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Faith E. Crampton

National Education Association

Paul Bauman

University of Colorado

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Educational Entrepreneurship: A New Challenge to Fiscal Equity?

Faith E. Crampton
Paul Bauman

Educational Entrepreneurship: A New Challenge to Fiscal Equity?¹

The search for equity in public elementary and secondary education funding in the United States continues into the twenty-first century. Because education is constitutionally a state responsibility, the struggle occurs largely at the state level where advocates have utilized legislative and judicial routes to pursue greater school finance equity. Over the past thirty years, few states have escaped school finance litigation, and some have even had their systems overturned more than once.² In recent years, a number of states have voluntarily undertaken re-examination and reform of their funding formulas (Crampton, 1999). Yet, in spite of years of litigation and legislative reform, there are still wide disparities in funding among states and across school districts.

While state courts and legislatures continue to debate the equity of traditional funding sources, a new challenge may be emerging as schools and districts look to alternative sources of revenues from entrepreneurial activities. Media accounts suggest that there is an increase in entrepreneurial revenue raising by schools and districts through activities such as parent fundraising, commercial advertising, corporate sponsorships, and recruitment of tuition-paying students (Lindsey, 1994, 1995; Hernandez, 1995; Sandham, 1997; Ritter, 1998; Trotter, 2000). To date, there are, at best, a handful of studies on entrepreneurial revenues and their impact on interdistrict and intradistrict fiscal equity.³ As a consequence, few policymakers have considered the inherent value conflicts between school and district entrepreneurship and state education finance equity goals.

This study examined entrepreneurial activities in three Colorado school districts with differing demographic and socioeconomic profiles in order to gain a sense of the range and magnitude of such activities and their impact at the interdistrict and intradistrict level. The article is divided into five sections. The first section contrasts the economic paradigm that underlies educational entrepreneurship with one that supports fiscal equity while the second section sets the context for the study within the growing interest in educational entrepreneurship, defining entrepreneurship as it pertains to public education and exploring the range of activities which schools and districts undertake in order to generate additional revenues. Section three presents methods and data sources utilized in the study with the fourth section presenting the results of the case studies. The final section offers a concluding discussion and recommendations for policymakers attempting to balance education finance equity goals with the growing interest of schools and districts in educational entrepreneurship.

Faith Crampton is Senior Professional Associate in the Research Unit of the National Education Association. Paul Bauman is Director of Development in the College of Engineering at University of Colorado.

Economic Paradigms Underlying Educational Entrepreneurship and Equity

The story of school and district entrepreneurship is one of conflicting paradigms and values. To that end, the case study analysis rests upon two economic paradigms; the theory of social goods and neoclassical economics. The economic paradigm that underlies most discussions of education finance equity is derived from theory in which education is viewed as a social good (Musgrave & Musgrave, 1989). Entrepreneurship, on the other hand, is based solidly in neoclassical economic concepts of markets, competition, and scarce resources. The values that underlie these paradigms are in direct conflict. When equity is the predominant concern, welfare of the whole, cooperation, redistribution of revenues, and sensitivity to the nature of the resource base for fund-raising⁴ comprise the primary value orientations. Where entrepreneurship is most highly valued, self-interest, competition, individual accumulation of funds and a neutral stance toward disparities in resource bases are the dominant value orientations. (See Table 1.) Paradigmatic conflict between equity and entrepreneurship may arise along four dimensions: 1) among schools within a district; 2) between a school and the district in which it is located; 3) among school districts; and 4) between school districts and the state.

Table 1. Dimensions of Paradigmatic Conflict Between Equity and Entrepreneurship

<i>Equity</i>	<i>Entrepreneurship</i>
Welfare of the whole	Self-interest
Cooperation	Competition
Redistribution	Individual accumulation
Resource base sensitivity	Resource base neutrality

The first value orientation addresses the conflict between the welfare of the whole versus self-interest. Equity demands that the fiscal welfare of the whole, e.g., the state education system over individual school districts or the district rather than a single school, be placed above individual fiscal gain while entrepreneurship espouses self-interest over the welfare of the whole. The second value orientation contrasts cooperation with competition. For example, equity considerations would posit that schools within a district collaborate in fund-raising ventures, and at the state level, cooperation among school districts seeking alternative revenues would be encouraged. Adjoining school districts interested in securing corporate sponsorships would decide jointly which businesses to approach. On the other hand, competition is a prized aspect of entrepreneurship; under this rubric, schools districts seeking corporate sponsorships would compete against each other to secure the most lucrative deals.

The third conflict in value orientation arises between redistribution and accumulation of entrepreneurial revenues. In school districts where equity is the predominant value, revenues from schools' entrepreneurial activities would be pooled at the district level for redistribution among all schools so that every student would benefit. Under an entrepreneurial approach, a school would own the revenues it generates. Within a state, equity concerns would dictate that entrepreneurial revenues be considered part of a school district's wealth and figure into the calculation of equalized state support, but under an entrepreneurial system, revenues from school district entrepreneurship would not be considered relevant for calculation of state aid. The fourth value orientation addresses the resources available for generation of entrepreneurial revenues. For example, within a socioeconomically diverse school district, schools in more affluent neighborhoods may find it easier to fundraise while schools in

economically deprived areas may not have as many readily available sources to tap. If equity is the primary concern, school districts would be sensitive to the differences in resource bases and perhaps compensate schools in less affluent areas. A similar philosophy would be followed at the state level with regard to school districts. However, a system that values entrepreneurship above equity would remain neutral; that is, the school district would not attempt to adjust for differences in the resource base across the school district. At the state level, there would be no concern regarding the differing capacities of school districts to raise entrepreneurial revenues.

Growing Interest in Educational Entrepreneurship

Entrepreneurship within public elementary and secondary education is not new. For decades schools and districts have generated moneys outside state and local tax revenues, largely for extracurricular activities. What appears new is the increased sophistication and aggressiveness with which schools and districts are pursuing entrepreneurial sources of revenue (Vail, 1998). This section of the paper defines educational entrepreneurship, distinguishes it from the concepts of commercialization and privatization, and provides examples of traditional and new forms of educational entrepreneurship.

Defining Entrepreneurship

Entrepreneurship, derived from the French "entreprendre," meaning "to undertake," appeared in the English language as early as the fifteenth century where it was defined as "one who undertakes; a manager; controller; champion." In the nineteenth century, it began to appear in the writings of political economists. Today an entrepreneur refers to "one who undertakes an enterprise, one who owns or manages a business; a person who takes the risk of profit or loss" (The Oxford English Dictionary, 1989).

While the application of the notion of entrepreneurship to elementary and secondary schools and districts may appear to be relatively new, it has a long history found in the transfer of private sector terminology and concepts to education. Researchers have noted that as early as 1910 education engaged in significant "borrowing" of business terminology and concepts due primarily to the larger scale of both business and educational organizations (Callahan, 1962; Kerchner, 1990). Later, in the 1920s and 1930s, education embraced scientific management, a popular business management philosophy developed by Frederick Taylor, a mechanical engineer (Taylor, 1911). Hence it comes as no surprise that entrepreneurship and its embedded values of autonomy, innovation, risk, and profit would be embraced by education in the 1990s. Autonomy, defined in neoclassical economic terms, refers to freedom from regulation, particularly government regulation. Business leaders involved in education reform efforts often view entrepreneurship in economic terms to signify innovation and successful change efforts that involve financial risk (Gerstner, 1995; Halachmi & Bouckaert, 1995). Although entrepreneurship has come to refer to a wide variety of activities in education, for the purposes of this study, it is defined as the process of generation additional revenues for schools and districts outside traditional tax sources.

Educational Entrepreneurship vs. Commercialization and Privatization

In this study, educational entrepreneurship is distinguished from the concepts of commercialization and privatization. Commercialization refers to the introduction of profit-oriented private sector activities in schools and districts. Examples include free or low cost educational materials provided by private sector firms that contain frequent references to their products (Consumer Union Education Services, Inc., 1995). While educational entrepreneurship and commercialism are, at times, viewed as encompassing similar activities, this study draws an important distinction

between the two: whereas commercialism is generally viewed by educators as exploitative of students, entrepreneurship has a proactive connotation in that schools and districts have made a conscious decision to raise additional funds for education.⁵ Privatization also may be distinguished from entrepreneurship. In education, privatization has come to refer to two classes of activities: 1) contracting for services or outsourcing; and 2) private management of public schools. The first is not a new activity for many school districts and most commonly includes contracting with a private sector, for-profit firm for a noninstructional activity, such as student transportation or food service. A second and newer form of privatization refers to management of public schools or districts by private sector management firms. Proponents view privatization as an efficiency measure instead of a revenue raising activity (Bauman, 1996).

Traditional Forms of Educational Entrepreneurship

A number of entrepreneurial activities have become well-established in schools and districts and include: school and parent fund-raising; local education foundations; business-education partnerships, and student fees.

School and Parent Fund-Raising

For many years, school fund-raisers such as bake sales, carnivals, raffles, bingo and the collection of grocery coupons have provided discretionary funds, usually targeted for specific educational or extracurricular purposes. Schools and districts also have realized profits from ongoing enterprises, such as supply stores and vending machines. These efforts remain important for raising funds for extracurricular activities (Graham, 1995). Parent involvement in fund-raising takes several forms—from individual parent activities to organized parent-teacher groups and special task forces.

Local Education Foundations

Nonprofit foundations formed to assist local school districts represent another means of attracting money to augment general operating funds. Because most states consider school districts quasi-governmental units, the school district and foundation usually must be separate entities with independent governance structures and boards with the role of school district officials limited to an advisory capacity. Local education foundations raise funds in a number of ways in addition to soliciting direct monetary donations. Beginning in California as a reaction to Proposition 13, over 2,500 district-level foundations exist nationwide (Bradley, 1995). A survey of Nebraska school districts in the early 1990s revealed that while forty percent had local education foundations, wealth and expenditure level were not strong predictors of formation of a foundation (LaCost, 1991). A later study in Michigan yielded more disturbing results, finding a strong relationship between school district wealth and the presence of a local education foundation (Addonizio, 1999).

Business-Education Partnerships

The number of school business partnerships has increased steadily over the 1980s into the 1990s (McGuire, 1990). The most common example of local business-education partnerships is the adopt-a-school program. These partnerships range from volunteering time to donating goods and services. For example, a business may release employees to speak to a classroom on careers or to serve on a school or district committee. A computer company may donate used equipment to a school or a grocery store may provide soft drinks and snacks for a school-related event. In cases of donated equipment, maintenance and repair costs are normally the ongoing responsibility of the school district. Often these are in-kind partnerships that do not involve direct financial assistance.

Student Fees

School districts can not charge resident students a true user fee, *i.e.*, tuition, for general education because of state constitutional provisions

providing free public schools. However, fees are widely used for both curricular and extracurricular activities. Some school districts charge a yearly textbook rental or supply fee as well as fees for elective courses, such as art and music. More recently, some school districts have sought to expand that traditional base to include services, such as student transportation (Portner, 1996). Extracurricular fees are directed at activities in which students engage voluntarily and do not earn credit for graduation, such as athletics and drama. However, student fees are a potential burden for low income families and may be a disincentive for these students to pursue educational and extracurricular activities (Hardy, 1997).

New Forms of Educational Entrepreneurship

In addition to traditional sources, schools and districts have found several new sources of entrepreneurial revenues, including: commercial advertising; corporate sponsorships; merchandising efforts; recruitment of tuition-paying students; and utilization of development impact fees.

Commercial Advertising

A Colorado Springs school district is believed to be the first in the nation to allow commercial advertising on school hall walls, athletic uniforms, newsletters, district reports, maps, stadium walls, and buses (Huspeni, 1994). Advertisers included a soft drink company, a fast food restaurant, and a local grocery store chain. The school district sought and obtained special permission from the Colorado Department of Education to engage in commercial advertising. School district guidelines include a ban on any advertising that promotes hostility, disorder, or violence; attacks on ethnic, racial, or religious groups; the promotion of politics or religion; and the use of drugs, alcohol, or firearms. The Denver Public Schools soon followed their example (Kirksey, 1995). Subsequently, a number of districts nationwide, including the New York City schools, have turned to advertising for additional revenues (School Board News, 1995; Sandham, 1997). A recent study by the U.S. General Accounting Office (2000) confirmed that school-related commercial advertising has been on the rise for the past several years.

Corporate Sponsorships and Merchandising

In the past, securing corporate sponsors for state high school athletic tournaments was not unusual, but school districts in several states also seek corporate sponsorships for academic and extracurricular activities as well (Harp, 1994). Other school districts are following the fundraising traditions of colleges and universities in marketing products bearing the school or district logo. These efforts include direct marketing of products, such as coffee mugs and tee shirts as well as royalties from the use of logos by other companies and catalog marketing. In addition, school districts have issued affinity credit cards with their respective logos.

Recruitment of Tuition-Paying Students

Some school districts, particularly those in more affluent suburbs, have recruited tuition-paying students from outside their boundaries. While tuition programs have existed for many years, they appear to be on the rise (Hernandez, 1995).

Development Impact Fees

Development impact fees are single payments required of home builders or developers to provide a share of the capital cost of providing infrastructure such as roads and parks (Nelson, 1988). Although they have been utilized to fund such projects for years, development impact fees are now being used for the construction or expansion of school facilities in some states, particularly in localities experiencing rapid population growth. Traditionally, ad valorem taxation, through voter-approved bond issues, has been the primary source of school capital construction funds. Although the use of impact fees for school facilities has been challenged

legally in at least two states, enabling legislation has been adopted in nineteen (Nelson, 1994). However, no state allows revenues from impact

Table 2. Forms of Educational Entrepreneurship

<i>Traditional</i>	<i>New</i>
School and parent fund raising	Commercial advertising
Local education foundations	Corporate sponsorship and merchandising
Business-education partnerships	Recruitment of tuition-paying students
Student fees	Development impact fees

fees to be spent for school district operating expenses. Table 2 presents a summary of traditional and new forms of educational entrepreneurship.

Methods and Data Sources

This research draws from case study methods, utilizing qualitative and quantitative data to answer two major research questions: 1) What is the impact of entrepreneurial revenue activity on interdistrict fiscal equity; and 2) What is the impact of entrepreneurial revenue activity on intradistrict fiscal equity? The purpose of this research was exploratory, endeavoring to begin the process of building a body of knowledge about entrepreneurship in a small number of school districts with a range of demographic profiles. Purposive sample was used to select three Colorado school districts with distinct demographic profiles. One school district selected was urban with neighborhoods ranging from upper middle to low income, but overall the district had a significant poverty rate. The second school district was suburban, affluent, and relatively homogenous in terms of socioeconomic status. The third school district was rural, and its socioeconomic level would be described as middle to lower middle income. As this research represents a study of interdistrict and intradistrict fiscal equity, it has embedded units of analysis: school; school district; and state.

Within each school district, two schools were nominated by the superintendent or his/her representative as particularly effective at generating entrepreneurial revenues.⁶ Structured interview protocols and checklists of entrepreneurial activities were developed for the superintendent and school principals. A spreadsheet listing all the relevant account codes for entrepreneurial revenues was developed in collaboration with state budgeting and accounting officials for completion by the chief financial officer of the school district. In addition, the chief financial officer was asked to complete a demographic profile of the school district and the nominated schools. A follow-up interview with the financial officer was conducted to clarify any ambiguities found in the spreadsheet or demographic profile. Through structured interviews with the superintendents, information was gathered on the range of entrepreneurial activities engaged in at the school district level over the 1994-1995 school year. Interviews with principals focused on description of school level entrepreneurship, and they were asked to estimate the amount of revenue each activity raised.

In addition to interviews and completion of checklists, spreadsheets, and demographic profiles, subjects were encouraged to share documents and artifacts related to entrepreneurship, e.g., promotional flyers, news clippings, annual reports, coupon books. At the district level, annual budgets and other relevant documents were collected while at the state level, documents describing the state accounting system and financial recordkeeping requirements of schools were gathered.

The analytic strategy sought to reject the null hypothesis that entrepreneurial revenue raising activities had no impact on interdistrict or intradistrict

fiscal equity, resting upon the theoretical framework outlined previously. In order to reject the null hypothesis, pattern analysis and explanation building techniques were utilized, first engaging in individual school district case study analysis and the cross-case analysis.

Analysis of Results

Results of the study are presented first as individual case studies of the three school districts with each case study built around a theme reflecting the district's attitude toward entrepreneurship and fiscal equity. A cross-case analysis follows, utilizing the dimensions of paradigmatic conflict between equity and entrepreneurship described earlier. (See Table 1.)

Case #1:

Entrepreneurship in an Urban School District: Mixed Messages, Mixed Feelings

This urban school district enrolled approximately 57,000 students. Although the school district contained a range of neighborhoods, from low to upper middle income, over half of the students received free or reduced price lunches. The single largest minority group in the district was Hispanic, followed by African American. The district was recently released from a court-supervised desegregation plan and was returning to the concept of neighborhood schools, but not without some community concern around the potential for resegregation. The superintendent, in his third year with the district, suffered a significant setback when voter rejected an increase in the operating levy in November 1995 that was designed in part to finance an ambitious education reform agenda he had proposed. The school district subsequently experienced cuts in programs and staff. The superintendent declined to be interviewed, selecting instead the newly appointed Director of Entrepreneurship, a central office position that had been created at the beginning of the 1995-96 school year, staffed by a person who had formerly been the coordinator of school volunteers. The creation of this position was an important symbol of the district's efforts toward greater entrepreneurship. Overall the case study revealed unresolved conflicts at the district level triggered by its sensitivity to equity issues and its desire to generate additional revenues through entrepreneurship.

This urban school district engaged in a mix of traditional and new entrepreneurial activities. With regard to traditional forms of entrepreneurship, the district was associated with local education foundation and had formed a number school-business partnerships, but avoided charging student fees. According to the Director of Entrepreneurship, the local education foundation, which was only two years old, was "floundering" and was not yet a source of revenue. When first organized, the foundation was not a separate entity from the school district, but it now is. The district also was involved in business-education partnerships, of which the majority were in-kind. However, local banks and insurance companies underwrote the funding needed by the district to operate a homework helpline. The school district refrained from charging student fees, a well-established form of traditional entrepreneurship, because of the burden they might place upon families of economically disadvantaged students. Hence there were few fees associated with general instructional materials, although some advanced placement courses did charge them. Neither were students charged transportation or parking fees. However, admission to athletic events was charged, but any fees collected at the school level were retained by the individual school.

With regard to newer forms of entrepreneurship, the district engaged in a range of creative activities that could loosely be classified as merchandising as well as commercial advertising. This school district appeared particularly successful in transforming what have been traditionally considered educational or school business services into profit centers. One well-established area of entrepreneurship was the sale of curriculum materials which had been developed by the district to market to school

districts across the country. The district also was considering marketing its assessment and testing materials. Rental income from buses and facilities appeared to be a second area of entrepreneurship. The district rented school buses to community groups during off hours, and even schools were required to pay bus rental from their school level budgets for field trips. Rental of school facilities by community groups was extensive. Nonprofit groups received higher priority than for-profit ones, and fee schedules were based upon ability to pay. Some entrepreneurial activity took place around food services and catering within the school district with more activity being expected in the future with the hiring of a new food services director. The school board approved commercial advertising on buses and in school facilities during the 1994-95 academic year. For the 1995-96 school years, revenues of \$250,000 were projected, with a goal of over one million dollars annually. Unfortunately with a recently hired chief financial officer, the district was unable to provide precise revenues for these activities, but it was the district's hope to have a better sense of the potential and actual profitability of each of these ventures within the next fiscal year.

According to the Director of Entrepreneurship, entrepreneurial activity at the school level varied by site. She used the example of the tradition parent-teacher association, citing that approximately forty percent of the schools did not have an active organization. Revenues from fundraising by parent "booster" clubs and student organizations remained at the school. The Director admitted the school district had difficulty in tracing school level entrepreneurial revenues because some schools maintained their own checking accounts at local banks in which they deposited these revenues without reporting them to the district. The new chief financial officer had set the tracking of these moneys as one of her goals. The district did have a full range of community services activities which they also viewed as potential profit centers: adult education; extended day programs; and daycare centers. However, the revenues realized remained at the program level with the school site.

The Director nominated one elementary and one middle school as the most successful in generating entrepreneurial revenues for the 1994-95 school year. These schools served very different student bodies, but both relied upon traditional forms of entrepreneurship. The elementary school, with approximately 450 students in pre-kindergarten through seventh grade, was located in the central city in an economically poor neighborhood although it also drew students from a more affluent neighborhood within its boundary. The school enrolled a higher percentage of Hispanic students and students with developmental disabilities when compared to the rest of the district. The school building itself was a registered historic landmark and attractively maintained, factors in which the principal took obvious pride. The 1995-1996 school year marked the principal's third year at the school.

This school owed its success to traditional forms of entrepreneurship, in particular, school and parent fundraising. The single most successful entrepreneurial activity was the annual holiday tour of historic homes with associated bake and art sales sponsored by the school's parent/teacher/student association (PTSA). In 1994-95, the house tour generated \$10,300, the bake sale, \$1,300, and the art sale, \$1,400, for a total of \$13,000. Because PTSA's normally keep independent accounts independent, this type of revenue usually would not be reported at either the school or district levels. According to the principal, the PTSA would have liked to have used the proceeds to hire two part-time vocal music teachers but experienced difficulties in making acceptable arrangements with the central administration. In addition, the school raised \$1,650 through the sale of coupon books. However, the principal, conscious that many families in the area could not afford them, sold most of them herself to personal and professional acquaintances. The principal expressed some concern about new accounting requirements for entrepreneurial

revenues from the district level. She believed the additional time such recordkeeping entailed acted as a disincentive for schools to engage in entrepreneurship. She also expressed concern that schools might not be allowed to keep entrepreneurial revenues when the central office became aware of the amount generated.

The middle school, which enrolled approximately 940 students in grades 6-8, was located in a more affluent neighborhood in the eastern section of the city. The only students who received free or reduced price lunches were those who came to the school from other parts of the city in order to attend a bilingual program. For the principal, the 1995-96 school year was her third year with the school. It too relied upon traditional forms on entrepreneurship that included school and parent fundraising and business-education partnerships. Like the elementary school, this school's success in entrepreneurship was largely due to an active PTSA. Through a number of entrepreneurial activities, such as sales of holiday items and book sales, the PTSA raised \$20,000 in 1994-95. These activities differed from those of the elementary school in that students actively sold items in the community. The revenues were used for special assemblies, small grants for teachers, and updating of the auditorium's sound system. In addition, the school maintained a student store run by the student council and had a business/education partnership with a local company. The student council was allowed to keep the profits from the store to finance its activities. The business-education partnership involved in-kind contributions, such as employee volunteers for after-school tutoring and donations of books, computers, and software.

Case #2:

Entrepreneurship in a Suburban School District: The Ultimate Entrepreneur

This affluent and highly populated school district of 77, 800 students would be described as holding firm entrepreneurial values outlined in Table 1 and was supportive of school level as well as district-wide entrepreneurial activities. A range of traditional and new entrepreneurial ventures could be found at the district level. Traditional activities included the use of student fees, access to a local education foundation, and business-education partnerships, while new forms of entrepreneurship were concentrated in merchandising efforts. Also, like its urban counterpart, this school district had transformed some educational services into entrepreneurial opportunities.

The district generated a significant revenue stream from traditional entrepreneurial activities when collected and reported in the aggregate at the district level. For example, the district generated, \$1.4 million in textbook rentals and \$500,000 from high school athletic fees annually. In addition, the local education foundation raised \$250,000 from private sources during the 1994-95 school year. The central administrative offices in the district had developed the capacity to compete for public and private funds while initiating a variety of partnerships and joint ventures with local business and industry. For example, the district newsletter, with a larger circulation than the local newspaper, was published by a local printing company in return for advertising space. The district marketed curriculum materials it had developed and collected royalties. Plans were underway to develop software for teachers to assist them in the implementation of statewide curriculum standards which could then be marketed to districts throughout the state. Also over \$3 million was generated in extended day and childcare programs throughout the district. Unlike its urban counterpart, this district pooled revenues from site-based programs at the district level.

The two schools nominated by the superintendent, the first, a high school, and the second, an elementary school differed in their approaches to entrepreneurship. In the high school, the principal stated that their most important entrepreneurial activity was the school's food service program, which generated \$40,000 over the 1994-95 school year. These

revenues were targeted to support student recognition programs throughout the year. The principal of the elementary school recently had been promoted to a district level administrative position in large part due to his entrepreneurship which included traditional forms such as business-education partnerships and new forms like merchandising. For example, he had created a business-education alliance where he organized a rebate program with local real estate agents in exchange for tours of neighborhood schools by potential home-buying parents. Also, he had initiated the publication of several children's books, based upon students' writings, which generated royalties for the school. The principal estimated that these activities along with other traditional forms of fundraising resulted in revenues of \$100,000 during the 1994-95 school year.

While this school district appeared to be the ultimate entrepreneur, the present stance had not been arrived at without conflict. Two years prior, public controversy erupted over the potential uses of entrepreneurial revenues, and an equity task force, appointed by the school district, generated a report on the need to distribute entrepreneurial revenues more evenly among schools. Shortly after the release of the report, the task force disbanded, and the document was tabled by a school board who preferred to actively promote entrepreneurship and competition for new dollars. In 1993, the school board increased student fees as a means to balance its \$340 million annual budget. In particular, the board raised athletic fees to \$75 per sport, and elementary school book fees were doubled to \$30 per student. In an attempt to deflect public concern over the higher fees, one board member described the need to move to a new set of values embracing entrepreneurship, which included "new ways to raise revenue other than student fees."

Case #3.

The Rural School District: Entrepreneurship as Community Engagement

The rural school district in this study encompassed three small mountain communities in a sparsely populated area of the state. In 1994-95, the district operated one high school, one middle school, and three elementary schools. The enrollment for the entire district was 2,389 students. Population within the district's boundaries was growing due to the recent passage of limited stakes gambling in a nearby mountain community. The employment base in the district had moved away from agriculture and mining to service-related occupations, for example, service positions in local gambling casinos and hotels which required long daily commutes. Many adults were forced to hold two or three jobs to meet living expenses in a part of the state with a relatively high cost of living due to its remoteness from a metropolitan area. At the same time, there were pockets of wealthy families with large homes on large tracts of land in the school district.

The theme in this district can be described as entrepreneurship as community engagement. According to the superintendent, there was limited interest in entrepreneurial activities because of the relatively high funding levels obtained through the state school finance formula. As a high growth rural county, the superintendent considered the school district was well-financed from general tax sources. Entrepreneurial activities were primarily school-based functions designed more for community engagement than for revenue generation. When the school board recently discussed the commercial advertising taking place in an adjacent school district, the superintendent pointed out the high administrative costs versus low revenues from such activities, and the school board abandoned the idea.

Also the district had avoided entrepreneurial activities due to conflicting interpretations of Colorado's tax and spending limitations. Passed in 1992, Amendment 1 required voter approval in order for either state and local governments to increase tax revenues in addition to limiting the overall

rate of increase in government spending (King & Whitney, 1995). However, most school district administrators and legal experts assumed that in-kind partnerships between public agencies were not tax-related revenues or expenditures. Relying upon this more conservative interpretation, the district had pursued entrepreneurship through some innovative twists to traditional forms of entrepreneurship, such as business-education partnerships. For example, the largest city within the rural district did not have a public recreation center. Under a district-city agreement, community members had access to the high school gymnasium; in exchange, the district received snow removal services from the city, no small expense in a mountainous area. The district's chief financial officer and the city clerk maintained an informal ledger of the estimated value of the services exchanged, but it was not reported through the state's accounting system.

Given the small size of the district, the superintendent chose to nominate only one school, an elementary school. The principal reinforced the superintendent's view of entrepreneurship as community engagement, citing a very traditional school and parent fundraising activity. She explained how she and the teachers identified families who were unable to purchase Christmas gifts. These families were asked to share their "wish lists" with the principal who in turn found families and community members who anonymously purchased gifts. In essence, more affluent families adopted less fortunate ones for the holiday season. In addition, the elementary school operated a day care and after-school program within the building. The program was viewed positively by district administrators as well as the principal as a means to increase parental involvement and foster good school-community relations. However, all of the revenues from the program were forwarded to the district level and managed by the district's finance office. Unlike their urban and suburban counterparts, the rural school district superintendent and principal did not consider the day care and after-school program entrepreneurial activities.

Cross Case Analysis

This section of the paper presents the results of the cross case analysis, utilizing the framework, "Paradigmatic Conflict Between Equity and Entrepreneurship," presented earlier. (See Table 1.) The results are divided into four parts, as follows: 1) Comparison of district attitudes toward entrepreneurship; 2) analysis of the relationships between the districts and their respective schools across cases with regard to entrepreneurship; 3) analysis of school-to-school relationships with regard to entrepreneurship; and 4) analysis of the relationship between the school district and the state over policies which impact educational entrepreneurship.

School District Attitudes Toward Educational Entrepreneurship

The three school districts manifested disparate attitudes toward educational entrepreneurship. The urban school district's theme of mixed messages and mixed feelings described the internal conflict experienced by a school district as it moved toward a more aggressive pursuit of entrepreneurship through the creation of a dedicated central office position, while, at the same time, maintaining an informal policy discouraging student fees out of equity concerns. In addition, a new chief financial officer was making a concerted effort, the first of its kind in the district, to track school level entrepreneurial revenues, in part out of concern for intradistrict equity. In direct contrast to the attitude of the urban school district was that of the affluent suburban school district whose theme was the ultimate entrepreneur. This district engaged enthusiastically in a wide array of entrepreneurial activities, encouraged schools to do so, and considered student fees an important revenue source. In the past when equity concerns were raised by the school board, a study was conducted. However, it was eventually shelved even though the results pointed to potential intradistrict inequities. The rural district's

approach to educational entrepreneurship as community engagement distinguished it from its urban and suburban counterparts. In clear contrast to the other two districts, this district felt it had adequate revenues to provide students with a good education without pursuing alternative sources of funds.

Relationships Between Districts and Schools

The relationships between schools and their respective districts around educational entrepreneurship also varied considerably across the cases. In the urban school district, the relationship was characterized by mistrust. For example, the school district central administrators interviewed believed schools were deliberately withholding accounting information from them in an effort to hide entrepreneurial revenues; and the school principals interviewed acknowledged that they did not report all entrepreneurial revenues to the central office because, in part, they believed they were not required to do so, but also because they feared that if the central office knew of the revenues they would be taken from the school. One principal claimed that such reporting requirements would act as a disincentive to school level entrepreneurship. In the suburban school district, the relationship could be characterized as *laissez-faire*. The superintendent was openly supportive of district and school level entrepreneurial activities, and school principals enjoyed wide discretion in the entrepreneurial activities selected and the manner in which revenues were spent. Neither school principal interviewed expressed concern that full accounting for these revenues to the central office jeopardized their ownership of them. In the rural school district, the relationship between the district and the single school nominated could be characterized as trusting, based upon a common understanding of and commitment to entrepreneurship as a means of community engagement.

School-to-School Relationships

The attitudes of individual schools within a school district toward educational entrepreneurship can have a significant impact on intradistrict fiscal equity. For example, in the urban school district, the two principals interviewed were unconcerned about the inequities that their entrepreneurial revenues might create; neither did they see any reason for sharing them with other schools. Both of these schools, judged the most successful entrepreneurs in the district by the superintendent, were fortunate to have active parent organizations that raised substantial funds, between \$15,000 and \$20,000 per school. According to the central office administrator interviewed, forty percent of the district's schools did not have an active parent organization. In the suburban district, the school principals considered competition for entrepreneurial revenues healthy, based upon the belief that there was ample opportunity for any school to access such funds. However, there was a wide disparity in the revenues raised by the two nominated schools: the high principal estimated her school had raised \$40,000 in the previous year whereas the elementary principal estimated his school raised \$100,000. In the rural district, such a comparison was not possible as only one school was nominated.

The Relationship Between School Districts and the State

There is a growing realization on the part of state policymakers that entrepreneurial activities by schools and districts may impact state education finance equity goals. In Colorado, two state forces have the potential to shape school districts' attitudes towards educational entrepreneurship. First is Amendment 1, a revenue and expenditure limitation measure, that limits the growth of government and hence school district revenues and expenditures to inflation plus growth in student enrollments. The second is the development of a new state education accounting system that will attempt to capture most categories of entrepreneurial revenues. With regard to Amendment 1, many school districts remain unclear as to its application to entrepreneurial revenues. The suburban

school district did not include entrepreneurial revenues under its interpretation of Amendment I, and hence it had no effect on its entrepreneurial activities. On the other hand, the superintendent of the rural school district interpreted the amendment to include such revenues, providing a disincentive for entrepreneurship. With regard to the urban district, central office administrators interviewed were unsure of the potential impact of Amendment I. At the time of the interviews, none of the districts was aware of the new developments in the state education accounting system. As might be expected, the urban and suburban school districts expressed concern that they might have to report entrepreneurial revenues to the state. The rural district, given its limited scope of entrepreneurial revenue raising activities, did not see such a reporting requirement as troublesome.

Concluding Discussion and Policy Implications

Because these three Colorado school districts did not use consistent district or school level mechanisms to account for entrepreneurial revenues, direct comparisons are difficult. Looking to the state education accounting code, the only relevant category where entrepreneurial activities might be tracked was the pupil activity fund. From the perspective of the framework of entrepreneurial activities used for this study, the pupil activity fund is very limited as it is usually the source of student fees for courses, supplies and materials, and admissions to extracurricular events. In addition, this category may not capture all such fees generated in a particular district, particularly if some revenues remain at the school site level. However, the pupil activity fund represented a starting point and ultimately reinforced the qualitative data gathered. For example, the school district with the most aggressive attitude toward entrepreneurship, the affluent suburban district, raised over thirteen million dollars in its pupil activity funds alone, compared with \$167,241 for the urban district and \$288,424 for the rural district. (See Table 3.) Particularly when translated into per pupil amounts, the differences are stark: \$171 per pupil in the suburban district compared to approximately \$3 per pupil in the urban district and \$120 in the rural district. Also the suburban district had the highest per school amounts of entrepreneurial revenues when compared with the other two districts, with one elementary school raising \$100,000 in the previous school year. While in all three districts there were substantial differences between schools in the entrepreneurial revenues raised, they were most pronounced in the suburban district.

With regard to district attitudes toward equity, the suburban school district, while aware of the intradistrict inequities created by educational entrepreneurship to the point of conducting a study, had made a conscious decision to ignore the results. The urban school district was struggling with reconciling entrepreneurship with equity in a district where over half of the students qualified for free or reduced price lunches. The rural school district, with moderate amounts of entrepreneurial revenues, seemed largely unconcerned with the potential for intradistrict inequities.

Clearly, broad generalizations cannot be drawn from a small number of school districts within a single state. Further research, such as statewide studies, is needed in this area as the results of this study demonstrated educational entrepreneurship did have a disequalizing impact on intradistrict and interdistrict fiscal equity. However, one barrier to statewide studies is the variation in state education accounting codes. Currently there is tremendous variation in the degree to which entrepreneurial revenues are captured in accounting requirements. As Colorado implements a new, more comprehensive state education accounting code, school districts will be required to report a larger range of entrepreneurial revenues. Although some school district personnel may fear that systematic reporting of such revenues may act as a local disincentive, the state has the ultimate responsibility for an equitable funding system. As such, the inclusion of entrepreneurial revenues in the calculation of a school's wealth appears inevitable.

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Table 3. Entrepreneurial School District Revenues

School District	Total Number of Students	Total General Fund Revenue	General Fund Revenue per Pupil	Total Pupil Activity Fund Revenue	Pupil Activity Fund Revenue Per Pupil	Pupil Activities Fund Revenue as a Percentage of General Fund Revenues
Urban School District	52,274	292,062,218	5,099	167,241	2.92	0.06
Suburban School District	77,870	353,927,163	4,545	13,296,354	170.75	3.76
Rural School District	2,389	10,635,903	4,452	288,424	120.74	2.72

Source: Colorado Department of Education.

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Endnotes

1. The views expressed in this article do not necessarily reflect those of the National Education Association.
2. See Long (1999) for a listing of individual states and associated school finance litigation cases.
3. See, for example, Adams (1991); Bouman & Brown (1995); Addonizio (1999).
4. Please note that while the "resource base for fund-raising" will hereafter be referred to simply as "resource base," its use differs from the traditional use of the phrase "resource base" with regard to funding of schools. The traditional resource base for funding of schools consists of revenues from local, state, and to a much smaller extent federal taxation.
5. See, for example, Molnar & Morales (2000), who view commercialism in schools globally to include entrepreneurial activities such as commercial advertising and corporate sponsorships as well as the broad area of privatization (pp. 3-4).
6. The exception was the rural school district, where the superintendent chose to select only one school, based on the small size of the district.