

MODULE 5

School financing

Background

During the last 15 to 20 years there has been increased emphasis on patterns of school finance. School finance, however, is a function of school governance. How the educational system is organised and controlled determines the way money is allocated to schools and the way decisions about the release, use and accounting for such funds take place. Ideas about governance have been changing and, consequently, so have ideas about financing. In the Caribbean, in the past, centralised bureaucracies released appointed sums at appointed times for specific purposes in the state sector. Very little decision-making took place at school level where money was concerned, except in the denominational system. Generally, one can say that there has been a global shift towards decentralised conceptions of governance and so we have to consider alternative arrangements for financing schools.

This module consists of 11 sections.

At the end of Section 2, the participant should be able to explain the main factors influencing school governance in the world today.

At the end of Section 6, the reader should be able to explain some key factors in the educational context shaping school governance and financing:

- (a) the impact of effectiveness research;
- (b) school improvement planning;
- (c) decentralisation initiatives.

At the end of Section 10, the participant should be able to:

1. Discuss the pros and cons of different arrangements for financing;
2. Explain the case for decentralisation;
3. Discuss some of the institutional implications of decentralisation for financing;
4. Compare centralised and decentralised arrangements.

At the end of Section 11, the participant should be able to:

1. Explain the voucher system;
2. Assess the possible social and educational impact of a voucher system.

SECTION 1

School financing – the general problem today

School financing has become an area of central concern today in both developing and developed countries. Governments, and in some places, districts, communities and taxpayers are concerned with the achievement of value for money in education. This has led to experiments with all sorts of novel ideas for governance and financing of schools.

Instruction 1

Read the excerpt in Box 1.

Box 1

In fact, an article in the *Toronto Star* quotes a Conference Board of Canada study which estimates a \$4-billion lifetime loss in earning power for the 137,000 students who failed to graduate with the class of 1979 (Crawford, 1993). The same news publication also mentions a January 1993 report of the Liberal Party's Senate and House of Commons Committee on Youth which points out that school drop-outs are a great cost to Canadian taxpayers in terms of their weak earning power, the lower taxes these individuals pay, and the additional costs of unemployment insurance, welfare, health and policing. The Province of Ontario has a \$14-billion public school system, comprising \$10 billion in provincial spending and another \$4 billion collected in local property taxes for the running of schools. The nation, as a whole, has a \$55-billion education system. Given such figures, many Canadians are understandably concerned that they are not getting their money's worth in their educational spending.

'Reconstructing "Dropout"'. George J. Sefa Dei, Josephine Mazzuca, Elizabeth Mc Isaac, Jasmine Zine, 1997, p. 8

Activity 1

1. Are the above concerns applicable to the USA and UK today?
2. What are the concerns about 'value for money' in your own country?
3. How do these concerns express themselves in your country?

SECTION 2

The present world context

How much money individual schools get for financing their needs and how that money is accessed, allocated and accounted for depends partly on the current set of ideas which dominate thinking in the field.

Instruction 2

Read Box 2.

Box 2

Some dominant ideas influencing school management and governance and by extension school financing include:

1. Confidence in central planning has decreased with the collapse of the communist regions of Eastern Europe and the poor record of state run institutions in other parts of the world.
2. Growth of new technology has made it more possible than ever before to take decisions at relatively local levels. With information technology it has become easier to reconcile genuine local autonomy with strategic control at the central level.
3. The rise of the neo-liberal paradigm which emphasises competition and 'survival of the fittest' encourages decentralisation of school management.
4. The recent experience of recession and structural adjustment in many developing economies has reduced the amount of money available for educational expenditures and has produced great emphasis on accountability and efficiency.

Activity 2

1. Do you see evidence already that the factors cited in Box 2 are influencing school financing?
2. Check any recent development plan for education in your country. What changes are being proposed for school governance and financing?

SECTION 3

The educational context

During the 1960s, sociological studies produced in the USA suggested that the influence of the home was the key factor in determining educational success. This led to many policies aimed at compensating for socio-economic deficiencies. The last 15 years have seen a rethinking on the potency of the individual school unit as an agent for producing educational change. This rethinking was due to effective schools research and the application of strategic planning techniques to educational administration.

Instruction 3

Read Box 3.

Box 3

The last 15 years have seen a rethinking of the thesis originally propounded by American social scientists Coleman *et al.* (1966) and Jencks *et al.* (1972) that the effect that schools could have on the academic achievement (and therefore life chances) of the children in them was strictly limited compared with the effects of family background, and that schools in capitalist economies by and large simply reproduced the social class structure of that society. But research carried out in the United States and in the United Kingdom has shown that effective schools do enable their pupils to make more progress than might have been expected given their social background, and that others do the reverse. New statistical techniques have enabled researchers to calculate what level of achievement a pupil is likely to reach, given history of her previous attainment and socio-economic status – and what the expected performance of a school might be, given what kind of pupils it has. Then the actual level of performance can be compared with the expected level. This concept of an identifiable 'school effect' has been taken on board by a number of evaluation agencies in different countries, including the French Ministry of Education's Direction de l'Evaluation et de la Prospective (DEP).

OECD, *Schools Under Scrutiny*, 1996, p. 20

Activity 3

1. How did 'effectiveness research' change the outlook on schools?
2. How could the findings of this research lead to more school autonomy?
3. What consequences could 1 and 2 above have for school financing?

SECTION 4

The educational content

Instruction 4

Read Box 4.

Box 4

In such a climate of change and strenuous self-improvement, the school itself is emerging as an important axis in the effort to evaluate and improve the performance of the education system. First, it is a convenient unit for financial accountability – especially since some education systems have been restructured, first to shift financial responsibilities from central to local government and secondly, in some cases, to push budgetary management even further from the centre, out to the schools themselves. It is also an appropriate unit through which to establish accountability to parents and the community – both in conceptual and operational terms. The public in most countries is familiar with the concept of ‘good’ and ‘bad’ schools – institutions which are or are not fulfilling the function society is paying them to carry out – and often make such judgements themselves. At the same time, schools are educative communities, in which shifts in ethos, climate or approach can have a substantial effect on the quality of learning in the institution.

Direct pressure can be put on individual schools to change their mode of operation, or improve their performance, which is hard to do with intermediate layers such as local education boards, municipalities or school districts. School principals and teachers, governors and trustees, are often highly visible in the local community and personally as well as structurally accountable in a way that local government officers, and even elected representatives, are not. This makes the school as a unit a powerful location for improving the quality of a system.

Schools Under Scrutiny, op. cit.

Activity 4

1. *What factors make the individual school an important axis for policy implementation and evaluation?*
2. *How would this affect the drive to autonomy for schools?*
3. *What will be the implications for financing?*

SECTION 5

The educational content

Instruction 5

Read Box 5.

Box 5

In the accelerated school the stress is on the school as a whole rather than on a particular grade, curriculum, approach to teacher training, or other more limited strategy. The organisational approach assumes that the strategy must do three things: (1) develop a unity of purpose among all of the participants; (2) 'empower' all of the major participants and raise their feelings of efficacy and responsibility for the outcomes of the school; and (3) build on the considerable strengths of the participants rather than decrying their weaknesses.

Unity of purpose refers to agreement among parents, teachers, and students with respect to a common set of goals for the school that will be the focal point of everyone's efforts.

Empowerment refers to the ability of the key participants to make important decisions at the school level and in the home to improve the education of students. It is based upon breaking the present stalemate among administrators, teachers, parents and students in which the participants tend to blame each other, as well as factors 'beyond their control', or the poor educational outcomes of disadvantaged students.

An accelerated school must build upon an expanded role for all groups to participate and take responsibility for the educational process and results. Such an approach requires a shift to school-based decision making with heavy involvement of teachers and parents and new administrative roles. Building of strengths refers to employing all the learning resources that students, parents, school staff, and communities can bring to the educational endeavour.

Henry Leven, *Effective Schools*, Chapter 9

Activity 5

1. Summarise the main tenets of school improvement planning listed here.
2. What approach to school management is articulated?
3. What are the consequences for governance of schools as well as financing of schools?

SECTION 6

The educational content

Instruction 6

Read Boxes 6 and 7.

Another recent feature which has placed emphasis on the school as an individual unit has been the rise of decentralisation as a technique for school improvement.

Box 6

- a shift from the use of input controls and bureaucratic procedures and rules to a reliance on quantifiable output measures and performance targets;
- the devolution of management control coupled with the development of new reporting, monitoring and accountability mechanisms;
- the disaggregation of large bureaucratic structures into quasi-autonomous agencies;
- the imitation of certain private sector management practices such as corporate plans, performance agreements and mission statements, the development of new management information systems;
- a stress on cost cutting and efficiency.

Schools Under Scrutiny, op. cit., p. 19

Box 7

Decentralisation can take the form of de-concentration, delegation and devolution (Rondenelli, 1981) – all involving the transfer of central government authority and its tasks and function to other bodies (Winkler, 1986). De-concentration involves a transfer of lower levels within the central government – such as the creation of regional directorates in the ministry of education. Delegation involves a transfer to organisations outside the central government – such as training agencies and universities. In both cases, the federal government continues to be the main source of financing. Devolution involves a transfer to autonomous and independent sub-national units of government – such as provinces, cities and districts – which are empowered both to raise tax revenues and to spend them. The outcome is often a school system financed and controlled by the local government.

Emanuel Jiminez and Jee Peng Tan, 'Decentralised and Private Education: The Case of Pakistan', *Comparative Education*, Vol. 23, No. 2, 1987, p. 174

Activity 6

1. How would the application of ideas in Box 6 make individual schools more responsible for their own performances?
2. Study the different possible levels of decentralisation in Box 7 and clarify the implication for governance and financing in each case.

SECTION 7

Options for school financing

'Alternative models of government intervention in education can generally be characterised according to the way schools are managed and financed. The sharpest distinction is between public and private schools. In a privatised system of education, schools derive their revenue entirely from fees and other private contributions, and are free to determine the type of educational services offered. In contrast, schools in a purely public system show the opposite features: they are managed directly by government and their expenditure are met by tax revenues.'

Emmanuel Jiminez and Jee Peng Tan, *op. cit.*, p. 174

Instruction 7

Study Box 8.

Box 8

Table 5.1. A Typology of the Organisation of School Systems

Feature	Private sector		Public sector		
	Public private model	Mixed model	Pure decentralised model	Mixed model	Pure centralised model
<i>Finance</i>					
a) Revenue source	Private contributions (tuitions and other fees)	Private contributions plus government grants and resources-in-kind	Local government own-source revenues	Local government own-source revenues plus grants from higher levels of government and resources-in-kind	Full central government funding
b) Method of financing	All school inputs financed by school revenues	Some school inputs (for example teachers) financed by grants and in-kind contributed from government	School inputs financed by local government revenues	Some school inputs provided in kind by higher levels	All school inputs provided directly in kind to schools
<i>Management</i>					
a) Decisions on level and type of spending	Decisions set by school and reflecting preferences of school clientele	Decisions of school subject to control by government	Local government autonomy to decide according to preferences of local residents	Local government decisions constrained by higher government regulations	Decisions set by central government
(b) Fee policy	Fees set at level reflecting market forces	Fee ceiling imposed by government	Local government autonomy in setting fees	Fees charged are subject to control by higher levels of government	No fees are levied
(c) Service provision	Free choice constraint in curricula	Some constraint on curricula	Local choice in curricula	Local choice limited by regulations of higher levels of government	Standard national curriculum for all schools

Activity 7

1. *Given all that you have read in this module so far which is the point in this typology that countries seem to be gravitating toward?*
2. *What are the advantages of a purely centralised model?*
3. *Can you come up with a framework for deciding which model of school finance is suitable to your country?*
4. *Are there schools in your country operating according to the pure private model?*
5. *How did the present arrangements for financing schools evolve historically in your country?*
6. *Would decentralisation ease the burden on state financing?*
7. *Can decentralisation be structured to maximise the use of private and community funding?*

SECTION 8

Instruction 8

Read Box 9.

Advantages of decentralisation

Box 9

- (a) Local control evidently encourages responsiveness to local needs.
- (b) Even at the level of the individual school or college, differences of geography, resources, tradition and personal preference imply a need for some kinds of significant decision to be within the powers of local management.
- (c) Decentralisation can speed up the decision making process. If minor issues have to be referred to some remote central authority, rapid response is out of the question.
- (d) Decentralisation, therefore, encourages the development of a clear distinction between strategic control which is the proper function of the centre and operational management which is more effectively carried out locally. This distinction in turn helps to create an organisational structure which is both effective and responsive. It should be noticed, however, that the separation of strategy and operational control may in practice be difficult to achieve.
- (e) A serious problem in highly centralised systems is one of scale. The sheer number of individual schools or the size of the area mean that the issues are frequently beyond the comprehension of even perfectly capable administrators.
- (f) Decentralisation encourages initiative and improves the quality of management, particularly at local level. In a highly centralised system key figures such as district officers or headteachers are denied decision making opportunities and frequently have little, if any, management training. Their quality of management is, therefore, not surprisingly, often poor.

(g) Decentralisation releases human potential. People respond to increased opportunities to use their talents and energies productively.

(h) Greater involvement in the decision making process improves morale leading to enhanced job satisfaction and better motivation.(i)

A well designed system of decentralised management increases accountability. Clarifying the respective roles of central government, local government, school management and other agencies makes it possible to set appropriate targets for each.

Kier Bloomer, *Decentralising the Education System*. Commonwealth Secretariat, 1991, p. 3

Activity 8

1. *Do these advantages of decentralisation hold in your education system?*
2. *What aspect of your education system should still be centralised?*

SECTION 9

Local financial management

Instruction 9

In the event that decentralising does take place, there must be some restructuring of financial control to accord more autonomy to the individual school.

Read Box 10.

Box 10

- 9.6.1 Ultimately any system of delegation is likely to involve some decentralisation of decision concerning money. Indeed, any restructuring which stops short of developing some measure of financial control will be restricted to administrative decentralisation. The element of empowering local people will be minimised.
- 9.6.2 If the government is contemplating some measure of local financial management a very wide range of issues will need to be addressed, including the following:
- (i) To which level or levels is control to be devolved? Will individual districts and/or schools have their own budgets?
 - (ii) What areas of budgetary control are to be devolved? For example, districts could be given control over repairs and maintenance but not over new buildings. Schools might control the supply of teaching materials but not classroom equipment over a certain value.
 - (iii) How are minimum standards to be prescribed and what levels of discretion will be permitted? For example, in relation to teacher staff it might be laid down that for a school of a certain size finance will be provided to allow the employment of ten teachers. The school or district might have discretion to vary the actual complement in response to local needs and priorities but subject to a prescribed minimum and maximum.
 - (iv) On what basis are local budgets to be assessed? What account is to be taken of factors such as numbers of pupils, numbers of schools, travel difficulties etc?
 - (v) What arrangements can be made for auditing?

Decentralising the Education System, op. cit., p. 10

Activity 9

1. *How will financial arrangements be affected in your country if decentralisation takes place?*
2. *Do staff at the level of the individual schools have the skills for budgeting and record-keeping?*
3. *Can staff at the level of schools prepare and justify estimates of expenditure, etc.?*
4. *What level of self-financing would be expected of schools?*

SECTION 10

Key values affecting policy on school financing

In assessing the options of centralised types of control and financing and decentralised types of control and financing the same aims are advanced to support either options. Protagonists of both camps argue for the same objectives.

Instruction 10

Read Box 11.

Box 11

Equity	It has been a major preoccupation of most countries to ensure that the educational arrangements do not perpetuate inequality but allow for some degree of social mobility.
Efficiency	Economic efficiency is the maximisation of output per unit of input. Education efficiency is more elusive but there is the increasing concern with accountability and results.
Freedom and choice	Increasingly freedom to choose and diversity to choose from, is becoming important. For those who wish to see the education market become like any other commodity market this is a crucial value.

Activity 10

1. *If there has been a centralised system of control and financing in your country, what was the justification for such?*
2. *What are the arguments for change in control and financing of education in your country?*

SECTION 11

Radical options for school financing

Quasi-markets

The theory of quasi-markets is premised on the assumptions that the introduction of market-oriented policies in education will foster competition, encourage a more economical use of resources, make producers more accountable to consumers, increase choice and promote diversity and provide a better deal for the poor. The philosophy beneath it all is the doctrine of competition and 'survival of the fittest', i.e. make schools compete, give parents power as consumers, make teachers accountable and let the system become self-driven.

Instruction 11

Read Boxes 12 and 13.

Box 12

A tax-funding education voucher in the broadest sense is a payment made by the government to a school chosen by the parent of the child being educated; the voucher finances all or most of the tuition charged. The system introduces competition among public schools and between public and private schools; and it enables schools to offer diverse educational packages to meet the different preferences of parents.

E. West, 'Education Voucher in Principle and Practice: A Survey'. *World Bank Research Observer*, Vol. 12, No. 1, p. 83

Box 13

The Rationale for Voucher Systems

The goal of all voucher plans – to provide families with maximum choice within a decentralised and competitive system of schools – embodies four principles: consumer choice, personal advancement, the promotion of competition, and equal opportunity. Consumer choice, in education, equals parental choice: parents choose schools for their children by virtue of their parental authority and are thus, in a fundamental sense, the real consumers of education. Under a voucher plan, government serves the consumers of education – parents – rather than the suppliers of education – school.

The second principle, that of personal advancement, is rooted in the conviction that people want to shape their own destinies. The opportunity to choose and to decide stimulates interest, participation, enthusiasm and dedication. Many government programmes – for example social security, welfare, health programmes, student loans – directly subsidise the individual recipients with funding for services among which they can select. Social security recipients, for example, can spend their cheques however they choose. The goal of educational vouchers is to extend this principle to education.

The third principle, the stimulation of competition, applies here because public schools are usually monopolies. The objective of vouchers is to challenge them to compete – with each other and with private school – through reducing costs, increasing quality, and introducing dynamic innovation.

The fourth principle – the goal of equality of opportunity – underlying the rationale for vouchers is a logical outcome of the other three and is expressed in the objective of increasing access to private schools. This goal is embodied particularly in those selective, or targeted voucher schemes that give low-income families greater access to private schools.

E. West, *op. cit.*, p. 85

Activity 11

1. Summarise the arguments for a voucher system.
2. Would the argument advanced for a voucher system hold in your country?
3. How would a voucher system affect the poor in the long run?

Suggested reading

Bloomer, Keer (1991). *Decentralising the Education System*. Commonwealth Secretariat.

Carnoy, Martin (1997). 'Is privatisation through education vouchers really the answer? A comment', *World Bank Research Observer*, Vol. 12, No. 1, pp. 108–16.

Cambron-McLabe, Melda H and Odden, Allan (eds.) (1982). *The Changing Politics of School Finance*. American Finance Association.

Jiminez, Emmanuel and Jee Pen Tan. 'Decentralised and Private Education: The Case of Pakistan', *Comparative Education*, Vol. 23, No. 2, pp. 173–90.

Odden, Allan (ed.) (1992). *Rethinking School Finance*. San Francisco: Jossey-Bass Publishers.

OECD (1996). *Schools Under Scrutiny*.

Rogen, Martin (1992). *Opting Out: Choice and the Future of Schools*. London: Laurence and Wishart.

West, E G (1997). 'Education Vouchers in Principle and Practice: A Survey', *World Bank Research Observer*, Vol. 12, No. 1, pp. 83–98.