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World Education Leadership Symposium (WELS) Online Conference 2022

Initiator and Organizer / Initiator und Leiter:

Prof. Dr. Stephan Gerhard Huber

Host WELS 2022 (since 2009) / Veranstalter WELS 2022 (seit 2009):

Institute for the Management and Economics of Education (IBB) /

University of Teacher Education Zug (PH Zug)

Institut für Bildungsmanagement und Bildungsökonomie (IBB) /

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COVID-19 and School Finance: Adjusting to Downturns and Accommodating the Costs of Online Education

Dr. Tyrone Bynoe, Associate Professor - St Bonaventure University

Dr. Thomas Downes, Associate Professor – Tufts University

WELS Online Symposium – Zug, Switzerland

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Key Research Questions

- *During economic downturns, do states where inequality grows less have common elements in their finance systems?*
- Or during economic downturns (such as the impending recession during COVID-19), which particular state school finance systems [or formulaic policies] are associated with more inter-district spending disparities and which school finance systems are associated with less inter-district disparities?

Two Models of State School Finance Systems

Categorical Grants-In-Aid

- Categorical Grants-in-aid are state revenues sources allocated to meet specific needs.

Tax-Effort Equalization Programs

- Tax-effort equalization programs are state formulas for operating aid generated by a system of state-and-local taxes with the goal to redistribute state wealth so that average state spending reflects what the state wants and not that of local communities.

Spectrum of School-Finance Equalization Models

Least Centralized

Most Centralized

Flat Grant

Foundation Program

District Power Equalization

Full State Funding





Flat Grants



- Flat grants provide a **fixed amount** of funding per pupil to each school district in the state
- This funding is **not based on the locality's fiscal capacity**
- Most states do not use flat grants as the primary vehicle for distributing funds to localities

The Flat Grant – Graphic Representation

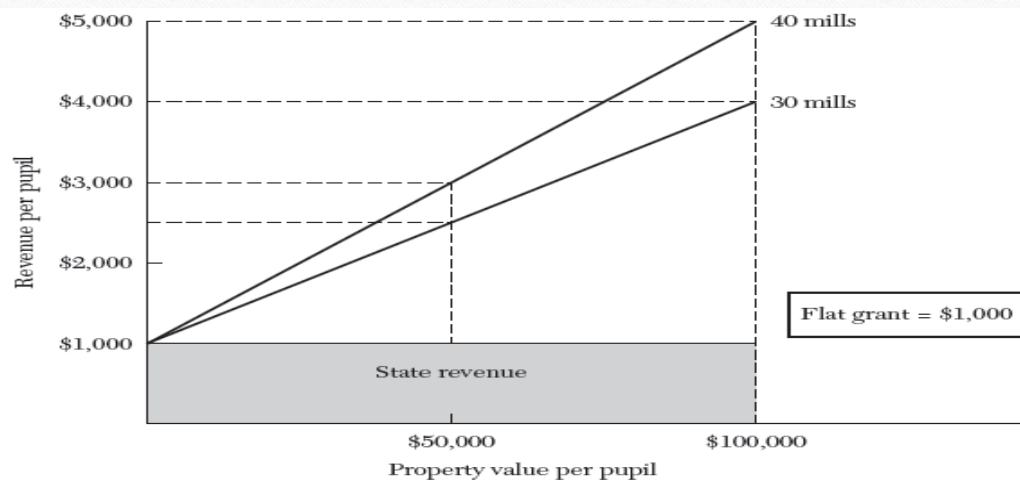


FIGURE 6.5 Graphical Representation of the Impact of a Flat Grant

Equalization Impact of Flat Grants

School District	Local Property Value	Local Revenue	Flat Grant Amount	Total Spending Per Pupil
A	\$ 5,000	50	2,000	2,050
B	\$ 50,000	500	2,000	2,500
C	\$250,000	2500	2,000	4,500
D	\$500,000	5000	2,000	7,000

Foundation Programs

- **Foundation programs** are a means of providing equalization grants to school systems
- A foundation program **establishes** some **minimum level of per-pupil funding** that must be met with a combination of local and state funding
- No district can fall below this foundation level

The Foundation Program – A Graphic Representation

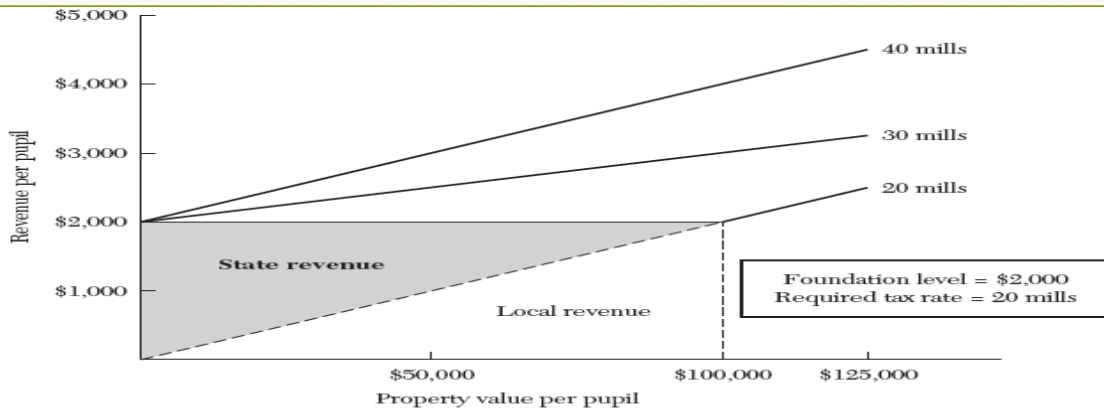


FIGURE 6.7 Graphical Representation of the Effect of a Foundation Program

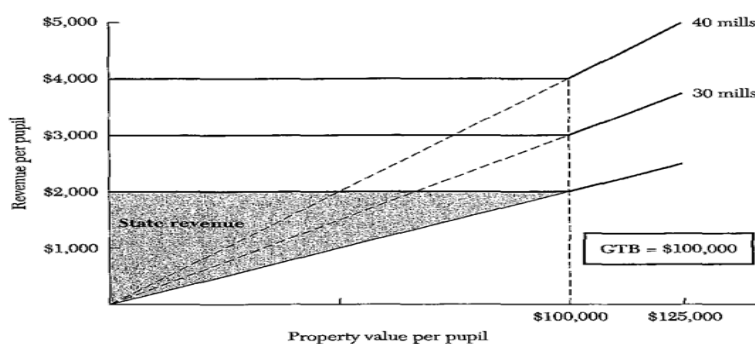
Foundation Program

	Local Capacity	State Aid	Foundation Level	Local Leeway	Total Funding
A	\$ 1,000	9,000	10,000	0	10,000
D	\$ 7,500	2,500	10,000	2,500	12,500
E	\$ 10,000	0	10,000	2,500	12,500

District Power Equalizing Programs

- A third type of equalization program is District Power Equalizing (DPE)
- DPE programs guarantee that each locality can operate as if all school districts had an equal per pupil property tax base

District Power Equalizing: A Graphic Representation



Combination Programs

- Other equalization formulae exist as hybrids between foundation programs and District Power Equalizing programs
- These programs take the best of other formulae and apply those components to their particular conceptual framework

Combined Foundation Program – A Graphic Representation

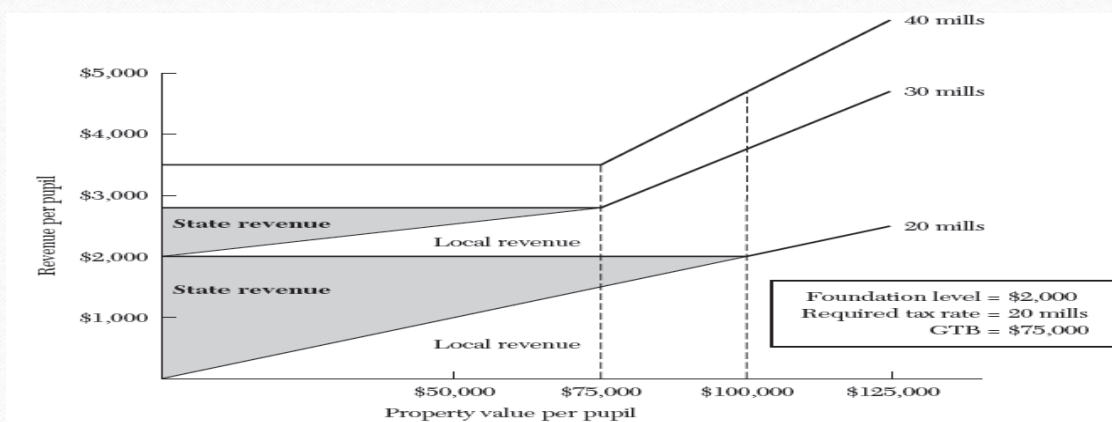


FIGURE 6.11 Graphical Representation of the Impact of a Combination Foundation and Guaranteed Tax Base Program

Methodology = Fixed Effects Panel Regression Simplified

$$\text{Equity (Fairness or Effort)} = B_0 + B_1(\text{State School Finance Systems}) + B_2(\text{Economic Downturn [Dummy Variable = 1 or 0]}) + B_3(\text{Control for State Specific Effects}) + e$$

Table 3
Variation in Equity Measures and Characteristics of School Financing Systems
(Standard errors clustered by state in parentheses)

All specifications include state-specific effects and state-specific trends. Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

VARIABLES	Fairness – Current Expenditures	Fairness – State and Local Revenues	Fairness - Local Revenues	Fairness – Teachers per 100 Pupils	Effort – Spending to GSP	Effort – Spending to Income
Downturn	0.00750 (0.0398)	0.00948 (0.0477)	-0.0647 (0.0580)	0.0264 (0.0382)	0.00364** (0.00145)	0.00306* (0.00160)
Downturn x Foundation Program	0.0205 (0.0223)	0.0481* (0.0280)	0.0640* (0.0342)	0.0381* (0.0199)	-0.000199 (0.000970)	0.00113 (0.00107)
Downturn x Power equalization	0.0272 (0.0230)	0.0386* (0.0206)	0.0653** (0.0294)	0.0366** (0.0179)	0.000374 (0.000698)	0.000450 (0.000794)
Downturn x Flat grant	0.00772 (0.0213)	-0.0569 (0.0495)	-0.0772 (0.0470)	-0.0141 (0.0344)	-0.000378 (0.00115)	-3.78e-05 (0.00135)
Downturn x Categorical aid	-0.0144 (0.0178)	-0.0286 (0.0221)	0.00394 (0.0265)	-0.0283 (0.0192)	-0.000447 (0.000673)	-0.000586 (0.000727)
Downturn x Recapture	0.0381 (0.0291)	-0.0263 (0.0169)	-0.0218 (0.0179)	-0.0181 (0.0234)	0.000492 (0.000810)	0.00129 (0.00105)
Observations	980	980	980	980	882	882
R ²	0.898	0.815	0.893	0.811	0.876	0.875

Major Findings

- During downturns, state school finance systems featuring flat grants and categorical-aids were associated with enormous inequity in fairness and funding effort.
- During downturns, state school finance systems featuring the common elements of foundation-programs, power equalization, and recapture elements were associated with less inequity in fairness and funding effort.
- During downturns, state school finance systems featuring combined foundation programs were best able overcome these downturns, and exhibited even less measures of inequity in fairness and funding effort.

Questions??????

The manuscript on this presentation will be published in the book entitled
Recent Advancements in Education Finance and Policy
(Editors: Kiernan Killeen and Thomas Downes)

**Tyrone Bynoe, Ed.D., Associate Professor and Director of Educational
Leadership Programs, B.A., M.A., M.S. Ed., and 2nd M.A**

St. Bonaventure University

Office B42 – Plassmann Hall

St. Bonaventure, New York 14778, USA

tbynoe@sbu.edu (Email)

716-375-2363 (Office)

(615) 838-2576 (Cell)

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