



**Strengthening the Link Between
Effective School Expenditures
and State Funding Mechanisms**

EXECUTIVE SUMMARY

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The existence of many competing economic analyses has prompted generalizations about financial and human resource practices that consistently improve educational outcomes. Such generalizations variously suggest improving administrative policies; classroom and curriculum content; fiscal and physical capacity; and teacher characteristics. Yet, even in the face of increased litigation, state legislatures are slow to apply research findings and to revise school funding formulas and accountability systems in order to adequately provide for the basic needs of widely varying schools and districts. Too often, funding is not structured to ensure all students access to effective educational services.

The situation might improve significantly if policymakers at state and district levels would use reliable research findings that strongly suggest linkages between student achievement and school finance policies. Researchers can help empower policymakers to generate maximum benefit from their budgets by continuing to study possible relationships between finance and outcomes. Therefore, it is specifically recommended that:

- Policymakers adjust funding formulas in response to the influence of specific socioeconomic and demographic community characteristics known to affect educational outcomes (for example, the percentage of the adult population lacking a high school diploma). Researchers should continue to extend and refine what is known about the effect of such characteristics.
- Both policymakers and researchers work to develop systematic district-level data collection, management, reporting, and dissemination mechanisms to accurately reflect the impact of funding policies that incorporate research findings on incentives and demographic characteristics;
- Researchers identify statistical relationships between well-specified financial and human resources (for example, the type, quality, and cost of teachers) and student learning outcomes.
- Policymakers monitor possible linkages among their financial and human resource allocations, organizational productivity, and student achievement.

- Researchers continue to study the effect of incentives that focus district, school, and student efforts onto desirable educational outcomes. Policymakers should factor what is already known about incentives into their financial policy decisions.

Failure to formulate financial policy in light of research findings is failure to maximize chances for school success. Such failure is likely to reduce educational opportunities for students and to increase the probability of poor educational (and perhaps economic) outcomes.