
90-817 Education Finance and Policy

Spring, 2024

School of Public Policy and Management
The Heinz College
Carnegie Mellon University
6:00PM-8:40PM [Remote]

©Professor Robert P. Strauss
www.andrew.cmu.edu/user/rs9f
rpstrauss@gmail.com

Revised November 14, 2023

Overview. The purpose of this Heinz course is to introduce professional master's students to the special problems of financing regional governments in a decentralized federal system with a special focus on k-12 education.

The course reviews theories of federalism from economic and constitutional perspectives, reviews the evolution of the United States from a confederation to a federation, examines financial and political problems associated with jointure, reviews alternative rationales for public financing and provision of education (k-16), distressed school systems and municipal governments, distributional effects of k-16 public education, the use of cost-effectiveness and educational production functions, school budgeting issues, the school property tax, school segregation in the US, intergovernmental relations and the design of school aid formulas, the measurement and implications of student achievement, teacher preparation and selection, and school governance issues. These issues are examined from positive and normative perspectives, and through the lens of economics and political economy. Class discussion examples will be drawn not only from Pennsylvania, but from other states, and internationally.

Students taking the course are expected to be conversant in basic statistics and its application on a micro-computer, know something about financial accounting or at least have an interest in it, have had an introductory course in micro-economics, and able to apply statistics and economics to real world problem sets that involve the manipulation of data and administrative records. Students who have had *Public Finance* will find taking the course more natural because the issues of the proper role of government in a market or mixed economy, the effects of different kinds of taxation on the distribution of income and wealth, and on economic efficiency will be more familiar. All required reading is stored on Canvas; each lecture session has a Module where the required readings are stored there as well as the assigned questions.

The course is organized into a series of topical sessions, and will be conducted on a remote, lecture-discussion basis. Each student is expected to keep his/her camera on, and request being recognized by raising his/her hand. Students are expected to have read the required reading before class. Students are also expected to own and know how to operate an electronic calculator (other than those contained in a cell phone¹) that is capable of doing $x^{a/b}$. Please be sure you have access to such a calculator for each class and have Strauss Bucks² available for each session as well, and as well as your answer[s] to assigned course session questions.

Each lecture discussion session will begin with Professor Strauss providing a brief overview and context of the topic, and then each student assigned a question will give his/her answer in no more than 3 minutes of presentation. Other students may then comment or ask follow up question of no more than 2 minutes by raising their hand and being recognized by Professor Strauss; Professor Strauss may also inquire or comment on the presentation to provide guidance.

Students presenting or commenting should refrain from beginning any sentence with “I feel like ...” since the purpose of the course is to provide the exchange of ideas and facts, not personal feelings *per se*. Also, this type of pedagogy is designed to improve the oral presentation skills of each student within a professional work environment.

Generally, students will find that reading the required readings and answering the questions to be discussed at hand will enhance their understanding of the materials to be read. Also, because the midterm and final exams will be based on the questions to be discussed, keeping track of the reading and questions to be discussed will materially aid in the preparation for the two exams.

Students are expected to obtain an online version of *The Federalist Papers* or buy a paper-back one from such places as Amazon.com. The Library of Congress maintains an online version at: <https://guides.loc.gov/federalist-papers/full-text> while Amazon sells the Signet Press version for \$7.95 (it also includes both an historical introduction and the US Constitution):

https://www.amazon.com/Federalist-Papers-Signet-Classics/dp/0451528816/ref=sr_1_3?crid=2M507YGULJ4D2&keywords=The+Federalist+papers+paperback&qid=1640036076&s=books&sprefix=the+federalist+papers+paperback%2Cstripbooks%2C56&sr=1-3

¹ Thanks to Christine Alagara for pointing this out in class some years ago.

² See <http://www.andrew.cmu.edu/user/rs9f/pf04.html>.

Evaluation. Evaluation in the course is based on the following formula:

A 95-100

A- 90-94.9

B+ 85.0-89.9

B 80.0-84.9

B- 75.0-79.9

C+ 70.0-74.9

C 65.0-69.9

C- 60.0-64.9

D+ 55.0-59.9

D- 50-54.9

R < 49.9

Pass/Fail 70 or better

There will be two short essay examinations: a midterm exam on March 13, 2023 and a cumulative final exam during finals week of May 1, 2023. The midterm, composed of 10 short essay questions, will be worth 30%, and the final exam, composed of 15 short essay questions, will be worth 40%. There are 7 problem sets worth 4% each. Class participation will be worth 2%. The final examination will cover the entire course, while the mid-term exam will cover the material from the beginning of the semester up to the midterm exam. I will be grading your exams. Note that all problem sets (except the Sim City problem set) must be emailed to rpstrauss@gmail.com, and must be word-processed. ***Handwritten problem sets will not be accepted.*** Problem sets handed in after the due date will get penalized for lateness at a rate of 2% reduction in score/day late. Thus a perfectly answered problem set worth 50 points that was 5 days late would be worth $50 \times (1 - (.02 \times 5)) = 50 \times (1 - .1) = 45$ points.

Each course session covers a series of topics. Sessions 1-3 deal with core issues related to US history and its (2nd) constitution, Sessions 4 deals with equal protection guarantees and race, Sessions 5-8 with core school finance issues, and Sessions 9-13 deal with core education issues.

Topical Outline.

Session 1: Alternative Perspectives on Fiscal Federalism

Session 2: The American Revolution and Fiscal Federalism: Federalist Papers

Session 3: US Federal/State Issues: Commerce Clause and Other Constitutional Provisions

Session 4: US Federal/State Issues: *Brown vs. Board of Education* and the Federal Response (ESEA, NCLB I, NCLB II)

Session 5: Resource Allocation in Regional Governments, School Districts, and State Aid to Districts

Midterm Exam

Session 6: Property Taxation: Institutions, Theory, Practice, and Equity Evaluation

Session 7: Local School and Municipal Financial Crises

Section 8: Perspectives on Education

Session 9: Curriculum Alignment, Coverage, Standards, Anchors

Session 10: Student Assessment

Session 11: All about Collective Bargaining

Session 12: All About Teachers, School Misconduct,

Session 13: School Governance

The 2024 course schedule follows:

Class Meeting	Topic	
January 15	Martin Luther King Day, No Class	
January 22	Session 1: Course Overview, Alternative Perspectives on Fiscal Federalism 1.1 Centralized View 1.2 Decentralized View 1.3 Posner on Economics of Federalism	Buchanan & Musgrave (1999), Richard Musgrave 4.1, “Fiscal Federalism,” James B Buchanan 4.2:”Response”; http://www.ted.com/talks/misha_gle_nny_investigates_global_crime_networks.html Richard Posner, <i>Economic Analysis of Law</i> , Chapter 25 695-714
January 29	Session 2: The American Revolution and Fiscal Federalism: Federalist Papers 2.1 Confederacy Problems 2.2 Federalism, US Style	Federalist Papers Chapters XV-XXII; (15-22) Federalist Papers XXIX-XLVI (29-46) (See links on Canvas to Library of Congress Federalist Papers
February 5	Session 3: US Federal/State Issues 3.1 US Constitution: Commerce Clause, Discrimination 3.2 US Federal Limits on State Power to Tax	Schoettle (2003) Chapter 4 Shaviro(2000), Ch. 3 pp 42-67; Joint Committee on Taxation, U.S. Congress, <i>General Explanation of the Tax Reform Act of 1986</i> ,

Class Meeting	Topic	
		(Prentice Hall), ch. 7., pp. 1128-1235.
February 12	Session 4: US Federal/State Issues: <i>Brown v. Board</i> and Federal Response to <i>Brown v. Board</i>: ESEA, NCLB	Russo Chapters 1 and 15
February 19	Session 5: Resource Allocation in Regional Governments, School Districts 6.1 Public Budgeting 6.2 Capital Allocation	Charles Coe, <i>Public Financial Management</i> , (Prentice Hall, 1989) Ch. 6, 156-186. Fisher, <i>State and Local Finance</i> , Chapter 11 The Budget Process
February 26	Midterm	
March 4-8	Spring Break	
March 11	Session 6: Property Taxation 6.1 Mechanics 6.2 The School Property Tax and Its Use in Education Finance in the US 6.3 Behavioral Effects of Property Tax	Schoettle(2003), Chapter 2. *J. Yinger, H. Bllom, A Borsch-Supan, and H. Ladd, <i>Property Taxes and House Values</i> , (Academic Press, 1989), ch 1-3, 6,7. *Robert P. Strauss, “Why Call for Property Tax Relief?” <i>State Education Finance Communications</i> . *H. Rosen and D. Fullerton, “A Note on Local Tax Rates, Public Benefit Levels, and Property Values.” <i>Journal of Political Economy</i> (April, 1997). Robert P. Strauss and David A. Strauss (2003), “The Fairness of Urban Real Estate Assessment in Four Urban Counties,” <i>Proceedings of the 96’t Annual Conference, National Tax Association</i> The Allegheny County Property Tax: 2 Related Studies

Class Meeting	Topic	
March 18	Session 7: Local Governmental Financial Crises 7.1 A Framework for Understanding Municipal Default 7.2 History of New York City's Bad Ways 7.3 SEC Report on NYC 7.4 Senate Banking Committee's views on the NYC 7.5 The Amended and Restated Agreement 7.6 School Districts in Crisis: School district in Detroit	University of Chicago Law Review 1993 Article Debt and Capital Management by Boast and Keilin Securities and Exchange Commission, Staff Report on Transactions in Securities of the City of New York: the Role of the City and its Officials, (Washington, D.C. August 26, 1977), Ch. 3 The Amended and Restated Agreement, November 20, 1975 <u>Pittsburgh Financial Crisis</u>
March 25	Session 8: Perspectives on Education 8.1 Human Capital Theory 8.2 Alternatives 8.3 School Aid Formulae <i>Per Se</i>	E. Cohn, <i>The Economics of Education</i> , Revised Edition (Oxford: Pergamon Press, 1990), preface, Chapter 1-4, 10-11 Steven D. Gold, David M. Smith, Stephen B. Lawton and Andrea c. Hyary (editors). Public School Finance Programs of the United States and Canada: 1990-1 (American Education Finance Association and the Center for the Study of the States), Section 2.
April 1	Session 9: Curriculum Alignment, Coverage, Standards, Anchors 9.1 ESEA/NCLB 9.2 Professional Practice 9.3 National and Pa Math Standards 9.4 How People Learn	ESA of 1964 NCLB How People Learn, Ch 6, Enhancing Professional Practice, A Framework for Teaching, pp 1-5, 60-78. PA Math Teaching Standards from PDE Website (put on Blackboard) http://www.pdesas.org/standard/Views/NCTM Teaching Standards http://standards.nctm.org/document/chapter1/index.htm
April 8	Session 10: Student Assessment, Per Se: 10.1 Testing, 10.2 Fair Tests, 10.3 Test Design, 10.4 Interpretation, 10.5 Types of Tests, 10.6 Value-Added and Interpretation	<i>Educational and Psychological Measurement and Evaluation</i> , Ch 1, Ch 4, Ch 5 skip 5.16-5.19
April 15	Session 11: Teacher Certification, Employment, Contracts; Terms and Conditions of Teacher Employment	Russo Chapter 9; Russo Chapter 10; Supreme Court decision

Class Meeting	Topic	
April 22	Session 12: Impact of Teachers, School Safety on Learning, and	Strauss and Strauss, <i>Teachers vs. Nurses</i> Strauss, Strauss, Gorman, and Liu, "Classroom Teacher Hiring Practices in Pennsylvania: 1997 and 2006," Balter and Duncumbe, Hiring Practices in New York Strauss (Chapter 7 of monograph on Teacher Quality and Teacher Selectivity in Pa) Strauss, Congressional Testimony Strauss Who Gets Hired to Teach in Pa? Strauss and Vogt, Teacher Retirement Decision Strauss, Chen and Liu, Teacher Voluntary and Involuntary Withdrawal Strauss and Liu, Double Dipping
April 29	Session 13: School Governance	Severino and Strauss http://www.andrew.cmu.edu/user/rs9f/severino_strauss_final_april_2005.pdf
TBA May 6	Final Exam	

Problem Sets.—problem sets are to be worked on individually or in groups as indicated below. No group may be larger than 3 students, and Professor Strauss must be notified by email of the group composition. Students shall put their name on their problem set. Solo means you do it yourself, Group means you can do it with others; however, the group size is no more than 5 students in each group. Regarding working Solo, you can gossip about the problem sets in terms of where to find data, but not to do each others calculations.

Problem 1: What's happening with state and local debt? **Solo**

Out 1/23/2023, **Due 2/6/2023** before class. (Each student is assigned a state to analyze; please see the assignment list on Canvas under Assignments).

Problem 2: Would A Payroll Preparation Tax be Constitutional in Pennsylvania?

Out 2/7/2022, **Due 2/14/2022** before class **Solo**

Problem Set 3: Has Segregation Increased in the Pittsburgh Public Schools?

Out 2/14/2022, Due 2/21/2022 **Group**

Problem 4: Budgeting Scarce Resources: Sim City
Out 2/28/2022, Due 3/14/2022 before 5pm **Group**

Problem 5: Analysis of Property Tax; Optional Analysis of PSSA Scores **Group Project**
Out 3/14/2022, Due 3/27/2022

Problem 6: Determinants of Student Level SAT scores in Pennsylvania and Reliability, Validity, and Value Added Modeling (**Group Project**) Out