School Finance Policy and Students’ Opportunities to Learn: Kentucky’s Experience

Jacob E. Adams, Jr.

Abstract

School finance reform is usually done piecemeal, with many changes made to an existing framework over a period of decades. Also, finance reform is generally carried out separately from reform of school programs or governance. A notable exception is Kentucky which, in response to a 1989 state supreme court ruling, created an entirely new elementary and secondary education system with new finance and governance mechanisms and new academic expectations and accountability mechanisms.

This article summarizes the major elements of the Kentucky Education Reform Act (KERA) and research on its impact. Revenues increased, funding differences between districts shrank, but basic allocations (percentage spent on instruction, facilities, and so on) changed little. A new Office of Education Accountability, reporting to the legislature, tracks incentives and sanctions for schools that progress or regress against their baseline performance. School site councils (SSCs) are in operation, with authority to hire the principal and to make decisions about curriculum, instruction, and the school budget.

Major instructional changes were implemented in the early elementary grades, and model restructured high schools are being studied. Significant supplemental services (both academic and social) have been added. Overall, much progress has been made in putting new structures in place, though changes in practice evolve more slowly. The article identifies barriers to change and concludes that KERA’s strategy is promising, but more focus should be placed on school-level uses of education dollars. SSCs have authority, but they should also be offered substantial guidance regarding which practices will most reliably promote learning.

In 1990, the Commonwealth of Kentucky launched the nation’s most comprehensive experiment in educational reform. Spurred by a state supreme court decision which declared the Commonwealth’s entire system of public schools to be unconstitutional, legislative leaders set about re-creating the state’s elementary and secondary school system.
Their product, the Kentucky Education Reform Act of 1990 (KERA), is broader in scope than other school improvement efforts. It encompasses finance, governance, and program changes; is comprehensive in its coordination of state policies; focuses on student achievement; and affects individuals and institutions at all levels from statehouse to schoolhouse.

This article presents an educational rationale for more closely linking the school finance, governance, and program reforms that are reshaping the landscape of school improvement. The article then assesses the Commonwealth’s experience with educational reform, focusing particularly on the contributions of new school finance mechanisms, and culls lessons from this experience for other states. It concludes that Kentucky’s experience linking program and finance reforms enhanced students’ opportunities to learn. However, another generation of resource allocation and program policy improvements is needed to move schools beyond the framework of opportunity to the realization of student learning goals. In short, increasing school productivity will constitute the next major challenge of educational reform.

Policy Solutions for Ailing Schools

During the 1980s and 1990s, policymakers across the United States devoted considerable effort to improving the nation’s public schools. From the 1983 publication of the catalytic federal report, *A Nation at Risk*, to the 1996 “education summit” convened by President Clinton, school reform has garnered the attention and resources of legislatures, administrative agencies, businesses, the media, and the courts. In fact, after 13 years of rhetoric and change, public demand for quality schools grew stronger,1 commission reports highlighted new problems,2,3 and presidential candidates debated competing approaches to educating the nation’s youngsters.

Since 1983, two streams of policy have dominated education reform: (1) program and governance initiatives and (2) finance reform.

Program and Governance Policies

Program reforms during this period changed academic expectations, assessment and accountability mechanisms, curriculum, instruction, teacher preparation, and professional development. Governance reforms decentralized and broadened educational decision making, giving more authority to parents, teachers, and principals. Also, by launching experiments in charter schools, vouchers, and service contracts, reform initiatives introduced new forms of educational authority, accountability, and service delivery.

Program and governance reforms can be grouped into three categories. Standard setting addresses the problem of unclear student learning goals and measures of success. Systemic reforms attack the problem of fragmented and uncoordinated state educational policies. Restructuring targets the problem of outmoded school organization and pupil instruction. Different problems and solutions notwithstanding, as a group, program and governance reforms sparked considerable activity in the 1980s and 1990s.

School Finance Policies

As described in the article by Augenblick, Myers, and Anderson in this journal issue, many school finance reforms have originated in legal challenges to state school finance systems. The three primary legal standards addressed by the courts are equity, equal educational opportunity, and adequacy.

*Equity* in school funding does not require absolutely equal spending for all students. Unequal distribution of resources can be equitable, or fair, when the variation is based on legitimate differences in student need. For example, higher per-pupil allocations for students receiving special education represent an unequal distribution of resources that is considered equitable. *Equal educational opportunity,* in school finance terms,
means that per-pupil revenues cannot vary across district boundaries solely or importantly because of variations in local property wealth. The concept of adequacy in school finance refers to a state’s obligation to ensure a base level of funding sufficient to achieve a certain level of student learning.

In contrast to program and governance initiatives, school finance reforms conceive the problem of poor educational performance as an issue of resource distribution.

**Combining Reforms: The Kentucky Education Reform Act**

On the whole, the program/governance and finance streams of educational policy have developed along separate tracks. However, as courts began to respond to increasingly sophisticated arguments regarding not only the distribution of funding but its adequacy, analysts began to argue for stronger linkages between school program and finance policies. The educational rationale for linking school finance and program reforms rests on five reform-related developments: a demand for higher student achievement, judicial attention to student outcomes, research findings that money well spent boosts student achievement, calls for greater school productivity, and policy attention to schools’ capacities to offer students a reasonable opportunity to learn. Nowhere has the linkage between school finance and educational program reform been more explicit than in Kentucky.

In 1989, the Kentucky Supreme Court declared the state’s entire system of elementary and secondary schools to be unconstitutional. Plaintiffs had charged that the state’s statutory structure for funding public schools was inadequate and inequitable and, thus, in violation of the Kentucky constitution. The lower court concurred. In ruling for plaintiffs, Judge Ray Corns remarked: “Kentucky's current school system is one of the most severely deficient in the Nation as evidenced by the dubious distinction of having the highest percentage of counties with an under educated populace, a functional illiteracy rate of 48.4% in the Appalachian counties of Eastern Kentucky, which is the highest in the country, 50th in citizens over age 25 with high school diplomas, one of the highest teenage pregnancy rates, and extremely low education performance scores, especially in the Fifth Congressional District [encompassing the Appalachian region of southeastern Kentucky]. In a sentence, Kentucky’s children and youths, especially those in the Plaintiff districts, are suffering from an extreme case of educational malnutrition.”

On appeal, the Kentucky Supreme Court expanded the lower court’s ruling, declaring the Kentucky public schools (in the court’s words) “the entire sweep of the system—all its parts and parcels” to be unconstitutional. The court based its decision solely on Section 183 of the state constitution which directed that “the General Assembly shall, by appropriate legislation, provide for an efficient system of common schools throughout the state.” The court then charged the General Assembly to create a new system of public schools.

In less than a year, the Kentucky General Assembly enacted the Kentucky Education Reform Act of 1990, known as KERA. This omnibus educational reform legislation represented the nation’s first truly “systemic” blueprint for school improvement. The bill’s sweeping reforms included a six-year implementation period and $1.2 billion in new revenues to fund the reforms.

**Kentucky’s Experience with Reform**

The great number and variety of changes embodied in KERA pose substantial challenges. However, the scope of this reform also is its promise. Kentucky policymakers and practitioners alike describe KERA as a “fabric of reform,” suggesting that its components are interconnected and reinforcing.

**Funding Changes**

Kentucky’s reform produced 34% more school district revenue (19% adjusted for inflation) between 1990 and 1993, as well as marked improvements in system equity.
KERA revamped equalization aid, introduced pupil weighting factors to support students with special needs, and capped the amount of funds any district could raise locally. It also created a number of new categorical grants to ensure support for high-priority activities. Tables 1 through 3 show changes between 1990 and 1993, and are not adjusted for inflation.

**Table 1**

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>1990</th>
<th>1993</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Local</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxation</td>
<td>$655</td>
<td>$949</td>
<td>45</td>
</tr>
<tr>
<td>Other</td>
<td>58</td>
<td>46</td>
<td>-21</td>
</tr>
<tr>
<td>Capital</td>
<td>136</td>
<td>176</td>
<td>29</td>
</tr>
<tr>
<td>Subtotal local</td>
<td>850</td>
<td>1,171</td>
<td>38</td>
</tr>
<tr>
<td><strong>State</strong></td>
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<td></td>
<td></td>
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<tr>
<td>Formula</td>
<td>1,864</td>
<td>2,567</td>
<td>38</td>
</tr>
<tr>
<td>Other</td>
<td>4</td>
<td>3</td>
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</tr>
<tr>
<td>Grants</td>
<td>259</td>
<td>233</td>
<td>-10</td>
</tr>
<tr>
<td>Capital</td>
<td>99</td>
<td>133</td>
<td>34</td>
</tr>
<tr>
<td>Subtotal state</td>
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<td>2,936</td>
<td>32</td>
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<tr>
<td><strong>Local and State</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Percentage local</td>
<td>28</td>
<td>29</td>
<td>34</td>
</tr>
<tr>
<td>Percentage state</td>
<td>72</td>
<td>71</td>
<td></td>
</tr>
</tbody>
</table>


**Expenditures Increased but Spending Patterns Changed Little**

With new revenue available, school districts increased spending across all functions except debt service, as illustrated in Table 2. Moreover, resource allocation among Kentucky school districts after KERA was virtually identical to the pattern before reform. After reform, Kentucky school districts allocated, on average, 3.6% of expenditures to administration, 70.3% to instruction, 5.9% to transportation, 9.3% to operations and maintenance, 4.2% to fixed costs, 4.2% to capital outlay, and 2.2% to student services. Spending changed less than one percentage point in administration, student services, transportation, operations, maintenance, fixed costs, and debt service. Capital outlay increased from 1.7% to 4.2% of the budget. The percentage of total spending allocated to instruction decreased from 72.4% to 70.3%, though the actual dollars allocated to instruction increased substantially.

Teacher, district administrator, and principal salaries increased (23.5%, 25%, and 28%, respectively), but not as fast as total school spending increases (37% overall). Proportionately more money was devoted to nonteacher and nonadministrator certified salaries, instructional aides and clerical sup-
port, instructional materials, services, and buildings.

System Equity Improved

The state’s reconstituted school system is more uniform and provides more equal educational opportunity than the state system prior to reform (see Table 3). One way to examine equity is to note the revenue differences between percentiles of pupils. Prior to KERA, the highest percentile of pupils received over 2.5 times more revenue than the lowest percentile; after reform, the top received 1.6 times more revenue than the bottom.13 Similarly, if the upper and lower extremes of the distribution of pupil

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Table 2

<table>
<thead>
<tr>
<th>Changes in Kentucky School District Per-Pupil Expenditure Patterns, 1990 and 1993, Analyzed by Function and Object</th>
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<tbody>
<tr>
<td><strong>Analyzed by Function</strong></td>
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<tr>
<td></td>
</tr>
<tr>
<td>District administration</td>
</tr>
<tr>
<td>Instruction (includes principals)</td>
</tr>
<tr>
<td>Attendance services</td>
</tr>
<tr>
<td>Health services</td>
</tr>
<tr>
<td>Pupil transportation</td>
</tr>
<tr>
<td>Plant operations</td>
</tr>
<tr>
<td>Maintenance</td>
</tr>
<tr>
<td>Fixed costs</td>
</tr>
<tr>
<td>Food services</td>
</tr>
<tr>
<td>Community services</td>
</tr>
<tr>
<td>Capital outlay</td>
</tr>
<tr>
<td>Debt service</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

**Analyzed by Object**

| **Amount** | Percentage of Budget | Percentage Change |
| **1990** | **1993** | **1990** | **1993** | |
| Salaries | $2,253 | $2,924 | 79.3 | 75.1 | 29.8 |
| Teachers, instructors, and aides | 1,784 | 2,313 | 62.8 | 59.4 | 29.7 |
| Administration (district and school site) | 200 | 254 | 7.0 | 6.5 | 27.0 |
| Support staff* | 268 | 357 | 9.4 | 9.2 | 33.2 |
| Benefits | 70 | 121 | 2.5 | 3.1 | 72.9 |
| Supplies/Materials | 275 | 381 | 9.7 | 9.8 | 38.5 |
| Operations and Maintenance | 155 | 345 | 5.5 | 8.9 | 122.6 |
| Other | 89 | 125 | 3.1 | 3.2 | 40.4 |
| **Total** | 2,842 | 3,896 | 100.0 | 100.0 | 37.1 |

* Clerical, food service, bus drivers, and maintenance staff.

revenue are removed (top and bottom 5%), a similar narrowing of the distribution of revenues is evident. This “restricted range” decreased from $1,424 to $1,045, or almost 27%. Dividing the 95th by the 5th percentile allows us to express the restricted range in percentage terms (known as the federal range ratio). In Kentucky, the prereform per-pupil revenue at the 95th percentile was 77% larger than at the 5th percentile, whereas postreform per-pupil revenue at the 95th percentile was 38% larger.

Another, perhaps more useful, way to assess equity is to make a judgment about the entire distribution of pupil revenue, not just two points in that distribution. Analysts use a measure called the coefficient of variation (COV) to describe a state’s whole distribution of pupil revenue. The COV indicates how closely student revenue (across all percentiles) is clustered around the average amount. School finance experts have postulated that in an equitable system 68% of all students will be clustered within 10% of the mean spending figure. Before KERA, Kentucky’s spread was 22%; after KERA, it was 11%.

Equally important, KERA reduced by 55% the relationship between a school district’s wealth and the amount of revenue its students received. The absence of such a relationship indicates a more equitable school system. More revenue and greater equity support the Kentucky Office of Education Accountability’s contention that “in the area of finance, tremendous progress has been made.”

Local Response
KERA’s school finance policies created financial opportunities for all districts by providing increases in general purpose funding and by offering restricted-purpose grants to support new activities such as weekend and summer tutoring and Family Resource Centers. The new funding formula also included $100 per pupil for capital outlay.

A detailed examination of expenditures in four Kentucky school districts (two high-

<table>
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<th>Table 3</th>
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<tr>
<td><strong>The Equity Impact of School Finance Reform in Kentucky, 1990 and 1993</strong></td>
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<tr>
<td>------------------</td>
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<tr>
<td>Statewide mean revenue/pupil</td>
</tr>
<tr>
<td>95th percentile</td>
</tr>
<tr>
<td>5th percentile</td>
</tr>
<tr>
<td>Range from 5th to 95th percentile</td>
</tr>
<tr>
<td>Federal range ratio</td>
</tr>
<tr>
<td>Coefficient of variation</td>
</tr>
<tr>
<td>Correlation between per-pupil revenue and property wealth</td>
</tr>
</tbody>
</table>

* a Author calculation using adjusted current and net current revenue.
* b The federal range ratio is calculated by dividing the 95th percentile by the 5th percentile, which expresses the difference between the two in percentage terms.
* c The coefficient of variation indicates how closely student revenue (across all percentiles) is clustered around the average amount. School finance experts have postulated that in an equitable system 68% of all students will be clustered within 10% of the mean spending figure. Before KERA, Kentucky’s spread was 22%; after KERA, it was 11%.
* d Perfect correlation (per-pupil revenue matches district wealth) would be shown by a 1.0 score. No correlation would be indicated by a 0.0 score. Perfect negative correlation (higher per-pupil revenue in districts with lower property wealth) would be indicated by a -1.0 score.

wealth and two low-wealth)\textsuperscript{16} showed that all four districts increased spending on teachers' salaries, with increases ranging from 16\% to 43\%. Superintendents described these salary increases as important components in strengthening teacher morale, recruitment, and retention. Similarly, all four districts spent new resources on teachers' professional development. Also, in low-wealth districts particularly, reform dollars purchased instructional materials and educational technology. In fact, one low-wealth district increased its instructional materials budget from $15 per pupil to $100 per pupil. Additionally, facilities construction garnered a share of reform dollars. Unmet need in this area was particularly troublesome in districts without a property tax base of sufficient size to support their emerging facilities needs. Finally, reform dollars allowed districts to initiate supporting programs focused on school readiness and family support, such as preschool, family resource and youth service centers, and extended school services.

**Program and Governance Changes**

School finance concerns played a central role in initiating Kentucky's educational reform. KERA, however, ranged beyond finance issues, initiating changes in accountability, governance, teacher professionalism, school organization, and supplemental services.

**Accountability**

Under KERA, schools are expected to do more and to do it better. They are to teach more complex skills and to teach in better ways. Nationally normed tests (such as the Comprehensive Test of Basic Skills [CTBS] and the California Achievement Test [CAT]) measure basic skills and some content mastery but are not sufficient to measure the "more and better" expectations of KERA. To hold schools accountable for achieving goals under KERA, the Commonwealth established a new assessment system—the Kentucky Instructional Results Information System (KIRIS)—at grades 4, 8, and 11.\textsuperscript{17}

The first KIRIS assessments were administered in 1991–92, to establish a baseline against which future performance would be judged. Since then, two accountability cycles have been administered, in 1992–94 and 1994–96. Each school's performance is aggregated into a single score on a 100-point scale. Five-sixths of the score represents cognitive aspects of performance; one-sixth represents performance in noncognitive domains—student attendance, dropout, and transition to college, work, or the military.

KIRIS ranks student performance in four levels: novice, apprentice, proficient, and distinguished. KIRIS similarly utilizes six levels to rank school performance: reward, successful, improving, improving category 2, in decline, and in crisis. School performance rankings lead to rewards and sanctions.

Based on students' performance on state assessments, high-achieving schools qualify for monetary rewards, while poor-performing and declining schools face sanctions ranging from mandatory improvement plans and outside assistance to outside control, even closure.

In 1994, $26 million in rewards for improved performance was distributed to 36\% of the state's schools. In 1996, some 46\% of the state's schools received monetary rewards. In almost every instance, the teachers voted to use the funds to give themselves bonuses ranging from $1,300 to $2,600. Researchers found no evidence that rewards actually functioned as incentives, and the use of the rewards created resentment among parents, nonteaching staff, and at schools that did not qualify for rewards.\textsuperscript{18}

Schools "in decline" must develop an improvement plan, work with a distinguished educator, and qualify for improvement funds. Schools that drop below their baseline by more than five points become schools "in crisis." These schools must develop improvement plans, a distinguished educator is assigned, improvement grants are available, teachers and principals are evaluated every six months and can be transferred or dismissed on the recommendation of the
distinguished educator, and students have the option of transferring to more successful schools. Results from the second accountability cycle, released in fall 1996, indicated that nine schools (0.73% of the state’s schools) faced sanctions as a result of being “in crisis.”

Measuring “more and better” is not easy. For example, KIRIS originally included a performance element that has been particularly subject to criticism. In fact, two independent evaluations of KIRIS highlighted several technical and programmatic deficiencies in the system. The Commonwealth is now revising KIRIS to improve its reliability at measuring higher-order skills and also plans to reintroduce nationally normed tests such as CTBS and CAT to ensure that KERA’s emphasis on higher-order skills does not result in any losses in the areas of basic skills.

A 1997 study of a sample of schools which administered both KIRIS and CTBS or CAT found (1) some schools showed solid gains on both tests (for example, at the fifth grade, 38% gained on both tests in reading, 11% in math, and 35% in language), and (2) there was no overall relationship between scores on the two tests. Schools with rising KIRIS scores might have either rising or falling CTBS/CAT scores, and the same was true for schools with falling KIRIS scores.19 Based on these preliminary findings, researchers suggest that schools which focus on KERA expectations do well on both KIRIS and standardized tests, while schools that focus only on traditional academic expectations do well only on standardized tests.

**Professional development for teachers is a priority under KERA, with funding increased from $1 to $23 per student.**

In terms of what is working well, KIER concluded that SBDM has been sustained for six years, that SBDM has been adopted in schools statewide according to the legislated timeline, and that this level of implementation is unparalleled in the nation. Moreover, there has been minimal corruption of the process, and conflicts among councils, superintendents, and school boards have been less serious and less numerous than anticipated. Teachers and parents, including minority parents, have greater voice in decision making, the process of hiring principals is more systematic and open, and most SBDM participants do not want to return to the previous governance structure.

In terms of what is problematic, the KIER study concluded that the extent of implementation and quality of school site council functioning vary considerably, and the roles and responsibilities of councils, principals, superintendents, and school boards remain somewhat ambiguous. In addition, councils tend to focus more on details and ad hoc decision making than on policy. They suffer from quick turnover of council members, and they do not have adequate access to the kinds of training, assistance, and resources needed to operate effectively. Many principals tend to dominate the councils because of their authority and responsibility. Moreover, many superintendents and school board members perceive hiring practices and decisions as divisive. Full parent participation in decision making and adequate minority representation have not been attained.

Looking ahead, KIER concluded that it is important for the state to keep the basic
legal structure of SBDM in place but to clarify school and district roles. The state also must take steps to increase school site council continuity and development over time.

**Teacher Pay and Professionalism**

KERA sought to compensate teachers with adequate, competitive, and progressive salary levels and advancement opportunities throughout their careers. However, in terms of statewide teacher compensation policy, little has changed. Kentucky still operates a statewide minimum salary schedule. In 1993, the Kentucky Board of Education took no action on a department proposal for performance assessment and teacher pay. Research is evolving now that supports skill-based pay, team and school performance awards, and other pay structure changes.21

Professional development for teachers is a priority under KERA, with funding increased from $1 to $23 per student. Two-thirds of professional development funds are controlled by the school site council so teachers can determine what training they need.

KERA also recognizes “distinguished educators” with a one-year special assignment to work with teachers across the state and a 35% salary supplement. In the first six years of implementation, 120 persons have been designated as distinguished educators. As noted above, distinguished educators are also assigned to work with schools in decline, and they evaluate and make recommendations on firing or reassigning principals and teachers in schools found to be in crisis.

**Mandatory Ungraded Primary Program**

KERA mandates that schools provide multiage, multiability grouping for grades K–3. Some exceptions are allowed: this grouping need not apply to all students for every activity, though the State Board of Elementary and Secondary Education’s position statement encourages such grouping in most situations. The General Assembly defined seven components of the primary program, the most controversial of which has been multiage and multiability classrooms.22 Implementation of the elementary program varies statewide. Some teachers have implemented more of the seven attributes, and some have implemented them better than others. Inclusion of five-year-olds in multiage classrooms remains controversial.15

**Restructured High Schools**

KERA stipulated one-sixth of a high school’s accountability score be based on student graduation rates and successful transition to work, postsecondary education, or the military. In addition, KERA mandated that the state board of education review graduation requirements in light of the new expected outcomes for students.

The proposed core components of high school graduation include an individual graduation plan; an integrated academic portfolio, including a transcript, recommendations, test data, and activities; culminating project; activity related to service learning, school service, work-based learning, or student-initiated enrichment; and exit review. Expectations may be modified for students with special circumstances.23
Approximately 100 high schools, or about one-third of the state’s high schools, have implemented some aspect of the proposed core components. Based on these demonstration experiences, the department of education will make recommendations for high school restructuring and revised graduation requirements.

**More Extensive Supplemental Services**

KERA launched extensive efforts to (1) better prepare at-risk children for kindergarten, (2) provide after-school and summer academic assistance, and (3) integrate educational and social services for students and families.17

KERA requires schools to offer a developmentally appropriate preschool for four-year-olds who qualify for the federal free lunch program or have disabilities. Coordination of KERA preschools with Head Start is encouraged. In 1995–96, more than 29,000 children were served, which included 74% of those eligible due to poverty and 90% of those eligible due to disability. All children in preschool received at least one meal; parent education, with a minimum of two home visits; health screening; developmental screening (including cognitive, communication, self-help, motor, and social-emotional skills); and coordination with medical, health, mental health, and social services agencies.

KERA’s extended school services (ESS) program provides free academic assistance outside regular school hours. These services are widely utilized: about 150,000 of Kentucky’s 578,000 K–12 students enrolled in ESS in 1993–94. Because of such wide utilization, the legislature increased the ESS budget from $21.4 million in 1991–92 to $33.9 million in 1996–97. The majority of students enrolled in ESS enter with a grade of D or F in their referring class and raise that grade at least one letter by the end of the term.

In fiscal 1997, 560 family resource or youth service centers operated serving 912 schools (approximately 80% of eligible schools). These centers served more than 400,000 students. The most utilized service is referral and coordination of health services. Other prominent services include educational and recreational summer camps, antidrug and alcohol seminars, parenting skills training, employment and career counseling, pregnancy prevention programs, child care services, and family crisis counseling.

Table 4 provides a summary of selected major elements of KERA and experiences in implementation.

**Overview of Implementation**

In a real sense, and with due regard for the importance and difficulties of the legislative process, policymaking is the easy part of educational reform. As one careful observer concluded, the overarching lesson from empirical research on policy implementation is that “it is incredibly hard to make something happen.”24 Kentucky lawmakers established a six-year implementation period for KERA. During these half dozen years, the actions of state officials, local educators, parents, and students would determine the practical effects of Kentucky’s school reform.

On the broader dimensions of reform implementation, substantial progress is evident. Structural elements of reform are largely in place, and concomitant changes in practice are developing slowly. However, several controversies arose which illustrate the challenge of large-scale change.

**Progress on Structures**

All mandated governance changes have been implemented, including a new state board of education and appointed commissioner. The state department was reorganized, regional service centers opened, an education professional standards board appointed, and an Office of Education Accountability (reporting to the legislature, not the department of education) created. At the end of 1996, school councils were in place in 1,184 of Kentucky’s 1,365 schools (98 schools are exempt). These numbers represent more
than 93% compliance on this dimension of reform. Collectively these councils have hired more than 500 new principals.

In terms of accountability standards, academic expectations were published for reading, writing, mathematics, science, social studies, arts and humanities, practical living, and vocational studies. Moreover, a new performance-based assessment and accountability system was created and implemented. The first baseline assessments and two accountability cycles have been administered. Rewards for high performance were distributed, and several schools face sanctions for poor performance.

By fall 1996, 120 distinguished educators had been designated, most districts offered summer school or after-school programs, 560 family resource and youth service centers serving 912 schools were operating, all 176 school districts provided preschool services, and all 837 elementary schools offered ungraded primary programs.

**Practices More Problematic**

With change of this scale, implementation problems are all but assured. The state’s experiences with assessment, the ungraded primary program, and site-based decision making illustrate implementation difficulties and highlight problems of technical and political legitimacy.

Kentucky’s performance-based student assessment, for example, requires teachers to use and interpret a new form of assessment and, potentially, to change teaching and learning in their classrooms. Implementation statewide has varied among and within schools. On one hand, implementation studies indicate that the new Kentucky Instructional Results Information System (KIRIS) is having a major impact on the use of performance assessment in Kentucky classrooms, with multiple forms of assessment used by 70% of teachers. On the other hand, confusion exists among teachers regarding types and uses of performance assessment, and 30% of teachers still do not use curriculum frameworks or assessment reports.

The Prichard Committee for Academic Excellence, a citizens’ group supporting and monitoring Kentucky’s reform, identified challenges in the form of complex technical problems in testing, disagreements over whether financial rewards provide effective incentives, confusion among parents and public, some educators’ objections to the concept of giving financial incentives on the basis of student performance on tests, and teachers’ lack of knowledge about how to reach new or higher standards. The group concluded that assessment “is the part of reform where the most divisive politics and the most thorny technical problems come together.”

The ungraded primary program also has experienced statewide variation in the quality of implementation. Implementation reports have identified persistent problems. Parents are little involved, and the integration of five-year-olds remains controversial. Some parents and teachers express concern that hands-on, cooperative, whole language instruction poorly serves less verbal students and that older children are not sufficiently challenged. Reporting is confusing and provides no information about a child’s progress relative to his or her peers. However, as researchers have noted, “as teachers became more knowledgeable about the elements that comprise the primary program and as they became more experienced in implementing the changes, their attitudes toward [primary program components] were more positive. However, the questions about multi-age grouping remain.”

Site-based decision making constitutes a central support in KERA’s reform framework. Control over critical educational decisions has been transferred to site-based committees of parents, teachers, and principals. Still, most council decisions focus on student discipline, extracurricular activities, and facilities rather than on issues more central to teaching and learning, and the number of parents participating remains small.

The frustrations associated with these changes are apparent in the comments of
Table 4

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<thead>
<tr>
<th>Element</th>
<th>KERA Reform</th>
<th>Implementation Experience</th>
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<tbody>
<tr>
<td>Basic funding formula</td>
<td>Guaranteed base: The state guarantees a minimum level of funding for each pupil, with supplements for disadvantaged students and for special needs. School districts must contribute 30 cents for every $100 of assessed property value. Tier 1 (optional): Districts may raise local taxes up to 15% of the base without voter approval. State will equalize funds. Tier 2 (optional): Districts may raise local taxes a second time, up to 30% of the sum of base and Tier 1. Tier 2 requires voter approval; state does not equalize Tier 2.</td>
<td>Revenues and expenditures increased by 34% (19% after inflation) between 1990 and 1993. District and site spending patterns changed little. Student revenue at the 95th percentile is now 38% larger than at the 5th percentile, versus 77% before reform. Two-thirds of student revenue now falls within 11% above or below the statewide average amount, versus 22% before reform.</td>
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<tr>
<td>Accountability</td>
<td>New statewide student assessment system serves as the basis for dispensing rewards and sanctions. Rates all schools in one of six levels: “reward,” “successful,” “improving,” “improving category 2,” “in decline,” and “in crisis.”</td>
<td>Each school’s performance is aggregated into a single score. Five-sixths of the score represents cognitive aspects of performance; one-sixth represents student attendance, dropout, and transition to college, work, or the military.</td>
</tr>
<tr>
<td>Financial incentives for exceptional performance</td>
<td>“Successful” schools receive monetary rewards.</td>
<td>In 1994, $26 million in monetary rewards was distributed to 36% of all Kentucky performance schools. In 1996, some 46% of all schools received monetary rewards. In almost every instance, the teachers used the funds to give themselves bonuses.</td>
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<tr>
<td>Sanctions for poor performance</td>
<td>Schools “in decline” must develop an improvement plan. Schools that drop below their baseline by more than 5 points (of 100 possible) become schools “in crisis.” Teachers and principals are evaluated every six months by a distinguished educator who has authority to transfer or dismiss staff.</td>
<td>As of fall 1996, nine schools (0.73% of the state’s schools) faced sanctions as a result of being “in crisis.”</td>
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<tr>
<td>Local school governance restructuring</td>
<td>Responsibilities of school boards were narrowed to: hire superintendents, manage district property, set tax rates, and establish qualifications for employees. School site councils have authority over curriculum, instruction, student assignment, discipline and classroom management, and school budget. Councils hire principals and consult with their principal in hiring teachers.</td>
<td>Councils have hired more than 500 new principals. The Kentucky Supreme Court ruled that school site councils had autonomy to develop policies in areas specified by KERA. However, in practice most school site councils defer to school boards. School site funding is a source of significant confusion, including inappropriate amounts allocated to councils, untimely allocations, and unacceptable staffing patterns. Implementation problems continue.</td>
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<tr>
<td>Improved teacher compensation and career development</td>
<td>KERA encourages adequate, competitive, and progressive salary levels and advancement opportunities. Distinguished educators are recognized with a one-year special assignment and a 35% salary supplement.</td>
<td>Average teacher pay increased by 23% between 1990 and 1993. 120 persons have been designated as distinguished educators.</td>
</tr>
</tbody>
</table>
observers. For example, “The initial legislative hope that knowledgeable, empowered teachers and parents would know what to do was overly optimistic. [and] Engaging the broader parent community in schools does not occur simply because a school council exists. Increasing parent involvement remains a major challenge.”28 And “it is extremely difficult to accurately identify the dynamics that cause one faculty to enthusiastically embrace an initiative while another faculty will expend great effort to avoid it.”29

**Barriers to Change**

Why does reform implementation take so long, if it even occurs at all? A group of researchers and reformers identified five challenges to Kentucky’s systemic education initiative: (1) to create capacity at all levels of the educational system, (2) to implement the various components of reform in a reasonable sequence, (3) to avoid re-creating a stifling top-down bureaucracy, (4) to foster the public and professional support needed to sustain change over time, and (5) to develop mechanisms for continuous learning and adaptation.30

National Governors’ Association analysts Jane David and Paul Goren have identified more generic barriers to large-scale educational reform efforts. These hurdles

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Table 4 (continued)

<table>
<thead>
<tr>
<th>Element</th>
<th>KERA Reform</th>
<th>Implementation Experience</th>
</tr>
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<tbody>
<tr>
<td>Ungraded Primary Program</td>
<td>Districts are required to group students ages five to eight in nongraded primary programs, following recommendations of the National Association for the Education of Young Children, 1988.</td>
<td>Implementation varies widely from school to school and classroom to classroom. About half of all practices can be characterized as unacceptable in some dimension. Inclusion of five-year-olds remains controversial. Questions remain about the practical aspects of multiage grouping.</td>
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<tr>
<td>Preschool Program</td>
<td>Districts are required to offer half-day programs for four-year-olds at risk of educational failure and for three- and four-year-olds with disabilities.</td>
<td>In 1995–96, some 74% of children eligible for the state program were served, versus 31% prior to KERA. Children who attended KERA preschool programs scored significantly higher on developmental skills and early literacy than a control group of children who were income-eligible but did not attend KERA preschools.</td>
</tr>
<tr>
<td>Extended school services (ESS)</td>
<td>The state provides funding for after-school, evening, Saturday, and summer instructional programs.</td>
<td>150,000 students took part in ESS in 1993–94. In 1994–95, some 17,295 students were promoted or graduated on time as a result of ESS participation.</td>
</tr>
</tbody>
</table>
| Family Resource and Youth Service Centers | Schools are eligible for centers if at least one-fifth of students qualify for free lunch. | In 1995–96, some 560 centers were serving 1,912 schools. These are 100% new services. Teachers report improved classroom performance for participating students, but grades and standardized test scores

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include weak incentives for educators and students to change their expectations and practices; a regulatory and compliance mentality stemming from existing school regulations and union contracts; limited opportunities for teachers and administrators to learn new ways of teaching and organizing schools; and poor communication across levels of the education system, within schools, and between schools and communities.31

At the local level, school boards contested the new authority of school site councils, arguing that actions taken by site councils must be consistent with board policy. The issue was resolved by the Kentucky Supreme Court in 1994,32 in favor of the school site councils. The Office of Education Accountability, however, notes that most councils still operate within the framework of local board policy.33

After six years of implementation experience, a major finding is that change is consistent with reform goals and expectations. Total resources increased, equity improved, and a portion of control devolved to school site councils. Change may not yet be as advanced or as uniform as reformers had hoped, but it is in the expected direction.

Implementation Is the Linchpin
Policy is not self-executing. Implementors must be aware of the state’s policy goals, commit to achieving them, and have the capacity to carry out the task. Kentucky’s experience on many reform dimensions reinforces this lesson, especially its experience with primary programs and school councils. Effective implementation also requires technical assistance designed to enhance individual teachers’ motivation and capacity to adopt new practices.

Implementation Develops in Stages
Kentucky’s early implementation efforts concentrated on creating reform structures (regional service centers, an accountability office, school councils), producing materials (academic expectations, curriculum framework, assessment system), launching new programs (extended school services, primary program), and developing services that support change (revamping teacher preservice training, creating professional development programs). These activities necessarily come

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Lessons from Kentucky
Kentucky’s effort to reshape a whole school system illustrates important lessons about large-scale educational reform and the contribution of school finance policy to students’ opportunities to learn.

Complex, Coordinated Reform Is Possible
Kentucky’s systemic reform strategy—embracing finance, governance, and program changes—oriented state and local policies and practices toward a common set of educational goals and aligned content and performance standards, teacher education, and professional development practices. Furthermore, the reform legislation provided a number of supports—distinguished educators, extended school services, and professional development, for example—which directly targeted school, professional, and student capacity to carry out reform mandates and expectations.
before changes in practice which affect student outcomes.

This sequencing explains Robert Sexton’s comment above that 1996 marks the “real beginning” of reform in the sense of affecting student outcomes. Like their structure-materials-programs-services forebears, changes in practice also take time to develop, as teachers and others develop new skills and enhance old ones. After all, learning takes time, particularly when it occurs alongside an already demanding repertoire of daily responsibilities and practice. Kentucky teachers and administrators use the phrase “rebuilding the airplane while flying it” to capture this sentiment. Change on this scale, therefore, takes years to institutionalize.

Barriers to Change Must Be Addressed

Large-scale school reform occurs at three levels: policy, administration, and practice. In Kentucky, policy garnered most of the attention. As researchers found, however, a number of barriers lower in the system impede effective school reform: weak incentives to change, a compliance mentality derived from union contracts and school regulations, limited learning opportunities, and poor communications. These system attributes also must change in ways which facilitate reform.

Threatened Interests Arise to Thwart Change

Even when a consensus exists regarding broad goals, such as school improvement, plans to implement those goals raise problems—the devil in the details, so to speak. For example, Kentucky’s reform-related political conflicts surrounding outcomes-based goals and the authority of school councils represent instances in which threatened interests organized to alter the path of reform. In the case of outcomes, refinements in the state’s academic expectations resulted. With school councils, the judiciary reaffirmed KERA’s plans and procedures. The lesson here is that conflicts can slow or block reform, a negative result, or they can fine-tune and improve reform by clarifying intent, processes, and responsibilities. In short, conflict is part of the implementation process and must be engaged productively.

Adequacy Standards and Program-Based Budgeting Are Needed

There is no way as yet to know whether the amount of resources now available is adequate to support the “efficient” school system required by the state supreme court. The outcome measures themselves are new, and there is no production metric against which to assess the adequacy of funding.

Moreover, Kentucky school districts account for dollars in terms of functions (that is, what dollars support, such as instruction, transportation, and maintenance) and objects (that is, what dollars buy, such as salaries, gasoline, and paint). Numbers reported in this fashion serve an audit-oriented function. They are essentially useless in terms of tracking expenditures on reform, ascertaining local response to reform, or promoting educational productivity. To accomplish outcomes-oriented accounting, states and districts must shift to program-based budgeting. Without such a change, school finance and program reforms can never become fully integrated.

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Conclusion

Kentucky’s linkage of school finance and program reforms represents an important advance. It reflects significant changes in educational policy and school finance law, it provides resources to support change, and it targets spending on a comprehensive design of educational programs and supports such as extended school services and professional development. Kentucky’s reform strategy, however, does not address issues of productivity.

KERA reallocated authority, giving school site councils a larger voice in instruction-related spending. It could not, however, offer substantial guidance to those councils regarding which decisions will most reliably promote learning. Thus, Kentucky’s strategy is promising but insufficient to effect the full
potential of linking program and finance reforms. To realize this potential, policymakers and practitioners alike need additional information about the school-level uses of educational dollars, the efficacy of these uses in relation to student achievement, and the tradeoffs accepted in selecting some practices over others. Performance-based reform requires that states assume more interest in the productivity of schools and focus greater attention on developing the infrastructure to promote this productivity. These types of advances would further the contribution of school finance policy to students’ opportunities to learn.

13. Postreform variation is to be expected. The new funding formula allows districts to raise money locally beyond the state-adjusted base guarantee. Tier 1 funds provide up to 15% of a district’s adjusted base guarantee and are equalized by the state. Tier 2 funds provide up to 30% of the sum of a district’s adjusted base guarantee and Tier 1 amount and are not equalized. In this way, KERA provides greater equity within a framework of local choice.


22. Other components are developmentally appropriate educational practices, continuous progress, authentic assessment, qualitative reporting on student progress, professional teamwork among teachers, and positive parent involvement.


29. See note no. 15, Kentucky General Assembly, Office of Education Accountability, p. 151.


33. See note no. 15, Kentucky General Assembly, Office of Education Accountability, p. 158.


35. See note no. 28, Prichard Committee for Academic Excellence, pp. 4–5.