

E10.2902: FINANCING SCHOOLS: EQUITY AND ADEQUACY IN PUBLIC EDUCATION
NEW YORK UNIVERSITY
SPRING 2007

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Lecture:	Thursdays, 6:45 – 9 p.m. (3 credit hours)	Office hours:	Mondays 5 – 6:15 p.m. Thursdays 5 – 6:30 p.m. or by appointment
Location:	246 Greene Street, Room 301		

COURSE DESCRIPTION

This course introduces the concepts, structure, practice, economics, and public policy of elementary and secondary school finance in the United States. A particular focus of the course will be on the measurement of equity and adequacy in school funding and the individual state policies designed to meet these objectives. We will examine the causes and consequences of legislative and court-ordered finance reform, and their impact on the level and distribution of school spending, student achievement, and other educational outcomes.

Part of the course will be devoted to case studies of individual state school finance systems, with an entire class meeting devoted to school finance in New York and the Campaign for Fiscal Equity case. Other topics include: the link between school finance and accountability, school-level resource allocation, facilities financing, and international differences in school funding practices.

PREREQUISITES

A prior introductory course in statistics, econometrics, 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.

TEXTBOOKS AND READINGS

Required Texts

Allan Odden and Lawrence O. Picus. 2004. *School Finance: A Policy Perspective*, 3rd edition. New York: McGraw-Hill.

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

Optional Text

Ladd, Helen F., Rosemary Chalk and Janet S. Hansen, eds. *Equity and Adequacy in Education Finance: Issues and Perspectives*. Washington, D.C.: National Academy Press.

Additional readings will be assigned from book chapters or journal articles from a variety of sources (a reading list follows, but this is subject to minor changes). Most if not all of the journal articles are available for download through the NYU Library e-journal portal, provided you are connected via a campus PC or are logged in with your NetID, at: http://library.nyu.edu/collections/find_ejournals.html. In most cases I will provide copies of readings, or direct links to the article source, on Blackboard.

The bulk of our class discussion will focus on the assigned readings, so please prepare for each meeting by reading the assigned articles before class.

COURSE REQUIREMENTS Your grade for this course will be determined as follows: *two* problem sets (15% each for a total of 30%), a written case study 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 April 5. More details on the requirements for this written analysis will be provided at a later date (the final product will be about 20 pages plus any accompanying tables and graphs). You will be asked to spend 10-15 minutes during that class to formally present 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 can be accessed through NYUHome (home.nyu.edu). Enrollment in the course should automatically give you access to the Blackboard site for the class. Check in with Blackboard frequently for new announcements, lecture notes, readings, and the like.

CLASS SCHEDULE

January 18	Lecture 1: Overview of School Finance in the United States / School Finance Litigation: From Equity to Adequacy	
January 25	Lecture 2: Concepts and Measurement of Equity and Adequacy	
February 1	Lecture 3: The Structure of School Finance Formulae	
February 8	Lecture 4: Public Choice and Local Demand for School Spending	Problem Set 1 due
February 15	Lecture 5: The Incentive Effects of School Finance Formulae	
February 22	Lecture 6: School Finance Reform—Effects on Spending, Student Achievement, and School District Behavior	Problem Set 2 due
March 1	MIDTERM EXAM	
March 8	Lecture 7: School Finance Reform—Case Studies	
March 12 – 16	SPRING BREAK	
March 22	NO CLASS – AEFA Annual Meeting	
March 29	Lecture 8: School Finance in New York and the Campaign for Fiscal Equity	
April 5	STUDENT PRESENTATIONS—CASE STUDIES	Case Study Due
April 12	Lecture 9: What is an Adequate Level of Resources? Cost Studies and Alternative Approaches, “Weighted Student Funding” and Accountability	
April 19	Lecture 10: Resource Allocation at the District, School and Classroom Levels	
April 26	Lecture 11: Financing Educational Facilities	
THURSDAY May 3rd 8 – 9:50 p.m.	FINAL EXAM	

READING LIST

Subject to Change

(*) = *required, all others are recommended readings that will be discussed in the lectures*

Lecture 1

Introduction to School Finance in the United States

School Finance Litigation: From Equity to Adequacy

(*) Odden and Picus chapters 1-2:

Chapter 1: Introduction and Overview to School Finance

Chapter 2: Legal Issues in School Finance

(*) Minorini, Paul A. and Stephen D. Sugarman. 1999. "School Finance Litigation in the Name of Educational Equity: Its Evolution, Impact and Future" in *Equity and Adequacy in Education Finance: Issues and Perspectives*, Helen F. Ladd, Rosemary Chalk, and Janet S. Hansen (eds). Washington, D.C.: National Academy Press.

Hanushek, Eric A., and Steven G. Rivkin. 1997. "Understanding the Twentieth-Century Growth in U.S. School Spending." *Journal of Human Resources*, Vol. 32, No. 1, pp. 35—68.

Yinger, chapter 2. ("Financing a Constitutional Education: View from the Bench," by Anna Lukemeyer).

Lecture 2

Concepts and Measurement of School Finance Equity and Adequacy

(*) Odden and Picus: chapter 3:

Chapter 3: A Framework for Assessing Equity and Adequacy

(*) Berne, Robert and Leanna Stiefel. 1999. "Concepts of School Finance Equity: 1970 to the Present" in *Equity and Adequacy in Education Finance: Issues and Perspectives*, Helen F. Ladd, Rosemary Chalk, and Janet S. Hansen (eds). Washington, D.C.: National Academy Press.

Burtless, Gary (ed). *Does Money Matter? The Effect of School Resources on Student Achievement and Adult Success*. Washington, D.C.: The Brookings Institution, 1996. Chapter 1, "Introduction and Summary," pages 1—42.

Hanushek, Eric A., "The Failure of Input-based Schooling Policies," *Economic Journal*, 113 (2002), F64-F98.

Lecture 3

The Structure of School Finance Formulae

- (*) Odden and Picus, chapters 4-6:
 - Chapter 4: The Public Finance Context
 - Chapter 5: School Finance Structures: Formula Options
 - Chapter 6: Adjustments for Student Need, Education Level, Scale Economies, and Price

(*) Yinger, chapter 1. ("State Aid and the Pursuit of Educational Equity: An Overview," by John Yinger).

Yinger, Appendices A – B.

Lecture 4

Public Choice and Local Demand for School Spending

(*) Gramlich, Edward M., and Daniel L. Rubinfeld, "Micro Estimates of Public Spending Demand Functions and Tests of the Tiebout and Median-Voter Hypotheses," *Journal of Political Economy*, 90 (1982), 536-560.

(*) 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 5

The Incentive Effects of School Finance Formulae

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

(*) Hoxby, Caroline M., "All School Finance Equalizations Are Not Created Equal," *Quarterly Journal of Economics*, 116 (2001), 1189-1231.

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

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

Lecture 6

School Finance Reform—Effects on Spending, Student Achievement, and District Behavior

(*) Corcoran, Sean and William Evans. Mimeo. “The Evolving State Role in Education Finance.” Draft for the AEFA Handbook on Education Finance.

or: Corcoran, Sean, William Evans, Jennifer Godwin, Sheila Murray, and Robert Schwab. 2004. "The Changing Distribution of Education Finance, 1972-1997," in *Social Inequality*, Kathryn M. Neckerman, ed., New York: The Russell Sage Foundation.

(*) Silva, Fabio and Jon Sonstelie. 1995. “Did Serrano Cause a Decline in School Spending?” *National Tax Journal*. vol. 48, no. 2, pp. 199—215.

(*) Fischel, William A., "Did Serrano Cause Proposition 13?," *National Tax Journal*, 42 (1989), 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*. Vol 83, pp 49-82.

Midterm Examination

Lecture 7

School Finance Reform—Case Studies

(*) Odden and Picus, chapter 7:
Chapter 7: Improving State School Finance Systems

To be divided among the class for discussion:

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

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

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

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

Yinger, chapter 9. Vermont (Downes).

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

Lecture 8

School Finance in New York and the Campaign for Fiscal Equity

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

(*) Duncombe, William, Anna Lukemeyer, and John Yinger. 2003 "Financing an Adequate Education: A Case Study of New York." *Developments in School Finance: 2001-02, Fiscal Proceedings from the Annual State Data Conferences of July 2001 and July 2002*. Washington, DC: National Center for Education Statistics, NCES 2003-403: 127-154.

(*) New York State Education Department (2000) *State Aid to Schools: A Primer*.

New York State Education Department. 2001. "Analysis of School Finances in New York State School Districts, 1999-00," sections 1-4.

Lankford, Hamilton and James Wyckoff. 1995. "Where has the Money Gone? An Analysis of School District Spending in New York State, 1979-80 to 1991-92." *Educational Evaluation and Policy Analysis*, Summer, pp. 195—218.

Student Presentations of State Case Studies

Lecture 9

What is an Adequate Level of Resources? Cost Studies and Alternative Approaches, Accountability, and "Weighted Student Funding"

(*) Yinger, chapter 3.

Chapter 3: Funding and Accountability: Some Conceptual and Technical Issues in State Aid Reform

(*) 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.

(*) Duncombe, William D. and John M. Yinger. 1999. "Performance Standards and Educational Cost Indexes: You Can't Have One Without the Other" in *Equity and Adequacy in Education Finance: Issues and Perspectives*, Helen F. Ladd, Rosemary Chalk, and Janet S. Hansen (eds). Washington, D.C.: National Academy Press.

(*) Imazeki, Jennifer, and Andrew Reschovsky, "Assessing the Use of Econometric Analysis in Estimating the Costs of Meeting State Education Accountability Standards: Lessons from Texas," *La Follette School Working Paper Series* (Madison, WI: Robert M. La Follette School of Public Affairs at the University of Wisconsin--Madison, 2005).

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

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.

Lecture 10

Resource Allocation at the District, School and Classroom Levels

(* Odden and Picus, chapters 9-10:

Chapter 9: Allocation and Use of Funds at the District, School, and Classroom Levels

Chapter 10: Using Education Dollars More Wisely

(* Rubinstein, Ross, Amy Ellen Schwartz, and Leanna Stiefel. Forthcoming. "From Districts to Schools: The Distribution of Resources across Schools in Big City School Districts," *Economics of Education Review*.

Goertz, Margaret E. and Gary Natriello. 1999. "Court-Mandated School Finance Reform: What do the New Dollars Buy?" in *Equity and Adequacy in Education Finance: Issues and Perspectives*, Helen F. Ladd, Rosemary Chalk, and Janet S. Hansen (eds). Washington, D.C.: National Academy Press.

Rothstein, Richard, and Karen Hawley Miles. 1995. *Where's the Money Gone? Changes in the Level and Composition of Education Spending*. Washington, D.C.: Economic Policy Institute.

(Last Class Meeting)

Lecture 11

Financing Educational Facilities (or School Finance—an International Perspective)

(* Odden and Picus, chapter 11.

Yinger, Appendix C.
