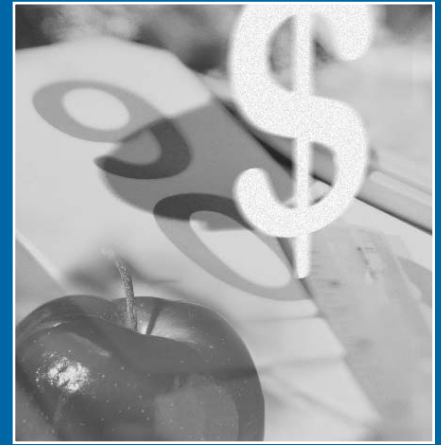


# Policy Brief

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## Delivering Efficiency: Focus on Bolstering School Finance and Accountability

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At the 2002 SEDL Policy Forum, Bruce Baker, Ph.D., presented “A Framework for Considering School Finance and Student Performance.” Since then writer Geoff Camphire interviewed Dr. Baker. The following issue brief reflects that conversation and Dr. Baker’s research and views on educational efficiency, cost effectiveness analysis, and their potential implications for school finance and accountability.

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As public school funding has dwindled and accountability for student performance has escalated in recent years, many education leaders have identified efficiency as an increasingly important priority. But how can they get “bang for the buck” -- that is, ensure that education dollars yield an appropriate return on investment? How can we determine what is a fair or reasonable standard of performance, given the varying levels of resources available to schools? And how can we gauge the relative efficiency of one educational approach versus another?

These are difficult questions. In this issue brief, we discuss the complexity of pursuing efficiency in education, how states have wrestled with issues of efficiency and accountability, and steps that lawmakers and educators can take to advance efficiency-driven reform.

### WHAT DOES EFFICIENCY MEAN?

Efficiency is a measure of the extent to which inputs are minimized while outcomes are maximized. School administrators routinely take efficiency into consideration when making decisions about replacing a roof, fixing a boiler, or outsourcing transportation or food service. Expectations are set for

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the quality and quantity of goods or services desired, and they are obtained at the lowest possible price. This approach is more difficult to apply to education financing, partly because expectations are harder to define and the resources needed to meet those expectations are harder to determine. But it is not impossible.

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Nearly all states since the late 1980s have codified goals in standards of student academic achievement. Some states, such as Texas, have been commended for crafting standards that are specific and measurable, but others have adopted standards vague enough to encompass a considerable range of achievement. Even when expectations are linked to precisely quantified expectations, such as passing test scores, it must be remembered that these measures only provide indicators of the kinds of material students have mastered, while they do not capture the totality of learning. Thus, education leaders should take care, once they have settled on concrete standards, to create tests that are highly aligned with those standards—rather than, for example, purchasing off-the-shelf assessments used by school systems with markedly different standards.

### **Accountability and Efficiency**

The next hurdle then is determining how monies can be allocated most efficiently to achieve standards. Education leaders must take steps to determine what resources are needed for various students from various backgrounds in various learning settings to reasonably meet a uniform set of standards. This means, first and foremost, studying the performance of students from various economic, geographic, ethnic, and social backgrounds as they are given opportunities to learn given various kinds and levels of resources. Through this type of research, education leaders can ascertain how instruction dollars are most efficiently spent.

The approach is one of great complexity, but also great promise. Rather than focusing solely on output, such as student test scores or indices of schoolwide gains, an efficiency orientation has us looking at output per unit of input, as in

just how much schools should expect student achievement to rise for every qualified teacher hired. The distinction is a highly relevant one in this era of accountability. No one denies that school financing—which can determine schools' access to key commodities such as books, computer equipment and whole-school reform programs—at least partly accounts for performance. But what can states and districts do about it?

### **Adequacy and Efficiency**

Concerned about budget cutbacks and the daunting costs of ambitious reforms, some states have begun to take a sober look at issues related to the “adequacy” of school funding, occasionally prodded to do so by legal challenges. But examinations of adequacy usually seek only to determine whether schools receive enough support to do the job assigned to them. No state yet has focused on efficiency in a way that would fine-tune this concept, developing a rigorous, empirically based system for achieving maximum outcomes with minimal waste. In some cases where states have modified funding formulas in attempts to deliver resources according to students' varying needs, adjustments are sometimes based on political convenience or unproven assumptions about achievement; they are less often based on logical reasoning and empirical analysis.

Texas -- a state with a longstanding and sophisticated system of standards, assessment and accountability -- offers perhaps the best example of a state that has explored empirical approaches to efficiency as a way to solve its problems. In April, the Texas House Speaker announced that the state would undertake a \$1 million study of its education finance policies to ascertain what resources schools need to meet the state's academic standards, which have been growing steadily more rigorous during the past decade. The study will also provide structure options for the finance system and revenue options available to the state. To ensure that the research focuses not just on adequacy but on efficiency, policymakers are partnering with academics in new ways. The principal researcher

for the study is a senior economist who is on leave from the Federal Reserve Bank in Dallas. Other well-known economists and education researchers are involved in the study, which uses statistical methods to identify the costs of achieving outcomes and ways those costs vary.

## WHAT CAN BE DONE?

From a top-down perspective, state lawmakers can determine what cost adjustments to funding formulas are necessary to accommodate proposed standards-based accountability initiatives. They also can provide data resources and training in efficiency analysis for school and district leaders. From a bottom-up perspective, administrators can use available resources to do their own analyses, weigh options, pursue efficient strategies and discard what does not work. If education leaders combine these top-down and bottom-up strategies, efficiency can be improved without needing every decisionmaker from the statehouse to the classroom to become an expert in statistical methods. One strength of this approach is that existing expertise in the field can be leveraged.

Recommendations for state policymakers:

- Collect, organize, warehouse, and disseminate data on costs and effects of educational programs, and provide training and assistance to administrators exploring options based on efficiency.
- Train and support administrators in collecting data related to efficiency, linking costs to goals, and analyzing strategies that get results without waste.
- Support research on ways efficiency can be measured and improved locally, such as by soliciting feedback from state education finance experts.
- Before implementing any statewide education financing initiatives, determine the following: its goals, components, requirements, assumptions and costs; its advantages and disadvantages; common pitfalls of implementation; what is known

and not known about its potential impact on local resource allocation, efficiency, and performance; and factors affecting the success of other states using similar approaches.

- When implementing financing initiatives or retooling funding formulas, provide school systems with adequate resources required to efficiently produce stated outcomes.
- Determine what funding amounts produce the most efficient results for various programs or uses, such as the shares of total funding dedicated to instruction versus administration, and encourage school districts to allocate resources in the proportional amounts found most efficient while keeping in mind that one size does not fit all!
- Evaluate the impacts of policy initiatives by gathering feedback from stakeholders and analyzing changes in resource allocation, efficiency and performance.

Policymakers should also remember that, currently, efficiency is not very well defined or measured; therefore, neither implementing accountability systems nor imposing sanctions based on efficiency is recommended.

When state policymakers and legislators use the best available technologies and higher education resources to design more empirically based funding formulas, the next step will be simply helping local administrators deliver education efficiently, the way they approach fixing a boiler or replacing a roof. The costs of implementing programs will be known. Cost and budget data will be organized around educational goals. Student performance data compared with cost analysis will help administrators evaluate “output per dollar” across educational programs.

And then public schools will know how to get a good bang for their buck. ■

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This issue of *Policy Brief* highlights information about educational efficiency provided to SEDL by Dr. Bruce Baker. He discusses accountability and adequacy in relation to efficiency and makes recommendations for policymakers.

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Annually, SEDL conducts a forum for policymakers from Arkansas, Louisiana, New Mexico, Oklahoma, and Texas. The 2002 SEDL Policy Forum, “Spending for Performance: Current Topics in School Finance Policy and Practice,” featured experts in the field of school finance. For further information about SEDL’s policy forums, please visit <http://www.sedl.org/rel/pr-forum.html>.

This issue of *Policy Brief* can be viewed at <http://www.sedl.org/rel/policybrief/>.

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