



The State of Education Funding in Israel

Iris BenDavid-Hadar

*Iris BenDavid-Hadar is Assistant Professor at Bar-Ilan University, Israel. Her research focuses on school finance policy, especially the relationship between redistribution mechanisms and state competitiveness and cohesiveness. Her papers have been published in journals such as **Education Economics** and **Education and Society**. She also advises members of the Israeli Knesset (legislature).*

Israel regards education as an essential part of its infrastructure for national security, competitive ability, and social cohesiveness. For Fiscal Year (FY) 2013, the Ministry of Education's proposed budget is ₪42.43 billion,¹ where ₪1.00 = \$0.278.² Proposed allocations to the primary, secondary, and preschool levels are 35%, 25%, and 12% of this amount, respectively. In current prices, the proposed budget is ₪6.1 billion more than last year's budget of ₪36.3 billion, reflecting the results of the 2011 summer protest demands.³ However, measured in constant 2012 prices, the proposed increment is more modest at ₪5.68 billion, and the proposed per-student allocation for FY2013 is the same as the previous year's. The average allocation per student, in terms of instructional hours, at each level of schooling, is higher at Hebrew-speaking schools in comparison to Arabic-speaking schools, with the gap more prominent at the lower secondary school level.⁴ Additionally, the capital budget of the Ministry of Education is ₪1.01 billion, of which 78.7% is allocated for the construction of new K-12 schools.

Following the social protests of the summer of 2011 and the recommendations of the Yonah-Spivak Committee,⁵ a committee representing the social demands of the protest, the government appointed the Trajtenberg Committee to address the issues raised by the protesters and to promote economic and social reform.⁶ The Trajtenberg Committee's education recommendations focused on ages birth to nine with a special focus on early childhood education. The central recommendations were to complete the application of the Israeli compulsory education law to preschool children ages three to four, to create afternoon daycares and long-school-day schools for children ages three to nine, and to subsidize early childhood education for children birth to three years of age.⁷ On January 8, 2012, the government adopted these recommendations and approved their implementation. The funds allocated for implementing these recommendations were ₪1.2 billion, ₪0.615 billion, and zero, respectively.⁸

Two additional major education reforms are currently being implemented by the Ministry of Education. These address educator pay and working hours, and partially address the issue of pay for performance. Specifically, these reforms, titled "New Horizon" (OFEK HADASH) at the primary school level and "Strength for Compensation" (OZ LA-TMURA) at the secondary

school level, are focused on extending the school day and, by doing so, increasing educators' pay. Moreover, these reforms comprise an incentive mechanism for teachers based on pay for performance in that teachers will be rewarded, i.e., receive additional pay, based upon their school's average level of performance. The overarching goal is to reward teachers at the top-performing schools, defined as the upper 40%. The proposed FY2013 budget includes allocations for their gradual implementation, with ₪0.9 billion for "New Horizon," and ₪1.05 billion for "Strength for Compensation." The remainder of the FY2013 proposed budget is directed toward other issues, such as the gradual implementation of a class size reduction law which focuses on grades one and two,⁹ with a proposed allocation of ₪0.1 billion.

Following the 2006 Israeli Supreme Court decision, *Supreme Monitoring Committee for Arab Affairs in Israel v. Prime Minister*,¹⁰ two important reforms were enacted regarding the resource allocation mechanism and the funding formula at the primary school level. First, the funding system was changed so that it currently allocates 95% of the budget per student on an equal basis. Second, the remainder is now divided among four elements rather than seven.

The educational achievement distribution of Israeli students is characterized by a low level of achievement with a wide achievement gap between high and low achievers compared with the OECD average.¹¹ In fact, Israeli student achievement is characterized by the widest gap among the OECD countries. Furthermore, student achievement is unlikely to improve or the gap narrow since the current reforms implemented diminished many of the compensating equitable elements that were previously more dominant in Israeli school finance policy.

School funding in Israel has taken on a new direction, emphasizing "adequate" (interpreted as equal) funding for schools.¹² This funding principle is mostly based on student numbers rather than on student needs, and thus departs from the previous equitable allocation. This reform is likely to lead to greater vertical and horizontal disparities and to an unfortunate widening of the achievement gap, an outcome that contradicts declared policy objectives and societal needs. Specifically, equal resources are allocated by the government to students of different starting points in term of their needs. These resources are supplemented by allocations by local authorities and parents (households). Of great concern are the supplemental resources allocated by local authorities because there is a strong, positive, statistically significant correlation between local socioeconomic status and the level of supplemental, per-pupil resources allocated to schools.

As noted earlier, the current funding system allocates 95% of the budget per student on an equal basis, The remaining 5% is allocated according to a reformed needs-based formula, which is comprised of four elements. Resources are allocated to: (1) students from families with low levels of parental education; (2) students from low income families; (3) students at schools located at the geographical periphery;¹³ and (4) students who are new immigrants. These factors and their assigned weights (40%, 20%, 20%, and 20%, respectively) are in need of revision, as they do not comply with research

findings explaining student achievement variance.¹⁴ For example, the parental education factor, assigned a weight of 40% is larger than its research-based calculated weight of 30%, and the same issue applies to factors of peripheral location and of new immigrant status.¹⁵ Additionally, there are other elements that contribute to explaining the variation in academic achievement that are not included in the funding formula, such as ethnicity.¹⁶ Finally, there is a need to include an improvement-based component. Such a component is necessary to narrow the achievement gap while maintaining or increasing the average level of achievement, rather than merely narrowing it.¹⁷



Endnotes

¹ Please note that this article was written on the basis of the final budget proposal. See, "Israel Budget," http://www.mof.gov.il/BUDGETSITE/STATEBUDGET/BUDGET2013_2014. The Israeli legislative body, the Knesset, was currently debating the biennial budget for FY2013 and FY2014 at the time of the writing of this article.

² Israel's currency is the New Israel Shekel (NIS), and the currency symbol is "₪".

³ The 2011 protest was an exceptional time in Israeli history. A wide protest movement developed, calling for social and economic change. Mainly, the protesters demanded the advancement of the social welfare state. At the beginning of the protest movement, the protestors focused on rising rent prices and the cost of living in Israel. As the protest expanded, protestors called for an improvement of the public education system and a more equitable distribution of social responsibilities. The demands of the protests related to education were threefold: (1) To strengthen the public education in Israel by raising per-student funding to the level of the average per-student funding in OECD countries; (2) to introduce state-funded education from birth through tertiary education; and (3) to make school finance policy more equitable. See, Kashti Yitzhak Itay Snir, Nivi Gal-Arieli, Gaddy Bialick, Iris BenDavid-Hadar, Hagit Gur-Ziv, Marcelo Weksler, Yael Kafri, Gal Levy, Revital Lan-Cohen, and Adi Koll, "Public Education in Israel," in *To Do Things Differently: A Model for a Well-Ordered Society*, edited by Yonah Yossi and Avia Spivak, 339-368 (Tel Aviv: Hakibutz Hameuchad Press, 2012).

⁴ According to *de jure* policy in Israel, the average allocation per student at Hebrew-speaking schools and at Arabic-speaking schools is similar, but the *de facto* policy, i.e., the actual school budget, reveals gaps in favor of Hebrew-speaking schools. However, the gap is narrowing.

⁵ The Yonah-Spivak Committee, comprised of some 60 academics and experts in the fields of economics and social welfare, was appointed by Israel's social protesters in order to voice the demands of the Israeli protest movement. It was headed by Yossi Yonah, professor of political philosophy at Ben-Gurion University, and Avia Spivak, professor of

economics at Ben-Gurion University and former Deputy Governor of the Bank of Israel. See, Kashti Yitzhak et al., "Public Education in Israel," in *To Do Things Differently*.

⁶ The Trajtenberg Committee was appointed by Israeli Prime Minister Netanyahu and headed by Manuel Trajtenberg, professor of economics at Tel Aviv University and chairman of the Higher Education Planning and Budget Committee.

⁷ Pnina Klein, "Education," in *Trajtenberg Committee Report on Socio-Economic Change*, 107-122 (Jerusalem: 2011).

⁸ Implementation of the third recommendation was postponed due to reductions in government ministry budgets.

⁹ Israeli Parliament, State Education Law- Class Size Reduction Amendment, 28th amendment from July 3, 2007.

¹⁰ *Supreme Monitoring Committee for Arab Affairs in Israel v. Prime Minister*, High Court of Justice, 2006, HCJ 11163/03.

¹¹ Organisation for Economic Co-operation and Development (OECD), PISA- Programme for International Student Assessment (Paris: 2009).

¹² Nachum Blass, Noam Zussman, and Shay Tsur, "The Allocation of Teachers' Working Hours in Primary Education, 2001–2009," Discussion Paper No. 2010.18 (Jerusalem: Bank of Israel, December 2010), <https://www.boi.org.il/deptdata/mehkar/papers/dp1018e.pdf>; and, Iris BenDavid-Hadar and Adrian Ziderman, "A New Model for Equitable and Efficient Schools Resources Allocation: The Israeli Case," *Education Economics* 19 (4): 341-362.

¹³ Geographical periphery refers to remoteness, i.e., distant from central large cities or metropolitan areas such, as Tel-Aviv, Jerusalem, and Haifa. Students residing in remote areas have lower achievement than their counterparts in urban and metropolitan areas. As such, they receive additional resources.

¹⁴ BenDavid-Hadar and Ziderman, "A New Model for Equitable and Efficient Schools Resources Allocation;" and Blass et al., "The Allocation of Teachers' Working Hours in Primary Education, 2001–2009."

¹⁵ BenDavid-Hadar and Ziderman, "A New Model for Equitable and Efficient Schools Resources Allocation."

¹⁶ The State Comptroller, *Annual Report*, No 60 II (Jerusalem, Israel: 2008); Central Bank of Israel, *The Social Services Report* (Jerusalem: Bank of Israel, 2010); and, Iris BenDavid-Hadar, "School Resource Allocation in Israel: Is It Designed to Improve?" *Education and Society*, 27(1): 77-109.

¹⁷ BenDavid-Hadar and Ziderman, "A New Model for Equitable and Efficient Schools Resources Allocation."