

**EDPA 615**  
**ECONOMICS OF EDUCATION**  
**FALL 2006 – COURSE SYLLABUS**

**PROFESSORS**

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<b>COURSE OVERVIEW</b>	<p>This course is designed to provide an overview of economic and finance issues in urban school settings. The course is divided into three parts:</p> <p>Part I. The Economic Context Of Urban Schooling (Brewer)</p> <p>Part II. Understanding School Finance (Hall/Nelson)</p> <p>Part III. Intra-Enterprise Financial Management (Hentschke)</p> <p>Each part consists of four weekly units or up to twelve hours of class time, depending on class format.</p>
<b>COURSE REQUIREMENTS</b>	<p>To facilitate the learning process, students are expected to read the assignments in advance of each class period and to actively participate in class discussion and activities. In addition, students will be asked to complete a term project, consisting of a paper with three written sections and a presentation, and three reflective reviews. Details on assignments are found below.</p>
<b>TEXTBOOKS AND OTHER MATERIALS</b>	<p>Journal articles and other reading materials for Part I and II have been assembled into a “course reader.” All of the readings for Part III will be posted on Blackboard. There is no textbook assigned for the course.</p>
<b>CLASS PARTICIPATION</b>	<p>Small group discussions will occur at every class meeting and students are expected to participate fully in them. Students are also encouraged to ask questions and actively participate in class discussions.</p>
<b>ACADEMIC ACCOMMODATIONS</b>	<p>Any student requesting academic accommodations based on a disability is required to register with Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodations can be obtained from DSP. Please be sure the letter is delivered to me as early in the semester as possible. DSP is located in STU 301 and is open 8:30 a.m. – 5:00 p.m., Monday through Friday. The phone number for DSP is (213) 740-7766.</p>

<p><b>INCOMPLETES</b></p>	<p><b>IN</b> – incomplete (work not completed because of documented illness or some other emergency occurring after the twelfth week of the semester; arrangements for the IN and its removal should be initiated by the student and agreed to by the instructor prior to the final exam); IX – lapsed incomplete.</p> <p><b>CONDITIONS FOR REMOVING A GRADE OF INCOMPLETE.</b> If an IN is assigned as the student’s grade, the instructor will fill out the Incomplete (IN) Completion form which will specify to the student and to the department the work remaining to be done, the procedures for its completion, the grade in the course to date and the weight to be assigned to the work remaining to be done when computing the final grade. A student may remove the IN by completing only the portion of required work not finished as a result of documented illness or emergency occurring after the twelfth week of the semester. Previously graded work may not be repeated for credit. It is not possible to remove an IN by re-registering for the course, even within the designated time.</p> <p><b>TIME LIMIT FOR REMOVAL OF AN INCOMPLETE.</b> One calendar year is allowed to remove an IN. Individual academic units may have more stringent policies regarding these time limits. If the IN is not removed within the designated time, the course is considered “lapsed,” the grade is changed to an “IX” and it will be calculated into the grade point average as 0 points. Courses offered on a Credit/No Credit basis or taken on a Pass/No Pass basis for which a mark of Incomplete is assigned will be lapsed with a mark of NC or NP and will not be calculated into the grade point average.</p>
<p><b>BLACKBOARD</b></p>	<p>Blackboard will be used for posting all course assignments and grades. You can access this by going to <a href="http://www.totale.usc.edu">www.totale.usc.edu</a>. Logon using USC username and password (if this is your first time using Blackboard, be sure to print and read the student manual).</p> <p><b>EACH WEEK YOU SHOULD DO THE FOLLOWING:</b> Prior to class: access and print the PowerPoint notes for the upcoming session. These are found on the <b>COURSE DOCUMENTS TAB</b>. Please bring those notes with you to class.</p> <p><b>ASSIGNMENTS ARE TO BE SUBMITTED VIA BLACKBOARD BY 8:00 P.M. ON THE EVENING OF CLASS (THE FIRST NIGHT OF CLASS FOR THE SACRAMENTO AND ORANGE COUNTY SECTIONS).</b> Assignments submitted later than this date/time will not be scored. You can access assignments on the <b>ASSIGNMENTS TAB</b>. Be sure that your document is in MS Word or .pdf format.</p>

## ASSIGNMENTS

<p><b>CLASS PARTICIPATION: 10%</b></p>	<p>Students are expected to participate in all class discussions. We will factor attendance, level of engagement and contributions to class discussions and group exercises. Students are also expected to demonstrate that they have completed the readings for each class.</p> <p>For the on campus section, the class participation grade is based in part on class discussions during weeks 13 and 14. Students will also be expected to give a brief 5 minute oral review of their paper.</p>
<p><b>REFLECTIVE REVIEWS: 30% (THREE REVIEWS, EACH 10%)</b></p>	<p>Students will prepare a reflective review for each part of the course, based on the assigned readings, that answers the question:  <b><i>As a leader in your workplace, how would you apply concepts from the readings to your work setting?</i></b></p> <p>There is one review for Part I, one for Part II, and one for Part III.</p> <p>Each review must cover at least three readings. Readings may be drawn from <i>any</i> of the four units within a part, but must be drawn from at least two different units.</p> <p>Each of the three reflective reviews should be a maximum of two pages in length, double spaced. Each review is to be completed according to the class schedule.</p> <p>Reviews will be graded on a scale of 10 points. Scores will be based on a <i>description</i> of the concepts, including illustrative quotes from the readings, as well as an <i>application</i> of the concepts to the work setting. In addition, proper use of written conventions and doctoral-level writing style must be evident.</p>
<p><b>TERM PAPER: 60% (THREE PARTS, EACH 20%)</b></p>	<p>The term paper will be written in <b>THREE</b> parts, one per part of the class. The goal of the term paper is to demonstrate understanding of the concepts and readings covered in class and to apply them to a specific scenario relevant to an urban educational setting.</p> <p>You are Superintendent of Urban Unified school district (UUSD). UUSD is located in a big city, and has about 15,000 students, 90% of whom are on free and reduced priced lunch. The student body is very diverse (45% Hispanic, 25% African American, 20% Asian and 10% White), including students who speak a dozen languages. Under your leadership, UUSD has been making steady improvements in student achievement, but most of the schools in the district still have low API scores and several have been labeled as critically underperforming by the state. The dropout rate in the district's two high schools is around 50%, and only a handful of students that graduate go on to four year colleges.</p>

The elected school board has long and fractious meetings, but you as Superintendent have skillfully done your best to keep it focused on improving student achievement. In fact, you have persuaded them to think about longer term planning issues. The new school board president is a businesswoman and community activist who wants to make UUSD a model for other urban districts.

At a recent meeting, the Board ended up having a discussion about the future of the district. The Board president notes that on her recent vacation she read *The World Is Flat* (see unit 2 readings), as well as some newspaper discussions of globalization and technological change. She is not sure what the implications are for the district, but she suspects they could mean big changes. In the ensuing Board discussion, some of the older (and rather grouchy) Board members note that the district continually faces a budget crunch and doesn't have the luxury of worrying about the economic conditions in which it must operate. Indeed a recent report from the Department of Finance in Sacramento suggests that revenues for the district are likely to barely grow in real terms over the next five years.

At the end of the discussion, the Board President asks that you prepare a report for the Board that addresses the following issues.

**PART I:** Given what we know about globalization, technological developments and economic trends (see unit 2 readings), and the kinds of high-poverty students the district teaches (see unit 3 readings) should the district develop a long term plan to respond? If the district should respond, what are the implications in terms of its educational programs and its organization? Detail your recommended changes in strategy, and provide a rationale in terms of the trends the district faces and the constraints it works under. Be sure to explain your reasoning.

**PART II:** TBA

**PART III:** With concrete reference to specific broad contextual issues facing your organization that you have already developed, describe the *relative potential* of each of the following managerial tactics for addressing the *problems and opportunities* that your organization is likely to face: (1) organizational redesign and restructuring, (2) inter-organizational contracting, (3) operational service innovation, (4) revenue pursuits, and (5) resource reallocation. Consider the relative merits of each, singly and in combination and be sure to link your evaluation to specific broader issues that your organization is likely to face.

For each part, provide a direct response to the school board member's questions. Be sure to provide cogent arguments for your position, and consider counterarguments. You should be sure to utilize course readings and any other research or evidence you feel is necessary to justify your position. You are encouraged to utilize data from any credible sources pertinent to your arguments.

Your responses to each part of the report should be 5 double spaced pages. Doctoral level writing and APA format are required.

Each part is worth **20 POINTS** and will be graded based upon (i) cogency of arguments in directly responding to the school board member's request; (ii) full use of course material and other sources; (iii) organization of material and doctoral writing standards.

Students may submit a draft of each part of the paper by the deadlines indicated on the schedule. Instructors will provide feedback and a tentative grade. Students may then submit a final revised version.

Each part of the paper is a standalone section of the paper; you do not have to combine them.

**GRADING**

Grading will be based on the following:

<b>ITEM</b>		<b>PERCENTAGE OF TOTAL GRADE</b>
Term Paper	Part I	20%
	Part II	20%
	Part III	20%
Reflective Review	#1	10%
	#2	10%
	#3	10%
Class Participation		10%

**UNIT SEQUENCE AND EXPECTED SCHEDULE  
SECTION 26544–VKC 100**

<b>PROFESSOR</b>	<b>DATE</b>	<b>UNIT</b>	<b>ASSIGNMENT DUE</b>
<b>Brewer</b>	8/23/06	1. An Introduction to Economic Concepts for Education	
	8/30/06	2. Education, Labor Markets and Globalization	
	9/6/06	3. Inequality and Poverty: Causes, Consequences and Remedies	Reflective Review #1
	9/13/06	4. Education as a Production Process: The Costs and Benefits of Alternatives	Term Paper Part I DRAFT (Optional)
<b>Nelson</b>	9/20/06	5. The History of California School Finance	Term Paper Part I
	9/27/06	6. The State Budget and California public education	
	10/4/06	7A. The School District Budget: Revenues and Expenditures 7B. Effective Budget Management: Measurements and Accountability	Reflective Review #2
	10/11/06	8A. Influencing Revenues: Options for Local Agencies 8B. The Policy Conflicts of the School District Budget	Term Paper Part II DRAFT (Optional)
<b>Hentschke</b>	10/18/06	9. Public, Private Not-for Profit Businesses and their Potential Impact on Educational Enterprises	Term Paper Part II
	10/25/06	10. Innovations in Organizational Operations and Procedures	
	11/1/06	11. Pursuit of Incremental Revenues Through Unconventional Revenue Sources	Reflective Review #3
	11/8/06	12. Resource Reallocation Strategies and Tactics	Term Paper Part III DRAFT (Optional)
<b>Brewer/ Hentschke</b>	11/15/06	13. Class Discussion	Term Paper Part III
	11/22/06	14. Class Discussion	

**UNIT SEQUENCE AND EXPECTED SCHEDULE  
SECTION 26546 –ORANGE COUNTY**

<b>PROFESSOR</b>	<b>DATE</b>	<b>UNIT</b>	<b>ASSIGNMENT DUE</b>
<b>Brewer</b>	10/20/06 - 10/21/06	1. An Introduction to Economic Concepts for Education	Reflective Review #1
		2. Education, Labor Markets and Globalization	
		3. Inequality and Poverty: Causes, Consequences and Remedies	
		4. Education as a Production Process: The Costs and Benefits of Alternatives	
<b>TERM PAPER PART I DRAFT (OPTIONAL) DUE 10/25; FINAL DUE 11/1</b>			
<b>Nelson</b>	11/3/06 - 11/4/06	5. The History of California School Finance	Reflective Review #3
		6. The State Budget and California public education	
		7A. The School District Budget: Revenues and Expenditures	
		7B. Effective Budget Management: Measurements and Accountability	
		8A. Influencing Revenues: Options for Local Agencies	
		8B. The Policy Conflicts of the School District Budget	
<b>TERM PAPER PART II DRAFT (OPTIONAL) DUE 11/8; FINAL DUE 11/15</b>			
<b>Hentschke</b>	11/17/06 - 11/18/06	9. Public, Private Not-for Profit Businesses and their Potential Impact on Educational Enterprises	Reflective Review #2
		10. Innovations in Organizational Operations and Procedures	
		11. Pursuit of Incremental Revenues Through Unconventional Revenue Sources	
		12. Resource Reallocation Strategies and Tactics	
<b>TERM PAPER PART III DRAFT (OPTIONAL) DUE 11/22; FINAL DUE 11/29</b>			

**UNIT SEQUENCE AND EXPECTED SCHEDULE  
SECTION 26549– USC SACRAMENTO CENTER**

<b>PROFESSOR</b>	<b>DATE</b>	<b>UNIT</b>	<b>ASSIGNMENT DUE</b>
<b>Brewer</b>	8/25/06 - 8/26/06	1. An Introduction to Economic Concepts for Education	Reflective Review #1
		2. Education, Labor Markets and Globalization	
		3. Inequality and Poverty: Causes, Consequences and Remedies	
		4. Education as a Production Process: The Costs and Benefits of Alternatives	
<b>TERM PAPER PART I DRAFT (OPTIONAL) DUE 9/1; FINAL DUE 9/9</b>			
<b>Hentschke</b>	9/8/06 - 9/9/06	9. Public, Private Not-for Profit Businesses and their Potential Impact on Educational Enterprises	Reflective Review #2
		10. Innovations in Organizational Operations and Procedures	
		11. Pursuit of Incremental Revenues Through Unconventional Revenue Sources	
		12. Resource Reallocation Strategies and Tactics	
<b>TERM PAPER PART III DRAFT (OPTIONAL) DUE 9/15; FINAL DUE 9/23</b>			
<b>Hall</b>	10/6/06 - 10/7/06	5. The History of California School Finance	Reflective Review #3
		6. The State Budget and California public education	
		7A. The School District Budget: Revenues and Expenditures	
		7B. Effective Budget Management: Measurements and Accountability	
		8A. Influencing Revenues: Options for Local Agencies	
		8B. The Policy Conflicts of the School District Budget	
<b>TERM PAPER PART II DRAFT (OPTIONAL) DUE 10/14; FINAL DUE 10/21</b>			

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**PART I. THE ECONOMIC CONTEXT OF URBAN SCHOOLING**

The first four units of the class will provide an overview of basic economic concepts and illustrate how they can be useful in thinking about the critical challenges facing urban educators. Several topics of particular interest will be covered including the changing structure of labor markets due to globalization and technological developments, and the causes and consequences of poverty. Resource allocation decisions and cost effectiveness will also be covered.

Several themes will be emphasized throughout these units. First, economics is a tool, an analytic frame that can be useful and complementary to other approaches. Second, the fundamental notion of tradeoffs is prevalent throughout education – in particular between efficiency, equity and liberty – and all choices by individuals or organizations involve “opportunity costs”. Third, education systems are both affected by, and can affect, the society in which they operate. Understanding and shaping the constraints and opportunities is critical to optimal resource allocation.

<b>UNIT 1</b>	<b>AN INTRODUCTION TO ECONOMIC CONCEPTS FOR EDUCATION</b>
<b>UNIT 2</b>	<b>EDUCATION, LABOR MARKETS AND GLOBALIZATION</b>
<b>UNIT 3</b>	<b>INEQUALITY AND POVERTY: CAUSES, CONSEQUENCES AND REMEDIES</b>
<b>UNIT 4</b>	<b>SCHOOLING AS A PRODUCTION PROCESS: THE COSTS AND BENEFITS OF ALTERNATIVES</b>

## UNIT 1 AN INTRODUCTION TO ECONOMIC CONCEPTS FOR EDUCATION

### INTRODUCTION

The purpose of this introductory class is to provide an overview of economics as one analytical framework for thinking about the world. The starting point is the individual and societal problem of allocating scarce resources and the notion of 'opportunity costs'.

### UNIT LEARNING GOALS

When you finish this unit, you will be able to:

1. Define economics including its strengths and limitations as an analytic tool.
2. Understand the basic workings of markets as an allocation mechanism, as well as alternatives.
3. Define public goods, know their rationale and understand when markets might fail.
4. Classify policy options in regard to public/private financing/operation of schools including tax credits, charter schools, and educational vouchers.
5. Describe the trade offs between efficiency, equity and liberty in making educational resource and policy decisions.

### READINGS TO COMPLETE BEFORE CLASS:

- a. Wahlberg, H. J. and Bast, J. L. (2003). *Education and Capitalism: How Overcoming Our Fear of Markets and Economics Can Improve America's Schools*. Stanford, CA: Hoover Institution Press, pp. 183-227.
- b. Levitt, S. D. and Dubner, S. J. (2005). *Freakonomics: A Rogue Economist Explores the Hidden Side of Everything*. New York: Harper Collins, pp. 19-24.
- c. Vaknin, S. (2006). Is education a public good? Temple of the Screaming Electron [http://www.totse.com/en/politics/political\\_spew/iseducationapu173733.html](http://www.totse.com/en/politics/political_spew/iseducationapu173733.html)
- d. Levin, H. (1991). The Economics of Educational Choice. *Economics of Education Review* 10 (2), 137-158.
- e. Gill, B., Timpane, M., Ross, K., and Brewer, D.J. (2001). *Rhetoric Versus Reality: What We Know and What We Need to Know About Vouchers and Charter Schools*. Santa Monica, CA: RAND Corporation. RAND MR 1118, pp. 1-68.

## UNIT 2 EDUCATION, LABOR MARKETS AND GLOBALIZATION

### **INTRODUCTION**

This class will introduce the notion of human capital, the idea that individuals invest in schooling for future monetary payoff. Factors affecting the costs and benefits of investing in education will be considered, as well as a consideration of forces shaping labor markets in the twenty-first century.

### **UNIT LEARNING GOALS**

When you have finished this unit you will be able to:

1. Describe trends in the acquisition of schooling and earnings differences by education level in the U.S. over time.
2. Understand the concepts of human capital, monetary and non monetary costs and benefits, the rate of return to schooling, and screening and sorting.
3. Consider factors likely to affect to rate of return to schooling, and the relationship between skills and the labor market payoff.
4. Understand the key components of recent trends in labor markets including the role of new technologies, “globalization” and immigration, along with the implications of these trends for education.

### **READINGS TO COMPLETE BEFORE CLASS**

- a. Salamon, L.M. (1991). Overview: Why Human Capital? Why Now? In D. W. Hornbeck and L.M Salamon (eds.), *Human Capital and America's Future*. Baltimore, MD: Johns Hopkins University Press, pp. 1-28.
- b. Karoly, L. A. and Panis, C.W.A. (2004). *The 21<sup>st</sup> Century at Work: Forces Shaping the Future Workforce and Workplace in the United States*. Santa Monica, CA: RAND Corporation. Summary, pp. xiii-xxxiv.
- c. Friedman, T. L. (2005). *The World is Flat: A Brief History of the 21<sup>st</sup> Century*. New York: Farrar, Straus, and Giroux, pp. 250-275.
- d. Reed, D. (2003). *The Growing Importance of Education in California*. San Francisco, CA: The Public Policy Institute of California.  
[http://www.ppic.org/content/pubs/op/OP\\_703DROP.pdf](http://www.ppic.org/content/pubs/op/OP_703DROP.pdf)

### **OPTIONAL:**

- e. Ehrenberg, R. G. and Smith, R. S. (2006). *Modern Labor Economics: Theory and Public Policy* (9<sup>th</sup> ed.). Boston, MA: Person Education, pp 275-290.

### UNIT 3

#### INEQUALITY AND POVERTY: CAUSES, CONSEQUENCES AND REMEDIES

#### **INTRODUCTION**

This class will focus on the structure of economic opportunity in the U.S. and in particular on the issue of poverty and income inequality. The class will consider how poverty impacts educators in urban school settings, possible explanations for poverty and its persistence, and ways in which it can be alleviated.

#### **UNIT LEARNING GOALS**

When you have finished this unit you will be able to:

1. Define poverty, and accurately describe patterns and trends in poverty in the U.S. including the relationship with urbanicity, region, race/ethnicity, gender, and family status, among other factors.
2. Articulate alternative theories for the existence and persistence of poverty, along with relevant empirical evidence to support them.
3. Consider the ways in which education policies can contribute to the alleviation or exacerbation of poverty, and the relationship of education to other government-sponsored compensatory programs and strategies.

#### **READINGS TO COMPLETE BEFORE CLASS**

- a. *Just the Facts: Poverty in California*, Public Policy Institute of California. [http://www.ppic.org/content/pubs/jtf/JTF\\_PovertyJTF.pdf](http://www.ppic.org/content/pubs/jtf/JTF_PovertyJTF.pdf)
- b. *Just the Facts: Wage Trends in California*, Public Policy Institute of California. [http://www.ppic.org/content/pubs/jtf/JTF\\_WageTrendsJTF.pdf](http://www.ppic.org/content/pubs/jtf/JTF_WageTrendsJTF.pdf)
- c. Iceland, J. (2003). *Poverty in America*. Los Angeles, CA: University of California Press, pp. 70-97.
- d. Rothstein, R. (2004). *Class and Schools*. Washington, DC: Economic Policy Institute. pp. 1-59.
- e. Karoly, L. (2001). Investing in the Future: Reducing Poverty through Human Capital Investments. In S.H. Danziger and R.H. Haveman (eds.), *Understanding Poverty*. Cambridge, MA: Harvard University Press, pp. 314-356 (in particular pp. 328-332).

**UNIT 4**  
**SCHOOLING AS A PRODUCTION PROCESS: THE COSTS AND BENEFITS OF ALTERNATIVES**

**INTRODUCTION**

This unit considers the idea of an “education production” process that transforms a set of inputs into outputs. We will consider whether resources are being used efficiently in the current K-12 educational system, and how we would know. Cost effectiveness is also discussed as a mechanism for choosing among alternatives.

**UNIT LEARNING GOALS**

When you have finished this unit you will be able to:

1. Describe the concept of a production function as applied to education.
2. Give an overview of the empirical evidence on productivity in U.S. schools, including the measurement challenges in determining resource effectiveness, synthesizing research findings and the implications for day to day educational decision making.
3. Apply the concept of cost effectiveness to decisions about educational resources and some common reform strategies (e.g. class size reduction).

**READINGS TO COMPLETE BEFORE CLASS**

- a. Hanushek, E. (2003). The Failure of Input-based Schooling Policies. *The Economic Journal*, 113, 64-98.
- b. McEwan, E.K., and McEwan, P.J. (2003). *Making Sense of Research*. Corwin Press, pp. 91-109.
- c. Brewer, D.J., Krop, C., Gill, B.P., and Reichardt, R. (1999). Estimating the Cost of National Class Size Reductions under Different Policy Alternatives. *Educational Evaluation and Policy Analysis*, 21(2), 179-192.

**OPTIONAL:**

- d. Cohn, E., and Geske T.G. (1990). *The Economics of Education* (3<sup>rd</sup> ed.). New York: Pergamon Press, pp. 159-166.

## **PART II. CALIFORNIA SCHOOL FINANCE**

This part of the course focuses on California school finance with special emphasis on fiscal management for California educational entities. The section addresses the practical issues and conflicts that arise in the management of public education's financial resources and the options available to the chief executive officer in designing an effective educational enterprise under the limitations of California's school finance structure.

<b>UNIT 5</b>	<b>THE HISTORY OF CALIFORNIA SCHOOL FINANCE</b>
<b>UNIT 6</b>	<b>THE STATE BUDGET AND CALIFORNIA PUBLIC EDUCATION</b>
<b>UNIT 7</b>	<b>A: THE SCHOOL DISTRICT BUDGET: REVENUES AND EXPENDITURES</b>
	<b>B: EFFECTIVE BUDGET MANAGEMENT: MEASUREMENTS AND ACCOUNTABILITY</b>
<b>UNIT 8</b>	<b>A: INFLUENCING REVENUES: OPTIONS FOR LOCAL AGENCIES</b>
	<b>B: THE POLICY CONFLICTS OF THE SCHOOL DISTRICT BUDGET</b>

## UNIT 5 THE HISTORY OF CALIFORNIA SCHOOL FINANCE

### INTRODUCTION

The modern era of California school finance has gone through enormous change over the last 50 years. But, despite its dated nature, the decisions of yesterday's policy leaders impacts on the delivery of modern day public education. Serrano vs. Priest (1969-1983), Proposition 13 (1978), Proposition 98 (1988) and the roller coaster era of funding from 1990 to 2006 all impact on today's education leadership. Policy decisions of today are often unique and sometimes very difficult due to the twists and turns of school finance history.

The debates of 2006 begin a potential new era focusing on the adequacy of public finance funding rather than just the equity of funding between school districts. The Adequacy Debate can have a major impact on finance funding in the future and the education manager needs to be able to absorb and track with the newest school finance debate of the 21<sup>st</sup> Century.

### UNIT LEARNING GOALS

To understand and be able to articulate in writing and/or orally:

1. How each historical event impacts on today's school finance;
2. Why California's courts determined California's finance system was unconstitutional;
3. How the funding shift of Proposition 13 impacts on today's education policy;
4. The significance of Proposition 98 and the state's debate over full funding;
5. The major public agency finance growth periods between 1990 and 2006 and how the added funding was allocated;
6. The difference between equity and adequacy funding and evidence of a future debate over adequacy funding.

### READINGS TO COMPLETE BEFORE CLASS

- a. Rose, H., Sonstelie, J., Reinhard, R., and Heng, S. (2003). *High Expectations, Modest Means: The Challenge Facing California's Public Schools*. San Francisco, CA: Public Policy Institute of California.  
[www.ppic.org/content/pubs/report/R\\_1003HRR.pdf](http://www.ppic.org/content/pubs/report/R_1003HRR.pdf)
- b. Goldfinger, P., and Blattner, B. (2005). *Revenues and Revenue Limits, A School Guide to Finance in California*. Sacramento, CA: School Services of California, pp. 3-37.
- c. Elmore, R., and McLaughlin, M. (1982). *Reform and Retrenchment: The Politics of California School Finance Reform*, Cambridge, MA: The Ballinger Publishing Company, pp. 35-51.
- d. California School Boards Association (2006). *School Finance, Understanding California's Public School Finance System*. Sacramento, CA: California School Boards Association.
- e. California Budget Project (2006, April). *School Finance in California and the Proposition 98 Guarantee*. Sacramento, CA: California Budget Project.

## UNIT 6 THE STATE BUDGET AND CALIFORNIA PUBLIC EDUCATION

### **INTRODUCTION**

More than 50% of the State Budget is expended for public education with more than 40% committed to K-12 funding. Additionally the State of California determines almost 100% of the funding for public schools through its decisions regarding the property tax allocations and other smaller but dedicated revenue sources. Local agencies have become revenue dependent agencies of the state and every marginal dollar of increase in local agency funding is determined by the State Capitol.

Today's education manager has to be able to move with ease through the labyrinth of funding determinations of the State. The constant capitol debate over funding allocations between numerous interests is made even more difficult as the state determines public education funding allocations between restricted or categorical funds and unrestricted distributions.

### **UNIT LEARNING GOALS**

To understand and be able to articulate in writing and/or orally:

1. The sources of state revenues and how state expenditures are distributed;
2. The local, state and federal sources of school agency revenues and who determines the allocation;
3. The distribution of total state and local funding to education and its allocation between restricted and unrestricted;
4. The role of the property tax and state funding in determining total local agency funding;
5. The 2006-07 state budget allocations to K-12 and the areas of focus of the added funds;
6. The state budget timeline and how to influence state expenditure decisions

### **READINGS TO COMPLETE BEFORE CLASS**

- a. Howell, P (2000). *Understanding School Finance: California's Complex K-12 System*. Palo Alto, CA: EdSource.
- b. Hill, E.G. (2006, June). *Major Features of the 2006 California Budget*. Sacramento, CA: Legislative Analyst Office. Read State Budget overview and K-12 Education only.  
[http://lao.ca.gov/2006/major\\_features/major\\_features\\_2006.pdf](http://lao.ca.gov/2006/major_features/major_features_2006.pdf)
- c. California Budget Project (2003). *Dollars and Democracy: An Advocates Guide to the California Budget Process*. Sacramento, CA: California Budget Project.
- d. California Budget Project (2006, April). *Who Pays Taxes in California?* Sacramento, CA: California Budget Project.

**UNIT 7A**  
**THE SCHOOL DISTRICT BUDGET: REVENUES AND EXPENDITURES**

**INTRODUCTION**

The school district budget reflects the priorities of the local agencies. While public school agencies are dependent on the state for revenues, they are generally independent agents in determining unrestricted expenditures. The district budget will reflect the priorities of a local agency more than any other single district document.

Education leaders need to be able to understand and read a district budget document. While accounting codes seem an arcane issue to the policy maker, the ability to move comfortably in 'budget talk' has to be a part of the manager's expertise. It is impossible to allocate priorities unless the policy maker can also understand the district's expenditure plans, reports and multi year projections.

Approximately 68% of the typical school district's budget is determined by one single revenue calculation: the district's revenue limit. The primary features of a school district's revenue limit need to be understood and, if necessary, education leadership should be comfortable describing a revenue limit on the back of a cocktail napkin.

**UNIT LEARNING GOALS**

To understand and be able to articulate in writing and/or orally:

1. The characteristics of a specific school district's budgeted revenues and expense;
2. The difference between alternative methods of reading a budget--by program and by object code;
3. The typical distribution of revenues and expenditures in a school district and how that impacts on policy decisions;
4. The role of restricted funding and local agency decisions on restricted allocations;
5. How a revenue limit is determined and the primary characteristics in determining a school district's revenue limit income;
6. The role of a multi year projection and its strength and weaknesses in determining future year revenue and expense.

**READINGS TO COMPLETE BEFORE CLASS**

- a. Perry, M. (2005). *Understanding School District Budgets, A Guide for Local Leaders*. Palo Alto, CA: EdSource.
- b. California School Boards Association (2006). *School Finance, Understanding District Budgets*. Sacramento, CA.
- c. California School Boards Association (2006). *Budget Planning and Adoption*. Sacramento, CA.

**UNIT 7B**  
**EFFECTIVE BUDGET MANAGEMENT: MEASUREMENTS AND ACCOUNTABILITY**

**INTRODUCTION**

California has suffered numerous local school agencies that have become insolvent. In 1990 the Richmond Unified School District attempted to close its doors because it did not have sufficient funds to keep school in session, but the courts determined that the doors must remain open and that the state was obligated to provide sufficient funds to complete the school year.

Since that unfortunate situation, California has funded about seven districts with bailout funding and, as a consequence, the school superintendent, chief business officer and local board of those districts have been relieved of their duties. To identify financially weak districts and to ensure that corrective action is in place, the state has imposed numerous budget controls and reporting obligations.

The budget approval process and local measurement warning signs are an important part of district management and they need to be understood in order to stay out of financial trouble that can debilitate the most effective career.

**UNIT LEARNING GOALS**

To understand and be able to articulate in writing and/or orally:

1. The conclusions of the court in the case of Richmond Unified School District;
2. The primary reasons why school districts become insolvent;
3. The characteristics of AB 1200 in establishing financial accountability measurements on school districts;
4. The circumstances of one district which has a qualified or negative certification;
5. The results of one district that has had a bail-out state loan.
6. Alternative early warning systems in measuring a district's fiscal strength or weakness

**READINGS TO COMPLETE BEFORE CLASS**

- a. (1992). *Butt v. State of California*, 4 Cal. 4<sup>th</sup> 668. Read synopsis of the case history, at the front of the decision and the court's reasoning only. It is not necessary to read concurring dissent. Do not read footnotes.
- b. California School Boards Association (2006). *Fiscal Accountability*. Sacramento, CA: California School Boards Association.

**UNIT 8A**  
**INFLUENCING REVENUES: OPTIONS FOR LOCAL AGENCIES**

**INTRODUCTION**

California school agencies are unique in that they are funded based on the population that they serve. No other public agency in California is funded based on population. Education leadership needs to understand the influence of Average Daily Attendance (ADA) in local agency income and how they can influence ADA change. Managing ADA--both growth and decline---is an essential part of influencing district revenues.

School agencies can also seek assistance from the local taxpayer for education support. Parcel tax elections, maintenance assessment districts, developer fees and local capital facility bonds are significant parts of local funding for school needs. Understanding the pros and cons of each local revenue characteristic must be understood by today's education leaders.

**UNIT LEARNING GOALS**

To understand and be able to articulate in writing and/or orally:

1. The role of ADA in determining revenues;
2. The impact of growth and declining ADA on a district budget;
3. Methods of influencing ADA and to what extent any of them are used in a specific local agency;
4. The local agency obligations and limitations for all local revenue options;
5. How a specific district increased its revenues using a local revenue option.

**READINGS TO COMPLETE BEFORE CLASS**

- a. California Budget Project (1996). *What are the Difference between Assessments, Fees and Taxes?* Sacramento, CA: California Budget Project, 1996

**UNIT 8B**  
**THE POLICY CONFLICTS OF THE SCHOOL DISTRICT BUDGET**

**INTRODUCTION**

Since local agency revenues are finite the local policy debates of public education have centered on what should be funded from the limited revenues available. If a local agency funds this, they cannot fund that. Many times the obligation of the policy maker is to "Getting to No"---so a district can say "yes."

A significant part of the policy debate includes managing the influences of collective bargaining. The fiscal impact of the bargaining process and how it determines local expenditure allocations is an important part of the policy debate of local school agencies.

## **UNIT LEARNING GOALS**

To understand and be able to articulate in writing and/or orally:

1. The impact on a school district budget of numerous major changes in a district's expenditure policy;
2. Typical methods of turning a school district's budget around;
3. Major changes in a selected local agency budget for 2006-07;
4. The role of collective bargaining on the fiscal aspects of a district budget;
5. Typical areas of focus for bargaining units and how the areas can impact a district budget.

## **ACTIVITIES TO COMPLETE PRIOR TO CLASS**

- Budget review. Select a budget of a California school district. Bring it to class and be ready to describe the major changes in revenues and expenditures for 2006-07. The budget can be of your own school district or if you are not employed by a school district, the budget of your resident district.
- Budget statistics. In addition to being able to describe the budget changes noted above, also provide, in written form for all members of the class, the primary facts of the budget as follows. Indicate the district enrollment, ADA, revenue limit per ADA, total revenue per ADA, and whether the district is growing or declining in ADA and the amount of revenues generated as a result of the growth or decline. Indicate the revenue per ADA which is unrestricted and amounts per ADA restricted. For expenditures indicate the amounts per ADA for: total expenditures, total certificated salaries, certificated non management salaries, classified salaries, health and welfare benefits, instructional materials and other major expenditure features of the district budget. Finally indicate the amount per ADA in the district's beginning and projected ending balance both restricted and unrestricted.
- Contract review. Select an employee contract agreement for a bargained agreement of a school district. Review the agreement and bring it to class. Be ready to describe a part of the agreement that has a high cost due to the nature of the contract language. Do not select a contract item that is required by state or federal law but instead identify and item that is unique to that local agency. The contract can be of your own school district or if you are not employed by a school district, a contract of your resident district.

### **PART III. INTRA-ENTEPRISE FINANCIAL MANAGEMENT**

The overriding goal for these four units of the course is to understand and apply basic principles and procedures for improving the productivity, efficiency, and effectiveness of a single educational enterprise (e.g., school, college, agency, business). Particular attention is directed to the broad, overlapping categories of managerial behavior that are most frequently employed for achieving these organizational goals: organizational redesign, restructuring, inter-organizational contracting, operational service innovations, pursuit of additional revenues from additional sources, and resource reallocation.

<b>UNIT 9</b>	<b>PUBLIC, PRIVATE NOT-FOR PROFIT, AND PRIVATE FOR-PROFIT BUSINESSES AND THEIR POTENTIAL IMPACT ON EDUCATIONAL ENTERPRISES</b>
<b>UNIT 10</b>	<b>INNOVATIONS IN ORGANIZATIONAL OPERATIONS AND PROCEDURES</b>
<b>UNIT 11</b>	<b>PURSUIT OF INCREMENTAL REVENUES THROUGH UNCONVENTIONAL REVENUE SOURCES</b>
<b>UNIT 12</b>	<b>RESOURCE REALLOCATION STRATEGIES AND TACTICS</b>

**UNIT 9**  
**PUBLIC, PRIVATE NOT-FOR PROFIT, AND PRIVATE FOR-PROFIT BUSINESSES AND THEIR POTENTIAL  
IMPACT ON EDUCATIONAL ENTERPRISES**

**INTRODUCTION**

The structures, governance, and operations of organizations, while often perceived as constraints and parameters to “work around,” are also amenable to changes by leaders of those organizations. Leaders also determine the other organizations with which their schools functionally interact, e.g., through contracts and memoranda of understandings. Internal organizational forms and operations are examined here for two overlapping reasons: (1) the variety (control, sector location, governance) of “schools” is growing, and understanding the ways in which they vary is increasingly consequential, and (2) educational leaders interact with (and are also involved in creating) additional organizations in the process of advancing the mission of “their” educational enterprises.

**UNIT LEARNING GOALS**

When you finish this unit, you will have learned to:

1. Evaluate the comparative advantages of different educational organizations that derive from their individual governance arrangements and economic sector location.
2. Become familiar with and use “organization” as a managerial decision rather than as a managerial constraint.
3. Identify and apply the criteria for determining when to consider “buy vs make” decisions for their organization.

**READINGS TO COMPLETE BEFORE CLASS**

- a. Brest, P., and Wheeler, M. C. (2005). *Panel on the Nonprofit Sector: Strengthening Transparency, Governance, and Accountability of Charitable Organizations*. Washington, D.C., Independent Sector, 1-112. Read only pp. 1-19.
- b. Davies, Brent, and Hentschke, Guilbert (2002). Changing Resource and Organizational Patterns: The Challenge of Resourcing Educational Organizations in the 21<sup>st</sup> Century. *Journal of Educational Change* 3(2), 135-159.
- c. Davies, Brent, and Hentschke, Guilbert (2006) Public-private partnerships in education: insights from the field. *School Leadership and Management* 26(3), 205-226.
- d. Jackson, J. M., et al. (2004). *K-12 Solutions: Learning markets & opportunities 2004*. Boston, MA: Eduventures, pp.1-42.
- e. Rufo-Lignos, Patricia, and Richards, Craig, (2003), Emerging Forms of School Organization, *Teachers College Record* 105(5), 753-781.

**UNIT 10**  
**INNOVATIONS IN ORGANIZATIONAL OPERATIONS AND PROCEDURES**

**INTRODUCTION**

“Managerial competence” in urban education encompasses two priorities that are often in tension with each other. Faithful stewardship and knowledgeable execution of the policies and regulations designed by various higher authorities can ultimately constrain the pursuit of increased productivity, efficiency and effectiveness through innovation and entrepreneurial behavior. Within the education profession much attention is (appropriately) directed at enforcing the former; in this class some of the basic issues associated with the latter are examined.

**UNIT LEARNING GOALS**

When you finish this unit, you will have learned to:

1. Understand how innovation is fostered and constrained in most organizations, especially in education.
2. Identify the basic challenges associated with identifying an innovation and evaluating how best to introduce that innovation into professional practice.
3. Distinguish the conditions that foster innovations introduced *within* existing educational organizations from those that are initially created *outside* those organizations.

**READINGS TO COMPLETE BEFORE CLASS**

- a. Albury, D. (1/2005). Fostering Innovation in Public Services. *Public Money & Management*. January: 51-56.
- b. Arkam, K., et al (2005). Subsational: Helping Schools Educate One Sub At A Time! Feasibility Analysis [student paper for BAEP 552, USC Marshall School of Business]
- c. Christensen, C. M., (2005) “Disruptive Innovation” in American Public Education, address to the Annual Convention, Education Commission of the States, Denver, CO, 7/14/05, video, 45-min.
- d. Christensen, C. M. et al. (2003). Six Keys to Creating New-Growth Businesses. *Harvard Management Update*. (# U0301A). 3-6.
- e. Edwards, C. (2000). *Entrepreneurs Creating the New Economy*. Washington, D.C., U.S. Congress, Joint Economic Committee Staff Report, 1-42. Read only pp. 1-7, 19-21, and 32-35.

**UNIT 11**  
**PURSUIT OF INCREMENTAL REVENUES THROUGH UNCONVENTIONAL REVENUE SOURCES**

**INTRODUCTION**

Redirecting existing revenues and raising new, additional, revenues are two sides of the same coin: both can potentially provide the means for advancing organizational priorities. This class will examine the multiple markets for cultivating and harvesting additional net revenues, including, in addition to appropriations, competitive grants, donations, “sales” of schooling and related services, and commercialization of intellectual property. In addition, the costs of raising incremental revenues are considered along with their various benefits.

**UNIT LEARNING GOALS**

When you finish this unit, you will have learned to:

1. Appraise current revenue streams in an organization with the eye toward evaluating their relative potential for growth in both top line and net revenues.
2. Evaluate organizational designs and operations from the perspective of their actual and potential implications for generating additional revenues.
3. Identify priority revenue growth opportunities and the association between them and organizational priorities.

**READINGS TO COMPLETE BEFORE CLASS**

- a. Arumi, A. M., et al. (2005). The charitable impulse: Those who give to charities – and those who run them – talk about what’s needed to keep the public’s trust.” *Public Agenda*. 1-33.
- b. Levenson, S. (2/2006). The big gift: A new fundraising strategy for public schools. *American School Board Journal*. 28-31.
- c. Scutari, C. (5/30/2006). Corporate tuition tax credit is law. *Arizona Republic* accessed through [www.azcentral.com](http://www.azcentral.com).
- d. Brent, B. O., and Jijanowski, J. C. (5/2003). The Benefits (and Costs) of District Education Foundations. *School Business Affairs* (69:5), 6-10.

## UNIT 12

### RESOURCE REALLOCATION STRATEGIES AND TACTICS

#### **INTRODUCTION**

This class seeks to supplement understanding of annual, incremental budgeting procedures that exist in virtually all education organizations. Those processes vary greatly among different kinds of organizations; at the same time, most are very often historically-oriented with future allocations based on historical formulas and well documented routines, with managerial accountability limited to stewardship of pre-allocated expenditures, not to revenue generation. Most routine annual budgeting practices have the intended effect of reinforcing past patterns of practice. *Reallocation* strategies, on the other hand, seek just that – to re-direct resources to new and different priorities. Reallocation strategies are the primary focus of this class.

#### **UNIT LEARNING GOALS**

When you finish this unit, you will have learned to:

1. Distinguish between business practices that reinforce current operations from those which seek to change those operations.
2. Evaluate the issues associated with redirecting resources, both those associated with reducing commitments to low priorities as well as increasing commitments toward higher priorities.
3. Recognize the costs and benefits of reallocation of resources through budgeting from those associated with reallocation of resources through organizational redesign.

#### **READINGS TO COMPLETE BEFORE CLASS**

- a. Eggers, W. D. et al. (10/2005). *Driving more money into the classroom: The promise of shared services*. Santa Monica, CA: The Reason Foundation with Deloitte Research. 1-39.
- b. Latz, S. et al. (7/2003). *Understanding the Budget and Financial Management of the School District*. 1-113. Read only pp. 8-40.
- c. Salisbury, D. (10/4/2005). Saving money and improving education: how school choice can help states reduce education costs. *Policy Analysis*. No. 551. 1-36.
- d. Vail, K. (10/2002). A new kind of school: here's (virtually) everything you need to know about the brave new world of e-learning. *American School Board Journal*. Accessed from [http://www.mtwp.net/~jane\\_glass/media/asbjnowalls.pdf](http://www.mtwp.net/~jane_glass/media/asbjnowalls.pdf)
- e. Weiss, E. H. (1974). The fallacy of appellation in government budgeting. *Public Administration Review*. (34:4), July-Aug., 377-379.