

**Decentralization,
Local Governments
and
Education Reform
in
Post-Communist Poland***

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Introduction

Between the fall of Communism in 1989 and the year 2000, Poland transferred responsibility for the management of some 35,000 preschools, primary schools and secondary schools to democratically elected local governments. At the same time, the national government significantly changed the structure and content of primary and secondary education, and reformed the way it regulates and finances the sector. These profound changes have come rapidly and, not surprisingly, remain incomplete.

In the following, we examine the devolution of education responsibilities to local governments. We focus on this element of educational reform for three reasons. First, because both lay and expert observers have devoted remarkably little attention to local governments when discussing education reform in Poland despite the fact that over the last ten years local governments have been made responsible for the ownership and management of all primary and secondary schools. Second, because from here on in, all further efforts to improve Polish education will be mediated by local governments and will have to account for their interests, powers, and behaviors. And third, because we believe that the assignment of managerial and financial responsibilities to local governments remains confused. It is unclear who is responsible for setting and financing teachers' wages, the national government or local governments, and who is responsible for hiring and firing them, local governments or school directors. And it is unclear who is responsible for monitoring school performance and intervening when they fail.

The lack of clearly defined roles with respect to both teachers' pay and employment and the monitoring of school performance, has reduced the willingness and ability of local governments to squarely address many of the challenges that face their school systems. It has also made it difficult to determine how the national government should help them meet these challenges. Because we believe that continued reform of the sector is critical to Poland's socio-economic success, the following attempts both to explain how and why these confusions arose, and to assess their implications for the future. As a result, the paper shifts back and forth between an historical narrative and more analytical or policy driven observations.

We begin with a brief overview of the Polish education system under Communism, an overview that is necessary to understand both the motives behind the devolution of education responsibilities to local governments, and some of major structural problems they have encountered since. This prelude is followed by a closer examination of the politics behind the transfer of education responsibilities to local governments, and the tensions which shaped the basic, if still unclear, character of their responsibilities. We then track the complicated process through which schools were actually handed over to local governments before examining in somewhat greater detail the evolution of Poland's education finance system. Finally, we analyze what local governments have --and have not-- done with their school systems and conclude with some policy recommendations.

I. The Legacies of the Old Order

Between 1947 and 1990, education policy in Poland was subordinated to the attempts of the Polish United Workers' Party (PZPR) to centrally plan the entire economy. In the 1950s, the PZPR rapidly increased the percentage of children attending primary schools and successfully

eliminated illiteracy¹. It also tried to increase the number of working class and peasant children who attended general education high schools (lyceums) and universities to reduce its dependency on the existing "bourgeoisie"². Most importantly, it built large numbers of specialized vocational schools to produce the workers needed by the Plan. At the peak of Stalinism, more than 15 different sectoral ministries and a ministerial level coordinating agency³ ran vocational schools. Meanwhile the Ministry of Education controlled universities and, through a network of provincial Education Offices (Kuratoria Oświaty i Wychowania), primary schools and lyceums. The kuratoria set school budgets, hired and fired school directors, and imposed strict programmatic and political control on teachers and pupils.⁴

By the 1960s, the Party began to restrict university enrollment because it felt that the country did not need to educate the masses for a few positions at the "commanding heights" of the economy. Similarly, as the economy stagnated and the Party's revolutionary zeal waned, it made less and less effort to improve the educational chances of disadvantaged groups. Thus, by the time the regime collapsed, only ten percent of rural children attended lyceums, and less than five percent of them received university degrees⁵.

Despite the PZPR's instrumental attitude towards education, competitive entrance exams, the persistence of pre-war teaching traditions, and Poland's relative openness to the West preserved the quality of the country's elite institutions⁶. Nonetheless, pedagogical techniques were based on rote learning and the mastery of specialized bodies of knowledge deemed necessary for industry. Needless to say, Party propaganda deformed learning (especially of history and literature) while the central determination of teaching curricula and school budgets left little room for variation or innovation at the school or classroom level⁷.

The central financing of education and the use of competitive entrance exams for secondary schools made legally binding school districts unnecessary. For primary schools, the local or district school had to accept pupils living in the area, but parents were free to send their children elsewhere if they chose. For secondary schools, there were no districts at all and parents were free to send their children to any school that accepted them. Moreover, because most secondary schools were built in cities, there was considerable commutation between rural and urban areas.

¹ Functional illiteracy however remains high. An international study conducted by the OECD in 1995 showed that Poles of all ages understand considerably less from written texts than most of their European counterparts. See Bialecki (1996).

² Polish Communists did not however make use of the class quota systems frequently employed by their counterparts elsewhere. Instead, they provided generous stipends to working class and rural students to attend lyceums and gave them additional points on university entrance exams.

³ Centralny Urząd Szkolenia Zawodowego (Central Office for Vocational Training). After 1956, the Ministry of Education took over some vocational schools, and verified the curricula of all of them, including schools run by line ministries and those owned by large industrial enterprises.

⁴ For an account of Party's ideological control of the schools and universities under Stalinism, see Kosinski (2000), and Connelly (2000).

⁵ See Golinowska, and Ruminska-Ziemny (1998). Approximately 38 percent of the Polish population still lives in rural areas.

⁶ Connelly (2000).

⁷ By the 1960s the Party had by and large abandoned its hope of turning young Poles into Communists. Nonetheless, pupils were still forced to participate in the Party's political rituals organized in schools, receiving in the process a reasonably effective lesson in social conformity and obedience.

Initially, the Party devoted large shares of GDP to education. As elsewhere in the Communist world, however, expenditures on public services (including education) fell with declining growth and the accompanying attempts to jump-start the economy with new industrial investment drives⁸. Indeed, the investment and expenditure targets for education set in the Party's five-year plans were met only once⁹. Moreover, and more generally, as coercion and commitment waned, subordinate actors within the polity began to more aggressively game the plan, ultimately turning the planning process into a free-for-all punctuated by periodic attempts to rewrite the rules¹⁰. By the late 1970s education policy, like virtually everything else within the body of the single-party state, had lost its coherence¹¹.

As in industry, the funding of particular types of schools was generally based on historical expenditures with school directors, provincial kuratoria, and national ministries all fighting for additional resources at the margins. Every once in a while however, a new reform initiative, or the changing fortunes of particular players would generate a more radical shift in the allocation of resources. As a result, per pupil expenditures came to vary dramatically across schools of different types and schools of the same type in different areas of the country.

With the dramatic emergence of the Solidarity Trade Union in 1980, the opposition movement demanded an overhaul of the country's educational system. On both sides of the political divide, people called for the consolidation and streamlining of school administration, the modernization of teaching methods and curricula, a reduction in the role of vocational education, and not surprisingly, increased public spending¹². Moreover, both groups argued that low wages had led to negative selection within the teaching profession.

Solidarity however, stressed that both this negative selection¹³ and the more general problems of the sector were being generated by the subordination of education to ideology. Thus, while within the Party a handful of reformers talked about "socializing" school management (*uspołecznienie szkół*) through the creation of oversight councils composed of teachers, parents, and outside experts, Solidarity demanded the right to create "self-governing" schools (*samorządne szkoły*), in which directors would be elected by Teachers Councils (*rada pedagogiczna*)¹⁴. These demands paralleled the union's efforts to take enterprises out of the hands of central planners by strengthening the powers of factory

⁸ See Kornai (1992), and Winiecki (1987) for good treatments of this dynamic.

⁹ The exception was the 1966-1970 plan. See Golinowska (1990).

¹⁰ For the best theoretical treatment of why attempts to internalize all social and economic transactions within the structure of a single agent degenerate into bargaining regimes punctuated by shake-ups see Lavoie (1985).

¹¹ In the early 1970's, the PZPR made its last serious attempt to reform Poland's education system. A preparatory "zero" class was introduced for six year olds and efforts were made to consolidate small rural schools, as well as to introduce, on the Russian model, obligatory 10 year universal schools as opposed to eight year primary schools. These reforms were abandoned in 1980 under pressure from Solidarity. See Szczepanski (1973) and Golinowska (1990)

¹² For a summary of the PZPR's ideas about school reform in the late 1980s, see Komitet Ekspertów do Spraw Edukacji Narodowej (1989), and Kupisiewicz (1989). For the opposition's ideas see the chapter on education in collection of reports assembled by the group *Doswiadczenie i Przyszłość* (1985). For a discussion of the basic similarities between the ideas of the opposition and Party reformers see, Radziwill (1992).

¹³ It is worth noting that, after the army and the police, teaching was the profession with lowest share of Solidarity members.

¹⁴ This was Solidarity's position during the negotiations with the Ministry in April 1981, see Bochwic (2000).

managers while at the same time subordinating them to newly formed Employee Councils (*rada pracownicza*)¹⁵. Indeed, Solidarity's attitudes towards education reform in the 1980s were part of a broader strategy in which the union attempted to take control over spheres of social life without directly challenging the principle of single-party rule¹⁶. Not surprisingly, the union also demanded an end to the state-enforced atheism of the school system and fought heated, if rarely successful battles to liberalize school curricula¹⁷.

In December 1981, the PZPR declared Martial Law and delegalized Solidarity, bringing to an end a chaotic eighteen months of national awakening. One month later, the government passed the Law on the Teachers' Charter¹⁸. Like a number of other pieces of legislation enacted immediately after the declaration of Martial Law, the Charter tried to co-opt opposition by acceding to some of Solidarity's demands¹⁹. The law increased the powers and job rights of both teachers' councils and school directors. It also reduced teacher work loads from twenty-one teaching hours a week to eighteen (the so-called "pensum").

Throughout the 1980s, however, neither Solidarity nor the regime connected education reform with local governments. On the one hand, even during the interwar period, Poland had no tradition of local government involvement in schools. On the other hand, the idea that local governments were critical to the establishment of a future democratic order had yet to become widespread. In fact, until the regime collapsed, linking education reform with local government reform was probably unthinkable.

With this said, we now turn to the unlikely story of how this linkage became policy in post-Communist Poland. Here, we will argue that local governments were assigned responsibility for schools not because they were seen as important players in educational reform, but because Solidarity saw "decentralization" as the fastest way to dismantle the Communist state. Indeed, we will show how education reform has been shaped by two contradictory desires. On the one hand reformers sought to give local governments ownership and financial control over schools in order to break up the power of the old apparat. On the other hand, they sought to maintain central control over education so that the newly sovereign Polish state could rebuild a national identity deformed by forty years of communism.

II. The Politics of Decentralization: The Reforms of 1990

Over the first six months of 1989, the PZPR and representatives of the Solidarity Trade Union movement engaged each other in the so-called Round Table Negotiations. These negotiations were designed to find a peaceful way to extricate the country from its self-evident political and economic impasse and covered virtually all spheres of social and political life.

¹⁵ Levitas, and Federowicz (1995).

¹⁶ For a good discussions of the opposition's general strategy in these years see, Staniszkis (1984), and Ost (1990).

¹⁷ For example, it obtained the introduction of history classes in the curriculum of basic vocational schools. For an account of Solidarity's position on education and a selection of documents, see Bochwic (2000), and Zurek (2000).

¹⁸ Law on Teachers' Charter of January 26, 1982.

¹⁹ Most notably the Law on Employee Councils of September 25, 1981, and the Law on Universities of May 4, 1982. .

At the Sub-Committee on Education, Solidarity succeeded in getting the Party to agree in principle to the ideological neutrality of schools and to loosen state control over the education system. Teachers were given greater authority in the selection of textbooks, the subject "science of society" was removed from the lyceum exam system, and parents and teachers were granted the right to set up "community schools" (*szkoly społeczne*). In a compromise between the union's demand for the election of school directors by teachers, and the Party's desire to preserve their appointment by *kuratoria*, the government agreed to set up independent selection committees. The government also promised to radically increase education spending from about 4 to 7 percent of GDP, a promise that was never kept²⁰. Neither side, however discussed the role of local governments, and no linkage made during the negotiations between the work of the subcommittees on Education and Local Government.

More importantly, the negotiations did produce an historical agreement to hold partially free parliamentary elections in June of 1989 as well as a more general understanding that whatever its results, the opposition would not try to criminalize the Party for forty years of communism²¹. Solidarity-backed candidates swept these elections and in August the PZPR's satellite parties abandoned it. In September, Solidarity forces formed Poland's first non-Communist government since World War II.

This government faced a daunting array of political and economic challenges. Most immediately, it had to reassert control over an economy on the brink of hyperinflation. More strategically, it sought to create the foundations of a market economy and a multi-party democracy as rapidly as possible. Education reform *per se* was far from its most pressing priority. Instead, the Ministry of Finance hastily prepared a radical program of economic stabilization and market liberalization.

On January 1st 1990, the government freed most prices, opened the economy to foreign goods and new private firms, and slashed state spending. Foreign competition and fiscal austerity produced a steep drop in industrial production. Not surprisingly, the dramatic contraction of the economy created serious tensions between the government and the trade union that remained its sole institutional base²².

Despite declining popular support and huge day-to-day problems of mastering the government itself, reformers decided to push forward with the creation of democratically elected local governments. This decision was dictated by two visceral fears. First, reformers felt they could not trust the administrative apparatus they had inherited from the past. Indeed, they felt that the longer the Party's bureaucrats were left in place, the greater the chances that their efforts would be "sandbagged". And second, reformers were painfully aware that they had no political parties capable of competing with the PZPR's heir, the newly transmogrified Democratic Left Party (SLD). Worse, the forces that had coalesced into Solidarity were clearly splintering. In short, and whatever the other merits of the case, reformers came to see

²⁰See Bochwic (2000) and Zurek (2000).

²¹ Differences within Solidarity over how former Communists should be treated helped precipitate the movement's perhaps inevitable fragmentation. Indeed, they continue to hamper the creation of a stable block of center right parties. The struggles within the Solidarity camp have also hampered the ability of the Solidarity backed coalition governments to articulate and execute coherent policies in many areas, including education.

²² In the spring of 1989, Citizens Parliamentary Committees grew up around the union to support the electoral efforts of Solidarity-backed candidates. Like the union, these also splintered, in part because of the government's economic policies, in part because of the government's forgiving attitude towards former Communists.

the rapid creation of democratically elected local governments as the best way to dismantle a bureaucracy they couldn't trust and to create the political space to build the political parties that they didn't have²³.

Thus, over the spring of 1990, the government rushed to pass the legislation necessary to elect councils for 1600 rural and 800 urban communes (gminas) in May. This legislation defined local government election rules and their governance structure. It also assigned them responsibility for essential public services such as water, sewage, solid waste, local roads, district heating, public transport, land use planning, and municipal housing and gave them ownership of good deal of local real estate as well as the assets associated with these services. Finally, and perhaps most importantly, gminas were guaranteed independent budgets and statutorily defined revenues from shared taxes, grants, and own taxes²⁴. In short, the legislation passed in the heady year of 1990 set in motion local electoral politics, stripped significant functions away from the national government, and equipped gminas with the rights, assets, and revenues necessary to become independent economic and political actors.

III. The Emerging Legal Framework for Education Reform

Within the Solidarity camp, there was a hot, if not also hasty debate over assigning gminas responsibility for schools between reformers whose principal concern was using the creation of strong local governments to weaken the old regime, and those that entered the Ministry of National Education (MEN).

The former insisted that gminas immediately be made responsible for preschool and primary education. For them, the most important issue was to take control over schools out of the hands of state bureaucrats once and for all. Thus, they insisted that the law define preschool and primary education as local government "own" functions and not as functions delegated to them by the national government, and that the ownership of all preschool and primary school facilities be immediately transferred to gminas. Indeed, they argued that in the near future, new powiat or county level governments should be created and assigned responsibility for secondary schools on a similar basis.

Meanwhile, reformers within MEN, and education specialists outside of it, were far from enthusiastic about involving local governments in education at all. To be sure, giving citizens more control over their schools sounded like a good idea, as a useful step towards rebuilding the "civil society" that the Communist state had destroyed. At the same time, however, it was difficult to think through what local government control over schools really meant in a country where the national government had always run the education system. Moreover, Communism had not only inhaled civil society, but the sovereignty of the Polish state. Indeed, for many, it was clearly the state's political and moral responsibility to use the education system to restore a weakened national identity. Similarly, the country's immediate and pressing socio-economic challenges seemed to call for rapid and concerted state action to reform the country's schools.

Not surprisingly then, MEN saw curriculum reform as the most important and pressing challenge of the day. Indeed, to the degree that the Ministry thought about the

²³ For more discussion of these issues see Levitas (1999).

²⁴ It is worth noting that the Law on Gmina Income was only passed in December 1990, after the election of gmina officials and after the assignment of their service responsibilities.

administration of schools, it tended to think in terms of restoring prewar institutional traditions²⁵. And when it thought about education finance, it thought not about how local governments were supposed to finance schools, but about defending the size of national government's education budget, a budget that was shrinking under the pressures of fiscal austerity.

In fact, the Ministry, as well as the teachers' section of Solidarity and the larger SLD-affiliated Union of Polish Teachers (ZNP), were afraid that making gminas "responsible" for schools would weaken the government's commitment to financing the sector. Thus, they argued that gminas' assumption of responsibility for schools should be voluntary, and not obligatory. They also insisted on legal guarantees that the national government would fully fund the operation and maintenance costs of schools, and that the 1982 Teachers' Charter would remain on the books.

In the end, the struggle between advocates of strong local governments and education reformers produced a confusing set of legal compromises²⁶. The laws on local government made preschool and primary education gmina "own" functions. As "own" functions, gminas were to be transferred ownership rights to school facilities and given control over school finances. The transfer of ownership and financial responsibility for preschools was immediate. But in a concession to education reformers and the unions, their legal obligation to take over primary schools was postponed until 1993. In the interim, however, gminas were free to take over not only some or all of their primary schools, but some or all of their secondary schools as well.

By giving gminas ownership of school facilities, reformers had clearly made local governments responsible for financing capital improvements out of their general revenues. How reformers expected gminas to finance the operation and maintenance costs of schools, however, was less clear. The Law on Gmina Income guaranteed gminas transfers to support the operational costs of primary and secondary schools. But no such guarantee was made for preschools. Instead, gminas were expected to finance not only preschool education, but also school busing out of their general revenues and without specific support from the national government.

Reformers justified the different treatment of preschool and primary education by arguing that while primary school attendance is obligatory, parents do not have to send their children to preschool²⁷. In fact, however, local governments were legally obliged to provide

²⁵ Interviews with Anna Radziwill and Eugeniusz Busko. During the interwar period, the Ministry of Education ran schools through regionally based kuratoria. The jurisdictions of these kuratoria were independent from those of both local governments and the central government's regional gubernators. Moreover, school directors, though subordinated to kuratoria, had considerable operational autonomy. As a result, many education reformers in the early 1990s considered the strengthening of the Ministry, its kuratoria, and school directors as the precondition, if not necessarily the essence, of education reform. In short, their political project was very different from the one motivating the advocates of strong local governments.

²⁶ Law on Gminas of March 8, 1990, Law on the Division of Responsibilities between the National Government and Local Governments of May, 17 1990, Law changing the Laws on the Development of the Education System and Teachers' Charter of May 17, 1990, and Law on Gmina Income of December 14, 1990.

²⁷ Most education specialists strongly opposed making gminas responsible for financing preschool education out of their own revenues because they feared local governments would not appreciate the importance of early childhood education. Their concerns however, were overruled because, as we have stressed, the driving force behind the devolution of education responsibilities to local governments came not from the education community but from reformers primarily concerned with dismantling the Communist state. There was also

preschool training for all six year olds whose parents choose to send them to a preparatory "zero" class. Moreover, more than 90 percent of all 6 year olds do in fact attend "zero" classes, and unlike other levels of "preschool" education, local governments are not allowed to charge parents fees for zero classes.

Thus, despite the (de facto) obligatory nature of at least the "zero" component of preschool education, reformers created two very different systems for financing the education responsibilities of local governments. Nevertheless, they insisted on considering both preschool and primary education as gmina "own" functions. Indeed, they argued that because the transfers the government envisioned for primary and secondary education were to come through a freely disposable general subsidy²⁸, they should be considered "own revenues" going to support "own functions"²⁹.

Even more importantly, reformers maintained very significant constraints on the managerial powers of gminas with respect to their schools, despite having declared preschool and primary education local government "own functions". In line with the Ministry's prewar role, the new Law on the Education System of 1991 strengthened MEN's control over the

considerable feeling that communism, with its high labor market participation rates for women, had undermined the family. Permitting, or even encouraging, the reduction of publicly provided early child care was thus seen as a way to correct for the presumed excess of the past.

²⁸ The various components of the general subsidy have changed substantially over the decade. It now includes an the education component and equalizing element, an element for roads, and an element to compensate local governments for income lost to them because of changes in the tax code. Despite the distinct calculation of each of these components all funds received through the general subsidy are freely disposable. See Levitas (2000)

²⁹ From the point of view of the American literature on fiscal federalism, this argument was confused along at least two dimensions. On the one hand, Americans tend to define own revenues as only those revenues coming from locally generated taxes and fees. On the other hand, they tend to define own functions as only those that are supported primarily by own revenues. The word primarily here, however, allows for some blurring of the distinction in practice. Indeed, recent State Supreme Court decisions have forced state governments in America to provide significant additional financial support to local governments with weak tax bases in order to insure that all pupils receive reasonably equal educations.

The European literature on local government finance, however, tends to use more permissive definitions of both own functions and own revenues. Here, own functions are often defined simply as those functions over which local governments exercise significant control, and somewhat less frequently, own revenues as all revenues that local governments can reasonably anticipate and spend as they see fit. These more permissive definitions are justified essentially on pragmatic grounds. Because in practice it is very difficult to assign local governments the tax powers that would be necessary for them to fully fund services for which they can be given significant levels of control, it is better to use more permissive definitions.

Behind this pragmatism, however lurks an often unstated normative assumption that even if sufficient tax powers could be assigned to local governments so that they could independently finance their own functions, this would be undesirable because fiscal inequality between jurisdictions would lead to unjustifiable differences in the quality of essential public services. Indeed, it is precisely this normative judgment that has led State Supreme Courts to blur in practice the meaning of education as an own function in America. Nonetheless, the more pragmatic and permissive European definition of an own function does sit entirely comfortably with the normative assumption that in fact often motivates it: If local governments derive significant general revenue from (differential) local tax bases and at the same time can spend these revenues on "own" functions for which they are also receiving central government transfers, than the issue of fiscal inequality and reasonably equal services once again raises its head.

In short, the restrictive, American definition of an own function has been undermined in practice by the normative problems it in some ways creates, while the European and more permissive definition does not resolve the normative questions it attempts to assume away. This is obviously not the place to resolve, or transform this terminological dispute. But it is our suspicion that in Poland the use of the European definitions allowed reformers to avoid directly addressing the problem of fiscal inequality for education per-se, while the use of the American definitions would not have resolved these problems, but might have forced reformers to think about them up front.

kuratoria by taking them out of the hands of the regional voivods³⁰. It also reaffirmed the powers of kuratoria to inspect school conditions, analyze teaching effectiveness, and issue directives to school directors. Indeed, kuratoria were empowered to issue directives not only to school directors but to local governments if they felt that local government schools were not operating in accordance with the law or were failing to provide adequate schooling³¹.

At the same time, the law bestowed extremely little authority on local governments. They were empowered to create schools and liquidate them, but only subject to kuratorial approval. Similarly, they were given the right to request formal explanations from school directors about educational policy, and to pay for additional educational services such as foreign language or computer programs if they so desired. But gminas were expressly forbidden from directly involving themselves in the pedagogical decisions of school directors. Moreover, they were not given the right to hire, or even unilaterally fire, school directors.

Instead, in line with the Round Table Talks, the Law mandated the creation of independent committees to select school directors for five-year terms. Local governments, kuratoria, teachers' councils, and parents were each given the right to name two members of these committees, and the two teachers' unions, one apiece³². As a result, school directors are formally employed, and paid, by local governments, but not hired by them. Indeed, local governments can only fire directors for gross financial mismanagement. Similarly, the law defines school directors as the chief executive officers of "workplaces" (zakłady pracy), giving them the sole right to make employment decisions within schools³³.

Meanwhile amendments to the Teachers' Charter made in 1990 simply transposed the national government's wage and benefit obligations to teachers onto local governments³⁴. These obligations are incredibly detailed, creating a large number of narrow pay grades and an archaic system of statutory benefits and bonuses. For example, local governments must provide teachers employed in rural areas with apartments, heating fuel, garden plots, and a ten percent pay supplement. Indeed, the only significant right given to local governments with respect to teacher employment was the right to provide teachers with motivational bonuses beyond those mandated by the law.

The amended Charter also maintained the 18 hour pensem from 1982. This is low by European standards and, as we shall see later, has contributed to the relatively high share of wages in total education expenditures. Meanwhile, other ministerial ordinances specify the number and types of program hours for each class at a given grade level. But the Charter does

³⁰ Law on Education System of September 7, 1991. Under the banner of decentralization, control over the kuratoria was given back to the voivods later in the decade. This has made it difficult for the Ministry to target investment and operating grants.

³¹ In practice, kuratoria do not monitor the quality of schools, but rather their compliance with legal norms. In the mid 1990s, the Ministry began to develop standardized, nationwide tests in order to get more objective measures of school performance.

³² In practice, a shrewd sitting school director can influence the choice of six members of the committee (teachers and parents) and thus assure his reelection in spite of the local government's wishes. ZNP was generally against these committees (for instance, in July 1992 it appealed for the suspension of this mechanism).

³³ This represented a significant strengthening of directors' powers with respect to the kuratoria but once again left local governments out of the picture. See Baranski (1996).

³⁴ Unlike in some Central and Eastern European countries, teachers are not members of a distinct class of civil servants.

not specify employment standards for teachers in terms of pupil/teacher ratios or class sizes. Instead, these kinds of norms are contained in a variety of other ordinances and are expressed as pedagogical *minimums*, not employment standards. This means that while it is possible to determine the minimum number of teachers needed to teach any given grade level, there is no easy way to determine a maximum number of teachers that should be employed in any given school or for that matter in any given jurisdiction. The lack of these standards has proved problematic for at least two reasons.

The first reason is because the Charter limits the right of local governments to reduce teacher employment to situations in which there is no work available in the jurisdiction as a whole. Without clear normative standards for the maximum number of teachers a jurisdiction should employ, there is no easy way to determine whether a local government has the right to fire teachers. Thus, in practice, local governments have only been able to reduce employment by closing schools and even here they are constrained by high severance payments and the obligation to try to employ redundant teachers in other schools.

The second reason is that the laws on Gmina Income and on the Education System both guarantee that the national government will provide local governments with the "financial resources necessary to realize their education responsibilities, including teachers' pay and the maintenance of schools"³⁵. Without the specification of employment norms, this legal guarantee becomes an unconditional promise by the national government to fully fund the hiring practices of school directors and local governments. This has created profound conflicts less because local governments have consciously set out to pad their employment rolls, than because the steep demographic decline of the last ten years and the difficulties gminas face in letting teachers go, have left many of them, particularly rural ones with small schools, employing significantly more teachers than they "need". Not surprisingly, however, the national government has proved unwilling to fund these "excess labor costs", despite the fact that the existing laws suggest it should, and local governments have been given little power to effect the situation on their own.

Indeed, the most significant power accorded to local governments by the Law on the Education System, the right to set school budgets and control school finances, has rarely been used by gminas to change staffing patterns. Every year, school directors are required to prepare so-called "organizational forms" (arkusz organizacyjny) for their schools. These forms specify the number of teachers employed, the number and types of pupils served, the number and size of classes, and the allocation of teachers to all school tasks, such as teaching, tutoring, and various supervisory functions. The forms also include yearly financial plans whose wage components are the result of the proposed staffing plan.

Directors send these forms first to the kuratoria for pedagogical approval, and then to local governments for acceptance. In theory, local governments can require directors to revise these forms if they consider their financial consequences excessive. In practice, however, the statutory obligations imposed on local governments by the Teachers Charter's, kuratorial approval of the pedagogical standards, and the lack of clear employment norms have all inclined local governments to routinely accept the staffing component of the forms and to instead focus only on the those aspects of the plan which concern building maintenance. Thus, the regulatory framework created by the Teachers Charter and the Law on the Education

³⁵ Article 5a point 3. The Laws on Gmina Income and later, on Gmina Finances also contain similar guarantees.

System have, as we shall see in greater detail later, essentially restricted the role of local governments in the sector to facility maintenance, capital improvement, and payroll functions.

Curiously, the Law on the Education System also made possible, but did not mandate, the creation of community oversight councils at the school, district, regional, and even national levels. If created, these councils have the right to inspect and review both the pedagogical and financial performance of schools, and to make policy recommendations to school directors, local governments, and kuratoria. In practice, however, almost none were established and in throughout early 1990s, education reformers within and outside of MEN debated whether they should be made mandatory. In short, even when education reformers did think about subjecting schools to community oversight, they did not think in terms of local governments³⁶.

Indeed, through at least the middle of the decade, and before most gminas had taken over primary schools, the Ministry's energies were focused on curriculum reform, and not the administrative or financial implications of the regulatory system it had created. Under the Law on the Education System, the Ministry continued to define basic educational programs (podstawy programowe) and general teaching plans (including subject- and grade-specific teaching hours), and officially certified curricula and textbooks. But in an important departure from the past, the Ministry began to certify a number of different curricula and teaching materials for each basic program. Moreover, the law clearly gave teachers the right to choose which certified curricula and texts they wanted to use. This immediately opened up Polish education to a wide variety of new currents, and stimulated the development of a thriving new textbook industry³⁷.

The development and certification of new teaching materials proved a complicated and contentious process. Reformers rejected the orthodox atheism of the old regime and, after a lengthy battle, reintroduced religious instruction into schools. Unlike in interwar Poland, however, there were no morning prayers, and optional ethics classes were made possible for non-believers. There was also a prolonged struggle over the Ministry's efforts to introduce a unit on sex education into the core program, a struggle that the Ministry ultimately won. Similarly, there were bitter conflicts over how the country's post-war history ought to be taught, and more particularly what should be said about the nature of *Polish Communism* and Communists. Finally, and perhaps most importantly, the Ministry had a hard time determining what schools should teach in order to prepare pupils for a world that had changed overnight.

The Ministry also devoted a fair amount of energy to making possible the establishment of non-public schools. Under the Law on the Education System, individuals, firms and teacher-parent associations were allowed to set up private and community schools³⁸. Moreover, the law guaranteed these schools a measure of national government funding so long as they employed certified teachers and followed the Ministry's programmatic standards. This funding, however, was --at least initially-- relatively modest. It was also poorly defined.

³⁶ This reluctance to assign pedagogical oversight roles to gminas persisted well into the decade. See Gesicki (1994) and Bialecki (1999).

³⁷ It has also generated some problems with quality control and a few cases of publishers paying teachers off to use their textbooks.

³⁸ In fact the Law strengthened and clarified a right that had been granted in 1989. The law was first used to create "community schools" (szkoly spoleczne) organized by parents and non profit education establishments. Later there appeared confessional schools (mostly Catholic), and commercial private schools.

As result, the Ministry found itself in continual conflicts with both local governments and the private and community schools it was trying to support³⁹.

In sum, it is fair to say that reformers' vision of the division of labor within the education sector during the early 1990s ran something like this: The national government would determine curricula, set pedagogical standards, and provide local governments with the funding necessary to pay for the operating costs of primary and secondary schools, but not preschools. Kuratoria would insure that these standards were met, and directors would actually run schools. Local governments, in turn, would provide investment funds to the sector, and play the role of beneficent uncles with respect to teachers pay. But they would not be involved in determining educational policy, or in monitoring the quality of education which "their" resources bought.

In the next sections we will examine how schools were actually transferred to local governments and what they have done with them. We will argue that this division of labor worked reasonably well during the first half of the decade because national government transfers to local governments for education were, in general, in line with the basic operating costs of schools, and because local governments were in fact primarily concerned with improving school infrastructure.

With time however, this division of labor has become increasingly problematic for three reasons. First, and most importantly, the demographic decline of the last ten years has radically increased the per pupil costs of small rural schools, costs that the national government has been unwilling to fully finance. Second, the national government has increased teachers' wages, without increasing commensurably the transfers it provides to local governments. And third, popular pressure on local governments to improve and restructure their school systems has not only forced them, like falling state transfers, to contribute increasingly significant shares of their general revenues to the sector, but also to become concerned with what their resources are actually buying in terms of educational quality. In short, these forces have not only increased the financial burden being placed on local governments, but are pushing them towards an involvement in educational policy that reformers neither anticipated nor wanted.

IV. The Transfer of Schools to Local Governments

Table 1 below shows the pace at which primary and secondary schools were transferred from the national government to local governments during the 1990s. As can be seen from the table, this transfer has taken place in a piecemeal fashion. Nonetheless, by the end of the decade, local governments had been taken over the vast majority of all schools and

³⁹ Local governments were required to provide publicly accredited private and community schools with 50% of their average per pupil expenditures of public schools of the same type in their jurisdiction. Meanwhile, the national government provided local governments with 50% of the per pupil subvention that it provided for public school pupils, for each private school pupil enrolled in the jurisdiction. As result, local governments that spent more per pupil than they received from the national government for their public school pupils also had to provide private schools with more than they received through the subvention. Despite the provision of public monies to private and denominational schools, private education remains relatively limited. 3.7% of all pupils attend non-public schools but this varies greatly by the school type. For primary schools, the percentage is under 0.8%, for lyceums it is 5.0%, and for professional and vocational schools it is only 2.1%. However for schools for adults it is 24.4%, and for post lyceum schools is 47.9%. Thus the greatest impact of private education has been in the commercially attractive area of continuing and professional education.

almost no schools remained in the hands of the national government. In this section, we describe how this process unfolded and the politics behind it.

Table 1. The Transfer of Primary and Secondary Schools to Local Governments

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Primary Schools	17 554	17 653	16 841	16 621	16 589	16 464	16 363	16 251	16 177	15 475
Of which run by gminas	995	2 302	2 253	2 745	5 283	5 735	16 042	15 890	15 796	15 093
As percent of total	5,7%	13,0%	13,4%	16,5%	31,8%	34,8%	98,0%	97,8%	97,6%	97,5%
Lyceums	1 091	1 331	1 511	1 561	1 625	1 688	1 734	1 824	1 980	2 132
Of which run by gminas	0	12	17	18	227	183	506	595	626	1 686
As percent of total	0,0%	0,9%	1,1%	1,2%	14,0%	10,8%	29,2%	32,6%	31,6%	79,1%
Vocational Schools	7 745	7 603	7 542	7 749	7 860	8 083	8 026	8 138	8 272	8 659
Of which run by gminas	0	0	0	19	725	523	1 478	1 571	1 548	7 815
As percent of total	0,0%	0,0%	0,0%	0,2%	9,2%	6,5%	18,4%	19,3%	18,7%	90,3%

Source GUS Statistical Yearbooks. The 20 percent of lyceums not run by local governments in 1999 were run by private institutions. These however accounted for only 5 percent of total lyceum enrollment.

In 1991, all gminas assumed responsibility for the ownership and management of preschools. Moreover, they had to finance preschool education entirely out of their general revenues and without specific financial support from the national government. This put considerable stress on their budgets, budgets which they had never administered before and which they were trying to master in new and unstable circumstances. As we shall see in greater detail later on, many gminas, particularly rural ones, responded to this stress by closing preschools.

These closures enhanced the fears of reformers who were skeptical about making local governments responsible for primary and secondary education. They also dampened the willingness of newly elected gmina officials to take over primary (and secondary) schools on a voluntary basis. As a result, by the end of 1992, only about 240 gminas (10 percent) had elected to take over their primary school systems, systems that accounted for about 16 percent of the country's 16,621 primary schools and about the same percent of total primary school enrollment⁴⁰.

The reluctance of gminas to take over schools was used by the Peasant Party within the government, and the ZNP and the SLD outside of it to argue against the compulsory assumption of responsibility for primary education in 1993. As a result, government extended the deadline to 1996. Nonetheless, larger urban gminas, often controlled by Solidarity-backed forces, increasingly decided to take over their primary schools. Thus, by the beginning of 1994, about 25 percent of gminas (626) had taken over 5,238 primary schools, representing almost 45 percent of all enrollment⁴¹.

Gminas were provided funding for education through the so-called education component of the general subvention. In the early 1990s, the education component was calculated separately for each gmina that had decided to take over its schools. The 49 voivodship-level kuratoria summed the historical budgets of the schools located in a particular jurisdiction and used this sum, adjusted for inflation, as the baseline for a local government's

⁴⁰ MEN 1992. (the yearly reports of MEN to Sejm are henceforth referred to as MEN materials for Sejm, and year)

⁴¹ Report of Vice Minister Dera (1994).

education subvention⁴². The value of this subvention, however, was typically negotiated, in part because the government wanted to encourage gminas to take over schools, and in part because gminas frequently objected to the government's initial calculations.

A particularly contentious issue concerned the debts that many schools had run up with suppliers, most frequently with utilities, over the previous years. Usually, the government agreed to pay off these debts. But gminas argued that at least some portion of them should be factored into their grants as recurrent fixed costs. They also demanded that the kuratoria provide additional funds to repair particularly neglected infrastructure and/or to complete unfinished investment projects begun by the national government. Sometimes these demands were met, and sometimes not. But in general, gminas that took the plunge early do not seem to have suffered a dramatic worsening of their financial condition.

In 1993, in anticipation of the obligatory assumption of all primary schools by gminas, the government introduced substantial changes in the Law on Gmina Finances⁴³. These changes were designed to create a systemic mechanism for allocating national funds to local governments. The Law guaranteed that 6.6 percent of national budget revenues were earmarked for the education component of the general subsidy and had to be allocated, unlike in the past, in accordance with a universal and transparent algorithm. By legally pegging the value of the education subvention to a fixed percentage of national budget revenues, reformers insured gminas a reasonably stable level of funding for primary education. Indeed, given the revival of economic growth in 1993, the Law allowed the national government to basically fulfill its promise to fully fund the operational costs of gmina-run primary schools through most of the decade.

After the passage of the law, but before all gminas actually took over their primary schools, the Ministry began experimenting with algorithms for allocating the subvention to local governments. The formulas used in 1994 and 1995 however, all contained components based on the inflation adjusted costs of the schools in a given jurisdiction and were still heavily negotiated. This combined with the fact that half of all schools were still receiving funding directly from the kuratoria, meant that the mechanism for allocating national government transfers to gminas was still far from universal, and largely if not exclusively, based on historical expenditures⁴⁴.

Despite the reluctance of most rural gminas to take over primary schools, and the Ministry of Education's continued uncertainty about how the education subvention should be allocated, advocates of strong local governments continued to push forward decentralization. These reformers, as we have indicated earlier, hoped to use the rapid establishment of county level (powiat) self governments to further dismantle the communist state. Indeed, by 1992 they had formulated an ambitious plan to create powiats by 1994, and to make them responsible for secondary education and general hospitals. Resistance from the PSL and the SLD, however, once again forced reformers to postpone their plans. Nonetheless, in 1993 they initiated the so-called pilot powiat program to keep the decentralization process moving.

⁴² Gminas that assumed control over secondary schools received a similarly calculated sum as a categorical grant for a delegated function. In 1993, only 18 lyceum and 19 vocational schools were run by gminas. In 1994, this number increased to 227 and 725 respectively. See Table 1 on page 15.

⁴³ Law on Gmina Finances of December 10, 1993.

⁴⁴ Dera (1994)

Under this program, Poland's 46 largest cities could negotiate with the national government the voluntary assumption, on a delegated basis, of some or all of the service responsibilities that reformers eventually hoped to assign to powiats. Ultimately, 34 cities participated in the program, with all of them assuming responsibility for at least some of their secondary schools. As the negotiations were taking place, however, the government lost a no-confidence vote, forcing new parliamentary elections in the fall of 1993. The political parties associated with the Solidarity movement lost these elections, ushering in a new coalition government composed of the SLD and the PSL. Not surprisingly, this government did not push forward the previous government's plans to create powiats. At the same time, however, and despite fears to the contrary, the new government made no attempt to roll back the reforms. Indeed, it not only continued the pilot program, but ultimately expanded it in 1996.

In 1994 and 1995, the 34 cities participating in the program received earmarked grants from the national government for the operation and maintenance the particular services they had agreed to take over. As with primary schools, these grants were based on the inflation adjusted historical expenditures of the institutions each of city had decided to run. And as with primary schools, disputes arose over who should be responsible for the debts of these institutions, for the cost of repairing particularly devastated infrastructure, and for completing unfinished investment projects. Indeed, these disputes became so heated that a few cities decided to fully or partially withdraw from the program in 1995. As a result, the national government was forced to take back responsibility for some of the schools and other institutions that the cities had taken over in 1994⁴⁵.

In an attempt both to stabilize the situation and placate the opposition's demand to continue the decentralization process, the government passed the Law on Large Cities⁴⁶. The Law made Poland's 46 largest gminas responsible for secondary schools, general health care hospitals and a variety of other public services as "own functions" (zadanie wlasne). The Law went into effect at the same time that all gminas had to finally assume control of their primary schools. As a result by January 1, 1996 gminas had become responsible for more than 16,000 primary schools, 312,000 teachers, and 4.9 million pupils⁴⁷, as well as 29 percent of all lyceums and 18percent of all vocational and professional schools (see Table 1 earlier). As with primary schools, gminas were to be provided the funding for these new responsibilities through increased transfers from the national government. But unlike with primary education, the transfers to large cities for secondary education were not to come through the education component of the general subsidy.

Instead, each city was given an additional increment of shared taxes (the so-called "U" co-efficient) whose yield was equal to the inflation-adjusted sum of the historical budgets of the institutions the cities took over. From the point of view of the cities, the additional increment of shared taxes was preferable to earmarked grants because the money was freely disposable, and because they could expect the additional increment of shared taxes to yield greater revenues with the economy's overall growth. It also allowed reformers to argue that

⁴⁵ See Kowalik (1999).

⁴⁶ Law on the Scope of Activities of Some Cities of November 24, 1995

⁴⁷ MEN Materials for Sejm, 1997. The national government remained in control of special primary schools (80,000 pupils, 784 schools), artistic schools (8000 pupils in 35 schools, and 39,000 part time pupils in 302 schools), a few primary schools for adults, and a few schools located in correctional facilities, With the exception of the latter all of these schools were eventually transferred to powiats in 1999-2000.

these new service responsibilities were being fully decentralized because cities were going to support "own functions" from freely disposable "own revenues"⁴⁸.

This system for funding the powiat functions of large cities was problematic for a number of reasons. First, it effectively gave the big cities substantial portions of the national budgets for health and secondary education on the basis of past historical expenditures, and not on objective measures of need. Second, it effectively took these resources out of the national health and education budgets, thus making it extremely difficult for future governments to shift the allocation of health and education funding in line with changing workloads. And third, it made the overall intergovernmental finance system extremely complicated because cities were now receiving different percentages of shared taxes not only from other gminas, but also from each other.

In the fall of 1997, a coalition of post-Solidarity parties defeated the ruling SLD-PSL coalition in parliamentary elections. The new government set out to make-up for what it felt was lost time by aggressively pushing forward four extremely ambitious and interrelated reform programs for public administration, education, health, and social security. The public administration reforms were understood as a continuation and completion of the decentralization process that had begun with the creation of gminas. And as before, one of the central features of the reform was the transfer of secondary schools to powiats⁴⁹.

Now, however, the government sought not only to establish powiats, but to reorganize the existing voivodship administrations of the national government. Here, the plan was to radically reduce the number of voivodships and to introduce alongside them (cohabitation) new regional self-governments. The primary function of these new regional governments would not be, as with gminas and powiats, the delivery of public services. Instead, they were to design and implement regional development plans, plans which the government saw as crucial for the country's ability to absorb European Union support after accession. With these planning functions, self governing voivodships were assigned responsibility for the allocation of the vast majority of budgetary funds earmarked for special programs and investment grants, including those for education. As a result, and at least in theory, regional self governments, and not the Ministry of Education, will be responsible for determining the use and allocation of all special funds intended to help powiats and gminas restructure the school systems⁵⁰.

⁴⁸ Throughout the decentralization debates, reformers have frequently considered "shared taxes" as "own revenues" or even "own taxes". This expresses a more general tendency to equate the devolution of managerial responsibility with the decentralization of fiscal responsibility. See Levitas (19999).

⁴⁹ Powiats, however were not, as initially expected, made responsible for financing primary health care. Instead, the government established sixteen regional Health Care Funds (Kasa Chorych). The jurisdictions of these funds are identical to those of the new regional governments. The management boards of the funds are named by the regional self-governments, and the regional self-governments are, at least theoretically, their lenders of last resort. The funds, however, get their monies directly from a nationally set percentage of the personal income taxes collected in their jurisdictions. They are free to contract for the provision of health care services from both private or public providers. Powiats were, however, assigned ownership of public hospitals.

⁵⁰ In 2000, the Parliament passed the Law on Regional Development. This Law calls for the regional self-governments to draw up comprehensive regional plans in line with the government's national development strategy. On the basis of these plans, the national government is supposed to enter into so-called regional contracts with the self-governing voivodships. These contracts will define the total funding that the national government will provide to each region, as well as the breakdown of this funding by major programmatic categories. The regional governments, however, will determine how funds are used and allocated under these broad programmatic categories. Despite the passage of the law, however, the system remains in its infancy and

Initially, reformers hoped to create about 200 powiats and to consolidate the existing 49 voivodships into about 12 new ones. Resistance to the redrawing of jurisdictional boundaries however, set in motion a bargaining process and reformers were forced to increase the number voivodships from 12 to 16 and the number of powiats from 200 to 384. Moreover, 64 powiats were in fact urban gminas that had been granted powiat rights. The proliferation of powiats, and the creation of gminas with powiat rights had serious but badly thought through implications for the educational system.

Historically, the vast majority of Poland's secondary schools have been located in cities or towns. As a result, rural pupils have traditionally commuted to urban secondary schools. By creating so many powiats, and by giving certain gminas powiat rights, reformers placed large numbers of schools that served rural pupils in jurisdictions other than those in which they lived. Indeed, in many cities as much 50 percent of the secondary school population comes from surrounding rural powiats. This has created a classic free rider problem in which the residents of one community are effectively forced to carry some or all of the costs of serving the residents of another community.

The government had also hoped to use the creation of powiats and self-governing regions as an occasion to rewrite the foundations of the intergovernmental finance system. But an effort to introduce true local income taxes failed because of parliamentary resistance to decentralizing tax powers and the Ministry of Finance's inability to determine the tax base of each local government. As a result, reformers had to settle for a simpler "extension" of the basic structure of the Law on Gmina Finances to powiats and self-governing voivodships⁵¹. This extension entailed, among other things, the elimination of the "U" coefficient for large cities discussed above, and the placement of all local government education responsibilities within the mechanism of the education component of the general subsidy.

But whereas gminas had been given a healthy piece of the fiscal pie in the early 1990s through a combination of significant shares of shared taxes and some limited but still important tax powers, the extension of the Law on Gmina Finances gave powiats and self-governing regions almost no revenue generating capacity, and very modest shares of PIT and CIT. In practice, this meant that both powiats and self-governing regions, unlike gminas, were going to have much less general revenue with which to contribute to education should the education component of the general subsidy fall short.

On January 1st 1999, virtually all remaining educational institutions were transferred to the new powiats and self-governing regions⁵². The vast majority of secondary schools and almost all primary schools for students with disabilities were taken over by powiats. Powiats were also made responsible for most of the non-school educational institutions that had

as such it is still largely unclear who is responsible for programming and allocating special purpose funds and grants to local governments. Indeed, responsibility for allocating funds earmarked for education is now dispersed across the Ministries of Agriculture, Education, and Labor, the regional self-governments, and a variety of special purpose ministerial agencies.

⁵¹ See Law on Local Government Revenues for Years 1999 and 2000 of November 26, 1998, and Levitas and others (1998).

⁵² Ministries still control the following schools: Ministry of Interior Administration - 3 schools for firefighters; Defense - 2 military lyceums; Justice - 34 primary schools for youth, 30 vocational schools for youth, 24 schools for adults. In 2000, a year after the creation of powiats, the Ministry of Culture transferred 161 secondary artistic schools with over 19,000 pupils to local governments.

previously been administered by kuratoria, including boarding houses (110,000 places)⁵³, Special Education Centers (32,000 places)⁵⁴, various cultural institutions, sport facilities, and youth hostels, and most importantly, psychological and pedagogical advisory centers⁵⁵. Meanwhile, the self governing voivodships were assigned responsibility for 272 medical high schools for nurses (26,000 pupils) and about 100 teacher colleges and in-service vocational training centers (16,000 users)⁵⁶.

This massive transfer of educational responsibilities to local governments was accompanied by the start of an ambitious set of reforms designed to change the structure and content of Polish schooling. These reforms were motivated by a desire to reduce the percentage of children attending basic vocational schools and increase the percentage who received general secondary education⁵⁷. The reforms had two central components. First the creation of new tier of three year, lower secondary schools (gymnasiums) designed to prepare more children for lyceum type schooling later on. And second, the shortening of all secondary schooling by one grade combined with the transformation of the vast majority of professional schools, vocational schools and lyceums into new lyceums with a professional profile (Profiled Lyceums). As a result, a system in which eight-year primary schools were followed by four-year lyceums, five year professional schools or three year vocational schools, was replaced by system in which six-year primary schools, are followed by three-year gymnasiums, and then three-year Profiled Lyceums or two year vocational schools⁵⁸.

To implement the reforms the Ministry of Education required gminas to reorganize their school systems with the beginning of the 1999/2000 school year. This entailed converting some of their of existing 1-8 primary schools into new 7-9 gymnasiums. Indeed, in an effort to insure that the gymnasiums fulfilled their anticipated function, the Ministry insisted that they be located in separate facilities designed for no less than 150 pupils and that they be equipped with computer labs and sports facilities. The government, however, did not provide gminas with any additional funding for the associated investments and the entire cost of the reform had to be carried by local governments. Not surprisingly, and as we shall see later, this has produced protests which have forced the Ministry to accept less rigorous standards for the new facilities⁵⁹.

Meanwhile, powiats will have to reduce the size of their secondary schools by one year with the school year 2001/2002 to accommodate the first class of ninth graders in gymnasiums. In theory, this shift of responsibility for a grade level between powiats and gminas should result in a redeployment of teachers across the two levels of government. In

⁵³ They were usually but not exclusively associated with particular schools and are most often used by rural pupils commuting to urban areas for secondary education.

⁵⁴ These are for students with severe disabilities and usually contain boarding, medical, and rehabilitation facilities.

⁵⁵ These provide help to schools and pupils in diagnosing and treating psychological problems and learning disorders. They also provide other services, such as career advice for students.

⁵⁶ They also operate 28 primary schools located in hospitals and 14 secondary schools for social workers. One Special Education Center and a few boarding houses for primary schools were assigned to gminas

⁵⁷ See MEN (1999b).

⁵⁸ The creation of this lower tier of secondary education or upper tier of primary education brought the Polish system more in line with those of other developed countries.

⁵⁹ The ZNP also opposed the reform, arguing that it was extremely costly, ill prepared, and served little purpose.

practice, however, this redeployment has been hampered by the demographic decline of the last ten years. This has encouraged gminas to hire "their own" currently underutilized teachers, instead of looking to the presumably better qualified staff that will become available with the shortening of secondary schooling. Similarly, it is unclear how powiats are going to finance the refurbishing of secondary schools that should accompany the creation of new lyceums.

V. The Financing of Education: 1990-1999

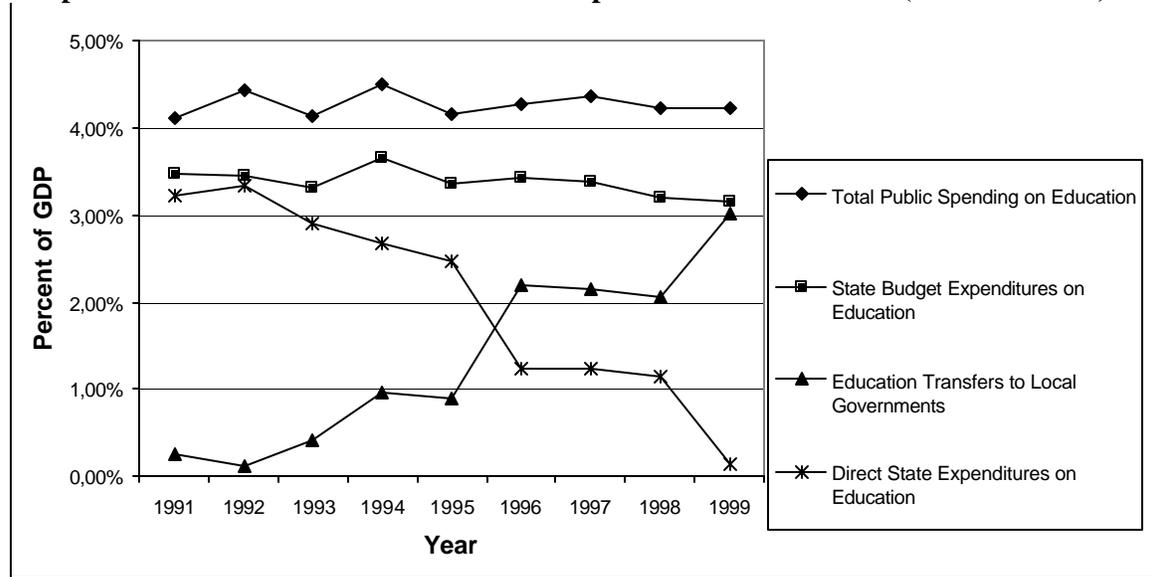
We now turn to a closer examination of the evolution of the education finance system in Poland during the 1990s. We begin with a macroeconomic overview, before discussing in greater detail the financing of primary and secondary education, and the crisis precipitated by the reform of the Teachers' Charter in 2000. The graphs below express shares of public expenditure on preschool, primary and secondary education in terms of percentages of the GDP. Graph 1 shows the expenditures of the central government, Graph 2 of the local governments. They show that total public spending on education has remained reasonably stable during the 1990s at about 4.25 percent of GDP.

There has however been a radical change in the division of public expenditures on education between the national and local governments. Direct state expenditures on education have virtually disappeared⁶⁰, while local government expenditures have risen to take their place. Or put another way, the national government, while still in the business of allocating education resources to local governments, it is no longer in the business of allocating education resources to schools. This is now the exclusive domain of gminas, powiats and voivodships.

Equally importantly, local governments now finance almost 25 percent (1.1 percent of GDP) of all public expenditures on education from revenues other than those coming to them through the education component of the general subsidy or from earmarked grants. In fact, it is the increase in spending on education that local governments are making out of their general revenues that has allowed total public expenditure to remain stable in the face of declining expenditures of the national budget (from 3.5 percent of GDP in 1991 to 3.15 percent in 1999.)

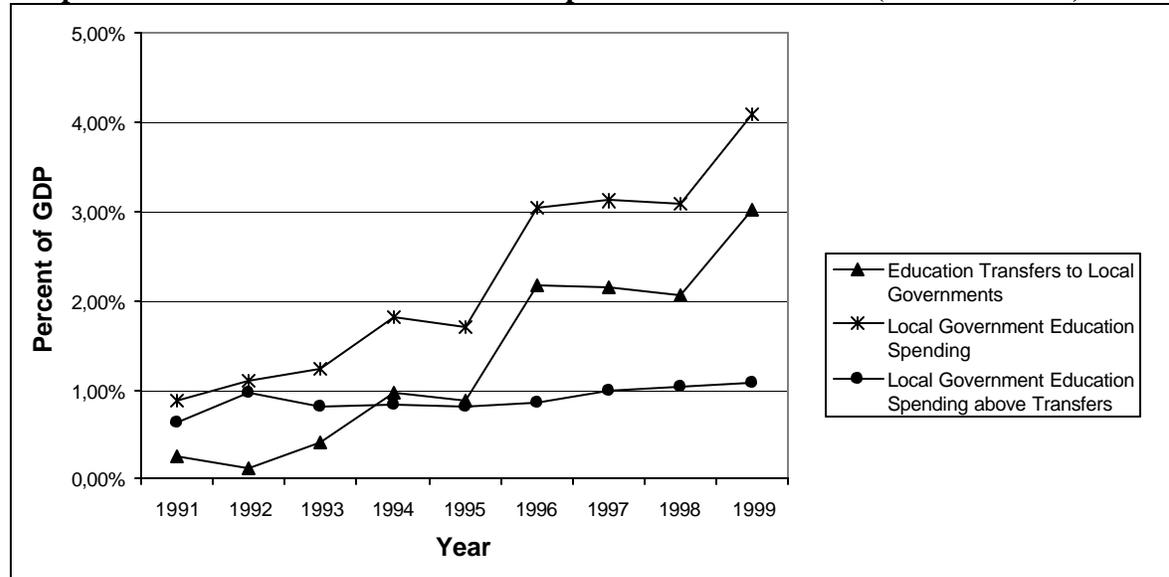
⁶⁰ These figures do not include the Ministry of Education's spending on its own operations, including those of the kuratoria, or those administrative expenditures incurred by local governments in running schools (i.e. the costs of their own education departments.) See Barro (2000).

Graph 1. Shares of Central Government Expenditure on Education (as a % of GDP)



Own calculations: Based on GUS Data and MEN annual reports to parliament

Graph 2. Shares of Local Government Expenditure on Education (as a % of GDP)



Own calculations: Based on GUS Data and MEN annual reports to parliament

Of interest is also the composition of the 1.1 percent of GDP that local governments pay for education above the transfers from the state budget. Here, the most significant change has come in the form of local government contributions to the operating and maintenance costs of primary and secondary schools, costs that at least in theory the national government is supposed to fully fund through the education subvention.

These contributions have risen from 0.22 percent of GDP in 1994 to 0.38 percent of GDP in 1999, or by roughly the same amount that total state budget expenditures on education have declined (0.32 percent of GDP) since 1991. Thus, it is fair to say that while local government "own" spending has not increased total public expenditures on education, it

has defended an existing level from further erosion. This is no small feat in era of fiscal austerity.

Nonetheless, from the point of view of local governments, this increasing obligation for the operating and maintenance of schools appears as an unfunded mandate. With this said, we now turn to an examination of the evolution of the mechanism for allocating the education component of the general subsidy to local governments, and the complex of political and technical questions that this "unfunded mandate" raises.

A. The Financing of Primary Education

As we have noted, the passage of the Law on Gmina Finance in 1993 required MEN to develop an algorithm to allocate the education subvention to local governments. And as soon as the Ministry began to think about how to construct this algorithm it was forced to confront a painful legacy of the old regime. Even a casual review of education finance data revealed profound differences in per pupil education expenditures across jurisdictions of different types. In particular, the per pupil costs of rural schools were on average one third higher than those of urban schools. Worse, in many rural jurisdictions, per pupil costs were three or four times those of their urban counterparts⁶¹.

In part, these additional expenditures were driven by the fixed costs of smaller rural schools. More importantly, however, it was clear that they were being driven by significantly smaller class sizes and lower pupil/teacher ratios. These differences raised profound political questions. The most important question was simply to what degree the additional costs of rural primary schools were socially desirable or justifiable. Here there was no easy answer.

On the one hand, rural population densities clearly made it harder to create larger schools and to obtain the pupil/teacher ratios of urban jurisdictions. On the other hand, Poland--with a few notable exceptions--is not a particularly sparsely populated country and both the pupil/teacher ratios of all its schools and of its rural schools in particular, are substantially higher than those of more developed nations with similar settlement patterns⁶². Moreover, and equally importantly, the relatively poor performance of rural children at the secondary and tertiary levels suggested that whatever else might be said, the small size of rural classes was not doing much to equalize the educational chances of rural children⁶³. Worse, it was clear that the steep demographic decline of the decade was exacerbating the problem.

In short, the Ministry sensed that these differences were unacceptably high and though it didn't know by how much, it did believe that over time the per pupil funding levels that local governments received through the education subsidy would have to be brought closer together. But bringing these levels closer together raised other problems: While allocating money to gminas on the basis of the existing costs of their schools was seemed both unjust and unwise, changing this allocation pattern necessarily entailed squeezing some jurisdictions

⁶¹ See Grzegorzewski (1999) and Piwowarski (1999).

⁶² See Levitas, Herczynski (1999).

⁶³ See Kowalska (1999a).

by providing them with education subventions less than they needed to maintain historical spending patterns⁶⁴.

And this, in turn, raised questions about what the national government's promise to gminas to fully fund the wage and maintenance costs of schools really meant. In fact, it raised many of the same questions that reformers fudged when they began the decentralization process. Here, it will be remembered that to push through the legislation that made possible the devolution of education responsibilities, reformers not only had to promise to fully fund the operational and wage costs of gmina run schools, but they avoided articulating clear normative class sizes or teacher/pupil ratios that might have suggested to the unions or gminas that decentralization was going to entail laying off teachers, or for that matter closing rural schools.

In this sense, the Ministry was poised to start using the algorithm to effect a policy whose clear expression in law had been, and seemed to remain, politically unacceptable. Indeed, by the mid 1990s, the Ministry found itself in a legal box. On the one hand, it felt compelled to squeeze some jurisdictions in order encourage the rationalization of the sector. On the other hand, it knew that the squeezing would push the government to the edge of its legal promises⁶⁵. Worse, MEN was technically unsure about how to go about squeezing gminas without immediately sending large numbers of them into adjustment shock⁶⁶.

Not surprisingly then, MEN's tried to make the algorithm mimic the existing allocation of resources so that it produced pressure only at the margins. In the run-up to the drafting of the Law on Gmina Finances in 1993 it toyed with using a combination of the number of teachers, weighted more or less in accordance with existing class sizes, and a multiplier based on the wage structures of individual gminas⁶⁷. This was attractive because it seemed to promise that the Ministry could squeeze first on the fixed costs of schools, and only afterwards put pressure on employment--obviously the most sensitive political issue. Indeed, the idea of allocating money in accordance with the number of teachers would periodically return over the course of the decade.

But here there was a major technical problem. The Polish government in fact had very limited data on teachers' wages and employment at the local level. On the one hand, the financial reports submitted by schools to the Main Statistical Office (GUS) grouped the wages of all school personnel together. On the other hand, and more importantly, GUS did not require schools to report part-time teachers in terms of full-time equivalent positions. Taken together, this meant that it was impossible for the Ministry to calculate how many (FTE) teachers were employed in any given jurisdiction and what their wage bill was⁶⁸.

⁶⁴ See Dec, and Matusz (1996).

⁶⁵ Throughout the decade, rural and urban gminas brought a number of individual suits against the government for failing to provide them with adequate funds for the maintenance and operating costs of primary schools. Until 1999, the courts refused to hear the cases. Recently however, they have begun to accept them and there are a number of rulings pending that could have a profound impact on the Ministry's behavior.

⁶⁶ Many of these confusions and tensions are expressed in the reports of the European Union supported program for the Financing of Education Responsibilities, Leszczynski, and Golab (1998).

⁶⁷ Draft version of the Law on Gmina Finances, processed, Ministry of Finance, 1993.

⁶⁸ See Barro (2000).

These technical difficulties enhanced the more general feeling that the number of pupils enrolled in a given jurisdiction⁶⁹, and not the number of teachers employed by it, was a better measure of a jurisdiction's need for education funding. Nonetheless, all versions of the algorithm that MEN used to allocate the education subvention between 1994 and 1999 contained factors for teachers, pupils and historical costs that essentially worked together to keep the *status quo* from changing too much from year to year⁷⁰.

The basic feature of these algorithms was a system of per pupil weights or multipliers designed to shift resources to those jurisdictions that had low pupil/teacher ratios. Initially, these multipliers were tied to the average class sizes of primary schools. A multiplier of 1.86 was used for all pupils in rural gminas whose class sizes were less than 15; 1.44 for rural classes of between 15 and 18 pupils; 1.33 for rural class sizes greater than 18 and 1.2 for urban pupils in classes less than 24. In other words, the per pupil multipliers were really designed to reflect existing staffing patterns, and not the relative workloads associated with different categories of pupils, such as pupils with disabilities⁷¹.

These multipliers were progressively lowered and by 1996 decoupled from average class sizes⁷². As a result, in 1996 there was a single multiplier of 1.33 for all pupils attending schools in rural areas, and another of 1.18 for pupils attending schools in towns with less than 5,000 inhabitants. The rural multiplier reflected the fact that on average the class sizes of rural gminas were one third smaller than those of urban ones (18 to 24). The small town multiplier, however had no such justification, as class sizes in small towns were the same as in cities⁷³.

The weighted number of pupils was then divided by a normative class size (26) and multiplied by a normative number of class hours per week (27). The result was then divided by the pensum (18) to yield what looked like a normative number of teachers for every jurisdiction based on a normative class size of 26. In fact however, this was extremely misleading because the normative class actually reflected weighted pupils and not actual pupils. Nonetheless it represented the Ministry's only public indication that the national government would not fund employment above a certain level and that in fact many rural gminas classes were too small. Finally, the number of teachers that this calculation produced for each gmina was then multiplied by a weighted average of teacher salaries based on the number of teachers employed by the gmina belonging to each of first three, and then five centrally determined pay categories.

⁶⁹ The legal right to attend school in another jurisdiction precluded a funding formula based on the number of school age children residing in a given jurisdiction. It also however, created the potential free rider problems that we mentioned earlier when discussing "gminas with powiat rights". The scale of inter-jurisdictional commutation for primary schools is, however much smaller than for secondary schools. Demographic decline has also made school directors happy to receive pupils from other jurisdictions, masking a problem that might nonetheless provoke conflicts in the future.

⁷⁰ Until the late 1990s, the mathematical basis of the formula used by MEN was not internally coherent or transparent: some weights were used multiplicatively, some additively, and the derivation of the subvention amount per weighted student was not explained.

⁷¹ The algorithm also had multipliers for pupils with disabilities, ethnic minorities who require instruction in a language other than Polish, and for athletically or artistically gifted pupils in special schools or classes.

⁷² This was a significant improvement because class size can easily be affected by local government behavior, effectively making it possible for gminas to game the system by splitting classes.

⁷³ See Levitas, Herczynski, and Herbst (1999). The rural and small city weights explained 96% of education subvention variation between the gminas in 1999 (before applying the thresholds).

The justification for this part of the algorithm was twofold. First, the Ministry wanted to insure that the allocation of resources in some way reflected the different composition of teaching staffs across local governments so that neither gminas nor the unions could argue that the subvention failed to account for differences in teacher qualifications, and hence pay, in different gminas. And second, the Ministry wanted to encourage local governments to hire better-qualified teachers⁷⁴. Whether this part of the algorithm ever fulfilled either one of these functions is hard to say. What can be said, is that statistical analysis of the algorithm in 1999 showed that the component for teacher qualifications did not account for any statistically significant variation in local governments' education subventions.

Most importantly, the component of the algorithm that had the greatest effect on the actual distribution of funds over time was almost invisible. This was because it appeared not in the formula itself, but in the text of the Ordinance that laid out the formula every year. This text stated that no gmina's subvention could be less than 100 percent, or more than a 110 percent of the inflation adjusted subvention it received the previous year⁷⁵. These "hold harmless" provisions meant that the education subventions of a large number of gminas were not determined by the weighted per pupil or salary components of the algorithm, but by their previous year's subvention, a subvention which in most cases regressed quite smoothly to the sum of the inflation adjusted historical budgets of a jurisdiction's schools. In short, and despite appearances, the algorithm was not in fact allocating money on per pupil basis, but on the basis of historical costs.

Even these hold harmless clauses, however did not guarantee that the education subventions of all gminas were sufficient to cover their teacher wage bills. There are a variety of reasons for this but the most important one is that over the course of the decade, the Ministry was slowly raising teachers' real wages. Indeed, the percent of state budget revenues earmarked by the Law on Gmina Finances was raised twice to take into account these wage increases. Increasing the global funds available for the subvention in line with the anticipated global costs of the wage increase however, did not insure that the subventions of individual gminas actually increased in line with their new wage bills: So long as the algorithm allocated money on the basis of pupils or historical expenditures, gminas that had more teachers per pupil than average, got less of the additional wage funds than they needed to fund their existing employment rolls.

Indeed, analyses of the types of gminas that contribute most to the operational costs of schools out of their general revenues yield a very clear picture of two distinct populations. On the one hand, there are rural gminas with small class sizes, fragmented school networks and often very low per capita incomes. And on the other hand, there are large urban jurisdictions with higher than average per capita incomes, and average larger than average class sizes. The implication of this picture is that poor rural gminas are paying into the subvention because they have to, while richer ones are paying in because they "want to" or because if they don't teachers will make use of the other employment opportunities available in the city and leave the sector⁷⁶. It is these two forces which account for the increasing contribution of local

⁷⁴ It is worth adding that so long as the national government did not increase the global sum of the education subvention to reflect the increase in teacher *qualifications* that it was trying to promote – which it did not – gminas were essentially being invited to participate in a race towards a zero-sum outcome.

⁷⁵ Upper and lower bounds evolved over time, and by 1999, the upper bound had been eliminated. While some buffering provisions are necessary, they should be based not on a jurisdiction's previous *total* subvention but for instance on its previous *per pupil* subvention.

⁷⁶ See Herbst (2000).

governments to the operating costs of schools that we observed when examining the shifts in shares of public expenditure on education that have taken place over the last decade. Indeed, these forces were at work even though the Ministry had yet to adopt true a per pupil funding mechanism at the primary school level.

B. The Financing of Secondary Education

The transfer of secondary schools and non-school educational institutions to powiats and self-governing regions in 1999, extended and intensified the problems the Ministry was having with the allocation of funds to local governments for education. Indeed, in many ways the Ministry faced even more complex philosophical, political and technical problems than those we have described earlier with respect to primary education.

In the chaotic spring of 1998 however, most of the Ministry's energies were focused simply on inventorying⁷⁷ and costing the schools and non-school educational institutions that previously had been in the hands of other ministries and kuratoria, and which now had to be transferred to powiats, gminas with powiat rights, and self-governing voivodships. As we have noted, the per pupil costs of secondary schools, particularly those of vocational and professional schools controlled by different ministries varied radically both across schools of different types and schools of the same type in different parts of the country⁷⁸. Moreover, not only was the distribution of non-school educational institutions extremely uneven across the new jurisdictions but in many cases it was impossible to determine how many people these institutions were serving, and hence what the unit costs actually were.

The Ministry's first reaction to these problems was similar to its reaction to the problem presented by the unequal per pupil costs of primary education at the gmina level. In short, the Ministry attempted to find some compromise between funding powiats and self-governing voivodships on the basis of pupil enrollment while insuring that they were given enough money to cover the inflation adjusted historical costs of the particular group of institutions that were being transferred to them. To this end MEN first summed the historical budgets of all secondary schools and non-school educational institutions in a given jurisdiction to get a baseline against which to judge the consequences of any shift in resources that might result from using enrollment as the basis for allocating fund.

It then grouped all secondary schools into 27 different types and calculated the nationwide average per pupil costs for each type⁷⁹. Finally, a nominal education subvention for each powiat was then calculated by multiplying the number of pupils enrolled in each type of secondary school by their average per pupil costs, and adding to this sum the historical costs of the non-school educational institutions located in the jurisdiction. The sum of these normalized school costs, and historical non-school costs for each jurisdiction was then compared to its initial historical budget, with each jurisdiction actually receiving no more than 110 percent, and no less than 95 percent, of the latter. As result, the 1999 allocation of the education subvention to powiats and self-governing regions remained a peculiar form of

⁷⁷ Obtaining a complete inventory turned out to be a difficult task. For instance, it turned out that some schools, even well know Warsaw schools, had for years neglected filing their required GUS reports and thus could hardly be included in the devising and calculation of education subvention for their prospective owners. For non school tasks the situation was even worse.

⁷⁸ See Jezowski (1999).

⁷⁹ MEN (1999a).

mixed per pupil funding for schools and historical funding for non-school institutions, in order to guarantee that overall there was little shift in past allocation pattern.

The Ministry, however, was aware that this was an extremely ad hoc solution to its allocational problems. Indeed, the Ministry felt ever increasing pressure to move towards a clearer per pupil funding mechanism not only for secondary education but for primary education as well. These pressures and problems require a somewhat extended discussion⁸⁰.

The first problem was quite simply that the Ministry knew that it made little sense to allocate money for secondary education on the basis of the historical per pupil costs of different types of schools. As we have indicated, one of the major legacies of the old regime, a legacy that the Ministry was painfully aware of, was that not only were too many children attending vocational and professional schools (80 percent of schools, 66 percent of enrollment)⁸¹ but the highest cost schools were often the most archaic and doing the least to improve the life chances of their students. Most glaringly, vocational schools tied to smoke-stack industries like mining and steel had per pupil costs three to five times those of lyceums and vocational schools associated with the much underdeveloped service sector. As such, allocating money to powiats on the basis of enrollment in the existing array of secondary schools provided no incentive to restructure them. In fact, it created perverse incentives to preserve high cost, industrial vocational schools at the expense of improving lyceums and more desirable vocational schools.

The second problem was related to the allocation of money for non-school educational institutions like in-service teacher training facilities, apprentice training facilities for pupils and adults, and psychological counseling agencies. On the one hand, the distribution of these facilities was extremely uneven across jurisdictions. On the other hand, twenty years of administrative decomposition under Communism and ten years of profound labor market change had left the Ministry with extremely limited knowledge about what services these institutions were actually providing. It thus seemed irrational and unjust to provide funding to those jurisdictions who had more than their share of these institutions on the basis of their historical costs, while underfunding others.

Indeed, in many ways MEN was confronting a more extreme version of the dilemma it faced with respect to primary schools. Here, however, not only was it unsure of what the normative costs of secondary schools and non-school educational institutions should be, but it really had no idea which types of these institutions should be supported at all. In fact, the Ministry began to realize that in transferring these responsibilities to local governments, it was really asking them to make decisions about how to restructure the sector, decisions it lacked the information in Warsaw to make on its own. Nonetheless, the existing legal framework still defined local governments' role in education as the payments agents, auditors, and the beneficent uncles of schools.

⁸⁰ In July of 1999, the authors of this report began working within the Ministry under a USAID funded program designed to improve the allocation of the education subvention to local governments. This section of the paper draws heavily from our research work conducted for MEN during subsequent 14 months. The direction of education finance reform was set by Vice-Minister Andrzej Karwacki for whom we worked.

⁸¹ Before 1999, ten different Ministries controlled vocational schools: Agriculture, Labor and Social Welfare, Transport, Environment, Culture, Health, Justice, Defense, Interior, and MEN.

The third problem pushing the Ministry towards the development of a per pupil funding mechanism was related to a shift in the relative shares of public spending on primary and secondary education that had occurred over the course of the decade. This shift was the product of a combination of the politics of decentralization and demographic trends. As we have seen, reformers set the global value of the education subvention for primary schools equal to a percentage of state budget revenues. The value of this share increased with the expanding economy. Moreover, gminas proved politically powerful enough to force the government to increase it two times over the course of the decade. As a result the real value of the subvention was rising at the same time that primary school enrollment was falling.

At the secondary school level, however, the opposite trend was at work. Here enrollment was increasing as the children of the post-war baby boomers entered adolescence while budgetary responsibility for the sector was fragmented across a variety of ministries and lacked a clear political champion. Thus, public expenditures on secondary education at best kept pace with inflation as enrollment rose. Taken together, per pupil expenditures on primary education had become about ten percent higher than those on secondary education by 1999.

This disproportion disturbed MEN for two reasons. First, the Ministry knew that in most OECD countries per pupil expenditures on secondary education typically ran fifteen to twenty percent higher than those on primary education. And second, as we have noted earlier, MEN understood that the new Law on Local Government Revenues of 1998 had given powiats and self-governing regions much less general revenue from shared and own taxes than it gave gminas. As a result, education spending in these new levels of government was going to be significantly more dependent on the education component of the general subsidy than it was in gminas, and it was unlikely that they would be able correct this disproportion on their own.

In short, MEN wanted to begin to correct this imbalance, but was unsure how to go about it. The new law now required that 12.4 percent of national budget revenues be set aside for the education component of the general subsidy for all local governments. Theoretically, it was possible for MEN to divide these funds into two distinct pools, earmarking a larger share for secondary education. This however would have required openly admitting that the Ministry intended to take funds away from gminas, something which it was loath to try politically. Equally importantly, the creation of gymnasiums was shifting the percentage of students enrolled in gmina and powiat run schools, a shift that seemed to once again necessitate a move to per pupil financing, and which made dividing the education budget into two pools undesirable over the short term.

Finally, in one of the stranger episodes of the entire decentralization process, the Ministry was being pushed towards developing a per pupil funding mechanism by political demands for the introduction of school vouchers. A number of post-Solidarity political parties had used "school vouchers" as a campaign slogan in the 1998 parliamentary elections and their representatives were now leaning on MEN to introduce them⁸². The problem was that nobody was quite sure what policy goals vouchers were supposed to achieve or how they should operate. Indeed, even among their advocates, there seemed to be little awareness that

⁸² See the comments of Ministers Marcinkiewicz (1999) and Hibner (1999).

school choice was already an established element of the Polish school system and that the national government was already providing voucher-type funding to private schools⁸³.

For most, the attraction was purely political because the idea of giving everybody an equal amount of money to spend on their children's educations was clearly popular. For others, vouchers held out a promise for higher levels of public support for private and community schools⁸⁴. Finally, officials in the Ministry of Finance were concerned that employment in the sector was declining slower than enrollment. Moreover, they were reforming the health and pension systems by separating the financing of these services from their provision and saw no reason why the same sort of privatization shouldn't be pushed forward in education as well. Indeed, representatives of the Ministry often talked as if they thought schools were firms that if subjected to the market discipline of pure per pupil funding--to a hard budget constraint--would be forced to produce value, or go under⁸⁵.

The apparent simplicity of giving people the "same amount of money to spend on their children's educations" however, became horribly complicated when it ran up against the dramatic differences in the per pupil costs of Polish schools. Actually financing schools on the basis of a single per pupil value or standard, say the average costs of all schools, would push an unacceptably large number of them into either receivership or bankruptcy. Conversely, developing vouchers with multiple values reflecting, say, the different per pupil costs of different types of schools seemed to defeat the purpose of the exercise. On the one hand, the system got complicated because someone in the government would have to figure out how many vouchers of each type should be created, and who should get them. On the other hand, creating vouchers of different values presumed that someone in the government knew, *ex ante*, not just what different types of schools cost, but what their real value was. Since this was precisely what nobody knew, and indeed exactly what a free market was supposed to reveal, creating vouchers with multiple prices would segment the market before it was born.

Indeed, the debate over vouchers, like MEN's difficulties with determining the normative costs of secondary schools, was forcing the Ministry to reconsider what decentralization really meant. On the one hand, thinking through the implications of vouchers had convinced the Ministry that the problems associated with restructuring schools were too profound to leave up to the market⁸⁶. On the other hand, its own difficulties in figuring out how much money should be allocated to particular types of secondary schools and non-school educational institutions had pushed it towards the realization that it lacked the necessary information to restructure the sector from Warsaw. In sum, by 1999, the Ministry saw the development of a mechanism to allocate funds to local governments on a per pupil basis as its best defense against vouchers, as the most promising way to redress the imbalance in funding between primary and secondary education, and as the only way to facilitate the restructuring of the sector by local governments.

⁸³ This discussion is described in Chaber (2000), see also Levitas, Herczynski (1999) and Levitas, Rafuse, (1998).

⁸⁴ In fact, the early demands for the introduction of school vouchers were formulated by people involved in non-public education, see Starczewska (1989). The state support for non-public schools is described in footnote 39. In December 2000, the Law on Education System was changed and now local governments must provide the full per pupil financial standard to private schools, instead of half of their average expenditures.

⁸⁵ Comments of Vice Minister of Finance Miller (1998).

⁸⁶ In this battle, for once, it was supported by ZNP, see ZNP (1995).

As a result, by fiscal year 2000, and after a year of concerted analysis and simulation, the Ministry moved to put the allocation of the education subvention on a true per pupil basis. This involved introducing significant changes in the algorithm. First, and perhaps most importantly, the baseline for the buffers or hold harmless clauses for both primary and secondary education were changed from a percent of the previous year's total education subvention to a percent of the previous year's *per pupil* education subvention. This meant that no longer would the allocation mechanism be insensitive to changes in enrollment across jurisdictions or levels of education. It also meant that for the first time, a jurisdiction's education subvention could be less in absolute terms than it was before, even if in per pupil terms it stayed the same or actually increased.

Second, the Ministry set the multipliers for urban primary schools and urban lyceums at parity (1) to begin to correct for the imbalance in per pupil spending between primary and secondary education. The Ministry, in other words made a conscious --if not particularly transparent decision to shift funds away from gminas towards powiats, first because secondary education had been shorted during the 1990s, and second because the Ministry knew that powiats had virtually no general revenues with which to supplement their education subventions.

Third, MEN replaced the twenty-seven different per pupil standards for different types of secondary schools with a single multiplier for all lyceums (1) and a single multiplier for all vocational and professional schools (1.15). Simulations showed that the use of this multiplier provided most powiats with levels of funding similar to that of the previous year. More importantly, by eliminating the 27 standards, the Ministry removed from the funding formula any financial incentive for powiats to game the system, or any suggestion from the Ministry about which types of secondary schools should cost more than others. The Ministry, in other words, was clearly placing the responsibility for making decisions about the allocation of resources across secondary schools on the shoulders of powiats, effectively acknowledging that powiats were in a better position to make decisions about restructuring the sector than MEN itself.

Fourth, MEN calculated the average per user or per student costs of all non-school educational institutions and then expressed these average costs within the funding formula as distinct per user or per pupil multipliers. In practice, this meant that MEN was financially squeezing those jurisdictions that "overprovided" these services on behalf of those that underprovided them. In theory, it meant that MEN was leaving it up to powiats to make decisions about the level and quality of these services, hoping that they would pay where they had to, or where they thought it made sense.

Finally, MEN left in place the multipliers for rural and small town primary schools. But it introduced a new multiplier for rural gminas who bussed children to school. This was an implicit acknowledgement that MEN understood and accepted the fact that its funding formula was putting financial pressure on rural gminas that had particularly low pupil/teacher ratios and small class sizes. But instead of accepting these small classes as a necessary cost that had to be funded, it was providing local governments with help in rationalizing their school networks.

Taken together, these changes allowed the Ministry to create a mathematically coherent algorithm for allocating 12.4 percent of the national government's revenues to all local governments solely on the basis of the number and types of pupils enrolled in their

schools (see Appendix B for a list of all weights and their share of the education subvention). By dividing the national government's resources for the education subvention by the sum of all weighted pupils the algorithm yielded a nominal financial standard for a "physical pupil", in fact the financial standard for urban primary school and lyceum students. This financial standard the Ministry called an "indicative school voucher", in a more or less successful effort to finesse the demands of the voucher movement: a clear per pupil standard was used to allocate money to local governments and not, as with vouchers, directly to schools or parents⁸⁷.

By its very nature, the new algorithm clearly shifted resources away from their historical allocation, an allocation that above all reflected the past distribution of teachers across schools. As such it implied a weakening of the government's promise that the education subvention would be sufficient to cover the wage and operating costs of all schools in a given local jurisdiction. Or put another way, MEN was using the algorithm to create *de facto* financial standards that it was too weak to establish *de jure*.

C. The Reform of the Teachers Charter and the Crisis of 2000

At the same time that MEN was placing the education subvention on a per pupil basis it was also pushing forward a reform of the Teachers Charter. Serious negotiations with the unions, particularly with the stronger SLD-affiliated ZNP, began over the summer of 1999 and continued virtually non-stop until the passage of the new legislation in February 2000. These negotiations took place without the participation of Poland's local government associations which preferred to pretend that the determination of teachers wages or working conditions were none of their business. Worse, the Ministry itself encouraged this fiction despite the fact that at least some of its officials were aware that changes in the algorithm would further decouple the allocation of the subvention from local government wage bills.

MEN's primary objective in these negotiations was to increase the number of hours that Polish teachers spend in the classroom and to streamline and incentivize the rules governing teacher wages and advancement. The 18 hour pensum defined by the Teachers' Charter had long been considered too low by both the Ministry and the World Bank, while the existing wage system --based entirely on seniority and formal qualifications-- was clearly too rigid. MEN thus entered the negotiations ready to trade an expansion of the pensum and changes in the wage system for pay increases⁸⁸. Not surprisingly, the ZNP opposed changing the pensum and the wage system and focused its energies on winning unconditional wage increases.

In the end, the reformed legislation⁸⁹ demonstrated the ZNP's strength and the Ministry's weakness, a weakness compounded by its desire to "successfully" conclude the negotiations before the presidential elections of the late fall. MEN failed to win an across the board increase in the pensum. Instead, the pensum could be adjusted upward only if schools (not local governments) and their teachers agreed to the change. The legislation also created a

⁸⁷ The main shortcomings of the 2000 algorithm were the continued use of the administrative category of rural students, using the number of students actually bussed rather than those legally to free transport for the transport multiplier (which probably should have been a categorical grant anyway), and unclear weights for pupils with disabilities. See Herczynski (2000).

⁸⁸ MEN (2000).

⁸⁹ Law Changing the Teachers' Charter of February 18, 2000.

new, four-level system of professional advancement that was to be phased in over 4 years. These levels (apprentice, contract, nominated, and diploma-ed) permit much wider salary steps than before and were to allow salary determination to be based not just on formal qualifications and seniority, but on performance⁹⁰.

To make possible the implementation of the new performance-based aspects of the system, it was necessary to create an elaborate and costly set of procedures for the independent evaluation of teachers⁹¹. Under these procedures, independent committees composed of education specialists will pass judgment on the movement of teachers from one pay grade to another. This means that neither MEN nor local governments will control promotions, and with them teachers' wages. This is particularly important with respect to the movement between the third and fourth pay grades (nominated and diploma-ed) because the statutory pay increase here is very large. Moreover, 80 percent of all employed teachers were automatically placed in the third pay grade with the passage of the legislation. As a result, the future financial consequences of the reformed Teachers' Charter are hard to anticipate. Nonetheless, they are undoubtedly significantly higher than MEN's extremely conservative projections.

Indeed, shortly after the law was passed the Ministry appealed to both teachers and local governments not to abuse the promotion rules of the new system. Local governments however, were puzzled by this appeal because no role in the process had been assigned to them. In short, MEN's blurred vision of the role of local governments in the sector, and local governments willingness to let the national government "take care" of teachers' pay, created serious financial liabilities for both.

The new Charter also introduced major changes in the way base pay was calculated, streamlined a long list of pay supplements and made some of them non-obligatory. The Ministry, however, lacked reliable data on many of these supplements and in a fatal error stated that base pay had to be 75 percent of total pay. As result, when local governments increased base pay to meet the new statutory norms, they were legally required to raise supplemental pay in ways unanticipated by the national government. Not surprisingly, they argued that that the national government had very significantly underestimated the costs of the legislation⁹².

At the same time, however, while the Charter clearly stated in numerical terms a base wage rate for each of the four pay grades of the new system, it only obligated local governments to pay these base wages *on average* for all the teachers of given qualification that they employed. This meant that it was impossible for individual teachers to easily determine what their wages under the new system should be⁹³. Worse, when combined with the lack of good data on supplementary pay, this provision made it possible for local

⁹⁰ MEN (2001).

⁹¹ A crucial element of this system was the introduction of individual professional development plans for teachers. In some ways the system tries to introduce teacher accountability without measures of class performance. Teachers, for their part, are already complaining about the large amount of paper work involved in producing their own development plans.

⁹² See protocols of joint MEN-local governments commission to determine the effects of the amended Teachers' Charter, *Zespół d/s Oceny Skutków Karty Nauczyciela* (2000).

⁹³ See Nowakowska (2000).

governments to simultaneously demand more than they “needed” from the national government to meet the provisions of the law, while also paying teachers less than they are “entitled”⁹⁴.

Finally, the Charter contained provisions that required the Ministry to issue an ordinance defining normative employment standards for all schools. Indeed, the Charter clearly stated that the national government would only be responsible for the wages of teachers employed within these standards. These provisions constituted MEN's first attempt to close the government's open-ended liability for teachers' wages and to resolve a problem that, as we have seen, has haunted the reform from the start. In the rush to reach agreement with the ZNP, however, MEN rather remarkably failed to issue this ordinance, in effect making the government liable for funding the wages of all currently employed teachers.

MEN's failure to issue these standards combined with its miscalculation of the relationship of base pay to total pay immediately produced a profound crisis. Local governments claimed that MEN had underestimated the costs of the Charter by more than 2 billion zlotys, or about 10 percent of the entire education subvention⁹⁵. In July, the Minister of Education resigned, and shortly thereafter a number of other high officials lost their jobs. Intense negotiations between the national government and local governments ultimately produced a fragile compromise on how much the government owed local governments for the unanticipated costs of the Charter in 2000. The Ministry also succeeded getting the Sejm to approve a change in the relationship of base pay to total pay, thus reducing the national government's liabilities for fiscal year 2001.

MEN, however, remained incapable of issuing the ordinance defining employment standards that the Charter in fact requires. Indeed, the Ministry is still paralyzed by the political issue that has clouded its financing of the sector from the start. If it sets employment standards in line with current employment patterns, the Ministry will have accomplished nothing with respect to the rationalization of the sector or the reduction of the now significantly higher wage costs for which it remains liable. If, however, standards are set to reflect more reasonable employment levels, or to what the national budget can afford, then teachers will have to be fired and/or local governments will have to make up the shortfall.

Either way, the still not fully foreseeable changes in the costs of providing education created by the new Charter will undoubtedly put more of the burden for financing teachers' wages and determining teachers' employment on the backs of local government. Nonetheless, neither the national government, nor local governments, seem to have the political will to think through what this might entail with respect to either the intergovernmental finance system or the managerial prerogatives of local governments.

VI. The Management of Schools: 1990-1991

In the early 1990s, the architects of Poland's local government and education reforms envisioned a division of labor within the sector that left control over the pedagogical process almost entirely in the hands of kuratoria while restricting the role of local governments to improving the management of school facilities and providing additional funding for new

⁹⁴ See Tabor (2000) and Levitas, Herczynski, and Herbst (2000).

⁹⁵ This figure was almost certainly exaggerated, but the nature of the loopholes in the law made it impossible to accurately calculate the actual shortfall. In the end, MEN agreed to cover the estimated shortfall of 1,290 million PLN, which has to be considered very high.

investments and supplementary teachers pay. In this section we look more closely at what local governments have done with their schools over the course of the decade and try to trace from the bottom up the fault lines of a regulatory framework that we have already suggested is breaking down.

A. The Management of Preschool Education

In 1991, gminas were made responsible for the ownership, maintenance and operational costs of preschool education. Because preschool is not obligatory in Poland, they were left free to choose the level of preschool services they wanted to provide for children ages 3 to 5. They were however obliged to provide preschool training for all six-year olds whose parents wanted to send them to preparatory "zero" classes and has to do so with certified teachers paid at the rates set by the Teachers' Charter.

The non-compulsory character of preschool education combined with a more general sense that the communist state had invaded the family, led reformers to place the entire burden for financing preschool education on the general revenues of gminas, and to leave preschool education out of the education subvention. Nonetheless, and despite the non-compulsory character of preschool education, about 90 percent of Polish six year olds attend "zero" classes (see Table 3 below).

Gminas were thus forced to shoulder a very serious financial burden for education at the very start of the decentralization process. Between 1991 and 1993, when the vast majority of gmina education spending was only on preschools and funded entirely out of gminas' own revenues, between 18 and 25 percent of all gminas expenditure went to education⁹⁶, spending which was equal to about approximately 0.5 percent of GDP (see Graph 1 earlier). Table 2 shows that since 1990 gminas have responded to this burden by closing almost 30 percent of all preschool establishments⁹⁷. These closures disturbed many observers and generated a stream of accusations that local governments, particularly rural ones, did not appreciate the importance of early childhood education. These accusations contributed to the postponement of the obligatory assumption of primary schools by gminas from 1993 until 1996 and continue to fuel many of the more general reservations that education specialists have about involving local governments in educational policy.

Table 2. Preschools in Urban and Rural Areas 1990-1999

	1990	1995	1999	% Decline
Number of Preschools	12308	9350	8733	29%
Urban	7009	5625	5453	22%
Rural	5299	3725	3280	38%
Preschool Enrollment	856,600	823,200	719,600	16%
Urban	665,800	661,800	574,700	14%
Rural	190,800	161,400	144,900	24%

Source: 2000 Statistical Annual, GUS pg 248.

⁹⁶ GUS (1995).

⁹⁷ It should be noted that firms and state farms ran between 5 and 10% of all preschools in 1990. Some of these were closed by firms and state farms, and some were communalized. Of the latter many were then closed.

The charge that local governments have mismanaged preschools is, however, largely unjustified. Table 3 shows that the percentage of preschool age children receiving preschool education actually rose over the course of the decade despite preschool closures, and after taking into account the steep demographic decline of the decade. This is particularly true in urban jurisdictions where the percentage of children in both "zero" classes and in preschools for 3-5 year olds rose significantly after falling in the early 1990s. In short, urban gminas have both streamlined the delivery of preschool education and responded to the increased demand for preschool services from urban workforces⁹⁸.

Table 3. Percent of 3 to 5 Year Olds Receiving Preschool Training

	1990	1993	1995	1997	1999
% Of 6 year olds in zero classes	95,3%	94,9%	97,3%	97,1%	96,7%
Urban	98,3%	98,0%	102,2%	103,2%	103,5%
Rural	90,8%	89,4%	90,8%	89,7%	88,5%
% Of 3-5 year olds in preschools	31,0%	25,5%	28,7%	31,3%	34,0%
Urban	40,5%	34,7%	40,1%	44,9%	49,3%
Rural	17,8%	13,6%	14,1%	15,2%	15,7%
% Of 3-6 year olds in preschool	48,2%	43,6%	45,3%	49,0%	50,8%
Urban	56,3%	51,6%	56,5%	60,6%	63,9%
Rural	36,6%	33,1%	33,4%	35,0%	35,2%

Source: MEN Materials for Sejm, 1996, 1997, 1998, 1999, and 2000.

The situation in rural areas, however, is less encouraging. As in urban gminas, the percentage of children receiving preschool training declined immediately after the service was devolved to local governments. And as in urban gminas, the percent of children receiving preschool training increased after 1995. But the increase for rural gminas has been less pronounced and the share of rural children enrolled in both "zero" classes and preschools for 3-5 year olds remains below 1990 levels. Worse, the percentage of rural 3-5 year olds receiving preschool education is extremely low (15,7 percent) by European standards and the percentage of rural six year olds attending "zero" classes remains more than ten points below that of urban six year olds.

Rural gminas, however, should not be pilloried for bad management. In fact, all things considered, they have not done badly. The persistence of traditional family structures and agrarian work patterns continues to limit the demand for early childhood care (education) in the Polish countryside. At the same time, the cost of maintaining separate schools for 3-5 year olds is high in rural areas. As a result, rural gminas closed or consolidated separate preschools, and brought most "zero" classes into primary schools. This has allowed them to maintain enrollment in "zero" classes at about the same level as before. Moreover, they have brought the average class size of rural preschools in line with those of urban jurisdictions as can be seen by Table 4.

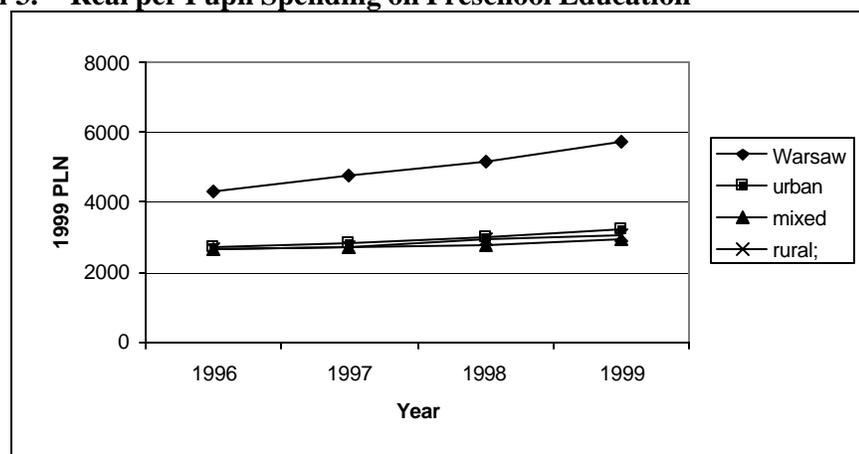
⁹⁸ Some of the 100% -plus figures for 6 year olds in urban preschools comes from children residing in rural (suburban) districts but going to urban preschools. Some is the result of the enrollment of 5 and 7 year olds. Meanwhile, some of the growth of preschool enrollment in rural areas probably comes from suburban communities that are legally characterized as rural gminas but in fact resemble urban ones in per capita income.

Table 4. Children per Preschool Class

	1991	1999
Rural	7.8	20.8
Urban	18.6	23.6

Source: MEN Materials for Sejm, 1992, 2000

This is remarkable because, as we have seen, rural Poland is typified by lots of very small primary schools with very small class sizes (see Appendix A). Finally, rural gminas have managed to increase per pupil spending on preschool education at rates similar to those of urban jurisdictions despite significantly weaker per capita incomes. This can be seen from Graph 3 below.

Graph 3. Real per Pupil Spending on Preschool Education

Source: Own calculations on the basis of GUS enrollment and spending data.

Despite the reasonably rational management of preschool education by rural gminas, however, there is little doubt that there remains a crying need to improve early childhood education in the countryside. At present, 38 percent of the Polish population lives off the land. More than half of the next generation of rural Poles will probably have to find new livelihoods as the liberalization of food markets eliminates marginal or subsistence agricultural undertakings. The present generation of rural children is already at risk because of the relative, and sometimes still brutal, poverty of the Polish countryside, and because their parents are much less educated than those of its urban counterparts.

In short, rural schools will be forced to play a difficult game of catch-up, if rural children are going to be given fair life chances. This game will require a concerted national effort and significant energy, innovation and perseverance at the local level. Given the importance of early childhood education in determining life chances, it is also clear that the game will entail getting farmers to send more of their children to school at earlier ages and to rapidly improve the quality of preschool *education*.

B. The Management of Primary Schools and the Creation of Gymnasiums

As with preschools, there has been a significant difference between what the devolution of education responsibilities has meant in practice for rural and urban gminas⁹⁹.

⁹⁹ It is important to note that the term "rural" here defines administrative and legal category. With urbanization there are an increasing number suburban gminas. These suburban gminas are often among the richest

On the one hand, rural and urban jurisdictions have faced different structural challenges over the last ten years. On the other hand, they have brought to these challenges very different financial and human resources. In the following, we therefore focus on describing the differences in the way urban and rural jurisdictions have coped with the challenges of decentralization.

Table 5 below shows for 1998, how much gminas of different types contributed to the subvention from their general revenues for the operating and maintenance costs, without investment, to their schools. On average, all gminas contributed 160 PLN (\$40) or about 8 percent of all school operating costs. There were, however, significant differences in these own contributions across types of gminas. Rural gminas contributed 64 PLN (\$17), or about 3 percent of school costs, while urban ones contributed about 200 PLN (\$50) or about 11 percent of their school costs. Remarkably, Warsaw contributed out of its general revenues almost 40 percent of the school costs (65 percent of the subvention).

Table 5. Local Government Contributions to the Education Subvention

		mln PLN	percent	per student
total	Current expenditures	10 220	100%	2 125
	Education subvention	9 450	92%	1 965
	Loc. gov. contribution	770	8%	160
rural	Current expenditures	3 476	100%	2 465
	Education subvention	3 385	97%	2 400
	Loc. gov. contribution	91	3%	64
mixed	Current expenditures	2 379	100%	2 092
	Education subvention	2 273	96%	1 999
	Loc. gov. contribution	106	4%	93
urban	Current expenditures	3 964	100%	1 874
	Education subvention	3 546	89%	1 676
	Loc. gov. contribution	418	11%	198
Warsaw	Current expenditures	401	100%	2 722
	Education subvention	246	61%	1 670
	Loc. gov. contribution	155	39%	1 052

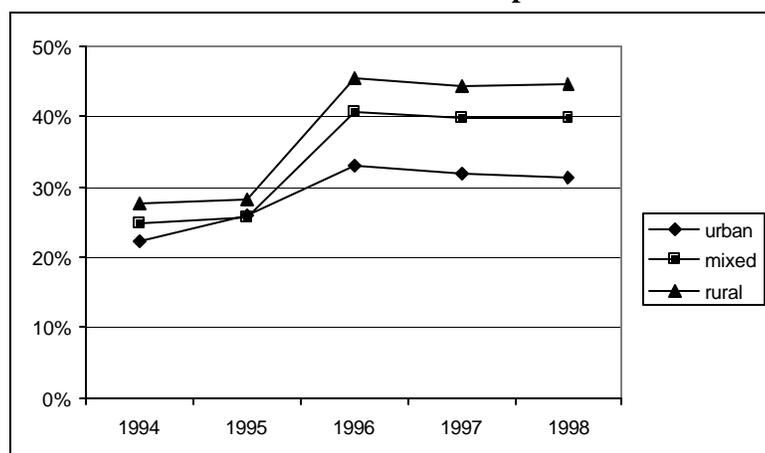
Source. Herbst (2001)

If these own contributions simply reflected unfunded mandates imposed on gminas by the national government's funding formulas, it would be fair to say that the additional funding preferences for rural jurisdictions through the 0.33 multiplier (thanks to which the average per student subvention was equal to 2,400 PLN in rural gminas as opposed to 1,676 PLN in urban gminas) are at least partially unjustified. This, however is not the case, and as we stated earlier there is a bipolar division in the population of gminas that pay into the subvention most: urban jurisdictions with high per capita incomes and rural gminas with low per capita incomes and/or very low pupil/teacher ratios. The reasons for this become clearer if we look more closely at the shares of gmina budgets devoted to education, and to the composition of education gmina education spending.

jurisdictions in Poland. They also generally have consolidated school networks and brought pupil/teacher ratios in line with urban jurisdictions. There is thus no objective reason for them to get the additional rural multiplier. Statistical analysis of the allocation of that part of the education subvention (c. 6% of the total subvention) that flowed to rural gminas as a result of this multiplier, showed that approximately one third of it (2%) flowed "rural" gminas that had per capita incomes and/or pupil/teacher ratios similar to urban jurisdictions schools (See Appendix B).

As can be seen from Graph 4 below, the share of local government budgets devoted to primary education differs significantly across different types of local governments, though for all education constitutes the single largest expenditure category. Rural and mixed gminas respectively devote 45 and 40 percent of their budgets on preschool and primary education. Urban gminas, however, spend only 33 percent of their budgets on education, a share that includes the substantial spending on secondary education made by "cities with powiat rights." Because urban local governments have more public responsibilities than rural ones, the lower share of their total expenditures on education is not a reliable measure of the relative fiscal burden which education places on different types of gminas. Nonetheless, it does suggest that there are differences in the pressure that education is placing on different local governments.

Graph 4. Education as % of Total Gmina Expenditures



The nature of this pressure becomes clearer if we look at the composition of education spending by gmina type. As can be seen from Table 6 below rural gminas spend 3.2 percent more of their education budgets on wages than do urban ones. Wages constitute about 80 percent of school expenditures in Poland as a whole, and about 85 percent in rural gminas¹⁰⁰. This is very high by international standards, and education experts generally agree that wages should not account for more than 65-75 percent of the operational costs of schools. The difference between rural and urban gminas with respect to the share of both education and school budgets going to wages reflect the lower pupil/teacher ratios of rural schools.

Table 6. Wage Payments as a Share of Gmina Education Budgets

	1994	1995	1996	1997	1998	1999
Warsaw	47,8%	46,6%	51,1%	49,3%	51,2%	54,9%
Urban	49,3%	48,6%	63,6%	63,8%	63,6%	68,7%
Mixed	45,0%	47,2%	65,8%	65,6%	66,8%	69,2%
Rural	48,6%	51,1%	68,1%	68,0%	69,5%	71,9%

More surprisingly, rural gminas spend significantly larger shares of their education budgets on investments than do urban ones, as can be seen in Table 7 below. Some of this is because a slightly higher share of the national government's (ever shrinking) budget for investment grants quite rightly flows to rural gminas. These grants however constituted less than 10 percent of all rural gmina investment spending in 1999 (down from a high of about 28

¹⁰⁰ See Związek Gmin Śląska Opolskiego (1998).

percent in 1997) and do not account for the difference in the investment efforts between rural and urban jurisdictions¹⁰¹.

Table 7. Education Investments as a Share of Gmina Education Budgets

	1994	1995	1996	1997	1998	1999
Warsaw	9,2%	5,3%	8,0%	10,4%	9,2%	5,4%
Urban	5,7%	6,0%	5,2%	6,1%	6,2%	5,0%
Mixed	11,2%	13,2%	9,1%	11,1%	10,4%	9,6%
Rural	18,3%	19,5%	13,6%	14,8%	13,8%	12,6%

Taken together, the higher shares of rural gmina education budgets that are devoted to wages and investments mean that less than 15 percent of the education expenditures of rural gminas go to teaching materials and other educational costs as opposed to 25 percent in urban jurisdictions. Equally importantly, the higher share of investment spending by rural gminas suggests that their school systems are in greater need of restructuring than those of their urban counterparts.

The reasons why this is true become clear if we review the changes in primary school enrollment, employment, class size and facility-use that have occurred since the beginning of the 1990s in gminas of different types (See Appendix A). Nationwide there has been a 13 percent decline in primary school enrollment, 14 percent in urban areas but only 8 percent in rural ones. (This decline will continue until about 2003). There has been a corresponding, but slower, overall decline in full-time (not FTE) teacher employment of 9 percent. But in cities, where enrollment declined particularly sharply (14 percent), employment declined moderately at 8 percent, while in rural areas enrollment declined moderately (8 percent) and employment by a sharper 11 percent.

Because of the faster decline in teacher employment in rural areas, pupil/teacher ratios (and class sizes) have actually gone up slightly from 13.34 to 13.87. Meanwhile, in urban areas the faster decline in enrollment has led to a drop in pupil/teacher ratios from 18.68 to 16.90. Put another way, rural gminas have had to retire more teachers to keep an already very low pupil/teacher ratio from going off the map, while urban gminas have not only had to exert less effort on the employment front but have received a demographic bonus in terms of teacher workloads and class sizes.

Similarly, demographic decline has also had very different impacts on facility use in rural and urban gminas. In urban gminas, the decline has been experienced as an easing of the pressure on existing facilities, and both school sizes and pupils per classroom have dropped by a remarkable 18-20 percent. In rural gminas, however, it has led to school closures. Indeed, the fact that rural gminas have kept average school sizes from dropping¹⁰² over the course of the decade, like their faster labor force reductions, demonstrates how much harder they have had to run just to stay in the same place. In fact, the painful irony of the situation is that school closures are driving the higher share of investment spending in the education budgets of rural gminas, while urban gminas are investing in new schools and classrooms because they can afford to reduce facility use beyond that which they received as a demographic bonus.

¹⁰¹ Own calculations. See also Kowalska (1999b).

¹⁰² In fact it was growing until 1998, before the primary schools were split into new, 6 year long primary school and 3 year long gymnasiums.

Rural gminas have also had more trouble creating gymnasiums than urban ones. Dispersed pupil populations combined with dispersed and small schools have made it difficult for them to establish separate gymnasiums of the size and scope required by the Ministry. Indeed, it has typically required them to make considerable investments in new plant and transport systems. Moreover, as we have indicated, protests from rural gminas forced MEN to suspend these requirements and many of them have yet to establish separate gymnasiums with the requisite number of pupils (150)¹⁰³. These difficulties stand in stark contrast with the situation in urban jurisdictions where the creation of gymnasiums has been possible simply by selecting some primary schools for conversion. Nonetheless, rural gminas have used the creation of gymnasiums as an occasion to rationalize average class size and pupil/teacher ratios, as can be seen from Table 8 below.

Table 8. Class Sizes in Primary Schools and Gymnasiums by Gmina Type

	primary schools			gymnasiums		
	urban	Rural	total	urban	rural	total
Schools	4 924	12 018	16 942	2 726	2 686	5 412
class size	24,44	17,70	21,23	25,39	23,01	24,60
student per teacher	16,44	12,99	14,87	20,09	31,07	22,57
students per classroom	25,47	15,46	20,27	24,78	21,67	23,73
students per schools	477,99	128,55	230,11	151,83	69,40	110,92

In sum, it seems fairly clear that, in urban schools, teaching loads and facility conditions have improved substantially over the decade, in part because of the willingness of urban gminas to make investments, and in large measure because of the demographic bonus we have mentioned earlier. It is also clear that many rural gminas have responded to cost pressures by closing schools and rationalizing the school networks, and that they have been forced to invest in consolidated schools.

Nonetheless, many rural gminas have found it extremely difficult to close schools because of resistance from parents, and because of the financial and political costs of reducing teachers' employment. In these jurisdictions, the high per pupil costs of small schools make it impossible to provide children with educations comparable to those available elsewhere, despite the fact that the gmina is receiving (and spending) one third more funding from the national government for its pupils. This can be illustrated by looking at the allocation policies of a stylized mixed gmina¹⁰⁴.

This hypothetical gmina has 16 schools, three in the city and 13 in the countryside. The urban schools have at least 350 students and function comfortably with funding equal to 75 to 90 percent of the financial standard for urban primary schools (c. 2000 PLN). Nonetheless, the gmina allocates to these schools the full amount that it receives from national government through the subvention, allowing directors to use the additional funds as they see fit. Most often this results in spending across three or four areas, such as extra language and computer training, expanded after-school programs and improved sports programs.

¹⁰³ There is also a problem with so-called *virtual schools*, that is parts of a "single" gymnasium located in more than one rural primary school. See Konarzewski (2000).

¹⁰⁴ A composite illustration based on our experience with four rural and mixed gminas

But the average cost of the 13 rural schools is 3000 PLN per pupil, about 15 percent more than per pupil subsidy for pupils attending rural schools (c. 2700 PLN). Two of these rural schools are large and have real per pupil costs in line with those of their urban counterparts. Nonetheless, the gmina provides them with only 90 percent of the *urban* per pupil standard in order to reduce the contribution it has to make up from its own budget to cover the shortfall between the *rural* per pupil standard and the exceedingly high costs of the remaining 11 rural schools. In other words, the gmina beggars even those rural schools that are large enough to provide a higher quality education within existing funding norms in order to preserve schools so small that only minimum quality educations can be provided despite spending more than a third more per pupil.

Worse, as exemplified in the following Table 9 based on nationwide data, urban school directors generally have greater access to parental contributions than their rural counterparts, further increasing the difference in the quality of urban and rural schools¹⁰⁵.

Table 9. Average annual parental contributions to Public Primary Schools (in PLN)

Primary schools	Rural	Mixed	Urban	Warsaw	Total
students	1,361,267	1,068,631	1,908,791	123,770	4,462,459
parental contribution per student	15.01	14.08	18.89	55.70	17.57
% of national average	85.41%	80.11%	107.47%	316.92%	100.00%

Source: GUS, S-02

This example also illustrates a more general pattern of behavior on the part of gminas with respect to their primary schools. In short, most gminas do not yet see their schools as parts of a system whose overall quality is their responsibility. Instead, they see themselves as the owners of school properties, some of which cost more than others and all of which have to be maintained within the funding constraints of the subvention, but whose educational performance is the responsibility of individual school directors. This attitude has been encouraged by a legal framework that gives them little control over school directors, and which places responsibility for monitoring the quality of schools in the hands of kuratoria. In practice, this has meant that gminas have concerned themselves primarily with improving the school facilities, while leaving what goes on within them up to directors. Moreover, and at least initially, most gminas set school budgets on the basis of their inflation-adjusted historical costs.

With time, however, more and more gminas are becoming conscious of differences in the per pupil costs of their schools and many of them have earmarked their investment funds for those capital improvements that will reduce these differences, such as new heating or thermal systems. Nonetheless, it remains relatively rare that gminas examine these differences from the perspective of educational quality, additional program offerings or lower workloads for teachers. In fact, over the years, many directors have been able to either protect inefficiency or "sneak" into their "organizational forms" additional services that are really responsible for their higher per pupil costs.

Some gminas, however, have begun to actively use their allocation and investment policies to facilitate larger changes in the pedagogical process. The most interesting examples of this are drawn from a handful of gminas that took to heart the idea of school vouchers.

¹⁰⁵ A survey of 10 schools revealed that parent contributions (off budget) represent 1-3% of school budgets with higher percentages for urban schools. Kowalska and others (2000).

Indeed, these cases are profoundly paradoxical, because despite their claims to the contrary, these gminas did not in fact allocate money to their schools on the basis of an identical per pupil sum or "voucher"¹⁰⁶. They did however, calculate the per pupil expenditures of individual schools and progressively push directors towards the average per pupil cost of all schools. In other words, under the political slogan of vouchers these gminas began to move away from historical budgeting towards more base-line measures.

More importantly, in the most dynamic of these gminas, the town of Kwidzyn, the attempt to standardize school costs was accompanied by other policies of more direct pedagogical consequence. First, the gmina decided not to make major investments in individual schools but to build a new central sports facility and computer lab to serve the pupils of all its schools. Indeed, this strategy of externalizing school investment has become increasingly visible in other jurisdictions over the past few years and is no doubt primarily the result of reasoned judgments about the benefits of economies of scale. At the same time however, the strategy may also be a response to the fact that the existing regulatory framework leaves gminas with relatively little influence on what takes place inside of schools.

This gmina also hired outside consultants to examine the educational performance of all its schools¹⁰⁷. These assessments have revealed that there are significant differences in pupil test scores across the gminas schools¹⁰⁸. The gmina provided this information to school directors and teachers. But it did not make this information available to parents, nor did it use the information in making decisions about how to allocate its education budget. This suggests that even gminas that are clearly interested in the quality of their schools, have not fully connected their pedagogical concerns with their role as the owner and manager of school facilities.

This lack of association is disturbing for at least two reasons. First, it suggests that the existing legal framework is encouraging many gminas to see cost rationalization as the long and the short of their role in the sector. And second, and more importantly, the reality of school choice in Poland is likely to lead, as it has led elsewhere, to the concentration of better situated and easier to educate pupils in particular schools. Indeed, in select schools in large cities, the percentage of enrolled pupils living outside of the schools' (nominal) district already exceeds 20-25 percent. This suggests that the "creaming" associated with school choice has already begun. Moreover, there is strong anecdotal evidence suggesting that primary schools that are considered particularly good, collect more voluntary parental contributions than others. As a result, gminas may not only find themselves having to deal with increasing numbers of "problem schools" but they may have to begin to allocate money schools on an *unequal* basis, if they want to insure that all their pupils have more or less *equal* educational opportunities.

C. The Management of Secondary Schools

¹⁰⁶ See Czarnobaj (1998) and Chaber (2000).

¹⁰⁷ In recent years, schools and to a lesser extent gminas have been making increasing use of methodologies designed to measure the satisfaction of stakeholders within their schools. Indeed, a number of foundations have been established that provide funding for this type of self-assessment. What is exceptional about this gmina is that it paid for a much more sophisticated and costly set of procedures based on repeating a similar standardized test across schools and over time.

¹⁰⁸ See Dolata and others (1998), Dolata, Murwaska, and Putkiewicz (1999, 2000).

Before the assumption of secondary education by all local governments (gminas with powiat rights, powiats, and self-governing regions) on January 1st, 1999, a sizable share of secondary and post secondary schools had already been transferred to large urban jurisdictions under the Law on Large Cities of 1995. Indeed, by 1996, large urban gminas controlled schools which taught 42 percent of all lyceum students, 23 percent of all vocational school students and 9 percent of all post lyceum students. The table below shows the increase in students attending local government run secondary schools after that Law, and after the creation of powiats.

Table 10. Enrollment in Lyceums and Vocational Schools by School Type

	Lyceums		Vocational		Post lyceum	
	1998/99	1999/00	1998/99	1999/00	1998/99	1999/00
Central government (thousand)	422,6	0,7	1162,2	23,5	87,3	2,9
Local governments (thousand)	346,9	821,1	370,3	1493,4	18,3	97,3
Non public (thousand)	40,3	39,3	35,8	20,9	97,2	105,3
Total (thousand)	809,8	861,1	1568,3	1537,8	202,8	205,5
% central government	52,19%	0,08%	74,11%	1,53%	43,05%	1,41%
% local government	42,84%	95,35%	23,61%	97,11%	9,02%	47,35%
% non public	4,98%	4,56%	2,28%	1,36%	47,93%	51,24%

Source: Own calculations GUS Yearbook 2000

Because powiats are so new, most of what can be said about the management of secondary schools at local government level must focus on the Large Cities. Unfortunately, the financial data on Large City secondary schools is poor because between 1996 and 1999 central government transfers to large cities for secondary education were calculated as part of an additional increment of shared personal taxes (the so-called "U" coefficient)¹⁰⁹. In many cases it is unclear what this educational part of the additional increment really represented. Moreover, the real value of that part changed differently for each city because of variations in their annual PIT yields, and was obviously insensitive to changes in enrollment.

Rough estimates, however, suggest that in 1997 Large Cities spent 18 percent more than they received from the national government on the operating costs of secondary schools¹¹⁰. This figure is high. It also masks a huge amount of variation across the cities, with 10 of them contributing more than 30 percent to the transfer, and a number of them substantially under-spending it. How much these figures reflect the haphazard construction of the U coefficient and how much bad data, however, is unclear. In any case, more reliable data on gminas with powiat rights show that in 1999 this group of local governments spent 10 percent more on secondary schools than they received through the education subvention, of which 3.5 percent was spent on investment and only 6.5 percent on current operating costs¹¹¹.

In 1999, the Foundation for Local Democracy conducted case studies of the managerial practices of five big cities¹¹². The report found striking similarities across the

¹⁰⁹ See page 15.

¹¹⁰ See Levitas, Herczynski (1999).

¹¹¹ As gminas with powiat rights include both the 46 cities that had been covered by the Law on Large Cities and 18 substantially smaller towns with significantly less disposable income, this figure may underestimate the contribution of the largest cities to the subvention. The differences in the per pupil hold harmless measures for primary and secondary education also make it difficult to determine the amount of the subvention going to primary and secondary education in gminas with powiat rights.

¹¹² See Kowalik (2000). The cities were: Białystok, Kielce, Kraków, Opole, and Rzeszów.

cities, and indeed with what we know about the managerial practices of gminas with respect to primary schools. City officials were largely satisfied with school directors and in the vast majority of cases made no efforts to block their re-nomination by independent selection committees. None of the cities had conducted analyses of their school networks and most did not use data on per pupil expenditures to inform their budgeting decisions. Indeed, they rarely sought to impose cost cuts on schools¹¹³.

Instead, they generally accepted the “organizational forms” submitted to them by directors without question. Moreover, they explained their attitude by saying that since these forms had been previously approved by the kuratoria, there was no real reason to worry about them. Here, however, it must be stressed that the kuratoria examine the forms to make sure that schools are meeting the minimum programmatic standards required by the government, and rarely comment on above standard programmatic offerings. As a result, city officials were clearly accepting budget propositions that contained more than these minimums, despite their financial consequences. Only one city requested that a director reduce his budget, and this was because the city thought he was padding his support staff. Otherwise, cities did not interfere in the employment or curricula decisions of directors and to the degree that they worried about employment at all, it was to express fears about laying off teachers. Not surprisingly, school directors enthusiastically supported the transfer of responsibility for secondary education to big cities and of all stakeholders questioned were the most positive about the reform.

Many of the cities quickly declared that their goals in the sector were to increase enrollment in lyceums, improve teaching quality and adapt vocational schools to the local labor market. But these “strategic” declarations were rarely accompanied by the formulation of specific policy measures. City officials did however, immediately set out to inventory the assets and liabilities of schools, to pay down their debts, and to establish investment priorities. They also sought to engage directors in the formulation of the city's educational policies and most invited their directors to form an informal advisory committee¹¹⁴. In some places these committees succeeded in establishing a priority order in which to conduct major repairs of individual schools. And in one city, directors agreed to locate a major new investment in a computer lab in a particular school.

Nonetheless, the results of these efforts in cooperative deliberation were usually more modest and generally directors were unable to agree on specific policies to restructure secondary schools in the city. In particular, the directors could not agree among themselves about which vocational schools should be eliminated, and which transformed into lyceums in order to meet the clear demand for new places in general education high schools coming from parents¹¹⁵. Instead, school directors were generally left to make programmatic changes on the basis of their individual understandings of the labor market and parental expectations¹¹⁶. As a

¹¹³ One city considered introducing financial standards for its secondary schools, but failed to define them and abandoned the proposal.

¹¹⁴ It is worth noting that in Kraków, there was an initial emphasis on increasing the social involvement of parents in the running of schools through the creation of School Councils. This, however was later largely abandoned in favor of a more managerial approach.

¹¹⁵ This was a painful process involving the closure of schools, or the elimination of certain vocational training program simply because parents refused to enroll their children in these schools or programs.

result, there is some evidence that many vocational schools were rushing to develop similar new specializations such as accounting or computers skills. The cities however, did not intervene even when they sensed a stampede because they assumed directors knew better¹¹⁷.

This is in some ways undoubtedly true and it was clear that in all the cities studied, competition for pupils had forced school directors, particularly those of vocational schools to introduce substantial curriculum changes despite the absence of clear ministerial or city-level guidelines. More importantly, a combination of school level adjustment and local government support has made it possible to substantially increase the number of places in lyceums. As a result, there has also been a very marked decline in the number of pupils attending vocational schools, and an increase in the numbers attending degree granting lyceums and professional schools, as can be seen from Table 11 below (see also Appendix C).

Table 11. Further careers of rural and urban primary schools graduates

	1996/1997		1999/2000		Change	
	urban	rural	urban	rural	urban	rural
Lyceum	38.14%	18.99%	45.11%	24.84%	6.97%	5.85%
Professional	30.28%	33.18%	31.17%	38.77%	0.89%	5.60%
Basic Vocational	27.57%	46.10%	20.17%	35.21%	-7.40%	-10.89%
Not continuing	4.00%	1.74%	3.55%	1.17%	-0.45%	-0.56%

Source: GUS Statistical Yearbooks for Education.

Nonetheless, and over the long term, it seems that the restructuring of the sector will require a more visible hand if the number and profile of vocational schools is in fact going to mesh with local labor market needs¹¹⁸. Indeed, recently, some cities have begun to fire school directors for not introducing programmatic changes. This is in violation of existing law which restricts the right of local governments to fire directors to cases of financial mismanagement. Nonetheless, in most cases the kuratoria have not objected to these actions, while the courts have responded by forcing local governments to pay special severance penalties, but not to reinstate directors¹¹⁹.

Finally, while cities knew that many of the students enrolled in their secondary schools came from other jurisdictions and were keenly aware that they were paying more for schools than they received from the national government, only one was aware that this meant they were subsidizing the educations of other taxpayers' children. Meanwhile, another city attempted to restrict access to its lyceums to pupils residing in the jurisdiction. Here, however, the policy was motivated not so much by financial concerns as it was by ethnic politics. Moreover, the policy was quickly blocked by the local kuratoria. Nonetheless, it remains

¹¹⁶ Cities had to approve the creation of a lyceum in the existing units composed of a few vocational schools or to upgrade a school (from a vocational to a technical school). Such requests were of course always granted, irrespective of the level of teacher qualifications. Approval by the kuratoria also had to be secured, but that was a formality.

¹¹⁷ They consulted the local Labor Offices on their own initiative and often cooperated in this area.

¹¹⁸ An analysis of country-wide fit of professions taught with projected demand of the labor market show that even under optimistic assumptions more than 50 percent of students of vocational schools will find it hard to find jobs for which they are trained. See Golinowska, Herczynski (2000).

¹¹⁹ Interview with Irena Dzierzowska, former Vice-Minister of Education. This is another indication of the breakdown in the existing regulator framework.

unclear what will happen around this issue when more cities begin to understand the financial implications of inter-jurisdictional commutation.

As for powiats, there is relatively little information on their managerial policies towards secondary schools, because powiats are only two years old. Moreover, the only financial data available is for 1999, their first year of operation¹²⁰. In this year, total powiat spending on education equaled 100.5 percent of the education subvention. There were, however, significant variations across powiats and 128 spent less on education than they received through the subvention, 173 spent between 100 percent and 110 percent of their subventions, 7 powiats spent more than 110 percent of the subvention. While these figures suggest that the education subvention generally reflected the historical spending of the national government on secondary schools, they should not be interpreted to mean that the education subvention was sufficient for powiats to meet their challenges in the sector.

Instead, under spending reflects the fact that some powiats actually received slightly more than the national government had previously spent, and were unable to use it for necessary investments because they had no time. Meanwhile those that spent more than they received through the subvention were generally making up for shortfalls in the operating costs of their schools. Indeed, the most important fact to remember about powiats is that, unlike gminas with powiat rights, they have very little disposable income to contribute to the subvention because they derive almost no revenues from own and shared taxes.

As discussed earlier, the education subvention for 1999 was calculated on the basis of the average per pupil costs for 27 different types of secondary schools. Despite the fact that the money received through the subvention is freely disposable, most powiats used the Ministry's standards to allocate resources to individual schools. Indeed, in 2000, when a single per pupil multiplier for all professional and vocational schools was introduced, many powiat education officials complained that they had lost a convenient tool to define school budgets. This complaint suggests how far powiats are from taking an active managerial role in the sector.

Indeed, a report on the education policies of few powiats¹²¹ suggests that they are faring even worse than Large Cities or gminas with powiat rights. Unlike the former, "normal" powiats not only have less disposable income, but considerably smaller school systems characterized by a larger share of vocational and professional schools. In other words, more of their schools are in need of profound restructuring, and there are less of them across which to adjust budgeting strategies. Worse, because the number of schools in each jurisdiction is small and students have extremely limited choices, school directors are under little competitive pressure to introduce programmatic changes on their own.

Most of the powiats studied had yet to make even declarative statements of policy goals, or to prioritize investment needs. There was little evidence of cooperation between the education departments of powiats and their labor departments, which were also decentralized in 1999, and receive central government grants for both the payment of unemployment benefits and for the creation of active labor market policies. This despite the fact that as much as 70 percent of the graduating classes of some vocational schools immediately enter the

¹²⁰ Because of the timing of powiat elections, the national government actually set the initial budgets of powiats before local officials took office. They were however free to amend these budgets over the course of the year.

¹²¹ See Herbst (2001).

unemployment system. Indeed, as in the big cities, whatever contact there was between schools and the labor offices was almost exclusively bilateral. Similarly, none of the powiats studied made any attempt to bring employers and school directors into contact with each other despite the fact that local employers routinely complain that school graduates lack fundamental work skills, like the ability to follow instructions, keep to schedules, and understand foreign languages. In short, powiats seem a long way from being able to meet the daunting structural challenges facing them in secondary education.

VII. Conclusions

Local governments are now responsible for the management of virtually all the institutions involved in delivering preschool, primary and secondary education in Poland. They are also financing at least 25 percent of the costs of these institutions out of their own general revenues. In short, the national government has clearly decentralized much of the responsibility for education in Poland to local governments over the last decade. Equally importantly, the reality of school choice, and the provision of public monies for non-public schools, mean that the decentralization of education in Poland has been accompanied by its marketization.

In general, we think that both decentralization and marketization have been good for Polish education¹²². Local governments have at a minimum been able to maintain public spending on education in a period of fiscal austerity, and have clearly made efforts to improve and rationalize their school systems. There has also been a substantial decline in the number of pupils attending vocational schools, and a substantial increase in the numbers attending degree granting lyceums and professional schools. Most importantly, programmatic reform, curricula liberalization, parental pressure, and competition for pupils have led to adjustment, innovation and increasing variation at both the school and local government levels.

Not all of this variation, however, has been or will be positive, and it is clear that the quality of educational services in Poland will increasingly differ across schools and local governments. Moreover, it will become increasingly difficult to determine what is driving these differences. They will be based on complex interactions between wealth, preference, and objective obstacles at the local government, school, and parental levels. In short, it seems clear to us, that the major challenge facing the national government in the immediate future is to preserve and enhance the scope of this variation, while simultaneously insuring that disadvantaged jurisdictions and socio-economic groups are not left behind. To meet this challenge we think the national government must revisit and substantially reform the regulatory framework that it established at the beginning of the decade.

As we have tried to make clear, this regulatory framework was built on two assumptions that have become increasingly untenable. The first assumption was that the national government could fully fund teachers' wages without defining employment standards. This assumption, guaranteed in law, effectively made the national budget liable for

¹²² Surveys on attitudes toward education reform in general and local government reform in particular reveal general, if not unambiguous support for the changes that have occurred over the last ten years. On the one hand, most respondents support the goals of the reform and take an agnostic position on whether they have been achieved. On the other hand, many express concerns about the ability of all local governments to provide reasonable education services of similar quality and perceive relatively few gains from decentralization at their own schools. See CBOS (2000).

the employment policies of local governments and school directors. Through most of the decade the national government was generally able to fulfill this guarantee by not substantially raising teachers wages, and by allocating the education subvention more or less in line with historical expenditure patterns. Over time however, the guarantee was eroded with demographic shifts and the ever decreasing pupil populations of rural gminas.

The guarantee collapsed in 2000 when, in response to a variety of compelling forces, the government placed the education subvention on a per pupil basis *and* at the same time introduced ill-considered changes in the Teachers' Charter. Until normative employment standards are introduced, there will be no way to reconcile per pupil funding with this guarantee. Worse, until some control is established over teachers' advancement from the third to fourth pay grades and/or the wage implications of this advancement, the budgets of the national government and those of local governments will be exposed to large and unpredictable financial liabilities. It is thus clear to us that, at a minimum, the government must move rapidly to introduce employment standards and controls on teacher advancement if the system is to regain some stability.

The second assumption that informed the construction of the regulatory regime at the beginning of the decade was that local governments should not be responsible for the pedagogical quality of schools. As result, they were given extremely limited control over what goes on inside of them. This, combined with the assumption that the national government would fully fund teachers' wages, has made local governments relatively indifferent to how directors spend their operating budgets or to the quality of services that schools provide. Not surprisingly, local governments have instead focused their energies on improving the physical infrastructure of their educational facilities, and supplementing teachers' pay.

This indifference to both cost and quality, however is breaking down. In part, it is breaking down because the national government is having increasing problems in meeting its promise to fully fund teachers' wages. And in part it is breaking down because social and electoral demands to improve school quality are pushing local government officials to think about more than the physical condition of their schools. Nonetheless, this thinking remains in its infancy. Worse, school choice and the profound challenges involved in restructuring secondary education in general and vocational schools in particular will make it imperative that local governments develop more substantial educational policies in the immediate future. At a minimum, restructuring secondary schools will require coordination, consultation and planning, while school choice, and the phenomena of creaming that comes with it, will require robust and sustained efforts to monitor school performance.

For local governments to take these policy responsibilities more seriously, and for them to actually be able to implement them, it is clear that their managerial powers with respect to hiring, firing and redeploying teachers must be increased. Indeed, it seems clear to us that the provisions of the Teachers' Charter that make it virtually impossible for local governments to fire or redeploy teachers short of closing schools, should be scrapped or relaxed. It is also desirable to increase the local government control over the hiring and firing of school directors. Finally, it would be desirable to introduce into the legislative framework provisions that require local governments to establish mechanisms to monitor school performance

Most importantly, the national government must become both more aware and more concerned with variation in the quality of Poland's educational system. In particular, it should

be concerned with reducing the obstacles to improving the quality of schools in poor rural jurisdictions at both the primary and secondary school levels and with helping to insure that rural pupils have equal access to quality secondary schools located in the cities. At a minimum, this will require action on three fronts.

First, the national government will have to make a substantial effort to improve Poland's educational statistics, because the existing statistics do not allow for the tracking of crucial indications of difference in educational performance such as teachers' wages, attendance rates, drop out rates, or the fates of different pupil cohorts. It will require the continued development of standardized tests.

Second, the national government will have to pay increasing attention to both the different fiscal capacities of local governments and the different costs they face in providing similar educational services. Here, it seems obvious to us that over the coming years substantial investment grants and other programmatic funds – notably for teacher retraining – will have to be made available to poor rural gminas and powiats if they are to consolidate their school networks, restructure their vocational schools and provide educational services of reasonably similar quality within the constraints of the education subvention. This will require both an increase in public spending on education, and the clarification of the relationship between the national government and the new regional self-governments. On the one hand, the national government must make sure that additional funds are in fact provided to regional self-governments for those types of programs that it considers most important. On the other hand, regional governments must be obligated to develop clear priorities and transparent rules for the allocation of these special funds.

Finally, and in a similar vein, the existing subvention formula should be reformed to insure that resources flow to local governments on the basis of their objective need for funds. As we have indicated, because the rural multiplier is based on an administrative distinction, it now directs substantial funds to suburban jurisdictions with school networks and per capita incomes that are no different from urban ones. It thus seems desirable to replace this multiplier with one based on a more objective characterization of a jurisdiction's need, such as its per capita income, or, better still, the number of pupils from poor households enrolled in its schools. At the same time, a multiplier should be introduced for that small number of rural jurisdictions that must maintain small isolated schools because of geographical realities. It may also be desirable to introduce a multiplier for those urban jurisdictions which, because of objective labor market conditions, must pay substantially higher wages than other local governments just to keep teachers in their system. Similarly, the national government should consider providing those gminas with powiat rights that spend significantly more on secondary education than they receive, grants to equalize the part of their additional spending that is in fact going to support children commuting from other jurisdictions.

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Appendix A Basic Data for Primary Schools: 1990-1999

		1990/1991	1995/1996	1999/2000	1991-1995	1991-1999
Shares of rural and urban pupils	Cities	63,64%	62,75%	61,52%	Dynamics	
	Rural	36,36%	37,25%	38,48%		
	Total	100,00%	100,00%	100,00%		
Pupils	Cities	3 295,6	3 147,1	2 767,5	95,49%	83,98%
	Rural	1 882,6	1 868,1	1 731,3	99,23%	91,96%
	Total	5 178,2	5 015,2	4 498,8	96,85%	86,88%
Classes	Cities	122,3	123,1	112,6	100,65%	92,07%
	Rural	104,4	100,9	95,4	96,65%	91,38%
	Total	226,7	224,0	208,0	98,81%	91,75%
Teachers	Cities	176,4	174,2	163,8	98,75%	92,86%
	Rural	141,1	135,8	124,9	96,24%	88,52%
	Total	317,5	310,0	288,7	97,64%	90,93%
Classrooms	Cities	89,8	103,7	109,1	115,48%	121,49%
	Rural	102,6	110,0	108,5	107,21%	105,75%
	Total	192,4	213,7	217,6	111,07%	113,10%
Schools*	Cities	4 638	5 029	7 650	108,43%	164,94%
	Rural	14 808	13 916	14 704	93,98%	99,30%
	Total	19 446	18 945	22 354	97,42%	114,95%
Class size	Cities	26,95	25,57	24,58	94,87%	91,21%
	Rural	18,03	18,51	18,15	102,67%	100,64%
	Total	22,84	22,39	21,63	98,02%	94,69%
Pupils per teacher	Cities	18,68	18,07	16,90	96,70%	90,44%
	Rural	13,34	13,76	13,86	103,10%	103,89%
	Total	16,31	16,18	15,58	99,20%	95,55%
Pupils per classroom	Cities	36,70	30,35	25,37	82,69%	69,12%
	Rural	18,35	16,98	15,96	92,55%	86,96%
	Total	26,91	23,47	20,67	87,20%	76,82%
School size	Cities	710,56	625,79	361,76	88,07%	50,91%
	Rural	127,13	134,24	117,74	105,59%	92,61%
	Total	266,29	264,72	201,25	99,41%	75,58%
Teachers per class	Cities	1,44	1,42	1,45	98,11%	100,86%
	Rural	1,35	1,35	1,31	99,58%	96,87%
	Total	1,40	1,38	1,39	98,81%	99,10%
Classes per school	Cities	26,37	24,48	14,72	92,83%	55,82%
	Rural	7,05	7,25	6,49	102,84%	92,03%
	Total	11,66	11,82	9,30	101,42%	79,82%
Classrooms per school	Cities	19,36	20,62	14,26	106,50%	73,66%
	Rural	6,93	7,90	7,38	114,08%	106,50%
	Total	9,89	11,28	9,73	114,01%	98,38%

Own calculations: GUS Data

*In 1999, because of the introduction of gymnasium some of the trends discussed in the text become less pronounced. Nonetheless the net effect of introducing gymnasiums on the structural characteristics of the Polish education system is only that the number of school increased, and accordingly the average size of the schools went down. All other trends were maintained such as the increase in pupil/teacher ratios in rural schools and their decrease in urban ones.

Appendix B Shares of the Education Subvention by School and Pupil Type in 2000

Student category	Number of students	Weight	Weighted students number	Amount per student	Total amount (thousands PLN)	% of the total subvention
Primary schools and gymnasiums						
Students	4 453 683	1,00	4 453 683	1 932,97	8 608 827	47,50%
Students of rural schools	1 728 957	0,33	570 556	637,88	1 102 866	6,09%
Students of schools in small cities	183 536	0,18	33 036	347,93	63 858	0,35%
Special classes in regular schools	5 269	0,50	2 635	966,48	5 092	0,03%
Integrated classes in regular schools	5 368	3,00	16 104	5 798,90	31 129	0,17%
National minorities students	34 818	0,20	6 964	386,59	13 460	0,07%
Students bussed to school	611 212	0,30	183 364	579,89	354 436	1,96%
Sport classes and school	20 627	0,20	4 125	386,59	7 974	0,04%
Sport mastery schools	556	1,00	556	1 932,97	1 075	0,01%
Non-public school in rural areas	755	0,80	602	1 542,51	1 165	0,01%
Non-public school in small cities	120	0,71	85	1 368,54	164	0,00%
Non-public schools in cities	35 505	0,60	21 303	1 159,78	41 178	0,23%
Adult students in rural areas	220	0,93	205	1 799,59	396	0,00%
Adult students in small cities	71	0,83	59	1 596,63	113	0,00%
Adult students in cities	5 931	0,70	4 152	1 353,08	8 025	0,04%
Handicapped children in general classes	13 950	0,25	3 488	483,24	6 741	0,04%
Revalidation for serious disabilities	4 050	0,50	2 025	966,48	3 914	0,02%
Post gymnasiums school						
Number of students	2 483 132	1,00	2 483 132	1 932,97	4 799 815	26,49%
Adult students in lyceums	70 369	0,70	49 258	1 353,08	95 215	0,53%
Adult students in professional schools	174 607	0,81	140 559	1 556,04	271 695	1,50%
Special schools non-vocational	78 350	2,40	188 040	4 639,12	363 475	2,01%
Vocational special schools	32 727	1,00	32 727	1 932,97	63 260	0,35%
Vocational schools	1 509 090	0,15	226 364	289,95	437 553	2,41%
National minorities	2 240	0,20	448	386,59	866	0,00%
Non-public lyceums for youth	41 965	0,60	25 179	1 159,78	48 670	0,27%
Non-public vocational schools for youth	38 078	0,69	26 274	1 333,75	50 786	0,28%
Non-public lyceums for adults	43 065	0,35	15 073	676,54	29 135	0,16%
Non-public vocational schools for adults	121 548	0,40	48 923	778,02	94 567	0,52%
Medical schools	26 903	1,00	26 903	1 932,97	52 003	0,29%
Special sailors' classes	1 569	1,00	1 569	1 932,97	3 033	0,02%
Teacher colleges	15 619	1,00	15 619	1 932,97	30 191	0,17%
Non-public teacher colleges	1 843	1,20	2 212	2 319,56	4 275	0,02%
Students of schools in rural areas	174 677	0,33	57 643	637,88	111 423	0,61%
Students of schools in small cities	74 809	0,18	13 466	347,93	26 029	0,14%
Non school tasks						
Boarding houses	118 833	1,77000	210 334	3 421,35	406 570	2,24%
Special preschools	3 056	4,50000	13 752	8 698,36	26 582	0,15%
SOSW	32 990	7,37000	243 136	14 245,97	469 975	2,59%
Extramural education activities	7 470 892	0,01000	74 709	19,33	144 410	0,80%
Pedagogical advisory centers	10 080 490	0,01100	110 885	21,26	214 338	1,18%
Holiday centers for children	29 558	0,22100	6 532	427,19	12 627	0,07%
Methodological help for teachers	7 470 892	0,00800	59 767	15,46	115 528	0,64%
Total			9 375 445		18 122 435	100,00%

Appendix C Basic Data for Lyceums: 1990-1999

		1995	1996	1997	1998	dynamic
Schools	Total	1 704	1 754	1 844	1 988	116,67%
	Loc. Gov	183	506	596	625	341,53%
	MEN	1 216	931	890	947	77,88%
	non public	305	317	358	416	136,39%
Classrooms	Total	25 486	26 163	26 938	28 640	112,38%
	Loc. Gov	3 056	8 961	10 405	10 947	358,21%
	MEN	19 585	14 255	13 278	13 901	70,98%
	non public	2 845	2 947	3 255	3 792	133,29%
Classes	Total	23 539	24 387	25 556	26 960	114,53%
	Loc. Gov	2 870	8 822	10 394	10 959	381,85%
	MEN	18 784	13 616	12 993	13 563	72,21%
	non public	1 885	1 949	2 169	2 438	129,34%
Teachers	Total	33 845	35 439	38 182	40 105	118,50%
	Loc. Gov	4 410	13 843	16 623	17 821	404,10%
	MEN	27 490	19 557	19 279	19 672	71,56%
	non public	1 945	2 039	2 280	2 612	134,29%
Pupils	Total	682 637	714 445	756 497	803 569	117,72%
	Loc. Gov	88 660	273 363	325 297	345 985	390,24%
	MEN	563 588	409 290	395 346	416 666	73,93%
	non public	30 389	31 792	35 854	40 918	134,65%
Share of Enrollment	Loc. Gov	12,99%	38,26%	43,00%	43,06%	331,51%
	MEN	82,56%	57,29%	52,26%	51,85%	62,80%
	non public	4,45%	4,45%	4,74%	5,09%	114,38%
Pupils per Teacher	Total	20,17	20,16	19,81	20,04	99,34%
	Loc. Gov	20,10	19,75	19,57	19,41	96,57%
	MEN	20,50	20,93	20,51	21,18	103,31%
	non public	15,62	15,59	15,73	15,67	100,26%
Pupils per Class	Total	29,00	29,30	29,60	29,81	102,78%
	Loc. Gov	30,89	30,99	31,30	31,57	102,20%
	MEN	30,00	30,06	30,43	30,72	102,39%
Teachers per Class	Total	1,44	1,45	1,49	1,49	103,46%
	Loc. Gov	1,54	1,57	1,60	1,63	105,83%
	MEN	1,46	1,44	1,48	1,45	99,11%
School Size	Total	400,61	407,32	410,25	404,21	100,90%
	Loc. Gov	484,48	540,24	545,80	553,58	114,26%
	MEN	463,48	439,62	444,21	439,99	94,93%
	non public	99,64	100,29	100,15	98,36	98,72%