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[Books & Monographs](#)
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[ERIC Digests](#)
[Forthcoming](#)
[How to Order](#)
[News Bulletins](#)
[Policy Perspective](#)
[Policy Reports](#)
[Problem-Based Learning](#)
[Publications Available Online](#)
[Research Roundups](#)
[Search Publications](#)

ERIC CLEARINGHOUSE ON EDUCATIONAL MANAGEMENT INFORMATION

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How well do schools use their financial resources?

Admit it. It's been one of your favorite fantasies. You give Regis your final answer and it is good enough to win a million dollars on Who Wants To Be a Millionaire. Now, if you really did win all that money, you would have some decisions to make. How will you manage that huge sum of money and put it to good use?

Public schools face those same decisions all the time. Large sums are allocated to K-12 education each year—over \$300 billion, in fact, more than the Department of Defense's yearly budget. And taxpayers hold schools accountable to spend that money wisely.

How are schools allocating the financial resources at their disposal? And are they spending the funds in ways that lead to improved student performance? To help answer these questions, the Clearinghouse commissioned one of the nation's foremost experts on school finance, Lawrence O. Picus, to summarize and review recent research on resource allocation in education.

His new book *In Search of More Productive Schools: A Guide to Resource Allocation in Education* brings together a wealth of information that will help readers better understand how money affects student performance.

Picus is professor and chair of the Department of Administration and Policy in the Rossier School of Education at the University of Southern California, where he also directs the Center for Research in Education Finance. He is an experienced researcher, astute policy analyst, and—fortunately for the benefit of his new book's readers—a very lucid writer who is able to convey the complexities of financial research in terms school leaders, board members, and lay people can readily understand.

In his quest to shed light on where education dollars go and what they buy, Picus seeks answers to several key questions:

- How can schools and districts make more productive use of their funds?; that is, how can they more effectively allocate money to improve student performance? Picus examines production-function studies, which "attempt to estimate the effect of additional resources on some outcome such as student test

scores while controlling for student, school, and district characteristics."

- Does more money result in better student outcomes, both now and in the future (calculated through an analysis of adult earnings), or is the relationship between school funding and student success less direct? Picus writes, "What is particularly interesting about this line of research is that when state-level measures of school inputs are utilized, there appears to be a positive effect on student outcomes. However, when the data are disaggregated to the school level, this finding seems to disappear."
- Should funds be channeled toward reducing class size or are there other more cost-effective ways of having a positive impact on student learning? Picus includes a discussion of class size because the single largest expenditure of our public schools is for teachers. "Lowering class size is consequently an expensive proposition," he notes, requiring policymakers to understand the impact of such reductions on both the budget and student achievement.
- Can collection and analysis of school-level data clarify the situation? A major problem in school-finance research is the availability and quality of the data. Picus discusses the costs and benefits of collecting school-level and even student-level data from schools and suggests how those data might be used to improve the quality of research on this topic.
- How can a determination be made about whether funds should be reallocated? In answering this question, Picus addresses policy considerations faced by federal, state, and local officials as they seek to determine how to make the most cost-effective use of educational resources.

Picus concludes that the evidence "makes it difficult to reach a strong conclusion whether and how money matters in improving student performance.... As a result, demands for more money, absent a well-reasoned description of how the money will be used, do not build confidence that the money—by itself—will make a difference."

Turning to policy options, Picus points to four ingredients that have potential to improve student performance:

- reallocation of existing resources to use them as efficiently as possible
- incentives for improved performance
- development of the concept of "venture capital" for schools and school systems
- a more market-based budgeting environment, which commonly takes the form of school-choice options

In Search of More Productive Schools is a shining example of information analysis at its best. Picus demonstrates an authoritative grasp of the issues and a gift for clear, judicious expression. He addresses a number of controversial, complex issues in a thoughtful, balanced manner, and his insightful conclusions and recommendations reflect deep understanding of practical issues and constraints governing resource allocation in education.

Picus notes that the purpose of the book "is not to resolve the debate over whether money matters, or how it matters" but rather to pull together in a meaningful way existing research on the topic.

head("New ERIC/CEM CD Offers Big Bang for Your Buck",2)}

Wish you were able to slip a CD into your computer and read Lawrence Picus's new book *In Search of More Productive Schools?* Or browse the fifteen chapters of *School Leadership: Handbook for Excellence?* Or have instant access to this Clearing-house's ERIC Digests?

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