



## **Budget policy and education reform**

*Legislative testimony by James A. Peyser*

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I am testifying today in my capacity as chairman of the Board of Education. It is not my objective today to talk about the specifics of this year's budget submission. Rather, it is my intention to raise some more general topics for your consideration regarding what I believe to be the most important long-term school finance issues, some of which I hope will be addressed during this legislative session. All of my comments revolve around a single premise: budget policy should reinforce the goals of education reform and, in particular, should directly support efforts to increase student performance.

First, we have a long list of individual grant programs—both federal and state funded—most of which are specifically authorized by statute and supported through direct appropriation. At the same time, we have an overarching approach to education reform, whereby the state assumes the responsibility for establishing broad performance standards and in turn empowers schools and districts to design their own means of reaching those standards. While I do not expect the state or federal governments to get entirely out of the business of stimulating certain reforms with targeted funding programs, we should use such tools on a more limited and consolidated basis in order to avoid the temptation of micro-management—no matter how well intentioned.

Second, the grants that we do make need to be tied to specific, measurable outcomes—especially improved student achievement. Schools and districts should receive grant funds only to the extent that they are able to deliver results. Making grants year after year to programs that are not demonstrably successful is not only wasteful, it also sends the wrong message to the field about accountability. The state should not be in the business of funding needs. Rather, it should be in the business of investing in outcomes.

Third, school building assistance needs to be thoroughly re-examined. The present system of debt service reimbursement through annual appropriations holds districts hostage to the uncertainty of the state budget process and creates numerous perverse incentives, resulting in deferred maintenance and the construction of schools that are too often designed to maximize state aid, rather than maximize student learning. Among the options that should be considered are the establishment of a revolving loan fund, credit enhancement programs, or supplemental per-pupil appropriations that can be used or reserved to finance capital projects.

Finally, Chapter 70 aid should move away from funding districts and toward funding students. There are several common characteristics of good schools: high standards, autonomy, accountability, strong leadership, and a sense of community. The current funding method tends to undermine all these things, with the possible exception of high standards, by placing resources in the hands of central office administrators who by necessity rely on homogenized policies and bureaucratic controls. This is not to say that superintendents are obstacles to reform. In many cases, the superintendent is the only credible agent of change in a district. Nevertheless, even in such cases, long-term restructuring that invests greater authority in schools and principals, rather than districts and superintendents, should be the ultimate objective. By placing more resources directly in individual schools, through a per-pupil

formula and expanded parental choice, educators and parents will be able to exercise greater control over the quality of their schools. This is the way charter schools are financed and it works.

As you consider the FY2000 budget and, perhaps more important, as you think about the shape of school finance in the years to come, it is my hope that you will take these ideas into account.