

Public Abstract

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

The constitutionality of school finance systems in Vermont and New Hampshire was challenged in courts for the first time at the end of the 20th century. Both states initiated dramatic school finance reforms after their school finance systems were ruled as unconstitutional. The purpose of this study was to evaluate the effect of the school finance reforms in Vermont and New Hampshire on per pupil spending, addressing the following three research questions: 1) Did the school finance reforms in Vermont and New Hampshire change per pupil spending in all school districts? 2) Did the school finance reforms in Vermont and New Hampshire change per pupil spending in poor school districts? 3) Did the school finance reforms in Vermont and New Hampshire change per pupil spending in rich school districts?

Two reasons motivated me to conduct this study. First, the school finance reforms in both Vermont and New Hampshire involved state governments recapturing local property revenue from rich school districts and distributing it to poor school districts in order to achieve equity in educational spending. This measure was politically unpopular because it induced strong opposition from rich school districts. It is unclear on whether rich school districts decreased spending on education or increased tax effort to substitute the loss. Second, the school finance reforms in Vermont and New Hampshire included the measure of increasing state aid to poor school districts. The form of direct democracy in budget decision procedure in Vermont and New Hampshire and the lack of the restraint on the use of state aid might not guarantee the increase in per pupil spending of poor school districts since they could use this aid for other purposes such as relief of property tax burden.

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.