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Summary

Education funding fails to connect who pays for education with who benefits from it. Those who attend public schools receive significant economic benefits from their education and should directly pay a portion of the cost of school. Parental financial responsibility for education will help create incentives for improved school performance and efficiency.

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“A tax model for education that connects revenue to those who benefit could provide significant funding for schools and demonstrate that parents and students value education.”

Connect school funding to those who benefit

By Nick Weller

Discord over Oregon school funding is growing, not just because of concern about overall funding, but also because both urban and rural areas feel local resources are not used to benefit their schools. “[Portland] stole our timber money. So, if they’re going to generate money, it has to go back out to everyone else,” said State Senator Steve Harper (R-Klamath Falls). Sen. Harper’s comment seems to imply that if timber-producing regions were allowed to keep their revenue, he would not object to the Portland region doing the same.

Portland City Commissioner Jim Francesconi responded to those who think Portland and Multnomah County should share revenue from a proposed increase on personal income taxes in Multnomah County. In an *Oregonian* article he said, “About 30 percent of the money we send down to Salem is shifted to the rural schools. C’mon.”

There is common ground between Harper and Francesconi that points to a solution. Both politicians allude to the benefit principle, or the idea that there should be a connection between the taxpayers who pay for a service and those who directly benefit from it. This is a common principle used to design funding systems.

Discussion of education funding should acknowledge and appreciate that many taxpayers do not have children in the public schools, but they are still required to fund schools through taxation. One of the primary rationales for this is that K-12 education benefits the general population; thus widespread taxation is justified.

Even if one accepts a social benefit justification for taxes, it is certain that some advantages of education accrue to individuals. After all, society does not sit in a classroom, individuals do. Individuals acquire skills and knowledge and use them to provide goods and services.

There is much evidence that individuals benefit from education. According to the American Council on Education, a person who completes high school will make about \$400,000 more during her lifetime than someone without a diploma.

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Higher compensation provides an economic justification for families to pay a portion of education costs. Why should all taxpayers pay the full costs of education when individuals receive substantial benefits?

A tax model for education that connects revenue to those who benefit could provide significant funding for schools and demonstrate that parents and students value education enough to directly pay a portion of the costs. Countless studies, including the National Education Association's, place the range of taxpayer funding for Oregon education between \$7,000 and \$9,000 per pupil. Some of this money comes from taxpayers who have children in public schools, but even then the connection between payment and benefit is tenuous at best.

To connect services and benefits, government schools should be allowed to charge tuition to families with children in school. If schools were allowed to charge parents even a modest amount, say \$50 per month for 10 months or \$500 per school year per student, the statewide school system would see an increase in revenue of more than \$250 million per year.

Schools could charge tuition based on a family's ability to pay and still raise a substantial sum of money for operating expenses. Payments could be tied to inflation or to general increases in education spending to ensure that parents are not exempt from cost increases in education. The money must go directly to the children's school to ensure the benefit is connected to who pays and the school is responsive to parents.

To increase accountability parents should also be allowed to choose their child's school so they are not forced to pay for an education that they do not value. The artificial boundaries around and within school districts should be removed so parents can choose the school that best meets their children's needs. When parents bear a direct portion of the costs of education, and schools must convince students to attend, there will be real incentives for schools to provide high quality programs and use resources efficiently.

Oregon policymakers give lip service to the benefit principle, but they have either ignored or misapplied it in considering how to raise revenue for schools. Parents and their children receive a substantial benefit from K-12 education and it is reasonable for them to pay for this service. After all, if parents do not value education enough to spend their own money on it, why should other taxpayers be forced to fund it for them?

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