

The Effect of the School Finance Reforms in Vermont
and New Hampshire on per Pupil Spending

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ABSTRACT

At the end of the 20th century, the constitutionality of school finance systems in Vermont and New Hampshire was challenged in courts for the first time. Both states initiated dramatic school finance reforms after their school finance systems were ruled as unconstitutional. This study aims to evaluate the effect of these school finance reforms on per pupil spending. By utilizing a quasi-experimental research design and using school districts in Maine and Rhode Island as comparison groups, this study found that the school finance reform in Vermont decreased per pupil spending in rich school districts by 4-10% and increased per pupil spending in poor school districts by 2-5%. The school finance reform in New Hampshire decreased per pupil spending in rich school districts by 5-7% and had no significant effect on per pupil spending in poor school districts. The results from this study suggest that restrictions on the use of state aid are needed and should be considered in the process of school finance policy design. This study also indicates that directly transferring property tax revenue from rich school districts to poor school districts is probably not a sustainable way to achieve equity in education spending because it stimulates strong opposition from school districts whose tax revenue is recaptured.