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# **A Policy Maker's Guide to "The 65% Solution" Proposals**

by

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## **Executive Summary**

Through executive orders, legislative initiatives, referenda or constitutional amendments a number of states have proposed measures to require school districts to spend at least 65 percent of their operational budgets on “in class instruction.” The current national average for such expenditures, using accounting categories from the National Center for Education Statistics (NCES), is 61.4 percent and increasing the proportion to 65 percent would shift \$13 billion currently spent outside of the classroom without the need to raise new money. Two states, Texas and Georgia, have enacted the proposal and 18 other states and the District of Columbia are considering it.

The proposal suffers logical and definitional confusions. More importantly, it was developed in hopes of producing political gains, not in hopes of stimulating pedagogical improvements. The benefits listed by the proposal’s developers are political, not educational. In addition, the existing empirical data do not support the contention that the proposed shift would improve school performance.

### **It is therefore recommended that:**

1. Schools and school districts decide what outcomes they would consider improved performance, examine the research literature to determine what practices have been empirically linked to changes in those outcomes, and reallocate funds to attain the improvements; and
2. Allocation of new funds or reallocation of existing funds occur at the school level, with district oversight.

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## **Background**

The idea of the “65% Solution” was developed by Tim Mooney, an Arizona Republican political consultant who argues that 65 percent of a school’s operating budget should be spent “in the classroom.” Money to advocate and disseminate the idea came from Overstock.com Founder and CEO Patrick Byrne. Mooney used \$250,000 from Byrne to establish First Class Education (FCE). *Washington Post* pundit George F. Will provided the name for Mooney’s idea.<sup>1</sup> Mooney and Byrne derived their definition for “in the classroom” from the NCES’ publication, *Financial Accounting for Local and State School Systems, 2003*.<sup>2</sup> The proposal quickly became popular with politicians and is under consideration in 18 states and the District of Columbia. Two states have enacted it including Texas, via a gubernatorial executive order, and Georgia, via a gubernatorial initiative resulting in legislative action.

The derivation has been summarized in various ways, but a full iteration taken from FCE’s website, [www.firstclasseducation.org](http://www.firstclasseducation.org), is in Table 1.

**Table 1: First Class Education’s Definition of “In the Classroom” Expenditures**

<b>In the Classroom</b>	<b>Outside of the Classroom</b>
<ul style="list-style-type: none"><li>• Classroom teachers</li><li>• General Instruction Supplies</li><li>• Instructional Aides</li><li>• Activities: Field Trips, Athletics, Music, Arts</li><li>• Tuition Paid to Out-of-State Districts and Private Institutions For Special Needs Students</li></ul>	<ul style="list-style-type: none"><li>• Administration</li><li>• Plant operations, maintenance</li><li>• Food Service</li><li>• Transportation</li><li>• Teacher Training</li><li>• Curriculum Development</li><li>• Student Support Services—Nurses, Counselors, Speech Therapists, Librarians</li></ul>

Source: <http://www.firstclasseducation.org/faqs.asp#means>

These categories have to be *derived* from the NCES document because NCES does not classify expenditure categories in this simplistic manner, even though the FCE website claims that it does.

Categorizing expenditures in the above manner produces odd outcomes. For example, the salaries of athletic coaches and uniforms count as in-the-classroom instruction, but the salaries of librarians and guidance counselors do not. This does violence to the NCES’ definition of “library/media services” which includes “planning for the use of the library by students, teachers, and other members of the instructional staff; and guiding individuals in their use of library books, reference guides and materials, catalog materials, special collections, and other materials....”<sup>3</sup> In an era where search engines are critically important research tools, one might think “guiding individuals” in their use would fall under the rubric of classroom instruction.

In January 2006, the American Library Association adopted a resolution calling on President Bush, Secretary of Education Spellings, NCES Commissioner Mark

Schneider, and chief state school officers to redefine librarians as providers of in-class instruction.<sup>4</sup> The American Association of School Librarians endorsed the resolution.<sup>5</sup>

By definition, NCES' category, "instruction" extends well beyond the "classroom:" "Instruction includes the activities dealing directly with the interaction between teachers and students. Teaching may be provided for students in a school classroom, in another location such as a home or hospital, and in other learning situations such as those involving co-curricular activities. It may also be provided through some other approved medium, such as television, radio, computer, Internet, multimedia telephone, and correspondence, that is delivered inside or outside the classroom or in other teacher-student settings" (p. 121).

Under the 65% Solution definition, the NCES categories that would not be counted as "in-class instruction" include testing, programs to improve attendance, social work, speech pathology and audiology, programs to improve instruction, programs of curriculum development, and programs for training instructional staff.

FCE's use of the NCES description of "instruction" vs. "support" implies that the former should be emphasized at the expense of the latter. But NCES' description of "instruction" vs. "support services" is one of reporting convenience, not one predicated on empirical data showing the effectiveness of the first over the second. As the *Atlanta Journal Constitution* put it, "the idea makes as much sense as health insurers insisting that 65 percent of any claim go only to the surgeon, ignoring the costs of the support team, the nurses, the anesthesia, the surgical room, and the medical equipment. Hospitals wouldn't stand for such a restriction, and neither should schools."<sup>6</sup>

As the hospital analogy makes clear, instruction and support are not independent entities. Schools and school districts, however efficient or inefficient, are systems. What happens in one part of the system affects other parts. Separating activities into the arbitrary, dichotomous, disconnected categories “classroom instruction” and “noninstruction” ignores the systemic nature of schools. In addition, as the NCES description of instruction makes clear, recent changes in information technology have made the concept of the “classroom” more and more elastic and diffuse, but the 65% Proposal emphasizes an older, 25-kids-in-a-room characterization. It is regressive.

To add to the definitional problem, NCES’ *Revenues and Expenditures for Elementary and Secondary Education: School Year 2002-2003* defines only 4.1 percent of expenditures, nationally, as for “noninstruction.” Such a pattern of expenditures leaves little room for the out-of-classroom “waste” that is a concern of the proposal’s advocates (see page 9 below). It categorizes 61.3 percent as “instruction” and 34.6 percent as “support services.”<sup>7</sup> The 65% Proposal uses the 61.3 percent figure and claims that a move to 65 percent would make \$13 billion available for “instruction” without the need to raise any new money. The proposal also claims to preserve local control of spending because schools could reduce class size, purchase computers, offer new instructional content—anything as long as the spending falls into the category of “in-class instruction.”

Even if consensus could be reached on what constitutes “in-the-classroom instruction,” a question would remain about why the advocates chose a criterion of 65 percent. There appears to be no empirically grounded reason for 65 percent other than



that when the plan was developed, only four states exceeded it, and those four differed markedly among themselves, leading to a rather peculiar logic:

According to the National Center for Education Statistics' June 2004 report, four states—Utah, Tennessee, New York and Maine—exceed the 65 percent goal, down from seven states two years earlier. The four best performing states have tremendous differences in the amount they spend per child on education—Utah the least in the nation and New York the second most...The diversity of these states shows that a goal of 65 percent for classroom instruction can be met throughout the nation. In fact, nearly every state has school districts, big, small, rural, urban—that are performing at or above the 65 percent goal.<sup>8</sup>

The logic is that, given the diversity of states that do exceed the 65 percent goal, any state can spend at least 65 percent of its budget in instruction.

Byrne has claimed that the five states “with the highest standardized test scores” (Massachusetts, New Hampshire, Vermont, Minnesota, and Connecticut) spent an average of 64.1 percent of their budgets on instruction while the five lowest-scoring states (Louisiana, Alabama, Mississippi, New Mexico and the District of Columbia), spent only 59.5 percent.<sup>9</sup> Obviously, these two clusters of states differ on many more variables than just where they spent their school budgets.

As written, the statement is meaningless because the test is not specified. However, it can only refer to National Assessment of Education Progress (NAEP), the only test administered to a state probability sample in all states. It is the only test that permits state-by-state comparisons among all states.

If one examines NAEP reading, one finds that while the statement is generally true for the states named, it ignores states that contradict the conclusion. It ignores high-scoring states that spend less than 65 percent and low-scoring states that spend more. The top five scoring states (Massachusetts, New Hampshire, Vermont, Minnesota, and Connecticut) scored from 223 to 228 on the 2003 NAEP fourth-grade reading assessment (the most recent available to Byrne at the time the proposals were put forth). Colorado and Iowa, for example, had fourth-grade reading scores as high as Minnesota's but respectively spent only 57.3 and 59.5 percent of their budgets on instruction. Conversely, Tennessee spent 64.1 percent on instruction and scored only 212, five points below the national average of 217, and a full year below the lowest-scoring of the top five states (NAEP scales vary, but generally 10 to 11 points is considered a year's growth). Had the 2005 NAEP reading data been available, they would have revealed further discrepancies. For instance, Virginia and Delaware, both at 61.5 percent, outscored Maine and Minnesota.

The requirement that 65 percent of budget be allocated for instruction would strike some people as regressive for reasons other than merely emphasizing an older model of schooling. In recent years, some researchers and reformers have urged that education focus on *outputs* rather than the more traditional *inputs*. The No Child Left Behind Act of 2001 (NCLB) codifies such an orientation with its requirement that schools make Adequate Yearly Progress defined in terms of rising test scores. But FCE focuses solely on an input, the allocation of dollars to in-the-classroom activities. The "best performing states" in the above quote are not the highest-scoring, merely those that allocate a larger bulk of the resources to "instruction" as defined by FCE.

A “Frequently Asked Question” on the FCE website asks, “Will this guarantee better academic results?” FCE answers, “This we know, no amount of money spent outside the class has any opportunity to help improve classroom achievement. It intuitively makes sense that results will improve by placing more resources where the learning process takes place—in the classroom.” Taken literally, this statement means that no money spent on the professional development of teachers has any impact on the academic performance of children. It means that money spent on counselors who sooth potentially disruptive students has no impact on the academic performance of children, although it is known that disruptive students depress the performance of others in the same classroom.<sup>10</sup> Again, the arbitrary dichotomy of “classroom” vs. “not classroom,” obscures the real complexity of schools and learning.

## **Recent Developments**

The FCE website presents the 65% Solution as “a simple, intuitive, and responsible solution.” Yet Byrne and Mooney clearly do not advocate it for its pedagogical merit, but for its potential political impact. A question from billionaire investor Warren Buffet to Byrne reveals the underlying political nature of the proposal: “If you had a silver bullet, what competitor would you shoot, and why?”<sup>11</sup> Byrne replied, “the National Education Association.” According to Will, Byrne “relishes the prospect of the 65 percent requirement pitting teachers against other union members who are in the education bureaucracy. ‘Educrats have become what city hall was 50 or 60 years ago’—dens of patronage and corruption.”<sup>12</sup>

In July 2005, Byrne joined the board of the Milton and Rose Friedman Foundation, an institution whose sole purpose is to promote the use of school vouchers.

Interviewed on *CNBC*, Byrne said of public schools, “What we have is a monopoly, a government monopoly that does what all monopolies do. They provide an inferior product at a very high price and they collect the difference. ...Let’s give vouchers and see what they (private enterprises) can do with the money... That will make the government schools start reforming themselves.”<sup>13</sup> While no definitive research exists, the most objective analysis indicates that private schools cost at least as much as public schools,<sup>14</sup> and probably more.

A recent study shows that, when adjusted for demographic differences, public schools outperform private schools.<sup>15</sup> That is, private schools do better because they contain fewer minorities, fewer English Language Learners, fewer special education students, fewer low-income students and more students from affluent and better-educated families.

Byrne also contends that states can readily attain the 65 percent goal because schools currently waste a lot of money on non-instructional activities. The FCE homepage contains a link depicted by a garbage can with the caption, “What a waste! Unbelievable examples of waste outside the classroom!”<sup>16</sup> Some examples are indeed wasteful, although they pale in comparison to the recent excesses of the private sector. Some examples are so far outside the classroom they also are far outside the school—they have nothing to do with education. In fact, the largest example of “waste” refers to the increasing size of public employees’ pensions in reference to public agencies having to increase taxes to cover their pension obligations. FCE sees the increases as “waste” coming at taxpayer expense, while overlooking that public employees are taxpayers, too. Others might conclude that public agencies are responsibly holding themselves

accountable for their pension plans, in contrast to the private sector which has been increasingly abolishing them.

Another example concerned a superintendent who received a total of \$255,000 in cash as severance pay and health insurance coverage for himself and family until he reached age 70, estimated at \$95,000. This not only pales before the \$140 million paid to the Chairman of the New York Stock Exchange after he was forced out, but before the payouts of \$120 million, \$24 million, and \$36 million to Coca-Cola executives. Coca-Cola shareholders then passed a rule forcing the company to seek shareholder approval whenever a severance offer topped 2.99 times the recipient's annual pay plus bonus. *New York Times* reporter, Gretchen Morgenson called the shareholders' move "an inch" on the road toward reining in out-of-control executive pay.<sup>17</sup>

For his part, Mooney sees the 65% Solution as a great boon to Republicans. In an undated and unsigned memorandum which he later admitted writing,<sup>18</sup> Mooney described the benefits:

For political reasons it is very helpful that athletics, arts, music, field trips and instruction and tuition for special needs students are all included in the NCES "in the classroom spending" definition. This will deny the validity to the opponent's [sic] arguments of "Johnny won't be able to play football, Jane won't learn the violin, and Joe's special needs instruction won't be possible."

...With the 1<sup>st</sup> Class Education issue on the ballot, Republicans will have a viable answer to "in the classroom improvement of education" without the need to call for a tax increase, offsetting budget cuts in other popular programs or gimmick accounting and deficit spending.<sup>19</sup>

Other important, but more tangential political advantages may occur because of the proposal, including:

1. **Splitting of the Education Union.** The 1<sup>st</sup> Class Education proposal naturally pits administrators and teachers at odds with one another with monies flowing from the former to the latter with its passage. Because most state education unions represent both administrators and teachers, the proposal will create tremendous tension within the organization.
2. **Direct Fix for Public Education.** While voucher and charter school proposals have great merit, large segments of the voting public—especially suburban affluent women voters—view these ideas as an abandonment of public education. Women in particular want public education fixed, not replaced. Once additional fixing and funding of public education can be achieved via the 1<sup>st</sup> Class Education proposal, targeted segments of voters might be more greatly predisposed to supporting voucher and charter school proposals, as Republicans address the voting public with greater credibility on public education issues.
3. **Establishes the Debate on Taxes and Government Spending.** By highlighting the inefficiencies of education spending, far and away the biggest budgetary item in every state, the 1<sup>st</sup> Class Education initiative highlights the likely inefficiencies in all areas of state government.

What's the percentage the Department of Motor Vehicles spends on administration verses [sic] direct service to the public?

4. Allows the Use of Unlimited Non-Personal Money for Political Positioning Advantages. The aforementioned benefits can be achieved with funding in any amount and from any source. In the era of campaign finance limitations on candidates, PACs and parties, galvanizing an electorate via the initiative process is a tremendous opportunity.
5. It Wins! As with initiatives proposing tax limits, term limits and the definition of marriage, ballot success for the 1<sup>st</sup> Class Education proposal is extremely likely. Moreover, the proposal can galvanize public political discussion, becoming a natural litmus test for candidates with the electorate. Its intuitive simplicity establishes either a beneficiary relationship with the voters or a noted disconnect based on the candidates support or opposition to the proposal.<sup>20</sup>

The first website endorsement of the 65% Solution came from Grover Norquist, president of Americans for Tax Reform, and a leader of the “starve the beast” approach to reducing the size of government.

If politicians have warmly received the 65% Solution, conservative commentators, aside from Will, have ignored it or given it a cold shoulder. Frederick Hess, writing for the American Enterprise Institute in the *Washington Times*, called the proposal something to greet with derision. “There is nothing inherently wrong with [such

a proposal], but well-managed firms know that one-size fits all management went out with lava lamps and leisure suits.”<sup>21</sup>

Similarly, Jay P. Greene and Jonathan Butcher in the *National Review* observe that “Previous reform efforts have rightly pushed to empower schools to make decisions about how they can best allocate their resources while holding them accountable for producing results...The 65-cent [sic] solution pushes in the opposite direction, imposing a mandate on how schools use their resources without demanding results.”<sup>22</sup> Chester Finn, commenting from his position in the Thomas B. Fordham Foundation noted that field trips are counted as classroom instruction, but librarians are not. “Simple external controls have both the virtues and the shortcomings of simplicity. Remember wage and price controls as means of curbing inflation? It turned out that what had to be done was to solve the underlying economic problems. Same with schooling.”<sup>23</sup>

Kevin Carey, from Education Sector, a think tank that describes itself as non-partisan, contends, “this model of dollars ‘in the classroom’ doesn’t include the cost of bringing students to the classroom, maintaining the classroom, keeping the classroom safe or training the classroom teacher.”<sup>24</sup>

### ***Examples of State Actions***

How the 65% Proposal plays out varies from state to state. Florida Governor Jeb Bush wants it as a constitutional amendment, while Texas Governor Rick Perry has enacted it by executive order, and Missouri Governor Matt Blunt is looking for a law. In Virginia and Illinois, the proposal was introduced through a legislative initiative.



## **Florida**

Jeb Bush desires a constitutional amendment rather than a law because a law would leave intact the class size cap passed four years ago. That cap was established through a constitutional amendment. Bush has repeatedly sought ways of getting around or eliminating the cap. Another constitutional amendment could contain language that affects the class size amendment.

## **Missouri**

Governor Matt Blunt gave his support to the concept early in November 2005. Pundits felt it was likely to be a top priority in the legislature, but after hearing what one article called “resounding criticism” from teachers unions and administrators, momentum has faded.<sup>25</sup> Momentum continued to deteriorate after the Tim Mooney memo (extensively quoted above), first published in the Texas newspaper, the *Austin American Statesman*, became widely read in Missouri as well. . . . Afterward, Blunt offered to deviate from the NCES definition and include librarians and counselors in the definition of “classroom instruction.”

### ***Equity and Adequacy Issues Overlooked by the 65% Solution***

Mooney’s memorandum listed the principal political gain from the 65% Solution, showing Republicans establishing a process to transfer more of the budget into the classroom without any concurrent appropriation of more money for schools generally. Thus, the memo assumes that schools are adequately funded. The 65% Proposal can be taken as a means to obscure the fact that in many cases the schools are *not* adequately funded, a fact established in numerous recent lawsuits.

The debate over the adequacy of school funding has played out along two lines of argument. The first contends that schools are adequately funded because increases in school funding have outstripped increases in inflation. As Rothstein and Miles have shown, this is not a particularly sound argument because inflation, as represented by the usual metric, the Consumer Price Index, is not an appropriate indicator of changes in the costs of education.<sup>26</sup>

This line of argument usually makes the additional point that while expenditures have risen, test scores have not or that test scores have not risen commensurately: “Despite ever rising school budgets, student performance has stagnated” wrote Hanushek.<sup>27</sup> Rothstein and Miles,<sup>28</sup> and Lankford and Wyckoff<sup>29</sup> reported, however, that the increases in spending have largely been in areas--notably special education--where increases would not be expected to affect test scores. Others, (e.g., Hedges et alia) have argued that increased money does indeed result in increased school performance.<sup>30</sup>

The second adequacy argument denies that schools are adequately funded or, at least denies that all schools within a given state are adequately funded. Those who claim inadequate funding point to discrepancies in the amount of money different districts spend. In the two decades following the 1954 Supreme Court’s *Brown v. Board* decision, civil rights groups attempted to use that decision to obtain more equitable funding. These attempts were largely unsuccessful. In view of the multiple and complex funding of schools from federal, state, and local budgets, the court shied away from attempting to decide what constituted “equity.”

In the case of *Rodriguez v. San Antonio Independent School District*, the Supreme Court refused relief to the plaintiffs on the grounds that the state of Texas had assured the

Court that all children in all districts received an adequate education and that the plaintiff had offered no proof to refute the state's assertion. The Court did acknowledge that school funding formulas generally were perhaps obsolete in their reliance on property taxes and expressed a hope that scholars and state legislators would provide solutions to funding formula problems.

In *Serrano v. Priest*, the Supreme Court held that the resources available to students should not vary from district to district as a function of wealth, save for the general wealth of the state itself. This was a step toward adequacy but did not take into account differential educational needs among different groups of students. As Enrich put it, "Equalizing tax capacity does not by itself equalize education. The educationally relevant disparities not only reflect the tax base inequalities, but local political and administrative choices as well, not to mention the impact of preexisting differences in the students and their milieus."<sup>31</sup>

After *Rodriguez* and *Serrano*, plaintiffs turned increasingly away from federal courts and sought relief in state courts. Most states' constitutions have education clauses requiring an "adequate" education or a "thorough and efficient" education or something similar. In addition, the standards movement of the late 1980s and 1990s added specificity to the definition of adequacy that had been missing in the earlier equity suits such as *Rodriguez*. Rebell put it this way:

The standards-based reform movement, which responded to a widespread sentiment that the American education system was in serious trouble in the late 1980s, provided the tools that courts needed to deal with complex education issues. The courts' assumption in *Rodriguez* and other early cases that virtually

all students were receiving an adequate education was now turned on its head: it appeared now that a large number—maybe even a majority—of America’s students were not receiving an education adequate to compete in the global economy. The extensive education reform initiatives most states adopted to meet this challenge provided the courts workable criteria for developing the “judicially manageable standards” that were necessary to craft practical remedies in these litigations.<sup>32</sup>

The 65% Proposal advocates act as if the various state Supreme Court adequacy decisions and the concerns expressed in standards-based reform do not exist. All that is needed, the proposal contends, is to put more of the existing budget into the classroom. Mooney and Byrne have pointed to New York as a beacon of spending because New York districts spend 68 percent of their money on “instruction.” But the New York Court of Appeals declared the state funding system unconstitutional because it slighted a single, but enormous district, New York City (it was anticipated, though, that the decision would have fiscal implications for a number of other districts).<sup>33</sup>

The Appellate Division court had held that the state’s constitutional promise of a “sound basic education” could be satisfied by an eighth-grade education. The Court of Appeals demurred.<sup>34</sup> Examining teacher quality, class size, test scores, and graduation rates, the court declared that to meet the constitutional requirement for a “sound basic education” the state had to provide a quality high school experience. Wrote Judge Judith Kay,

The issue to be resolved by the evidence is whether the state affords New York City schoolchildren the opportunity for a meaningful high school education, one

which prepares them to function productively as civic participants. This is essentially the question the trial court addressed, and we conclude that the Appellate Division erred to the extent that it founded a judgment for defendants upon a much lower, grade-specific level of skills children are guaranteed the chance to achieve.<sup>35</sup>

Some find many problems in the standards-based education reform movement, but that movement does represent an attempt to eliminate differential outcomes, something the 65% Proposal ignores.

### **Available Data**

One can empirically test the contention that the percent of money spent on in-the-classroom activities is an important contributor to student achievement.

To date, such tests have consisted of a single examination by Standard & Poor's (S&P). S&P analyzed the correlation between test scores and the percent of the operational budget spent on instruction as defined by First Class Education (FCE), for districts in nine states. The correlation between percent of budget spent on instruction and proficiency in math and reading was essentially zero. This was true for all states except Florida which showed a small correlation—and no district spending more than 65 percent of budget on instruction.<sup>36</sup>

Because many Minnesota districts spent more than 65 percent and many spent less, S&P was able to determine, within a certain range of spending, if there was *any* threshold figure that affected achievement.<sup>37</sup> The results are shown in Table 2.

**Table 2: Impact of Spending on Reading and Math Proficiency, Minnesota**

Percent Spent on Districts	Number of Districts	Range in Reading and Math Proficiency Rates		
		<i>Low</i>	<i>Average</i>	<i>High</i>
<55 percent	3	46	65	84
55-60 percent	35	53	73	86
60-65 percent	152	32	74	94
65-70 percent	142	47	73	86
>70 percent	3	59	72	85

Source: Standard and Poor's. (2005, Fall). The issues and implications of the 65 percent solution. *School Matters*. Retrieved January 6, 2006, from [www.schoolmatters.com/pdf/65\\_paper\\_schoolmatters.pdf](http://www.schoolmatters.com/pdf/65_paper_schoolmatters.pdf)

Thus, within the spending range shown, less than 50 percent to more than 70 percent, no level of spending appears to be a threshold affecting achievement. For instance, the 35 districts that spend 55-60 percent have a range of percent proficient from 53 percent to 86 percent with an average of 73 percent proficient. The 142 districts that spend 65-70 percent have a similar range, 47-86, and an identical average, 73 percent proficient. Nonetheless, Minnesota governor, Tim Pawlenty, has decided that Minnesota should work towards “the 70 percent solution,” requiring all districts to spend 70 percent or more of their budgets as directed by FCE’s proposal.

## **Discussion and Analysis of Available Data**

There are several weaknesses in the Standard & Poor’s analysis. First, it does not examine the impact of total dollars spent vs. percent of budget spent. A wealthy district that commits 61 percent of its budget to instruction might well be spending more absolute dollars than a poor district that allocates 66 percent. The data might be further skewed by wealthy districts’ enhanced abilities to tap into private sources of revenue that are not

counted as in the budget. In California, for example, some wealthier districts offset the low level of state funding by establishing foundations to which individuals and/or corporations can donate money.<sup>38</sup>

Second, the study correlates expenditures with *level* of achievement. Many studies, starting perhaps with “The Coleman Report” in 1966, *Equality of Educational Opportunity*, have documented that parental educational and income levels greatly affect level of achievement. *Changes* in achievement appear to be less influenced by such status variables.<sup>39</sup> Thus, it is possible that if districts spending below 65 percent were to attain the 65 percent goal, achievement might improve for these districts. But the data clearly show that those districts currently spending more do not have higher achievement levels than those districts that spend less.

That the 65% Proposal is no solution does not mean that schools allocate their resources with maximum efficiency for achievement. Indeed, a line of research has examined how schools could improve achievement without more money<sup>40</sup> or by examining how some schools actually did reallocate budgets to obtain higher performance.<sup>41</sup> In the latter case, findings indicate that the allocation determination should occur at the building level because different schools have different needs and problems. The 65% Proposal focuses on the district level.

A common solution among schools that decided to reallocate funds was to replace aides or special education teachers with regular classroom teachers. Unless the schools paid the newly-hired teachers more than the ones they replaced, this would not reallocate any funds to instruction under the 65% Proposal’s definitions.

Another common solution, sometimes occurring in tandem with hiring new teachers, was investment in the professional development of teachers. Using the definitions of the 65% Proposal, however, this would be forbidden unless other instructional expenditures totaled 65 percent or more of the budget. Given the stated desire of NCLB to staff classrooms only with “highly-qualified” teachers, it is odd that a proposal offered in 2005 would likely deny money for teacher training or professional development to improve qualifications.

## **Recommendations**

The 65% Proposal would make changes where schools spend their money, but it provides no new money—on purpose. It claims that bringing more of existing money “into the classroom” would improve performance and reduce waste. Empirical data available does not support this contention. Its one-size-fits all “solution” is at odds with the diverse strategies that schools have used to increase achievement. Its reallocation formula assumes that current funding for schools is adequate, an assumption contradicted by numerous recent “adequacy” suits concluding that states’ funding formulas were unconstitutional because they slighted some districts.

Writings and speeches by the proposal’s sponsors reveal that the proposal’s claims of educational improvements merely cloak the proposal’s political aims. No data support the contention that reallocating funds to meet the proposal’s demands would improve achievement.

Therefore, it is recommended that:

1. Schools and school districts decide define “improved performance,”  
examine the research literature to determine which practices have been



empirically linked to changes in those outcomes, and reallocate funds to attain the improvements; and

2. Allocation of new funds or reallocation of existing funds occur at the school level, with district oversight.

## Notes & References

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