



**Public Affairs Research
Council of Louisiana, Inc.**

Education Finance Reform: A 65% Solution?

Analysis No. 308 March 2006

EXECUTIVE SUMMARY

Louisiana public officials are considering an education finance initiative known as the 65% Solution, which would require at least 65% of school district expenditures go to classroom instruction. Supporters of the 65% Solution argue that the proposal would increase the amount of money spent in the classroom without raising taxes and would reduce wasteful costs. While it would be nice to think such a simplistic approach could reform education in Louisiana, the evidence indicates otherwise. A 65% instructional spending requirement would reduce the flexibility of MFP funds likely without providing a boost to student performance.

Louisiana compares well with national and southern regional average shares of expenditures going to instruction. The national average for instructional spending as a percent of total operating expenditures in 2002-2003 was 61.3%, only slightly above Louisiana's 60.7%. Of all 50 states, only two states – New York and Maine – reach the threshold of the 65% Solution based on total operating expenditures. Within Louisiana, most school districts spent more than 60% of general fund operating expenditures on instruction in 2003-2004, but only 23 out of 68 met the proposed 65% target.

The analysis in this report shows no significant relationship between the percent of expenditures going to instruction and student performance. Several of Louisiana's districts with the highest rates of proficiency in language and math spend less than 65% of general fund expenditures on instruction, while others spend over 65% and receive meager achievement results in return.

Because districts face different needs, there is no “silver bullet” to reforming education finance through percent-based spending requirements. In order to increase the percent of expenditures going to instruction, districts would have two options. The first is to find additional revenue, which seems unlikely in most cases. The second is to shift revenues from another expenditure category into instruction. Any shifted revenue would have to come primarily from support services. Districts would be forced to make tradeoffs, many of which would have only limited cost savings or might threaten student wellbeing and performance.

Requiring districts to provide at least 65% of general fund expenditures for instruction would provide only a modest increase in average per-student spending for instruction. Districts that spend larger shares of their general fund on instruction tend to have slightly higher average teacher salaries. However, these districts do not tend to offer more small classes.

For the reasons cited in this report, PAR recommends that Louisiana should not adopt a 65% instructional spending requirement. Ultimately, the goal of an education system should be student achievement. All other issues, including teacher pay, class size, support services, funding formulas and instructional spending requirements, are merely potential means to that end. Districts should be evaluated based upon student performance rather than spending allocations. The state should continue to mandate rigorous performance standards but allow spending flexibility, so districts can adjust to meet their unique sets of challenges. Arbitrary spending thresholds are a distraction from this goal.

INTRODUCTION

With the demand for quality, rising costs and limited revenue, the pressure on school districts is forcing policymakers to seek ways to get the best return on each dollar spent for public education. One proposal currently under consideration in Louisiana would require that at least 65% of school district expenditures go to classroom instruction. Supporters of the 65% Solution argue that the proposal would increase the amount of money spent in the classroom without raising taxes and would reduce wasteful administrative costs.

This report provides an independent review of current district spending and an analysis of the feasibility and potential benefits of the 65% Solution. While increasing the share of funds for the classroom might seem a useful tool for raising student performance, the complexities of education finance make such a direct result unlikely.

DECENTRALIZED FINANCE

Education finance is decentralized. Each level of government provides revenue for the operation of school districts. In Louisiana, local districts raise revenue predominantly through property and sales taxes. The state also provides money in several ways, including targeted special funds and the Minimum Foundation Program (MFP), which steers money to a school district's general fund. As shown in Figure 1, the state and local districts provide the bulk of funding. Funds provided by the federal government primarily come in the form of categorical grants aimed at specific targets. The biggest difference between Louisiana and the US and Southern Regional Education Board (SREB) averages is in the share contributed by these federal funds.

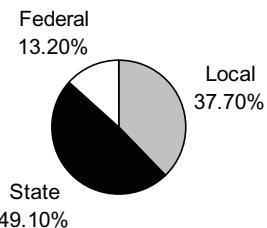
In many cases, funds have specific purposes and may only be spent accordingly. For the most part these dedicated funds are federal revenues or special funds provided by the state. The remaining funds, which make up a local district's general fund, are not dedicated and allow for greater flexibility in spending.

Decentralized school finance allows for different spending patterns across states and districts. The National Center for Education Statistics (NCES) of the U.S. Department of Education has established three broad categories of operating expenditures:

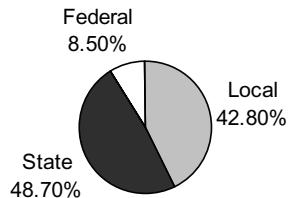
- **Instruction** includes expenditures such as teacher salaries and benefits and supplies.
- **Support services** include expenditures for administration, guidance, libraries and transportation.
- **Noninstruction** consists mostly of food service.

Figure 1: Education Revenue Source Comparison

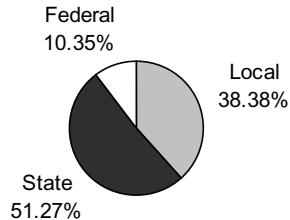
**Education Revenue, Louisiana
2002-2003**



**Education Revenue, US Average
2002-2003**



**Education Revenue, SREB Average
2002-2003**

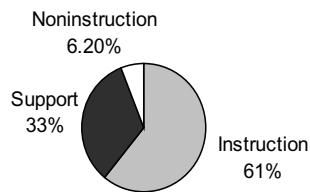


SOURCE: National Center for Education Statistics, *Revenues and Expenditures for Public Elementary and Secondary Education: School Year 2002-2003* and PAR calculations

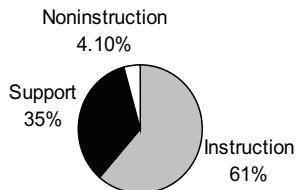
The three categories make up total current expenditures, which exclude spending for debt service, equipment, facility acquisition and construction. For 2002-2003, the latest year for which nationwide data is available, New Mexico spent 55.5% of total current expenditures in the NCES instruction category, while New York spent 68.7%.

Figure 2: Education Expenditure Comparison

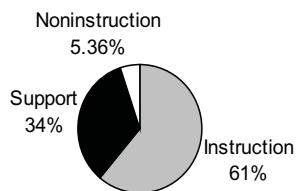
**Education Expenditures, Louisiana
2002-2003**



**Education Expenditures, US Average
2002-2003**



**Education Expenditures, SREB Average
2002-2003**



SOURCE: National Center for Education Statistics, *Revenues and Expenditures for Public Elementary and Secondary Education: School Year 2002-2003* and PAR calculations

Louisiana spent 60.7% of total current expenditures in the category. Figure 2 compares Louisiana spending across the broad NCES categories to national and southern averages.

Differences in spending extend to per-student allocations as well. For example, the top per-student spending states, New Jersey and New York, each spent about \$12,000 per student in 2002-2003. Meanwhile the lowest per-student spending states, Utah and Mississippi, spent under \$6,000 per student. Even after considering regional differences in labor and material costs, states spend vastly different per-student amounts on public education.

Within Louisiana the disparity is smaller but still large. Of total current expenditures for the 2003-2004 school year, the latest year for which district-level data is available, school districts in Louisiana spent \$7,248 per student on public elementary and secondary education. The highest per-student spending amount for a school district was \$10,452. Meanwhile the lowest per-student spending amount was \$6,045, which amounts to a difference of nearly \$4,000. The majority of districts fall within \$600 of the state average.

To increase the percent of spending on instruction and reduce the disparity across districts on this count, states can require districts to spend a minimum percentage of operating expenditures on instruction. In Louisiana, three options are under consideration:

- **Adopt the 65% Solution for Total Current Expenditures:** As advocated nationally, this rule would require districts to spend at least 65% of total current expenditures on instruction. This option would be the most difficult requirement for Louisiana districts to satisfy.
- **Adopt the 65% Solution for General Fund Current Expenditures:** As urged in House Concurrent Resolution (HCR) 77 of the 2005 regular session of the Louisiana Legislature, this option would only apply the 65% rule to district general fund current expenditures. This requirement would be easier for Louisiana districts to satisfy.
- **Retain the 70% Instructional Expenditure Requirement:** Though not enforced, this requirement is already in the MFP. Despite the higher threshold, this requirement is the easiest of the three for districts to meet, because it uses a broader definition of instruction.

THE MFP

The current 70% instructional expenditure requirement in the MFP is inconsistent with the program, which is intended to provide flexible funds to districts. In its current design, MFP funding is in the form of a block grant to the school district's general fund. Most decisions about how this money is spent are left to the discretion of the school districts. The school districts are meant to operate schools in accordance with the state's accountability system, through which schools and districts are evaluated based on performance. As long as school districts satisfy certain mandated program requirements, they have the flexibility to spend most MFP funds as they determine to be in the best interest of their local school system. Expectations set by the state for school districts have more to do with achievement results than with spending patterns.

**Table 1: District General Fund Spending for Instruction as Defined by the MFP,
2003-2004**

School District	% Spending on Instruction		School District	% Spending on Instruction	
	MFP	HCR 77		MFP	HCR 77
	70% Target	65% Target		70% Target	65% Target
Acadia	72.69	65.93	Morehouse	72.08	65.41
Allen	69.68	59.07	Natchitoches	70.87	64.37
Ascension	75.32	66.96	Orleans	70.48	58.89
Assumption	70.46	62.53	Ouachita	71.81	64.85
Avoyelles	72.97	66.71	Plaquemines	64.29	57.4
Beauregard	70.84	60.67	Pointe Coupee	69.93	63.77
Bienville	72.17	65.9	Rapides	73.89	66.31
Bossier	73.06	63.4	Red River	71.05	61.8
Caddo	72.17	63.42	Richland	72.74	66.03
Calcasieu	72.41	63.18	Sabine	71.51	63.57
Caldwell	70.86	63.83	St. Bernard	73.55	64.78
Cameron	68.86	60.87	St. Charles	71.2	62.02
Catahoula	68.22	59.26	St. Helena	62.43	53.39
Claiborne	76.03	67.03	St. James	76.98	66
Concordia	75.35	66.75	St. John the Baptist	71.56	64.67
DeSoto	73.16	64.56	St. Landry	74.51	68.96
East Baton Rouge	66.83	59.07	St. Martin	70.39	61.96
East Carroll	69.1	62.6	St. Mary	71.64	62.81
East Feliciana	71.04	61.71	St. Tammany	74.03	66.15
Evangeline	75.77	69.44	Tangipahoa	77.15	70.85
Franklin	72.63	68.18	Tensas	67.69	57.15
Grant	70.26	61.37	Terrebonne	75.51	66.54
Iberia	74.59	66.74	Union	72.17	64.43
Iberville	63.63	56.48	Vermilion	70.69	62.8
Jackson	67.63	57.87	Vernon	72.66	64.93
Jefferson	71.48	65.43	Washington	72.73	64.66
Jefferson Davis	73.05	63.15	Webster	75.83	66.91
Lafayette	73.67	65.54	West Baton Rouge	69.6	61.15
Lafourche	75.65	64.83	West Carroll	71.26	63.92
LaSalle	71.54	63.73	West Feliciana	70.39	57.58
Lincoln	76.19	66.14	Winn	68.82	60.16
Livingston	76.6	69.7	City of Monroe	72.74	65.67
Madison	72.24	56.06	City of Bogalusa	71.16	63.17

SOURCE: Louisiana Department of Education.

NOTE: Percentages indicating compliance with the MFP's 70% requirement or HCR 77's 65% requirement are in bold.

The 70% instructional expenditure requirement contradicts this flexibility, because it mandates a minimum level of expenditure for instruction. However, even this mandate is not restrictive for two reasons. First, the MFP uses a broad definition for instruction, which makes the target easier to reach. It not only includes instruction expenditures, but also includes student support services and instruction support services. The MFP requirement uses only general fund revenue to define total spending in the calculation. In contrast to the 65% Solution, this approach allows for a smaller total pie with a broader range of spending categories contributing to the instruction slice.

Second, there is no enforcement mechanism for the 70% requirement. Despite the MFP's language requiring the spending, the Louisiana Department of Education (LDE) and Board of Elementary and Secondary Education (BESE) remain essentially powerless to intervene. A school district that fails to meet the requirement must only file additional paperwork. Alaska is the only other state to include this type of spending mandate.

As defined by the MFP, instructional spending for the 66 districts used in this analysis averaged 72.22% of general fund expenditures in 2003-2004. Table 1 indicates that only 13 school districts failed to meet the 70% requirement. This analysis excludes City of Zachary and the City of Baker school districts, which were in their first year of operation during the 2003-2004 school year.

THE 65% SOLUTION

For some critics, the MFP 70% requirement is flawed, because it not only fails to enforce the requirement on instructional spending but also inappropriately calculates the percentages. These critics prefer a tougher stand on instructional expenditure requirements - one captured in the 65% Solution. Ultimately, how much a district spends on instruction depends upon how terms are defined. Much of the discussion over the 65% Solution has to do with different definitions and formulas for calculation. Typically, the 65% Solution calculates the percentage of total current expenditures that go to instruction, as defined by NCES.

The NCES defines instruction expenditures as funds spent on "activities that occur directly between students and teachers." This definition includes teacher and instructional aide salaries and benefits; instructional supplies such as computers and televisions; co-curricular activities such as field trips, some athletics, music and art; tuition paid to out-of-state districts and payments to private institutions for special needs students. The definition excludes instruction

support services such as teacher training, curriculum development, libraries and media services; student support services such as guidance counselors, nurses and social workers; school and district administration; operations and maintenance; transportation and food services.

By calculating instruction as a percent of total current expenditures, this proposal uses a larger fiscal pie and counts fewer expenditures as part of the instructional share. When using this calculation, the picture of instructional spending in Louisiana shifts dramatically. All but one school district failed to meet this requirement in 2003-2004. In fact, the single district to spend at least 65% of its total current expenditures on instruction, Lafayette Parish, only barely met the requirement at 65.41%.

HOUSE CONCURRENT RESOLUTION (HCR) 77

Within the last few years, legislation to adopt the 65% Solution has been proposed in 17 states. The 65% Solution came to Louisiana in the 2005 Regular Session when both chambers of the legislature unanimously passed House Concurrent Resolution 77. HCR 77 urges BESE to adopt an MFP formula for 2006-2007 that "requires at least seventy percent of local school system general fund monies to be spent at the school building level for instructional services and further requires at least sixty-five percent of the general fund monies to be spent at the classroom level for the instruction of students by teachers and instructional staff members."

The first requirement would essentially tighten the current MFP 70% requirement to include only instructional activities that occur at the school site. The second requirement would introduce another threshold based upon the 65% Solution.

The 65% Solution included in HCR 77 is less strict than the 65% Solution advocated nationally. Under HCR 77, instructional expenditures would be calculated as a percent of the local school district's general fund current expenditures. Not only are capital outlay and debt service excluded from the total pie, but so are federal funds and special state funds, most of which are dedicated to specific targets and cannot be adjusted by school districts.

The target proposed through HCR 77 allows more districts to meet the 65% threshold at current spending levels. As seen in Table 1, 23 school districts, just over one third, met this threshold in the 2003-2004 school year. Each of these school districts also met the MFP 70% requirement.

TABLE 2: Louisiana School District Comparisons, 2003-2004

School District	October 2003 Enrollment	Instruction		Pupil Support Services % of General Fund	Instructional Staff Services % of General Fund	General Administration % of General Fund	School Administration % of General Fund	Support Se
		% of General Fund	Per Student					
Acadia	9,650	65.93	\$3,342	4.00	2.69	1.83		7.16
Allen	4,281	59.07	\$3,712	5.99	4.37	8.72		6.25
Ascension	15,810	66.96	\$4,265	4.37	3.96	2.16		5.42
Assumption	4,431	62.53	\$4,141	4.04	3.86	3.98		7.07
Avoyelles	6,585	66.71	\$3,317	2.51	3.72	3.59		7.31
Beauregard	6,127	60.67	\$3,536	4.75	5.31	2.88		7.57
Bienville	2,498	65.90	\$4,481	1.96	4.12	5.11		6.55
Bossier	18,771	63.40	\$3,675	4.48	4.83	1.04		6.93
Caddo	44,473	63.42	\$3,919	3.92	4.82	1.41		7.21
Calcasieu	32,149	63.18	\$3,646	4.40	4.65	1.91		6.04
Caldwell	1,841	63.83	\$3,139	3.34	3.67	3.66		7.32
Cameron	1,819	60.87	\$5,222	3.85	4.11	4.37		7.04
Catahoula	1,800	59.26	\$3,307	4.50	4.39	3.31		6.68
Claiborne	2,833	67.03	\$4,204	3.51	5.12	3.02		6.82
Concordia	3,798	66.75	\$3,675	3.81	4.35	2.25		7.43
DeSoto	4,924	64.56	\$4,295	3.01	5.49	2.41		6.96
East Baton Rouge	46,644	59.07	\$3,626	4.83	2.79	3.08		5.89
East Carroll	1,675	62.60	\$3,834	2.84	3.20	3.80		7.72
East Feliciana	2,369	61.71	\$3,968	4.21	4.84	3.85		7.09
Evangeline	6,289	69.44	\$3,543	3.34	2.98	2.28		7.00
Franklin	3,851	68.18	\$3,725	2.25	2.17	3.60		4.96
Grant	3,621	61.37	\$3,306	4.13	4.72	2.62		7.32
Iberia	14,201	66.74	\$3,689	3.64	3.82	1.77		5.40
Iberville	4,395	56.48	\$3,630	3.65	3.46	6.47		6.76
Jackson	2,389	57.87	\$4,551	3.80	5.89	3.73		6.64
Jefferson	51,453	65.43	\$3,684	4.01	2.01	6.80		7.41
Jefferson Davis	5,748	63.15	\$3,929	4.87	4.89	2.54		7.69
Lafayette	29,813	65.54	\$3,502	4.42	3.61	1.85		6.19
Lafourche	14,872	64.83	\$3,941	5.39	5.34	1.58		6.12
LaSalle	2,699	63.73	\$3,875	2.99	4.75	3.37		6.63
Lincoln	6,596	66.14	\$3,360	4.58	5.38	2.12		6.80
Livingston	20,743	69.70	\$3,602	3.87	2.99	1.53		5.96
Madison	2,319	56.06	\$3,191	6.11	9.84	5.54		6.25
Morehouse	5,153	65.41	\$3,954	4.19	2.24	2.01		6.87
Natchitoches	6,963	64.37	\$3,495	2.77	3.70	2.24		6.61
Orleans	67,922	58.89	\$3,369	8.46	3.12	1.66		6.07
Ouachita	18,324	64.85	\$3,801	3.34	3.53	1.18		6.51
Plaquemines	4,967	57.40	\$4,011	3.63	3.22	4.11		5.59
Pointe Coupee	3,182	63.77	\$4,216	3.23	2.84	3.70		6.07
Rapides	22,646	66.31	\$3,647	4.56	3.01	2.51		6.58
Red River	1,631	61.80	\$3,500	4.67	4.41	5.08		4.73
Richland	3,477	66.03	\$4,184	3.94	2.59	3.06		6.12
Sabine	4,269	63.57	\$3,354	2.84	4.89	2.34		6.37
St. Bernard	8,869	64.78	\$3,849	4.36	4.20	2.13		6.23
St. Charles	9,685	62.02	\$5,135	4.18	4.79	2.57		7.60
St. Helena	1,335	53.39	\$2,839	4.04	4.95	4.90		8.25
St. James	4,062	66.00	\$4,320	5.60	5.18	4.44		7.78
St. John the Baptist	6,338	64.67	\$4,554	4.83	1.98	3.55		6.91
St. Landry	15,231	68.96	\$4,011	3.07	2.20	0.80		6.59
St. Martin	8,637	61.96	\$3,318	3.80	4.60	1.56		5.95
St. Mary	10,193	62.81	\$3,765	3.43	5.20	1.86		7.28
St. Tammany	34,750	66.15	\$4,459	4.12	3.61	1.44		5.62
Tangipahoa	18,465	70.85	\$3,258	3.31	2.97	1.08		6.00
Tensas	884	57.15	\$4,396	6.45	4.00	3.92		6.84
Terrebonne	19,256	66.54	\$3,831	3.98	4.85	1.36		5.67
Union	3,360	64.43	\$3,220	2.92	4.78	3.12		5.69
Vermilion	8,912	62.80	\$3,276	3.51	4.36	3.81		6.45
Vernon	9,874	64.93	\$3,860	4.50	3.12	2.15		5.91
Washington	4,712	64.66	\$4,004	4.14	3.69	2.57		5.98
Webster	7,678	66.91	\$3,261	3.99	4.84	1.63		7.38
West Baton Rouge	3,539	61.15	\$3,754	3.57	4.86	4.71		7.09
West Carroll	2,371	63.92	\$3,115	2.79	4.54	3.90		6.46
West Feliciana	2,434	57.58	\$4,635	7.97	4.74	2.59		7.66
Winn	2,782	60.16	\$3,046	3.66	4.89	2.55		7.55
City of Monroe	9,548	65.67	\$4,125	2.96	3.65	2.79		5.88
City of Bogalusa	2,995	63.17	\$4,648	4.98	2.90	2.10		6.32
Average	10,847	63.50	\$3,804	4.08	4.10	2.99		6.61

Source: Louisiana Department of Education and PAR Calculations

NOTE: In this table, instruction includes instructional equipment but excludes adult education, while general fund current expenditures includes both instructional equipment and other expenditures. The percentages may be read to allow inclusion of instructional equipment as part of instructional costs when calculating the percentage. Therefore, in this report instructional equipment is included in the total expenditure calculations. Furthermore, the list of districts that meet the threshold remains the same whether equipment is included or excluded.

Business Services % of General Fund	Operations and Maintenance % of General Fund	Student Transportation % of General Fund	Central Services % of General Fund	Total Support Services % of General Fund	Noninstruction		Average Teacher Salary
					Food Service % of General Fund	Total Noninstruction % of General Fund	
0.82	11.30	5.58	0.63	34.02	0.29	0.32	\$36,835
0.58	6.77	7.45	0.26	40.39	0.18	0.22	\$34,335
1.10	9.94	4.80	1.38	33.12	0.00	0.00	\$40,353
0.82	8.69	6.93	1.76	37.16	0.42	0.46	\$34,909
0.98	4.70	9.72	0.11	32.66	0.85	0.87	\$34,042
1.14	10.36	6.27	0.91	39.19	0.00	0.01	\$36,308
1.34	2.99	9.92	0.00	31.99	1.83	1.89	\$38,894
1.09	10.90	6.01	0.85	36.13	0.00	0.04	\$38,227
1.14	10.81	5.71	1.54	36.56	0.00	0.01	\$40,393
1.26	12.65	4.45	1.23	36.59	0.01	0.09	\$37,900
2.31	7.49	7.91	0.07	35.77	0.38	0.38	\$33,257
1.33	13.34	4.90	0.02	38.96	0.13	0.17	\$38,900
3.02	7.92	10.08	0.08	39.98	0.65	0.67	\$28,051
1.18	6.52	4.89	0.07	31.12	1.37	1.44	\$35,398
1.11	6.55	5.28	1.86	32.65	0.01	0.04	\$33,955
1.68	6.88	8.40	0.47	35.30	0.00	0.00	\$38,556
1.24	14.52	7.38	1.53	41.25	0.02	0.02	\$38,627
2.10	10.52	5.64	0.05	35.86	0.87	0.92	\$32,150
1.60	8.73	6.63	0.03	36.99	0.92	0.97	\$34,569
0.98	5.70	7.97	0.55	30.80	0.09	0.10	\$37,311
1.66	6.68	10.05	0.00	31.37	0.41	0.42	\$31,437
1.61	6.83	11.26	0.09	38.58	0.00	0.00	\$32,719
1.49	7.34	8.14	0.55	32.15	0.94	1.41	\$37,753
1.50	13.02	7.99	0.36	43.22	0.55	0.57	\$38,231
1.64	12.20	6.52	0.00	40.41	1.61	1.61	\$40,530
0.81	8.13	4.82	0.91	34.90	0.00	0.00	\$38,459
1.38	8.40	5.05	0.67	35.48	1.21	1.28	\$41,328
0.81	8.54	8.19	0.88	34.50	0.20	0.34	\$39,797
1.46	7.65	6.39	1.08	35.01	0.33	0.33	\$35,343
1.38	7.44	8.17	0.43	35.14	1.02	1.02	\$34,515
1.30	6.24	5.12	0.11	31.64	2.10	2.18	\$39,416
1.70	7.18	5.85	1.19	30.27	0.00	0.00	\$39,857
1.88	10.31	3.65	0.03	43.60	0.02	0.02	\$29,889
1.84	9.24	5.28	1.29	32.94	1.31	1.32	\$33,700
0.77	8.12	10.54	0.78	35.52	0.09	0.10	\$37,708
1.69	12.40	4.43	3.45	41.28	0.03	0.04	\$38,251
1.52	11.56	4.97	1.36	33.97	1.06	1.07	\$37,728
1.65	13.42	7.81	1.36	40.80	1.95	1.99	\$37,866
1.59	7.48	12.05	0.46	37.42	0.00	0.00	\$39,709
0.78	7.42	7.80	0.90	33.55	0.27	0.27	\$36,167
1.73	7.99	8.54	0.05	37.21	0.75	0.75	\$35,119
2.01	9.19	6.42	0.10	33.44	0.30	0.31	\$33,608
1.19	7.22	10.02	1.24	36.11	0.02	0.04	\$31,840
0.93	10.15	5.67	0.80	34.47	0.66	0.67	\$36,413
1.17	9.10	6.56	1.86	37.82	0.01	0.16	\$41,478
4.25	8.28	11.42	0.29	46.38	0.16	0.19	\$34,681
1.56	0.00	7.32	2.11	34.00	0.00	0.02	\$42,952
1.15	9.61	5.72	1.76	35.50	0.00	0.00	\$39,878
0.83	9.29	6.78	1.20	30.78	0.00	0.01	\$38,027
1.57	12.17	7.33	1.29	38.27	0.00	0.05	\$37,470
1.01	12.43	4.51	0.84	36.57	0.51	0.52	\$37,193
0.81	8.64	7.44	1.20	32.89	0.90	0.92	\$40,607
0.83	5.15	8.72	1.01	29.08	0.19	0.17	\$39,441
3.39	10.30	7.19	0.02	42.09	0.62	0.64	\$27,689
1.20	9.01	5.53	0.92	32.52	1.02	1.03	\$34,416
1.02	4.90	11.22	0.17	33.81	1.71	1.73	\$33,759
1.13	11.17	6.13	0.72	37.26	0.00	0.03	\$37,333
0.82	9.08	8.16	0.74	34.47	0.44	0.47	\$36,858
1.12	8.04	9.46	0.00	35.00	0.00	0.00	\$35,447
0.92	7.11	6.75	0.34	32.96	0.01	0.02	\$39,203
0.84	8.90	8.34	0.60	38.92	0.29	0.29	\$34,149
1.57	7.35	8.85	0.01	35.47	0.60	0.61	\$30,533
1.62	10.08	5.85	1.69	42.20	0.08	0.13	\$42,719
1.54	10.32	8.16	0.23	38.90	0.79	0.81	\$34,133
1.43	9.15	4.02	2.80	32.67	1.03	1.03	\$39,559
4.11	11.38	4.59	0.32	36.70	0.00	0.00	\$34,485
1.44	8.83	7.13	0.78	35.97	0.47	0.50	\$36,551

and adult education. The language of HCR 77, which would require that 65% of general fund current expenditures be spent at the classroom level for instruction, included in the calculations. While excluding instructional equipment does slightly decrease the instructional percentage, the average decrease is small, only 0.13%.

Calculating Percent Instruction Expenditures

70% Instructional Expenditure Requirement (MFP)

Instruction = Instruction Expenditures + Student Support Expenditures + Instruction Support Service Expenditures
Calculated as a percent of General Fund Current Expenditures

65% Solution for Total Current Expenditures (National Proposal)

Instruction = Instruction Expenditures
Calculated as a percent of Total Current Expenditures

65% Solution for General Fund Current Expenditures (HCR 77)

Instruction = Instruction Expenditures
Calculated as a percent of General Fund Current Expenditures

LOUISIANA SCHOOL DISTRICT SPENDING

Most Louisiana school districts meet or nearly meet the proposed 65% requirement for general fund expenditures on instruction (HCR 77). Table 2 presents the percent and per-pupil amounts of district general fund current expenditures across various categories for 2003-2004. This table highlights several facts about district expenditures in Louisiana, using the same approach to calculating the percent of expenditures on instruction found in HCR 77. This analysis reveals the following findings:

- Instructional spending averaged 63.5% of general fund expenditures. In all, 54 districts fall within 60% to 70%.

- No one category of spending provides a consistent reason for districts with low instructional spending percentages to fall short of the 65% threshold.
- District size, the proportion of at-risk students and the proportion of students with disabilities are not related to the percent of general fund expenditures for instruction.
- Smaller school districts tend to spend a greater percent of general fund expenditures on transportation.
- There is no relationship between spending 65% of general fund expenditures on instruction and higher per-pupil instruction spending. (See Table 3.)

Table 3: Instructional Spending Percentage and Per-pupil Expenditures

State	Per-Pupil Instruction Expenditures		
	Low	Average	High
State	\$2,839	\$3,804	\$5,222
Top Ten Percent on Instructional Spending Percentage	\$3,258	\$3,801	\$4,265
Bottom Ten Percent on Instructional Spending Percentage	\$2,839	\$3,893	\$4,635

SOURCE: Louisiana Department of Education and PAR calculations

NATIONAL PERSPECTIVE

Louisiana compares well with national and SREB average shares of expenditures going to instruction. The national average for instructional spending as a percent of total current expenditures in 2002-2003 was 61.3%, only slightly above Louisiana's 60.7%. Of all 50 states, only two states – New York and Maine – reach the threshold of the 65% Solution based on total current expenditures, a drop from four states in the previous year.

The most recent NCES spending data come from the 2002-2003 school year and are presented in Figure 2 and Table 4. The NCES collects these data based on total current expenditures, rather than general fund expenditures, and reports an average figure for each state. Although the national data do not allow for a comparison of Louisiana district-level general fund expenditures to districts of other states, reasonable comparisons across states are possible based on total current expenditures.

In fact, the biggest expenditure difference between Louisiana and other states is noninstruction spending. However, this difference is misleading. Noninstruction mostly consists of food services expenditures. These expenditures are paid in large part through federal funds that are not subject to school district discretion. These funds are not part of a district's general fund and cannot be reduced to increase the district's instructional spending percentage.

IMPLICATIONS OF THE 65% SOLUTION

Even if Louisiana adopts the classroom instruction spending proposal of HCR 77, the state would probably not join the ranks of New York and Maine, which spend over 65% of total current expenditures on instruction. HCR 77 proposes that districts reach a 65% threshold for instructional spending from general fund expenditures, not total current expenditures. The effects of the HCR 77 proposal would not be as drastic as the more severe version of the 65% Solution.

Table 4: Public K-12 School Spending Comparison, 2002-2003

	Total Amount	Instruction		Support Services		Noninstruction	
		Amount	Percent	Amount	Percent	Amount	Percent
U.S.	\$8,044	\$4,934	61.3	\$2,782	34.6	\$329	4.1
SREB	\$7,144	\$4,371	61.1	\$2,394	33.5	\$379	5.4
LA	\$6,922	\$4,203	60.7	\$2,291	33.1	\$428	6.2
U.S. Rank	38	34	28	35	36	7	6
SREB Rank	8	7	10	9	11	4	3

SOURCE: National Center for Education Statistics, *Revenues and Expenditures for Public Elementary and Secondary Education: School Year 2002-2003* (updated through October 2005) and PAR calculations.

The real difference between the state and national averages for instructional spending is not the percent spent on instruction. It is per-pupil instructional spending. If the average percent of total current expenditures for instruction in Louisiana districts matched the national average (61.3%), per-pupil instructional spending would increase by only \$40. Even if the average reached 65%, per-pupil instructional spending in Louisiana would lag behind the national average by nearly \$500.

Even though Louisiana does not look much different than the nation or region on percent of total current expenditures for instruction, Louisiana districts tend to spend more in the noninstruction category than national and SREB averages.

STUDENT PERFORMANCE

A requirement that 65% of expenditures go to classroom instruction is an input-driven approach to education reform. More often, contemporary education reforms are output driven, focusing on measurable goals such as student achievement or investment return.

The data reveal little to no relationship between the percent of a district's expenditures on instruction and student performance. As Table 5 indicates, the percent of general fund current expenditures on instruction simply does not dictate student achievement in Louisiana school districts.

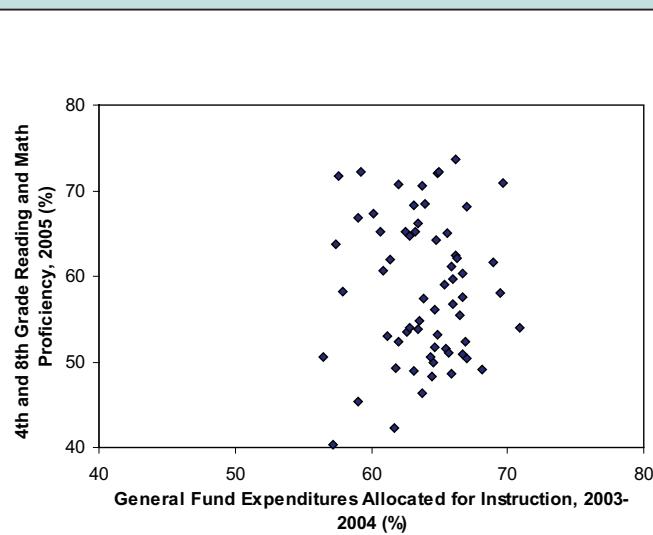
Table 5: Instructional Spending and Student Achievement

General Fund Expenditures Spent on Instruction, 2003-2004	Number of Districts	ELA and Math Proficiency, 2005		
		Low	Average	High
65% or more	23	48.63	58.24	73.68
60-65%	32	42.27	58.69	72.24
Below 60%	11	26.19	51.66	72.24

SOURCE: LDE and PAR calculations

NOTE: Table 4 and Figure 3 include expenditure data from school year 2003-2004 and proficiency data from the following year. One year's investments in instruction may see the largest returns in later years. A one-year lag allows for that. Student performance is measured as the combined proficiency rate in ELA and Math 4th and 8th grade LEAP tests. The percentage reflects the share of these tests on which students scored at the Basic level or above.

Figure 3: Student Proficiency and Instructional Spending in Louisiana Districts



SOURCE: LDE and PAR calculations

NOTE: See Note from Table 4.

When analyzing these data statistically and controlling for the proportion of at-risk students, there is no significant relationship between the percent of a district's total or general fund current expenditures that go to instruction and the combined proficiency rate for English Language Arts (ELA) and Math. Figure 3 shows how scattered student performance is despite the percent of general fund current expenditures that go to instruction. The proficiency rates do not follow instructional spending percentages. For example, Bienville and Franklin Parishes spend over 65% of general fund current expenditures on instruction, but their proficiency rates are below 50%. West Feliciana Parish's general fund expenditures fall far short of the 65%

target, but it has a proficiency rate over 71% - the fifth highest in the state.

When separating the combined proficiency rate by grade and subject, relationships appear only for 8th grade ELA and 8th grade Math even when controlling for the proportion of at-risk students. These are the only correlations that occur between the percent of expenditures for instruction and achievement. However, both relationships are very small and very weak. They do not account for the large differences in student proficiency rates. This evidence is further supported by national research done by Standard and Poor's education research arm, School Matters, with similar results.

INSTRUCTION EXPENDITURES

Clearly, 65% is not a magic doorway. Poorly performing districts cannot simply pass this threshold and be transformed into successful districts. The percent of district expenditures going to instruction does not measure instructional spending per-student. Districts with similar instructional spending percentages can spend vastly different amounts on instruction. For example, spending 66.14% of general fund current expenditures on instruction in Lincoln Parish amounted to \$3,360 per student, while 66.15% in St. Tammany Parish amounted to \$4,459 per student – a gap of over \$1,000.

Assuming that a district's budget is stable, adopting the 65% Solution presented in HCR 77 would increase the number of dollars in a district that goes to instruction, but the change would amount to only a small increase in instructional dollars. Based on 2003-2004 financial data, 23 districts already apply 65% of general fund expenditures to instruction.

Under a 65% requirement, each remaining district would have to increase its instructional share. On average, the percent of expenditures for instruction in these districts would increase 3.33%, or about \$1,822,022. The shift in expenditures amounts to an increase of \$211 per student for instruction in these districts. Table 6 depicts the change in average per-student spending for instruction across all districts that would occur if districts with instructional

but on the whole no clear targets for cuts appear without tradeoffs. These examples highlight some of the problems and tradeoffs:

- **Consolidate Schools.** Districts could consolidate schools to save on overhead and administrative costs at the building level. These larger schools could provide instruction while reducing support service costs.

Table 6: Average Percent and Per-Student Spending on Instruction

2003-2004 General Fund Current Expenditures for Instruction		HCR 77 General Fund Current Expenditures for Instruction	
Average Percent	Average Per-Student Amount	Average Percent	Average Per-Student Amount
63.50%	\$3,804	65.67%	\$3,941

SOURCE: LDE and PAR calculations

spending percentages moved up to 65% and districts above this threshold maintained their current percentage.

Two ways to use additional instructional funds are for higher teacher pay or smaller class sizes. Louisiana districts that provide a greater share of general fund expenditures to instruction tend to have higher average teacher salaries, but the relationship is small and weak. However, these districts do not have more small classes.

SHIFTING SUPPORT SERVICE EXPENDITURES

In order to increase the percentage of expenditures going to instruction districts have two options. One is to increase their total general fund and spend the new revenue on instruction. For most districts the first option, which would probably require new taxes or expanded state support, is unlikely. The second option is to shift revenues from another expenditure category into instruction. The portion of general fund expenditures that goes to noninstruction, which is primarily food service, is negligible. Therefore, cuts would have to be made to support services.

Ideally districts could just cut waste and gross inefficiencies, dedicating the newfound resources to classrooms. However, it is unlikely that it would be so simple. Districts that fail to meet the 65% threshold do not show a common consistent area ripe for cost savings. There may be instances of waste in district spending,

However, some researchers question the instructional value of large consolidated schools. These studies suggest that large schools are less personal and inclusive, negatively impacting student achievement. Cost savings would be limited, because fewer schools would likely increase the expenditures needed for transportation. Additionally, communities rarely support consolidating their schools, which usually entails sacrificing proximity and tradition.

- **Consolidate Districts.** Districts could consolidate into larger school systems to reduce administrative costs. Consolidated school districts would reduce overhead expenses by distributing the cost for services like purchasing, financial management, supervision, curriculum development and professional development over a larger base. However, these costs make up only a small portion of district expenditures, even among districts with lower percentages of instruction spending. This is primarily because Louisiana already has larger school districts than most states. The cost savings would be limited and local control would be sacrificed.
- **Reduce Support Service Staff.** Reducing staff positions in guidance, health care, libraries and social work would allow districts to put the financial resources into the classroom. However, schools face many demands outside the classroom that are addressed through these services. Cutting these positions may be counterproductive to student well being and academic success. A recent initiative to redesign high schools in Louisiana found that despite this state's high rank in

guidance counselor staffing, high school students face shortages of these services at a time when they are most in need of assistance in navigating graduation, college preparation and financial aid requirements. Also, in some cases state mandates set required staffing numbers limiting the potential for cuts.

There is no clear implication of the 65% Solution for education support services. Districts would be forced to make cuts, but the targets are not yet discernable. The cuts would likely be unpopular and possibly insufficient. In some cases they might also be detrimental to student wellbeing and academic performance.

CONCLUSION

Louisiana should not adopt a 65% instructional spending requirement. While it would be nice to think such a simplistic approach could reform education in Louisiana,

the evidence indicates otherwise. A 65% instructional spending requirement would reduce the flexibility of MFP funds, but likely without providing a boost to student performance.

Ultimately, the goal of an education system should be student achievement. All other issues, including teacher pay, class size, support services, funding formulas and instructional spending requirements, are merely potential means to that end. Districts should be evaluated based upon student performance rather than spending allocations. Districts need to be able to decide how best to spend money for education at the local level if they are to be held accountable for performance results. The state should continue to mandate rigorous performance standards but allow spending flexibility, so districts can adjust to meet their unique sets of challenges. Arbitrary spending thresholds are a distraction from this goal.

*Funding for this research was provided by the Huey and Angelina Wilson Foundation,
the Community Coffee Fund and Shell Exploration and Production Company.*

Primary Author of this report is Michael Henderson, PAR Research Analyst.



*"PAR is an independent voice,
offering solutions to critical public
issues in Louisiana through
accurate, objective research and
focusing public attention on
those solutions."*

Non-Profit Org.
U.S. Postage
PAID
Baton Rouge, LA
Permit No. 330

**Public Affairs Research
Council of Louisiana, Inc.**
4664 Jamestown Avenue, Suite 300
P.O. Box 14776
Baton Rouge, LA 70898-4776
Phone: (225) 926-8414
Fax: (225) 926-8417
E-mail: staff@la-par.org
or jimbrandt@la-par.org
www.la-par.org