect. Here's the effect on the averages. Including New Hampshire brings the average down by just under \$200 per pupil. While this doesn't seem like a lot, it's about 1/3 of the difference between Rhode Island's current spending per pupil and the target total spending. That is, including New Hampshire cuts the aggregate increases in funding (difference between RI current and Target) required by about 1/3, and that's without considering the third deceptive decision.



As the statute reads, RI itself would also be included in the average calculation, lowering the value further. It makes little sense to include current average (or even 3 year old average) spending of the state you are trying to “fix” in the average spending to inform the foundation level if the assumption is that the state has, for lack of any real formula, fallen behind in regional competitiveness.

Decision 3: As far as I can tell, the proposed foundation level for fy2010-11 or even fy2011-2012? is to be set at \$8,295. That’s the amount cited here on slide #8 here:

http://www.ride.ri.gov/Finance/Funding/FundingFormula/Docs/Formulas_PPT.pdf

And in any other documentation in which a foundation number is cited. These documents are generally from this past winter/spring leading up to passage of the legislation. So what’s wrong with that? Well, the average spending of CT, MA and NH which comes out to about \$8,295 (actually, mine comes out to \$8,259) is from data from fiscal year 2006-07. Take a look at my second graph above. The 2007-08 data have been released since their original calculations. And, as it turns out, the 2007-08 Rhode Island average core instructional spending per pupil was over \$8,500. That’s actually more than the new foundation level.

That’s not to say that it can’t be reasonable to have a foundation level that’s less than current average spending. After all, the average spending is the average of all districts, including their varied needs. It is conceivable that the current average is more than sufficient to achieve current average performance in districts with less than average needs. But that’s not how the new Rhode Island formula is being spun. Rather, it’s being spun as a breakthrough based on thorough and thoughtful empirical analysis. That’s hardly the case.

2.0 Debunking the Myth that Within-District, Between School Funding Disparities Cause Connecticut's Racial Achievement Gap

Many pundits who wish to shift focus entirely onto within district disparities, blaming districts instead of state funding policies, base their arguments on the idea that within-district funding disparities are the reason for persistent racial achievement gaps. Their story goes - that over the decades through the 1990s, states fixed between district funding disparities and achievement gaps improved. Since that time however, improvement to achievement gaps has stagnated if not backslid (true), with pundits arguing that the persistent within district disparities are the cause (unlikely). That is, that individual school districts are now funding their non-poor, white schools well and depriving their poor minority schools. That districts are allowing their better teachers to transfer from the high poverty, black schools to their low poverty white schools. There are certainly cases where this is true (Cincinnati accomplishes this through its weighted student funding formula by weighting gifted children more than poor children).

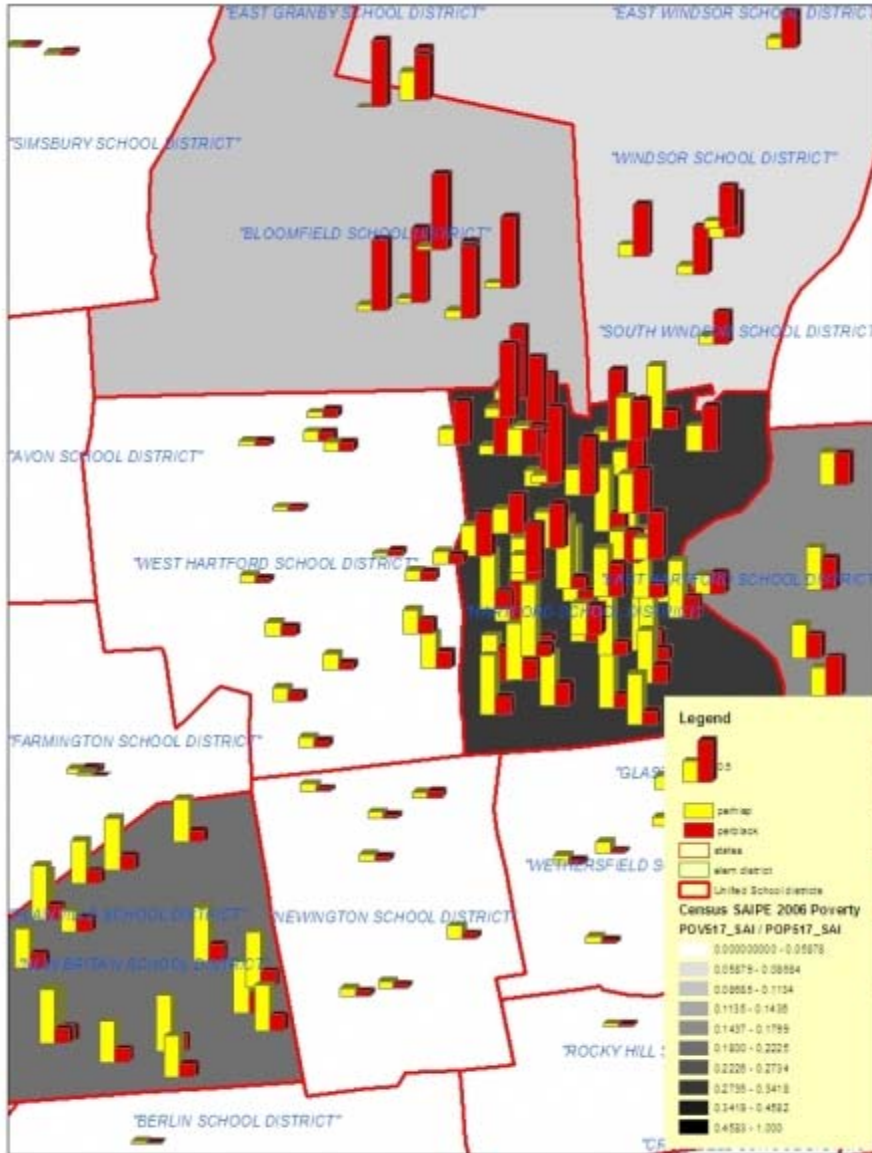
As a broader policy concern, the above argument might make sense if, in fact, student populations across schools within districts varied widely but that student populations vary less between districts. That is, it might make sense to argue that between-school within-district funding disparities are causing racial achievement gaps if racial minorities and whites attended the same districts but not the same schools. But that's not always, or often the case, especially in densely populated states and metropolitan areas which included many small school districts.

Allow me to use Connecticut – a state with among the largest racial achievement gaps – as an example. Here's the racial composition (black enrollment share in red bars, Hispanic share in yellow bars) for Hartford area school districts (click to enlarge). Those flat bars in other districts are schools with few or no black or Hispanic children.

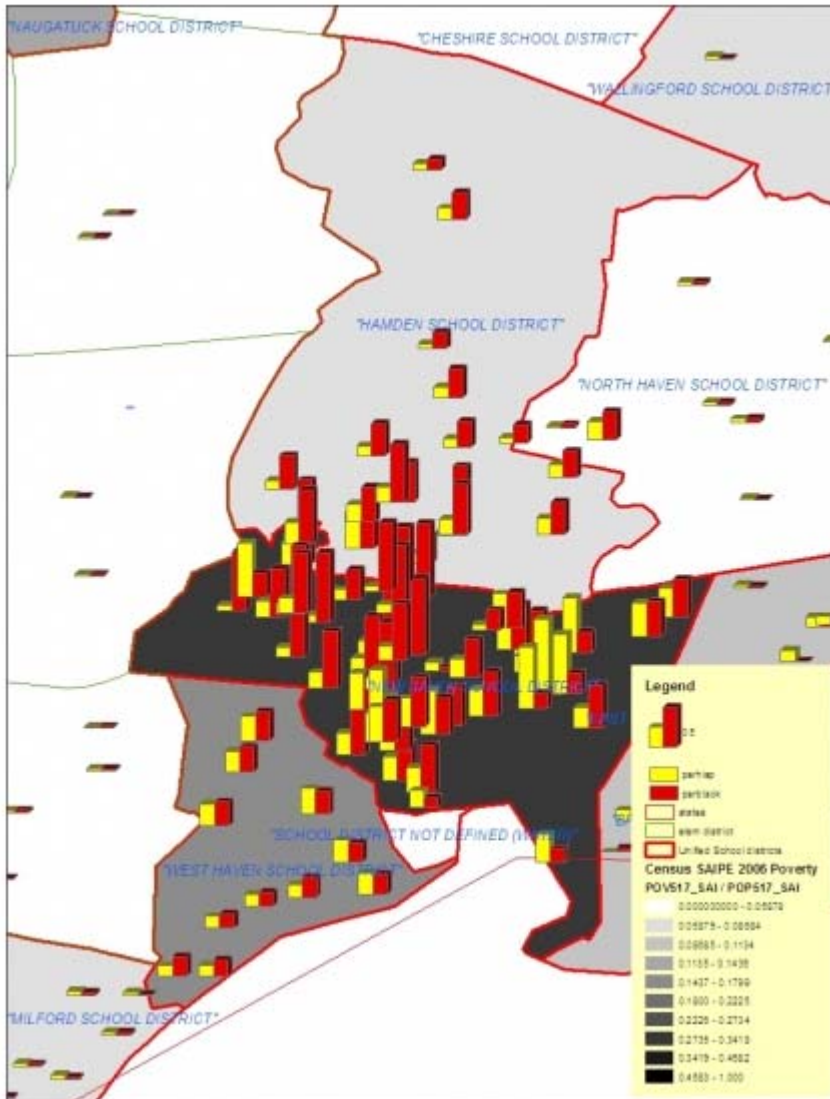
In Connecticut, like New Jersey or like the Chicago metro area, school districts tend to be either minority or white – not a balanced mix sorted across schools. Hartford, in this case, can only re-allocate resources across schools that are all approximately 99% poor, and either majority black (north end) or majority Hispanic (south end) schools (except for the magnet schools which serve relatively smaller portions of the district population).

New Britain, to the southwest of Hartford can allocate resources across predominantly Hispanic schools or other predominantly Hispanic schools.

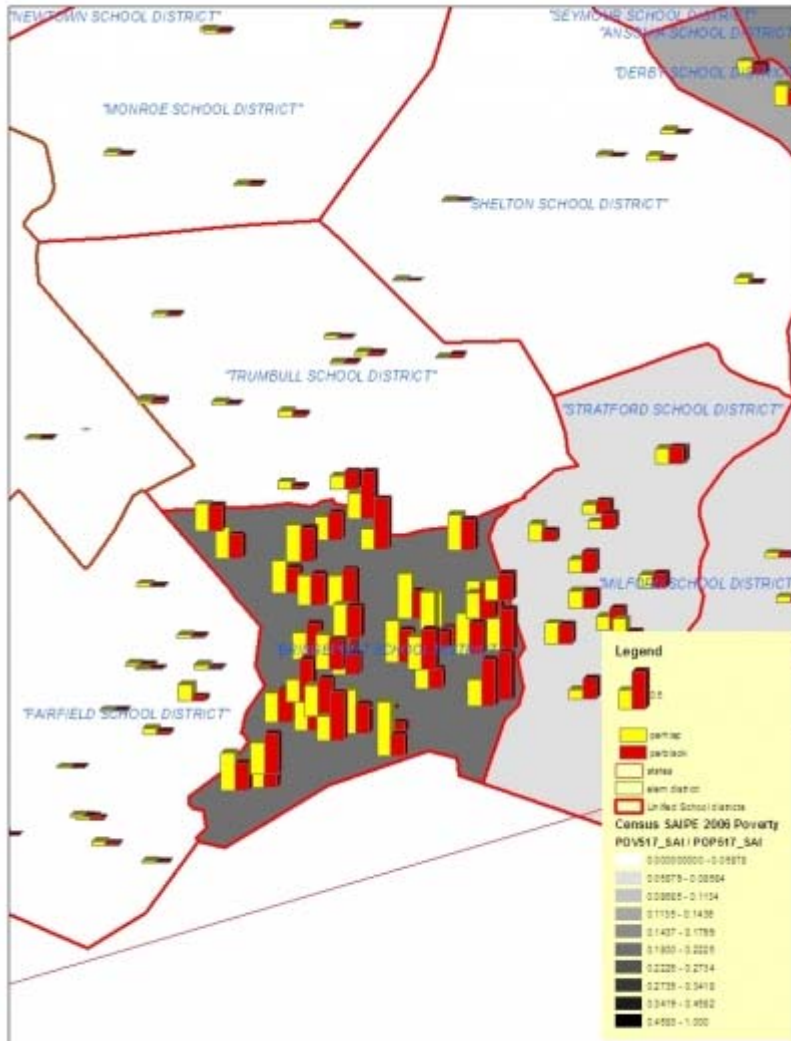
Meanwhile, West Hartford, Simsbury, Avon, Newington, Wethersfield and others can allocate resources across white schools and other white schools (some in West Hartford having modest minority populations)



Here's the New Haven area:



And the Bridgeport area:



So, at least in Connecticut, it would appear highly unlikely that within-district resource allocation across schools could be fueling their large achievement gaps. That's because – for the most part – the minorities attend some districts and the whites attend other districts. That's not to say there aren't likely some pretty big within district funding disparities in these districts, but in some districts those disparities exist between blacks and Hispanics, or Hispanics and other Hispanics, blacks and other blacks and in the other districts the disparities are between whites and other whites. For the most part, minority students attend minority districts and white students attend white districts in Connecticut. Patterns are similar in the Chicago metro area and in New Jersey.

Yes there are exceptions – racially integrated middle class inner-urban-fringe and suburban districts. But these exceptions do not account for the majority of minority or white students by any stretch of the imagination. And yes, in these exception districts, there are often very large achievement gaps even within schools. That is a separate and equally important (though smaller in magnitude) story.

It is an absurd stretch, however, to blame between-school within-district allocation policies for large achievement gaps in states like Connecticut, where minority students and white students attend different districts, much more so than different schools within the same districts.