THE 65% INSTRUCTIONAL EXPENDITURE RATIO: HISTORICAL KEYSTONES AND CURRENT STATUS

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Abstract

In this comprehensive literature review, empirical literature regarding the relationship of instructional expenditure ratio and student achievement was examined. This literature review was organized around the following major topics: (a) the history of the 65% instructional expenditure ratio, (b) empirical evidence for the implementation of the 65% instructional expenditure ratio, (c) empirical studies on the relationship of the instructional expenditure ratio and student achievement, and (d) the current status of the 65% instructional expenditure ratio. School districts continually face budgetary issues and knowledge of the history of the instructional ratio mandate and current status regarding monies allocated to instruction may influence decisions made by educational leaders that will influence student academic performance.

INTRODUCTION

Given that academic improvement may be influenced by instructional expenditures, one method of improving student performance is for school districts to allocate a specific percentage of the overall budget to support instructional programs. In 2005, Patrick Byrne, President and CEO of Overstock.com, founded the First Class Education organization. Byrne's initiative originated with the principle that 65% of every education dollar should be spent on classroom instruction and a national campaign was launched to require all 50 states to adhere to the 65% mandate (Byrne, 2005). Instructional expenditures, as outlined by the National Center for Education Statistics (2009), included teacher salaries, teacher benefits, teacher aides, textbooks, supplies, and purchased services related to the interaction between teachers and students. According to Byrne (2005), instructional spending reallocation would create an environment in which learning would be fostered and sustained.

In Texas, Governor Rick Perry (2005) acted quickly and issued Executive Order RP47 mandating that Texas schools spend at least 65% on instructional expenditures within three years. The Texas Education Agency developed guidelines that were to be phased-in over three years. Beginning with the 2006-2007 school year, Texas school districts were mandated to spend at least 55% on instruction, increasing to 60% in 2007-2008, and reaching the 65% decree in 2008-2009 and beyond. The 65% instructional expenditure mandate remained in place until 2009 when the requirement was removed with very little uproar.

Purpose of the Study

The purpose of this proposed study was twofold: (a) to examine the empirical literature regarding the history of the 65% instructional expenditure ratio mandate and (b) to ascertain the current status regarding the 65% instructional expenditures ratio for school districts. Investments in children can make a difference, not only for current well-being, but for the future stability and prosperity of the individuals, the state of Texas, and the nation. Given that many school districts face budgetary issues, knowledge of the history of the instructional expenditures ratio mandate and the current status regarding monies allocated to instruction may influence decisions made by educational leaders that will influence student academic performance.

Research Questions

In this literature review, the following questions were asked: (a) What are the historical underpinnings of the 65% instructional expenditures ratio?, (b) What empirical evidence was present for the implementation of the 65% instructional expenditures ratio?, (c) What empirical studies have been conducted on the relationship of instructional expenditures ratio and student achievement?, and (d) What is the current status regarding the 65% instructional expenditures ratio?

Literature Search Method

To gain a better understanding of the foundation for the 65% instructional expenditure ratio mandate and the potential influence that monies allotted for instruction by school districts may have on student achievement, an extensive literature review was conducted with the findings organized by four relevant themes: (a) history of the 65% instructional expenditure ratio

mandate, (b) relationship of instructional expenditure ratio to student achievement, (c) empirical evidence for the link between instructional expenditures and student achievement, and (d) current status of the 65% instructional expenditure ratio. The literature review process involved collection of relevant research literature via online and library searches. Initial searches were conducted via the Sam Houston State University library system. After initial article identification and review, a snowball technique was used to explore the references within each identified article. Secondary searches were conducted to locate any referenced articles. Relevant literature was then documented, reviewed, and evaluated using a literature review spreadsheet.

METHODOLOGY

Research Design

To ensure a rigorous and systematic review of the literature, an electronic filing system was established to organize and analyze research studies. Research topics on which articles were obtained included: (a) 65% instructional expenditure ratio, (b) academic achievement, and (c) student achievement. The university library system was used to search the EBSCO Academic Search Complete database. When searching for articles, the option *select all* was used to review all possible literature sources. Dissertation studies were revealed when using the same variable keywords in the Dissertations and Theses database. During the period from 2004 through 2015, the search was limited to *abstract only* articles. Abstracts were reviewed and articles were selected if they pertained to the topic of 65% instructional expenditure ratio, academic achievement, and student achievement.

The website *www.archive.org* was reviewed in order to retrieve previous versions of information from the original website *firstclasseducation.*org, developed by the founders of the 65% instructional expenditure ratio initiative, Byrne and Mooney, which no longer existed. Files in the new website location were stored by date and month.

History of the 65% Instructional Expenditure Ratio

First Class Education was an advocacy group created in 2005 to compel school districts to spend at least 65% of their operating budgets on classroom instruction. Republican consultant from Arizona, Tim Mooney, and Overstock.com founder, Patrick Byrne, were the driving forces behind establishment of the group. Byrne and Mooney were both successful entrepreneurs who were trained in business practices, however neither man had any credentials in educational funding.

Through the First Class Education organization, Byrne and Mooney pioneered a national grassroots campaign to have every school district in America allot at least 65 cents of every dollar into the classrooms. The "65 Percent Solution", as coined by George Will, seeks to unite teachers, parents, and teachers while simultaneously creating turmoil in teacher unions, specifically the National Education Association (Will, 2005). Byrne believed that the people responsible for financial control in schools did not have priorities in order. Without the 65% solution, students would continue to be given inadequate supplies in crowded classrooms taught by underpaid teachers (Byrne, 2005).

Legislators and policymakers in Texas quickly embraced the 65% declaration. Governor Perry (2005), through Executive Order RP47, mandated that within three years Texas school districts spend at least 65% on instructional expenditures. Explanation regarding the details of instructional expenditure ratios was needed and the Texas Education Agency was charged with

providing information to public schools. According to the National Center for Education Statistics (2009), instructional purposes included salaries and benefits for teachers and teacher aides, textbooks, supplies, and purchased services related to the interaction between teachers and students.

In Louisiana, the legislature approved a resolution urging the State Education Department to adopt the 65% standard and the Kansas Legislature adopted it as a policy goal although no penalty would be given to districts that do not comply (Finder, 2006). Georgia passed the *Classrooms First Georgia Act* in 2006 (Classrooms First Georgia Act, O.C.G.A. § 20-2-171, 2006) mandating the 65% instructional expenditure ratio. According to the National Education Association (2006), Oklahoma and Colorado included the measure on the ballot in November 2005, but both initiatives failed. Additionally, efforts in Arizona and Washington failed to gain enough signatures to include the initiative on the November 2005 ballot. The Florida governor at that time, Jeb Bush, sought a constitutional amendment for the 65% solution rather than a law (Bracey, 2006). As opposition grew from various national organizations, efforts to seek legislation also failed in Illinois, Minnesota, Mississippi, Oregon, South Carolina, Tennessee, Utah, Virginia, Washington, and Wisconsin (National Education Association, 2006).

Relationship of Instructional Expenditures and Student Achievement

School districts, continually attempting to close achievement gaps for students, are working with constraints of limited resources. States and school districts are under increasing pressure to reduce education costs, including instructional and non-instructional services. As much as 40% of education spending is expended on "out of classroom" costs such as business operations, human resources, transportation, technology, building maintenance, administration, and other support functions (Eggers, Snell, Wavra, & Moore, 2005). As such, striving to close achievement gaps has been challenging for school districts (Cavanaugh, 2012; Zwick & Himelfarb, 2011).

Monies allocated to instruction by school districts have been documented to have a direct influence on student academic achievement (Arrington, 2010; Cullen, 2012; Cullen, Jones, & Slate, 2011; Cullen, Polnick, Robles-Pina, & Slate, 2015; Cullen, Slate, Polnick, & Robles-Pina, 2015a, 2015b; Diaz, 2008; Helvey, 2006; Jaggia & Vachharajani, 2004; Jones & Slate, 2010; Lesley, 2010). Some school districts have fewer resources for instructional expenditures than do other districts which restricts their budget options (Moak, Casey & Associates, 2009). Jones and Slate (2011) conducted a multi-year study in which monies allotted towards instruction and school district accountability ratings were examined. Potential ratings, assigned by the Texas Education Agency (2011) were Exemplary, Recognized, Academically Acceptable, and Academically Unacceptable. Performance on students' Texas Assessment of Knowledge and Skills (TAKS) state assessments, high school completion rate, high school dropout rate, and English Language progress are indicators towards assigned accountability ratings. Jones and Slate (2011) noted that school districts that spent more money on instruction had higher accountability ratings than districts that spent less money on instruction. Additionally, in a 20-year study (1990 through 2010) conducted in Texas by the Center for Public Policy Priorities (2013), the relationship between student academic outcomes and Texas' spending on children was examined. Education spending increased steadily from 1990 through 2002, after which education spending leveled off and has recently declined (Center for Public Policy Priorities, 2013). Readers are directed to Table 1 for a summary of research studies related to monies allocated to instruction and student achievement.

Table 1

Summary of Research Studies Related to Monies Allocated to Instruction and Student Achievement

Researchers	Title	Findings
Arrington (2010)	A Study of the Correlation Between Instructional Expenditures and Student Achievement in Illinois Public Schools	Statistically significant positive correlation between student achievement and per-pupil expenditures
Cullen (2012)	Student Achievement, District Wealth, District Size, and Instructional Expenditures: A Texas Statewide Study	As IER increased, student achievement increased in all 5 subject areas. School districts in the highest wealth quartile group had statistically significant lower IERs than the other 3 quartiles. Statistically significant differences were revealed between all 3 district size groups for all 5 years of the study.
Cullen, Jones, & Slate (2011)	Instructional Expenditure Ratio and Student Achievement: Is 60% a Better Indicator?	Districts that spent less than 60% on instruction had lower student achievement than districts that spent more than 65% on instruction.
Cullen, Polnick, Robles-Pina, & Slate (2015)	Instructional Expenditures and Student Achievement: A Multiyear Statewide Analysis	Direct and positive relationship between instructional expenditures and student achievement.

Cullen, Slate, Polnick, & Robles-Pina (2015a)	Education Dollars and Student Achievement: An Analysis of the Literature	Positive relationships between instructional expenditures and student achievement. Wealthier school districts tended to have higher level of student performance than less wealthy school districts.
Cullen, Slate, Polnick, & Robles-Pina (2015b)	Instructional Expenditures and School District Wealth: A Texas Multiyear Analysis	Thoughtful allocation of monies personalized by school districts characteristics may be more effective than a one-size-fits-all application.
Diaz (2008)	Relationships Between Size, Socioeconomic, Expenditures, and Student Achievement in Washington	Direct and positive relationship between instructional expenditures and student achievement.
Helvey (2006)	Academic Excellence and Instructional Expenditures in Texas	Positive relationship between IER and student achievement. Variations in the types and amounts of instructional resources have shown a relationship to student achievement.
Jaggia & Vachharajani (2004)	Assessing Performance Spending and Learning in Texas Public Schools	Increasing percentage of monies spent on instruction generally improves academic performance.

Jones & Slate (2010)	The 65% Instructional Expenditure Ratio and Student Achievement: Does Money Matter?	Districts that spent less than 60% of monies on instruction had lowest student achievement on all 5 TAKS tests. 60% is a better benchmark than 65%.
Lesley (2010)	Money Does Matter! Investing in Texas Children and Our Future	Wealthier school districts had higher instructional expenditure ratio levels.

Empirical Evidence for Implementation of the 65% Instructional Expenditures Ratio

In business, the technique of studying one's successful competitors to identify "best practices" is used to identify current benchmarks. A benchmark, or reference point, is a standard by which something can be measured or judged (Camp, 1989, p. 12). During the process of scrutinizing education performance for states, Byrne and Mooney ascertained that five states were identified that spent more than the national average of 61.7% in 2005. In fact, those districts spent 65% or more of their budgets on instructional expenditures. The National Center for Education Statistics (2003) reported that about three out of every five current expenditure dollars, approximately 60%, were spent "in the classroom" on teacher salaries, textbooks, classroom supplies, and activities including athletics, music, the arts, and special-needs instruction. Illustrated in Table 2 are examples "in the classroom" and "out of the classroom" expenses as identified by First Class Education. It is likely that Byrne and Mooney anticipated that their experience and success in the business world would transfer to success in an educational setting and the subjective designation of a 65% instructional expenditure ratio standard was established (Byrne, 2005). Furthermore, Byrne confirmed that the 65% idea came to him after examining 2002-2003 data from the National Center for Education Statistics that indicated that the five states with the highest student standardized scores were Massachusetts, New Hampshire, Vermont, Minnesota, and Connecticut, and those states spent an average of just over 64% in the classroom (Phillips, 2006). Conversely, the five poorest student scoring areas were the states of Louisiana, Alabama, Mississippi, and New Mexico and the District of Columbia all of which spent on average 59.5% in the classroom (Phillips, 2006).

Table 2

"In the Classroom" and "Out of the Classroom" Expenditures as Identified by First Class Education

In the Classroom	Out of the Classroom
Teacher salaries	Business Operations
Textbooks	Human Resources
Classroom supplies	Transportation
Athletics	Technology
Music and Art	Building Maintenance
Instructional Aides	Nurses
Special Needs Instruction	Counselors
	Food Service
	Administration

Current Status of the 65% Instructional Expenditure Ratio

The one-size-fits-all "65% solution" can be in conflict with current diverse strategies that schools have used to increase student academic achievement because the proposal would require where schools spend their money but provides no new money for instructional support such as librarians, administrators, and building maintenance (Bracey, 2006). The underlying difficulty for districts is that even after attempting to manage differences in student and school characteristics, a great deal of variation remains in student academic outcomes in districts with the same expenditures (Costrell, Hanushek, & Loeb, 2008). The National Association of Secondary School Principals (2006) recommended that policymakers provide flexibility in funding allocations to school districts, as long as accountability systems are in place and desired results are achieved. Schools and school districts should determine what constitutes "improved performance" and examine best practices linked to changes in those areas. Subsequently, any allocation of new funds or reallocation of existing funds should occur at the campus level with the presence of district oversight (Bracey, 2006).

DISCUSSION

Provided within this review of the extant literature was the history of the 65% instructional expenditure ratio mandate and an exploration into its relationship to student achievement. The literature documented within this article highlighted the importance of thoughtful financial resource allocation by school districts to improve academic achievement.

Although the mandated instructional expenditure ratio amount of 65% for school districts was arbitrary, several researchers have documented that a positive correlation between instructional spending and student achievement exists (Arrington, 2010; Cullen, 2012; Cullen, Jones, & Slate, 2011; Cullen, Polnick, Robles-Pina, & Slate, 2015; Cullen, Slate, Polnick, & Robles-Pina, 2015a, 2015b; Diaz, 2008; Helvey, 2006; Jaggia & Vachharajani, 2004; Jones & Slate, 2010; Lesley, 2010).

School districts employ multiple strategies to increase student academic achievement. Readers should note, however, that a one-size-fits-all solution does not exist for the diverse needs of individual school districts. Strict allocation of a specific percentage of instructional funds for school districts does not take into account the unique differences in student demographics, community expectations, and school characteristics. Considerable challenges, including budgetary issues, are faced within school districts because of the distinctive needs of each campus within the school district.

School districts should rely on the expertise and recommendations of campus level administrative teams to employ best practices that are linked to improved performance in targeted areas. Because money can clearly influence student achievement, flexible allocation of funds, with district oversight, shall be used. Although the endeavor to educate young people is complicated and is in constant flux, school districts should determine how to capitalize on the money allocated to academic achievement to best meet the unique needs of students on each campus.

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