

Is intrajurisdictional resource allocation equitable? An analysis of campus-level spending data for Texas elementary schools

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Abstract

Considerable research has focused on the allocation of resources across jurisdictions. However, much less work has been directed toward understanding the pattern of intrajurisdictional resource allocation. This study adds to the local public economics literature by carrying out an empirical study of variation in spending per pupil across elementary schools within Texas school districts. Results from estimating a district fixed-effects model reveal that the discretionary resources of school districts are skewed toward schools in low-income, minority neighborhoods, beyond the amounts that would be allocated based on the state aid formula. The findings suggest that attempts by Texas state lawmakers to raise the level of resources allocated to poor schools have been reinforced by district-level decisions regarding intrajurisdictional discretionary spending. However, the dollar magnitude of this incremental funding is relatively small, and hence impacts on educational outcomes are also likely to be small.

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1. Introduction

It is often the case that different levels of public expenditure, and hence different levels of public goods and services, are observed across jurisdictions. Intuitively there are at least two

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reasons why this would occur. First, if the residents of different jurisdictions value the publicly provided services (or goods) at different levels, then varying levels of public services will be observed across jurisdictions. This notion was motivated by Tiebout (1956), who suggested that fully mobile consumers (voters) would sort themselves into jurisdictions where the level of public goods and services maximize their utility. Second, if the cost of providing the public service varies from one jurisdiction to another, this would also lead to differing levels of provision of public services across jurisdictions.¹ Since 1960, prominent judicial and legislative actions have addressed the issue of equity in the distribution of public education funds across school districts. Much of the inequality is due to the heavy reliance on property taxes to fund public schools, which has led to significant school resource disparities between property-rich and property-poor districts. Partial remedies, which rely on distribution of state funds in an attempt to level spending across districts, have been implemented in most states over the last three decades. For discussion of these remedies, see the surveys by Card and Payne (1998) and Hoxby (1998).

If the residents of the jurisdiction collectively choose the public level of spending, why then would the level of public goods or services vary within a jurisdiction? The justification for this unequal allocation of resources within a jurisdiction is less obvious.² In order to explore this issue, Shoup (1989) defines the objectives of local governments in the provision of fire protection and garbage removal services. He suggests that in income-segregated jurisdictions, for instance, the amount of resources allocated to each of the neighborhoods depends on the objectives of the local government. These objectives include equity in resource allocation across neighborhoods, equity in outcomes across neighborhoods, and maximization of average educational outcomes. As a result, an analysis of the revealed levels of expenditures on education within school districts can provide an insight about the objectives of local governments.

Partly because of data limitations that have only been surmounted in recent years, evidence on the intradistrict allocation of school funds is sparse. Hertert (1993) computes a host of horizontal equity measures for school spending, including the standard deviation, McLoone index, Gini coefficient and coefficient of variation, using data from California. She computes these measures between school districts, across schools within districts, and across schools across districts, and her findings suggest that equity exists across school districts but that expenditures per pupil “varied substantially” across schools within districts. The main shortcoming of her analysis is that she ignores the characteristics of the student body enrolled in the schools. Similarly, Rubenstein (1998) examines resource allocation in the Chicago Public Schools, with an emphasis on within-school-district, or school campus-level, equity.³ As in Hertert’s analysis, Rubenstein computes a number of measures of horizontal equity, and he finds, among other things, that there is a fair amount of horizontal equity in the General Fund allocations to Chicago schools.⁴ Although Ruben-

¹ For an exploration of the connection between community characteristics and public spending levels, see Inman (1978), Borchering and Deacon (1972) and Bergstrom and Goodman (1973).

² A full model of resource allocation across schools could rely on frameworks like those proposed by Behrman and Craig (1987), Shoup (1989), and Craig and Heikkila (1989). These models take into account the different productivity of public spending across neighborhoods as well as differential neighborhood weights in the social welfare function used by public officials in allocating spending. However, use of such models would not provide any specific insights that would assist in carrying out the present empirical work.

³ Rubenstein’s measures of school level resources include total budget per pupil, general fund budget per pupil, general fund budget per pupil without special education, and general fund budget per pupil without special education and desegregation.

⁴ The General Fund, typically about 50% of the total allocation to a school, is composed of state and local taxes targeted for general and special education services.

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