OECD SAYS COUNTRIES SHOULD RETHINK SCHOOL FUNDING POLICIES

Beyond a certain level of investment, OECD data find virtually no relationship between national spending per student and the quality and equity of learning outcomes. How school systems allocate and use their resources is what makes the difference. The OECD has launched an in-depth Review to help countries design effective funding policies and connect resources to educational priorities.

The Review's first thematic report, which was co-funded by the European Commission and covers 18 school systems, is one of the largest international studies of school funding policies ever conducted.

The report says that effective school funding policies can help countries achieve efficiency and equity goals together, by ensuring that resources are channelled to where they are most needed. Most of the participating countries have developed funding approaches designed to provide extra resources based on student needs. But evidence on the success of these schemes is often scarce. The report identifies potential pitfalls in the governance, distribution and evaluation of school funding and proposes funding approaches that can help countries support national goals for schooling, including those for equity.

It finds that decision-making on school funding is widely shared. In countries such as the United States, Norway, Poland, Finland and Canada, over 85% of funding is allocated to schools by local level authorities. In many systems, school principals also have considerable budgeting autonomy and private providers have become important end users of public funding. In increasingly complex governance contexts, reforms should ensure effective alignment of roles and responsibilities for school funding, enhance capacity for strategic budgeting, and develop adequate regulatory frameworks for the public funding of private schools.

In distributing funds, a key concern is to ensure an equitable allocation of resources to schools and students with different needs. This can be done either through inclusion of additional funding in the main allocation mechanism or through targeted funds external to the main funding stream. The use of targeted programmes can help convey policy objectives and allow better steering of the use of public resources. But the report cautions that a multiplication of such programmes risks generating inefficiencies, greater administrative costs and a lack of long-term sustainability for schools. Transaction costs can be reduced by limiting the number of targeted programmes and including adjustments for equity within the major part of funding allocation.

The report finds that well-designed funding formulas are a particularly effective means to distribute funding for current expenditure in a transparent and efficient way. By including weights to distribute additional funds to particular categories, funding formulas can help align the distribution of resources with educational priorities such as promoting greater equity. While there is no single best practice formula, its parameters may be debated, which can help stakeholders to express their position clearly and make agreements that can be monitored.

The more discretion is given to schools over the use of funding, the greater the need for adequate evaluation and accountability at the school level. This should include scrutiny by school boards on provision for different student needs and its impact. At the school system level, it is equally important to match countries' financial commitment to schooling with strategies for monitoring the progress and
outcomes of different student groups. School system evaluation should include analysis of financial information, presenting budgetary information alongside reporting about the quality and equity of the system in relation to established objectives. This can help communicate the goals of investments in schooling and build consensus about fiscal efforts for educational priorities.