



## Cost Efficiency and Bureaucratic Behavior in the Public K-12 Education Sector

Performance, Budgeting and Cost Efficiency in the Canadian Provinces

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Research on public schooling in OECD countries has been driven by three topics: competition, investment, and information. Research in each of these topics can be applied to the problem of how to create high quality outcomes for students at low cost; in short, how to make public education more efficient. This paper considers the efficiency of public, K-12 school budgeting by reviewing these three streams of research. The first stream considers the links between a school's organizational structure, spending, and student performance; researchers in this stream often attempt to support or refute the idea that a lack of competition makes public schools unresponsive to public demand. The second stream considers how spending decisions affect student outcomes. Does spending more on teacher salaries, computers, or poverty-reduction programs provide better bang for buck than the status quo? The first stream of research considers how to link spending decisions with consumer preferences, while the second aims to improve the supply of information as an aid to decision makers. However, as is evident from a third stream of research, even if decision makers can be made responsive to public preferences, and even if good evidence exists to aid their decisions, the realities of limited attention, imperfect information, and political bargaining will tend to make budgeting decisions less rational. In combination, these three streams of literature suggest that greater efficiency can be achieved in public schools by making budget reforms that are consistent with the behaviour of decision makers. The paper concludes with some recommendations for how to align budgeting decisions with the available information on school efficiency.