Balancing Conflicting Policy Objectives: The Case of School Finance Reform

Abstract - Public policy decisions often require the establishment of a balance between conflicting objectives. Pursuit of this balance is evident in changing fiscal relationships between states and local governments, particularly in the area of public school funding. Trends toward greater funding responsibility at the state level have generated conflicts associated with diminished local control over traditionally local decisions. A fundamental trade-off between equity and efficiency objectives in the provision of public education underlies the political tensions inherent in altering school funding responsibilities.

In 1992, Kansas adopted a school funding reform that transferred most public school funding decisions - both taxing and spending - to the state. This reform provides an opportunity to observe the consequences of a significant shift in state-local fiscal relations as well as the conflicts associated with balancing redistribution efforts and the desire of local government for autonomy. A political compromise struck in Kansas - the local option budget - serves as a major concession to local control, and it reduces the severity of the constraints inherent in Kansas's highly centralized reform. An assessment of the Kansas reform indicates that it has enhanced equity - defined as equalized, cost-adjusted, per-pupil expenditures across districts - and that the local option budget compromise can be viewed as a moderate price to pay for what it permits: political acceptance of a highly centralized, explicitly redistributive government initiative.