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FINANCING PUBLIC ELEMENTARY AND
SECONDARY SCHOOLS

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FINANCING PUBLIC ELEMENTARY AND SECONDARY SCHOOLS

Preface

In the preparation of this report we have relied on a number of sources for statistical and analytical material, and we would like to thank the authors and compilers of these sources for their valuable aid.

We would like to thank in particular the Belknap Press of the Harvard University Press, the MIT Press, the National Education Association, the New York State Commission on the Quality, Cost and Financing of Elementary and Secondary Education, and the Praeger Publishers for their kind permission granted us to reproduce copyrighted materials in the text of this report.

INTRODUCTION

Although education is generally considered to be a responsibility of the States and although State constitutions typically specify that the State provide an adequate system of public education for the children of the State, the task of financing systems of public education has traditionally been delegated to local school districts in all States except Hawaii, whose State-operated school system derives from a tradition of territory-wide and territorially-financed public education in the pre-state period. Over the last sixty years the various States have taken an increased interest in public education, evidenced in State regulations covering the activities of the local school boards and a steadily increasing State share in the provision of funds to operate the schools. Nonetheless, local school districts still provide over half of the monies spent by the public schools. They rely almost exclusively on the local property tax to raise their share of the costs.

This system of financing the public schools of the country has come under increasing pressure in the last decade and has now reached a period of crisis. The costs of providing educational services have

risen nearly 170 percent since 1961-62. While this is a large increase, it is approximately equal to the overall increase in State and local government expenditures over the same period. In fact, State and local expenditures on public education have increased less rapidly since 1963 than some other categories. Nonetheless, the tax sources available to local school boards have been strained almost to the limit in the attempt to meet the rapidly rising costs. The rate of rejection of school budgets and school bond issues, in wealthy districts as well as poor districts, reflects in part the growing frustration of voters with the constantly rising tax levies needed to support public education from a tax base which is not growing fast enough. At the same time, despite high tax rates, educators in many districts and especially in the nation's largest city school districts feel unable to maintain the quality of their educational services with available resources, and are being forced to hold the line on cost increases at the expense of educational programs which they consider vital.

The Supreme Court of California added a new dimension to the problems of school financing with its decision in the case of Serrano v.

Priest, delivered on August 30, 1971. By a vote of six to one, the Court held that the system of educational finance in force in California, which relies heavily on local property taxes, could violate the equal protection clause of the 14th Amendment if demonstrated to make the quality of education available to a child a function of the wealth of his parents and their neighbors. This decision, already followed by similar rulings in Minnesota, Texas, and New Jersey, has brought the issue of school finance into national perspective and caused concern in the executive and legislative bodies of the States as well as the federal government.

The controversy sparked by the Serrano decision in California brings to the forefront of national concern a number of related issues which have troubled educators and concerned citizens for many years. Education is widely viewed as the birthright of every American, as a critical element in the creation of the informed and concerned public vital to a democracy, and as the guarantee of the American ideal of equal opportunity and social mobility. It has always received substantial support from all segments of American society. Some, however,

have questioned whether the system has come near to fulfilling the extensive goals assigned to it, and whether, given its current financial underpinnings, it ever can. John E. Coons, William H. Clune III, and Stephen D. Sugarman, in the preface to their book, Private Wealth and Public Education, state:^{1/}

The primary dependence of public education upon the real property tax and the localization of that tax's administration and expenditure have combined to make the public schools into an educator for the educated rich and a keeper for the uneducated poor. There exists no more powerful force for rigidity of social class and the frustration of natural potential than the modern public school system with its systematic discrimination against poor districts.

Even granting the responsibility of the school system to assure "equal educational opportunity", observers have trouble agreeing on what that "equality" involves. All children are not alike, and the investment of "equal" effort in the education of each, whether that effort is measured in terms of equal dollars, or equal programs, or some other standard, may not assure that all will learn equally effectively and become equally skilled. At opposite ends of the spectrum, one can choose to define equal opportunity as the provision of substantially equal resources to all children, resulting

^{1/} Coons, John E., William H. Clune III, and Stephen Sugarman. Private wealth and public education. Cambridge, Mass., 1970: p. xix.

almost surely in different levels of achievement, or the application of different amounts of resources to different children in order to assure equality in the level of achievement of all children by the time they graduate from the public schools. Application of any standard other than strict equality of dollars or services provided to each student necessitates the solving of another difficult educational problem: the definition and measurement of educational need and of the methods which can be successfully used to overcome educational deficiencies. The recognition of differing educational need means establishing some formula to account for the differential costs associated with different pupils. Much of the work of the National Educational Finance Project, which operated under a federal grant authorized in 1967, under the direction of Roe L. Johns,^{2/} was devoted to the development of a system of weights which would reflect the varying costs associated with students at different ages (preschool, elementary level, secondary level, junior college level) and with special categories of students (handicapped, exceptional, etc.).

^{2/} National Educational Finance Project. Volume 1: Dimensions of educational need. Gainesville, Florida, 1969: Foreword.

Lastly, efforts to rationalize the financial structure of the educational system cannot be divorced from efforts to improve other aspects of the system's substructure. The last decade has witnessed much work on the problem of eliminating the effects of racial discrimination in the school system. Recently large school districts such as that of New York City have begun to seek solutions to the problem of huge bureaucracies which come between the people and their schools and frustrate local efforts to influence and improve the functioning of the schools. All these elements affect the quality -- and equality -- of the schools available to the nation's children. Equality of financial resources may not guarantee equality of "educational opportunity" -- but it probably is a prerequisite.

This paper attempts to analyze the financial problems facing the public schools and the various solutions which have been proposed. Two areas which may in some way bear on the problems of school finance have been excluded: proposals for a voucher system of providing public education, and the possible interrelationships of public school financing and private and parochial schools.

CURRENT STATUS OF SCHOOL FINANCE

1. Costs of elementary and secondary education

According to estimates prepared by the Research Division of the National Education Association, the local public elementary and secondary schools of the nation will spend a total of \$39,589,764,000 for current operating expenses in the school year 1971-72 and an additional \$7,214,618,000 will be spent on capital outlays, interest on debt, and the operation of programs other than basic elementary and secondary education. The expenditure for current expenses represents a rise of 7.4% over the previous year and 168.8% over the school year 1961-62. The NEA estimates that over the last ten years the expenditure for public schools has increased at an average rate of 10.5%.^{3/} The following statistics prepared by the NEA from figures supplied by their own research division and by the United States Office of Education show the pattern of sharply increasing school expenditures over the last decade:^{4/}

^{3/} National Education Association. Estimates of school statistics, 1971-72. Washington, 1971: pp. 19-22.

^{4/} Ibid, p. 20.

Current Expenditures for Public Elementary and Secondary Education

School year	Amount (in thousands)	Percent increase	
		Over 1961-62	Over previous year
1961-62+.....	\$14,729,270
1962-63	15,606,328	6.0	6.0
1963-64	17,218,446	16.9	10.3
1964-65	18,548,925	25.9	7.7
1965-66	21,053,280	42.9	13.5
1966-67	22,854,760	55.2	8.6
1967-68	26,877,162	82.5	17.6
1968-69	29,043,410	97.2	8.1
1969-70	32,683,265	121.9	12.5
1970-71	36,852,065	150.2	12.8
1971-72	39,589,764	168.8	7.4

+Includes expenditures for community colleges, adult education, and summer school programs in California.

Part of the increase in school expenditures can be attributed to a rise in school attendance from 34,682,000 in average daily attendance in 1961-62 to 42,626,558 in ADA in 1971-72, an increase of 22.9% over the ten years.^{5/}

Much of the increase, however, can be traced to a 121.7% increase in the ten year period in the expense of educating an individual student. This rise in per pupil costs is reflected in the figures for current expenditure per pupil in average daily attendance:^{6/}

^{5/}
Ibid, p. 10.

^{6/}
Ibid, p. 20.

Annual Expenditure per pupil in average daily attendance

School year	Amount	Percent increase	
		Over 1961-62	Over previous year
1961-62	\$419
1962-63	433	3.3	3.3
1963-64	460	9.8	6.2
1964-65	484	15.5	5.2
1965-66	537	28.2	11.0
1966-67	573	36.8	6.7
1967-68	658	57.0	14.8
1968-69	702	67.5	6.7
1969-70	773	84.5	10.1
1970-71	868	107.2	12.3
1971-72	929	121.7	7.0

The cost of providing elementary and secondary education in the public schools has risen faster in the last decade than the Gross National Product, as a result of which the proportion of the nation's wealth devoted to education has also risen. The rates of growth of educational expenditures and the GNP are summarized in the following table:^{7/}

^{7/}

U.S. President. Economic Report of the President. Washington, 1972: p. 195.
National Education Association. Op. cit.: p. 20.

Rate of growth of educational expenditures, GNP, 1961-71

<u>Educational Expenditures</u>		<u>GNP</u>	
<u>School Year</u>	<u>Percent increase over previous year</u>	<u>Calendar Year</u>	<u>Percent Increase over previous year</u>
1961-62	-	1961	-
1962-63	6.0	1962	7.7
1963-64	10.3	1963	5.4
1964-65	7.7	1964	7.1
1965-66	13.5	1965	8.3
1966-67	8.6	1966	9.5
1967-68	17.6	1967	5.9
1968-69	8.1	1968	8.9
1969-70	12.5	1969	7.5
1970-71	12.8	1970	4.8
1971-72	7.4	1971	7.5

Over the ten-year period educational expenses rose an average of 10.5 percent per year while the GNP averaged a rise of 7.3 percent per year.

2. Distribution of school costs by level of government

The burden of providing the revenue to pay for the public schools has traditionally been split by the local school boards, the States, and the federal government. On a nationwide basis, the local boards provided 52.8% of all school revenues ^{8/} in 1970-71 and are expected to provide 52.0%

^{8/} The term "school revenues" is used throughout to refer to "revenue receipts of local school boards."

in 1971-72, according to NEA estimates. The State governments paid 40.0% in 1970-71 and 40.9% in 1971-72, while the federal government supplied 7.2% and 7.1%, respectively.^{9/} The local and state shares have remained fairly constant over the last decade, with the local share declining gradually from 56.9% in 1961-62 and the State share rising gradually from 38.7%. The federal share of school revenue has never exceeded 9% but has shown significant variations in the last decade due to a major increase in the scope of federal support of public education. The federal share increased from 3.8% in 1964-65 to 7.9% in the following year; the passage of the Elementary and Secondary Education Act was largely responsible for this change. Estimates prepared by the NEA are shown in the following table:^{10/}

^{9/} National Education Association. *Op. cit.*: p. 18.

^{10/} National Education Association. *Estimates of School Statistics, 1962-63 through 1971-72*. Washington, 1962 through 1971.

Sources of School Revenues

<u>School Year</u>	<u>(in thousands)</u>					
	<u>Federal Sources</u>		<u>State Sources</u>		<u>Local & Other Sources-</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
1961-62	639,616	3.7	6,797,469	39.2	9,891,516	57.1
1962-63	681,964	3.6	7,379,522	39.3	10,707,902	57.1
1963-64	756,083	3.7	8,059,438	40.0	11,335,445	56.3
1964-65	834,202	3.8	8,722,937	39.7	12,405,123	56.5
1965-66	1,914,759	7.7	9,734,866	39.2	13,170,207	53.1
1966-67	2,162,892	7.9	10,661,582	39.1	14,431,569	53.0
1967-68	2,472,464	8.0	12,231,954	39.3	16,387,982	52.7
1968-69	2,570,704	7.4	13,866,782	39.9	18,318,520	52.7
1969-70	2,767,045	7.2	15,627,751	40.9	19,797,215	51.8
1970-71	3,128,831	7.2	17,371,452	40.0	22,938,156	52.8
1971-72	3,305,707	7.1	19,062,836	40.9	24,276,080	52.0

According to figures presented by Roe Johns in volume 4 of the National Educational Finance Project (NEFP), the trends visible in the last decade reflect trends operative over a period of at least forty years. During this period the share of local agencies fell from 82.7% of all school revenues in the year 1929-30 to 57.3% twenty years later, in 1949-50, and then decreased more gradually over the next twenty years to 51.8% in 1969-70. Over the same period the state share in school revenues rose from 17% in 1929-30 to 39.8% in 1949-50, after which it remained virtually constant. The federal government contributed only 0.3% of school revenues in 1929-30. Its share has gradually increased in subsequent years, but the pattern has been less regular because of a tendency for its share to jump in years following enactment of major new school aid programs such as the impact aid programs expanded in 1950, the National Defense Education Act of 1958, and the Elementary and Secondary Education Act of 1965.

Johns provides the following table showing these long-term trends: ^{11/}

Trends in Sources of School Revenue Receipts
by Level of Government
(By millions of Current Dollars)

Year	Federal		State		Local		Total	
	Amount	Per-Cent	Amount	Per-Cent	Amount	Per-Cent	Amount	Per-Cent
1929-30	7	0.3	354	17.0	1,728	82.7	2,089	100.0
1939-40	40	1.8	685	30.3	1,536	67.9	2,261	100.0
1949-50	156	2.9	2,166	39.8	3,155	57.3	5,437	100.0
1959-60	649	4.4	5,766	39.1	8,332	56.5	14,747	100.0
1969-70 *	2,545	6.6	15,645	40.7	20,286	52.7	38,476	100.0

Source of Data: U.S. Office of Education except for the year 1969-70 which was estimated by the National Education Association.

While it is clear that on a national basis taxes levied at the local level continue to provide more than half the total revenue receipts available to the local districts from all sources, the pattern of distribution of school revenues among local, State, and federal governments varies substantially from State to State. At one extreme, the State of Hawaii maintains a single school district covering the entire State and supports the non-federal share of school expenditures almost exclusively from State revenue sources. Several other States, notably Delaware and North Carolina, and, in general, the Southern States, fund relatively high proportions of their non-federal school expenses from State sources. In 1970-71 Delaware provided 70.8% of all school revenue receipts from State sources, and North Carolina 66.2%.

^{11/}

National Educational Finance Project. Volume 4: Status and impact of educational finance programs. Gainesville, Florida, 1971: p. 20.

* These figures do not correspond exactly to the figures published by the National Education Association.

At the other extreme, New Hampshire provided 9.9% of school revenues from State sources in 1970-71, leaving 85.3% to be collected by local governments. The distribution of revenue receipts by sources and by State can be seen in the following tables published by the NEA in its Estimates of School Statistics, 1971-72:^{12/}

^{12/} National Education Association. Op. cit., 1971-72. Pp. 34-35.

TABLE 9.--ESTIMATED REVENUE AND NONREVENUE RECEIPTS, 1970-71 (REVISED)

REGION AND STATE	REVENUE RECEIPTS BY SOURCE (IN THOUSANDS)				PERCENT OF REVENUE RECEIPTS BY SOURCE			NONREVENUE RECEIPTS (IN THOUSANDS)	TOTAL RECEIPTS (COLS. 8 AND 9) (IN THOUSANDS)
	FEDERAL	STATE	LOCAL AND OTHER	TOTAL	FEDERAL	STATE	LOCAL AND OTHER		
1	2	3	4	5	6	7	8	9	10
50 STATES AND D.C.	\$3,128,831	\$17,371,452	\$22,938,156	\$43,438,439	7.2	40.0	52.8	\$4,305,410	\$47,743,849
NEW ENGLAND	127,180	675,043	1,880,057	2,682,280	4.7	25.2	70.1	161,859	2,844,139
CONNECTICUT	20,364	202,850	646,094	869,108	2.3	23.3	74.3	2,583	871,691
MAINE	15,200	61,000	115,000	191,200	7.9	31.9	60.1	20,000	211,200
MASSACHUSETTS	65,000	300,000	835,000	1,200,000	5.4	25.0	69.6	100,000	1,300,000
NEW HAMPSHIRE	6,265	12,801	110,819	129,885	4.8	9.9	85.3	11,948	141,833
RHODE ISLAND	12,299	58,612	99,401	170,312	7.2	34.4	58.4	17,375	187,687
VERMONT	8,052	39,980	73,743	121,775	6.6	32.8	60.6	9,953	131,728
MIDWEST	535,191	4,401,704	5,637,595	10,574,490	5.1	41.6	53.3	867,821	11,442,311
DELAWARE	11,120	109,486	34,016	154,622	7.2	70.8	22.0	39,801	194,423
MARYLAND	55,811	338,718	566,084	960,613	5.8	35.3	58.9	133,320	1,093,933
NEW JERSEY	85,000	462,000	1,220,000	1,767,000	4.8	26.1	69.0	140,000	1,907,000
NEW YORK	217,000	2,391,000	2,382,000	4,990,000	4.3	47.9	47.7	475,000	5,465,000
PENNSYLVANIA	138,179	1,100,500	1,280,700	2,519,379	5.5	43.7	50.8	79,700	2,599,079
DIST. OF COLUMBIA	28,081	...	154,795	182,876	15.4	...	84.6	...	182,876
SOUTHEAST	1,063,929	3,839,561	2,454,687	7,358,177	14.5	52.2	33.4	1,224,032	8,582,209
ALABAMA	87,478	279,613	95,000	462,091	18.9	60.5	20.6	10,000	472,091
ARKANSAS	48,068	114,970	97,118	260,156	18.5	44.2	37.3	24,052	284,208
FLORIDA	137,545	693,997	431,016	1,262,558	10.9	55.0	34.1	95,980	1,358,538
GEORGIA	73,341	367,381	231,386	672,108	10.9	54.7	34.4	722,108	1,394,216
KENTUCKY	82,592	265,000	146,299	493,891	16.1	53.7	29.6	47,437	541,328
LOUISIANA	101,967	400,375	210,688	713,030	14.3	56.2	29.5	65,367	778,397
MISSISSIPPI	100,227	169,766	86,412	356,405	28.1	47.6	24.7	13,876	370,281
NORTH CAROLINA ..	128,642	566,253	160,598	855,493	15.0	66.2	18.8	33,182	888,675
SOUTH CAROLINA ..	80,381	256,076	118,141	454,598	17.7	56.3	26.0	16,038	470,636
TENNESSEE	88,856	270,177	248,666	607,699	14.6	44.5	40.9	67,214	674,913
VIRGINIA	98,394	316,834	523,201	938,429	10.5	33.8	55.8	122,881	1,061,310
WEST VIRGINIA	36,438	139,119	106,162	281,719	12.9	49.4	37.7	5,897	287,616
GREAT LAKES	440,257	3,102,096	5,583,863	9,126,216	4.8	34.0	61.2	816,090	9,942,306
ILLINOIS	137,200	966,636	1,677,796	2,781,632	4.9	34.8	60.3	106,880	2,888,512
INDIANA	59,652	371,915	747,718	1,179,285	5.1	31.5	63.4	25,139	1,204,424
MICHIGAN	83,905	908,841	1,205,550	2,198,296	3.8	41.3	54.8	287,750	2,486,046
OHIO	125,490	553,743	1,305,044	1,984,277	6.3	27.9	65.8	269,973	2,254,250
WISCONSIN	34,010	300,961	647,755	982,726	3.5	30.6	65.9	126,348	1,109,074
PLAINS	196,907	1,113,565	2,062,011	3,372,483	5.8	33.0	61.1	283,604	3,656,087
IOWA	21,572	183,812	452,456	657,840	3.3	27.9	68.8	29,053	686,893
KANSAS	31,782	139,719	295,431	466,932	6.8	29.9	63.3	49,071	516,003
MINNESOTA	42,000	442,000	476,000	960,000	4.4	46.0	49.6	125,000	1,085,000
MISSOURI	62,007	251,860	492,711	806,578	7.7	31.2	61.1	54,434	861,012
NEBRASKA	14,100	44,400	176,500	235,000	6.0	18.9	75.1	20,400	255,400
NORTH DAKOTA	11,960	33,650	73,700	119,310	10.0	28.2	61.8	2,230	121,540
SOUTH DAKOTA	13,486	18,124	95,213	126,823	10.6	14.3	75.1	3,416	130,239
SOUTHWEST	322,991	1,562,466	1,411,808	3,297,265	9.8	47.4	42.8	287,687	3,584,952
ARIZONA	35,196	176,394	194,688	406,278	8.7	43.4	47.9	51,683	457,961
NEW MEXICO	38,952	136,959	46,899	222,810	17.5	61.5	21.0	26,004	248,814
OKLAHOMA	44,552	172,113	201,891	418,556	10.6	41.1	48.2	28,000	446,556
TEXAS	204,291	1,077,000	968,330	2,249,621	9.1	47.9	43.0	182,000	2,431,621
ROCKY MOUNTAINS ..	96,018	308,236	628,961	1,113,215	8.6	34.9	56.5	70,406	1,183,621
COLORADO	40,641	151,814	323,943	516,398	7.9	29.4	62.7	55,546	571,944
IDAH0	16,090	53,690	66,771	136,551	11.8	39.3	48.9	441	136,992
MONTANA	12,000	36,000	102,000	150,000	8.0	24.0	68.0	5,000	155,000
UTAH	18,968	119,631	89,275	227,874	8.3	52.5	39.2	8,075	235,949
WYOMING	8,319	27,101	46,972	82,392	10.1	32.9	57.0	1,346	83,738
FAR WEST	307,363	2,011,207	3,258,904	5,577,474	5.5	36.1	58.4	566,922	6,144,396
CALIFORNIA	212,000	1,472,000	2,500,000	4,184,000	5.1	35.2	59.8	400,000	4,584,000
NEVADA	7,457	41,745	62,038	111,240	6.7	37.5	55.8	16,328	127,568
OREGON	28,900	96,000	365,000	489,900	5.9	19.6	74.5	60,000	549,900
WASHINGTON	59,006	401,462	331,866	792,334	7.4	50.7	41.9	90,594	882,928
ALASKA	23,095	93,574	14,270	130,939	17.6	71.5	10.9	26,987	157,926
HAWAII	15,900	184,000	6,000	205,900	7.7	89.4	2.9	0	205,900

* Estimated by NEA Research Division.
See page 24 for footnotes.

TABLE 10.--ESTIMATED REVENUE AND NONREVENUE RECEIPTS, 1971-72

REGION AND STATE	REVENUE RECEIPTS BY SOURCE (IN THOUSANDS)				PERCENT OF REVENUE RECEIPTS BY SOURCE			NONREVENUE RECEIPTS (IN THOUSANDS)	TOTAL RECEIPTS (COLS. 9 AND 10) (IN THOUSANDS)
	FEDERAL	STATE	LOCAL AND OTHER	TOTAL	FEDERAL	STATE	LOCAL AND OTHER		
	1	2	3	4	6	7	8		
50 STATES AND D.C.	\$3,305,707	\$19,062,836	\$24,276,080	\$46,644,623	7.1	40.9	52.0	\$3,482,734	\$50,127,357
NEW ENGLAND	137,324	695,655	2,125,588	2,958,567	4.6	23.5	71.8	164,593	3,123,160
CONNECTICUT	28,004	210,679	673,046	911,729	3.1	23.1	73.8	10,000	921,729
MAINE	14,804	65,139	122,803	202,746	7.3	32.1	60.6	20,000	222,746
MASSACHUSETTS	65,000	300,000	1,020,000	1,385,000	4.7	21.7	73.6	100,000	1,485,000
NEW HAMPSHIRE	7,100	7,534	127,400	142,034	5.0	5.3	89.7	9,500	151,534
RHODE ISLAND	14,216	67,803	100,239	182,258	7.8	37.2	55.0	16,093	198,351
VERMONT	8,200	44,500	82,100	134,800	6.1	33.0	60.9	9,000	143,800
MIDWEST	634,074	5,017,835	6,013,442	11,665,351	5.4	43.0	51.5	769,542	12,434,893
DELAWARE	11,833	116,000	39,200	167,033	7.1	69.4	23.5	36,900	203,933
MARYLAND	83,713	512,964	589,005	1,185,682	7.1	43.3	49.7	32,642	1,218,324
NEW JERSEY	84,000	488,000	1,370,000	1,942,000	4.3	25.1	70.5	120,000	2,062,000
NEW YORK	286,483	2,534,564	2,525,024	5,346,071	5.4	47.4	47.2	475,000	5,821,071
PENNSYLVANIA	137,200	1,366,307	1,301,600	2,805,107	4.9	48.7	46.4	105,000	2,910,107
DIST. OF COLUMBIA	30,845	...	188,613	219,458	14.1	...	85.9	...	219,458
SOUTHEAST	1,030,693	4,082,787	2,651,323	7,764,803	13.3	52.6	34.1	546,242	8,311,045
ALABAMA	88,047	298,772	95,000	481,819	18.3	62.0	19.7	10,000	491,819
ARKANSAS	48,103	128,243	102,000	278,343	17.3	46.1	36.6	24,060	302,403
FLORIDA	126,915	708,663	469,829	1,305,407	9.7	54.3	36.0	75,000	1,380,407
GEORGIA	78,882	383,337	265,839	728,058	10.8	52.7	36.5	50,000	778,058
KENTUCKY	85,000	276,359	155,000	516,359	16.5	53.5	30.0	50,000	566,359
LOUISIANA	92,000	421,000	225,000	738,000	12.5	57.0	30.5	80,000	818,000
MISSISSIPPI	96,000	184,218	89,346	369,564	26.0	49.8	24.2	15,000	384,564
NORTH CAROLINA	103,398	607,973	173,000	884,371	11.7	68.7	19.6	33,182	917,553
SOUTH CAROLINA	80,381	280,000	127,375	487,756	16.5	57.4	26.1	18,000	505,756
TENNESSEE	84,500	289,477	263,649	637,626	13.3	45.4	41.3	50,000	687,626
VIRGINIA	110,500	356,000	573,000	1,039,500	10.6	34.2	55.1	135,000	1,174,500
WEST VIRGINIA	36,970	148,745	112,285	298,000	12.4	49.9	37.7	6,000	304,000
GREAT LAKES	465,986	3,518,155	5,767,182	9,751,323	4.8	36.1	59.1	792,385	10,543,708
ILLINOIS	143,200	1,059,765	1,714,469	2,917,434	4.9	36.3	58.8	110,385	3,027,819
INDIANA	63,000	382,000	720,000	1,165,000	5.4	32.8	61.8	28,000	1,193,000
MICHIGAN	90,000	1,065,428	1,237,900	2,393,328	3.8	44.5	51.7	329,000	2,722,328
OHIO	135,000	660,000	1,370,000	2,165,000	6.2	30.5	63.3	270,000	2,435,000
WISCONSIN	34,786	350,962	724,813	1,110,561	3.1	31.6	65.3	55,000	1,165,561
PLAINS	198,171	1,291,148	2,140,644	3,629,963	5.5	35.6	59.0	277,500	3,907,463
IOWA	18,800	180,000	552,000	750,800	2.5	24.0	73.5	30,000	780,800
KANSAS	33,371	146,705	310,203	490,279	6.8	29.9	63.3	51,000	541,279
MINNESOTA	45,000	550,000	415,000	1,010,000	4.5	54.5	41.1	125,000	1,135,000
MISSOURI	60,000	317,000	504,781	881,781	6.8	35.9	57.2	50,000	931,781
NEBRASKA	15,500	42,000	184,750	242,250	6.4	17.3	76.3	15,500	257,750
NORTH DAKOTA	12,000	34,600	73,700	120,300	10.0	28.8	61.3	2,500	122,800
SOUTH DAKOTA	13,500	20,843	100,210	134,553	10.0	15.5	74.5	3,500	138,053
SOUTHWEST	330,266	1,648,745	1,487,056	3,466,067	9.5	47.6	42.9	263,294	3,729,361
ARIZONA	35,196	181,002	204,422	420,620	8.4	43.0	48.6	30,936	451,556
NEW MEXICO	43,486	146,079	44,954	234,519	18.5	62.3	19.2	4,412	238,931
OKLAHOMA	48,200	168,481	197,630	414,311	11.6	40.7	47.7	28,000	442,311
TEXAS	203,384	1,153,183	1,040,050	2,396,617	8.5	48.1	43.4	199,946	2,596,563
ROCKY MOUNTAINS	104,970	410,338	680,736	1,196,044	8.8	34.3	56.9	72,191	1,268,235
COLORADO	48,274	160,221	358,000	566,495	8.5	28.3	63.2	60,000	626,495
IDAHO	17,932	58,239	70,266	146,437	12.2	39.8	48.0	500	146,937
MONTANA	13,538	38,169	108,146	159,853	8.5	23.9	67.7	5,000	164,853
UTAH	19,000	128,579	94,063	241,642	7.9	53.2	38.9	4,691	246,333
WYOMING	6,226	25,130	50,261	81,617	7.6	30.8	61.6	2,000	83,617
FAR WEST	361,856	2,106,220	3,387,642	5,855,718	6.2	36.0	57.9	570,000	6,425,718
CALIFORNIA	267,118	1,522,835	2,586,338	4,376,291	6.1	34.8	59.1	400,000	4,776,291
NEVADA	7,500	53,000	65,700	126,200	5.9	42.0	52.1	20,000	146,200
OREGON	23,079	102,385	389,274	514,738	4.5	19.9	75.6	60,000	574,738
WASHINGTON	64,159	428,000	346,330	838,489	7.7	51.0	41.3	90,000	928,489
ALASKA	23,880	97,186	16,148	137,214	17.4	70.8	11.8	26,987	164,201
HAWAII	18,487	194,767	6,319	219,573	8.4	88.7	2.9	0	219,573

* Estimates by NEA Research Division.
See page 24 for footnotes.

TOTAL
RECEIPTS COLLS.
AND 91 (IN
THOUSANDS)

10
150,127,357
3,123,160
921,729
222,746
1,489,000
151,534
198,351
143,800
12,434,893
203,933
1,218,324
2,062,000
5,821,071
2,910,107
219,458
8,311,045
491,819
302,403
1,380,407
778,058
566,359
818,000
384,564
917,553
505,756
687,626
1,174,500
304,000
10,543,708
3,077,819
1,100
2,722,328
2,435,000
1,165,561
3,907,463
780,800
541,279
1,135,000
931,781
257,750
122,800
138,053
3,729,361
451,556
238,931
442,311
2,596,563
1,268,235
626,495
146,937
164,853
246,333
83,617
6,425,718
4,776,291
146,200
574,738
928,489
164,201
219,573

3. Taxation for educational purposes

The sharing of the burden of raising funds to support the public educational system among the three levels of government, coupled with the fact that each level of government has access to a different complex of tax resources, means that the public schools draw their funds from a wide variety of different taxes.

The most important single tax resource available to the schools is the locally-administered real property tax. As mentioned above, the local school districts provide over half of the total revenues available to the schools. These local districts rely almost exclusively on the local property tax as the source of their revenues: Independent local school boards are usually legally confined to the property tax as a source of income; dependent boards are financed by other units of local governments, which rely heavily but not exclusively on the property tax. Local governments in general received about \$30 billion, or 86% of their total tax revenues, from the local property tax, while independent school districts received 99% of their tax revenues from the property tax.^{13/} The school districts have increased their share of the total property tax receipts of local governments from about one-third in 1942 to over one-half now.^{14/}

Currently, twenty-one states and the District of Columbia provide for some use of local non-property taxes in the support of public schools

^{13/} National Educational Finance Project: Volume 2. Economic factors affecting the financing of education. Gainesville, Florida, 1970: p. 294.

^{14/} Ibid, p. 259.

in at least one district within the state.^{15/} School districts dependent on the local government, typical of many of the largest cities and of some New England states, may receive local non-property taxes if the local government is authorized to levy such taxes; independent school districts are less likely to have access to non-property tax resources. For historical reasons, Pennsylvania relies most heavily on local non-property taxes for school revenues, with 15-20% of school funds coming from local non-property tax sources in recent years. In Alaska the percentage of local, non-property tax revenues is less than half that in Pennsylvania, and the statewide percentage is negligible in most other states.^{16/} Maryland allows its counties, which administer the schools, to levy an income tax. There is some evidence that use of local non-property taxes in support of the schools has increased in recent years, although a special study included in the National Educational Finance Project concludes that school districts still receive 97-98% of their tax revenues from the property tax in the nation as a whole.^{17/} Mark Shedd, formerly Superintendent of Schools in the city of Philadelphia, remarked in testimony before the Senate Select Committee on Equal Educational Opportunity that the local schools have indeed turned to nonproperty taxes in recent years in their search to bolster flagging revenues, but that this is essentially a stop-gap measure which cannot solve their financial dilemma.^{18/}

^{15/}

National Educational Finance Project, Volume 4: pp. 210-211.

^{16/}

Johns, Roe L., and Edgar L. Morphet. The economics and financing of education. Englewood Cliffs, New Jersey, 1969: p. 210.

^{17/}

National Educational Finance Project, Volume 4, pp. 220-221.

^{18/}

U.S. Congress, Senate Select Committee on Equal Educational Opportunity. Equal educational opportunity. Part 16: Inequality in school finance. Hearings. 92nd Congress, 1st session. Washington, U.S. Gov't Print. Off., 1971. Hearings held September 21-23, 28-30, October 5, 1971: p. 6615.

While the local school districts rely heavily on the local property tax base to provide their share of school revenues, the states typically rely on their general revenue sources to finance their share of the school costs, and over half of their general revenues in FY 1970 was derived from state sales and income taxes. The federal government finances its share of the school costs from its general revenues, the most important source of which is the federal personal income tax.

This pattern of differing revenue sources associated with the different levels of government has important implications for the overall evaluation of the financial underpinnings of the educational system. While there has long been a widespread belief that the actual operation of the schools and the making of basic educational policy should remain a local responsibility, there has arisen recently a great deal of discussion as to the best means of assuring such local control of the schools. Traditionally local control and local accountability have been based on a high level of financial responsibility on the part of the local school board. In practice this has meant maintenance of substantial reliance on the property tax since this is the only major tax source available to local school boards.

The property tax has come under increasing criticism lately, however, both in general and specifically as the fiscal backing for education. Its critics maintain that it is a regressive tax which causes the greatest burden on the people least able to pay, in particular the poor and elderly. It bears noting, however, that Wisconsin enacted a statewide program of property tax relief for the elderly in 1963, which should reduce the regressivity of property taxation. Similar legislation has been enacted in at

least ten other states and numerous localities. John Shannon, Assistant Director of the Advisory Commission on Intergovernmental Relations, estimated that the nationwide cost of a program similar to the Wisconsin plan would be about \$300 million.^{19/} The property tax has been further criticized as an inflexible tax whose revenues do not rise as fast as those of other, more elastic taxes. However, in the decade 1961-1971, personal consumption expenditures for housing (including imputed rental values for owner-occupied housing) rose at a greater rate than expenditures for non-durable goods.^{20/} To whatever extent the property tax is relatively inelastic, or that assessments fail to keep pace with rising real values, it could be less able to support the rising costs of education and tend to require rate increases more frequently than sales or income taxes.^{21/} The property tax has serious effects on housing and land-use patterns and causes distortions in the growth patterns within states and metropolitan areas by inducing localities to compete with one another for industry and desirable residents by manipulating their tax structures.^{22/} It depends on assessment of property valuations which are difficult to keep current and which may in some places be made by individuals who have no special training and who may be subject to intense pressure from special interests: the locally-administered property tax is often accused of inequity in the sense

^{19/} National Tax Journal. Vol. XXIV, No. 3, September, 1971: pp. 383-387.

^{20/} U.S. President, Op. cit.: p. 207.

^{21/} U. S. Congress. Senate. Op. cit.: p. 6628.

^{22/} Urban Land. Vol. 30, no. 11, December 1971.

of treating equals, i.e. similar property holdings, unequally by assigning different valuations in different jurisdictions or even within a single jurisdiction. The relationship of property wealth to desirable characteristics of an educational support system has been questioned by many observers. The NEFP concludes that property wealth is "not closely correlated with either income or net wealth." As a result it is a poor measure of ability to pay taxes. It may also be a poor measure of the personal benefits accrued from education, which are most easily measured in the form of increased personal income,^{23/} but it should be noted that taxes are not always based on actual or potential personal benefits. The federal income tax, for example, provides deductions for children who may, nonetheless, stand to benefit most from federal services. To the extent that business enterprises are able to pass on the costs of local property taxes in the form of higher prices, the inclusion of business property in the tax base means that the costs of a district's educational services are being borne in part by residents of other districts.^{24/} In any case the linking of school resources to the geographic distribution of industrial property is open to question on logical grounds. The problem of geographic distribution of industry is of course not limited to local taxes since the location of industry across the states seriously affects state income, and also sales, tax sources. Considerations such as these have led many observers to call for an end to the reliance on property taxes by the schools. Given the current availability of tax resources to the different levels of government, however, this usually means a continuation or acceleration of the current

^{23/}

National Educational Finance Project. Volume 5: Alternative programs for financing education. Gainesville, Florida, 1971: pp. 61-62.

^{24/}

Roe L. Johns and Edgar L. Morphet. Op. Cit.: pp. 156-157.

trend of shifting the burden of supporting the public schools away from the local districts and onto the state and federal governments. While it is not necessarily true that control will follow money, the increasing use of federal and state revenues by local school boards inevitably raises questions about the extent to which the higher levels of government should intervene in determining the use of these revenues.

Other tax considerations have also been adduced to support a shift in the responsibility for providing money for the schools. One such argument cites the unique position of education among the major responsibilities of government in its dependence on annual local referenda for its appropriations. Independent school districts are typically required to submit certain budget and tax rate questions to the voters of the district annually or nearly annually. These special education elections, associated with the highly visible and frequently disliked property tax, seem to present a particularly vulnerable target for voters frustrated at the constant rise in their overall tax burden. The result may be the defeat of educational expenditure issues by voters who do not feel able to control other governmental expenditures, even though they might prefer to spend their tax money on education rather than those other services. One justification for a shift to state funding, then, is to remove education from this special scrutiny and to put it on the same footing as other governmental services, in the hopes of assuring a more reliable source of money.

Another series of arguments in favor of shifting the burden of school taxation stems from an analysis of the relative progressivity of the taxes used by the different governments. As pointed out earlier, the property

tax is generally viewed as regressive. State taxation, with its heavy reliance on sales taxes, has also been criticized as regressive. However, states have increasingly been turning to income taxes to supplement their revenues.^{25/} There seems to be general agreement that the income tax is indeed a progressive tax. The federal tax structure, which relies heavily on corporate and personal income taxes, is usually held to be more progressive than either local or state systems, despite the fact that the second major federal revenue source, payroll taxes, is generally considered regressive.

Using the federal personal income tax as a standard, the National Educational Finance Project attempted to develop a measure of the progressivity of the sources of funds used to finance education in the various states.^{26/} Although most states rely primarily on only two taxes, the income and sales taxes, the progressivity of their overall tax structures varies substantially because of the varying mixes of these and other taxes in different states. Giving the federal personal income tax a value of 50, the NEFP assigned the following values to the progressivity of the general tax structures of the states:^{27/}

^{25/}

Maxwell, James A. Financing state and local governments. Washington, 1969: pp. 96-100.

Pechman, Joseph A. The rich, the poor, and the taxes they pay. Washington, 1969: pp. 31-32.

Tax Foundation, Inc. State and local taxes, New York, 1970: pp. 28-36.

^{26/}

National Educational Finance Project. Vol. 5: pp. 251-263.

^{27/}

Ibid: p. 260.

THE RELATIVE PROGRESSIVITY OF STATE TAX REVENUES, 1968-69

State	Progressivity Value	State	Progressivity Value
Alabama	18.5	Montana	22.8
Alaska	23.6	Nebraska	17.5
Arizona	18.0	Nevada	14.8
Arkansas	18.5	New Hampshire	17.9
California	22.5	New Jersey	18.7
Colorado	22.4	New Mexico	16.7
Connecticut	20.8	New York	25.7
Delaware	25.3	North Carolina	22.4
Florida	15.3	North Dakota	18.3
Georgia	20.2	Ohio	15.2
Hawaii	21.9	Oklahoma	18.9
Idaho	21.4	Oregon	26.7
Illinois	15.8	Pennsylvania	18.9
Indiana	20.0	Rhode Island	18.4
Iowa	20.0	South Carolina	20.3
Kansas	20.2	South Dakota	15.6
Kentucky	20.5	Tennessee	17.6
Louisiana	16.9	Texas	15.2
Maine	16.0	Utah	21.1
Maryland	23.4	Vermont	23.7
Massachusetts	25.4	Virginia	22.8
Michigan	18.5	Washington	15.7
Minnesota	23.9	West Virginia	17.4
Mississippi	16.8	Wisconsin	26.0
Missouri	19.5	Wyoming	15.9

When the taxes from state and local sources used to support the public schools are considered, the relative progressivity is lower in every state except Hawaii. This finding lends support to the conclusion that any shifting of taxation to the State level contributes to an overall rise in the progressivity of the school support system.^{28/}

THE RELATIVE PROGRESSIVITY OF STATE AND LOCAL TAX REVENUES
FOR THE PUBLIC SCHOOLS, 1968-69

State	Progressivity Value (State and Local School Revenues only) (a)	State	Progressivity Value (State and Local School Revenues only) (a)
Alabama	17.4	Montana	16.3
Alaska	21.1	Nebraska	14.8
Arizona	16.4	Nevada	14.2
Arkansas	16.3	New Hampshire	14.4
California	17.4	New Jersey	14.9
Colorado	16.1	New Mexico	16.2
Connecticut	16.9	New York	20.0
Delaware	22.7	North Carolina	20.4
Florida	14.9	North Dakota	15.4
Georgia	18.0	Ohio	14.3
Hawaii	21.9	Oklahoma	15.5
Idaho	17.4	Oregon	16.9
Illinois	16.1	Pennsylvania	16.2
Indiana	15.9	Rhode Island	15.5
Iowa	16.7	South Carolina	17.9
Kansas	16.0	South Dakota	14.2
Kentucky	17.7	Tennessee	15.9
Louisiana	15.8	Texas	14.7
Maine	14.7	Utah	18.9
Maryland	17.6	Vermont	17.7
Massachusetts	16.0	Virginia	18.4
Michigan	16.0	Washington	15.1
Minnesota	18.8	West Virginia	16.1
Mississippi	15.9	Wisconsin	16.9
Missouri	16.1	Wyoming	14.7

(a) Based on a unit value of 50.0 for the federal personal income tax

Lastly, the philosophy underlying the current distribution of school support responsibilities has received increasing attention. Governmental interest in the provision of educational services is based on several considerations. First, it is held that the existence of a well-informed,

concerned citizenry is vital to a democracy, and that such a citizenry can only be assured through an adequate educational system. Secondly, well-educated citizens also serve as the basis for economic growth, which is itself the foundation of increasing national wealth. Thirdly, the social benefits which accrue from education cannot be isolated in one district, or even one state, in a nation as mobile as the United States, and therefore the state and national governments have an interest in and a responsibility for assuring that the costs and benefits of these educational spillovers are evenly distributed. In particular, since the resources available to pay for education, the needs for educational services, and the potential rewards to be reaped from a good educational system are unevenly distributed across districts within a state and among the states, it can be argued that the state and federal governments have the responsibility of equalizing the resources and assuring the fair distribution of services according to need and social benefits to be derived. Lastly, the belief seems to be emerging that education is a fundamental right of every citizen which must be guaranteed by the appropriate government.

In light of these national interests in the provision of public education there arise questions about the general assumption that local control of the schools should be maintained. Such questions apply to both financial and administrative control. At the present time, state constitutions typically assign the responsibility for the maintenance of a system of

public schools to the state, but existing legislation leaves the ultimate decisions regarding the level of financial support for the schools to the local school boards. The California state constitution, for example, requires that the "Legislature shall provide for a system of common schools by which a free school shall be kept up and supported in each district at least six months in every year..." ^{29/} The New Jersey Constitution was rewritten in 1871 to include the requirement that "the Legislature shall provide for the maintenance and support of a thorough and efficient system of free public schools." ^{30/} Nonetheless, the final say in the amount and quality of school services provided has been left to the individual districts because they determine total school spending by setting the local property tax rate, and thereby the amount of local funds available to supplement the funds from state aid and the federal government, which are allocated by legislatively-determined formulae and which together are rarely sufficient.

Advocates of reform argue that, if education is truly a state responsibility, then this pattern should be reversed, and the state should assume the task of supplementing the funds available from some fair local contribution and from federal sources in order to assure that each district has the resources to provide a quality education to every child. Opponents of change maintain that local financial responsibility is a vital element in the long-standing tradition of local control of the schools.

^{29/} California Constitution. Article 9, Section 5.

^{30/} New Jersey Constitution. Article 8, Section 4.

4. School expenditures and financial resources

Although there has been considerable discussion of the sources and significance of the variations in the availability and use of resources for the support of the schools in the various states, school districts, and individual schools of the nation, there is no question that substantial variations exist at virtually every level and with respect to almost every measure of financial ability, effort, and expenditure. Such variations have persisted despite efforts by the governmental authorities at all levels to carry out programs designed in theory to equalize the financial resources behind each student in order to further the goal of equal educational opportunity.

a. Inequalities among districts

The differences which appear when the individual districts of each state except Hawaii are compared among themselves are quite dramatic over a wide range of indicators. According to figures cited by the Court in Serrano v. Priest, "the assessed valuation of property per unit of average daily attendance of elementary school children ranged from a low of \$103 to a peak of \$952,156 [in the state of California] -- a ratio of nearly 1 to 10,000."^{31/} In a study prepared for the National Educational Finance

31/

California. Supreme Court. John Serrano, jr., et al. v. Ivy Baker Priest, as Treasurer, etc., et al. [Sacramento, 1971] p. 8.

Project, William Briley reports on the financial situation of selected districts drawn from all the states except Hawaii. He limited the sample to comprehensive school districts with at least 1,500 pupils in average daily attendance, which has the effect of eliminating the extremes presented by certain small, wealthy districts. He drew a sample of seventeen districts from each state, including the two largest districts in ADA and fifteen additional districts chosen on an equal internal basis from a list of the remaining districts, ranked by "financial ability" as defined by the state for purposes of school aid distribution. His figures show the following discrepancies in financial ability per pupil in ADA within the various states:32/

32/

Briley, William P. An analysis of the variation between revenue receipts and financial ability for selected school districts within the 48 contiguous states and Alaska. Gainesville, Florida, 1970. Data summarized in: U.S. Congress. Senate. Equal educational opportunity. Part 16: pp. 7471-72.

Financial Ability per pupil (17 districts in State over 1,500 ADA 1968-69) ^{1/}

	High	Low	Ability ratio ^{2/}	Total per pupil revenue ratio ^{3/}	Percent local revenue of total per pupil
Alabama	\$9.99	\$2.64	3.79	1.60	20
Alaska	43,270.36	17,215.94	2.51	1.96	39
Arizona	36,054.43	4,867.59	7.41	1.38	32
Arkansas	8,088.57	736.89	10.98	1.68	45
California	47,260.00	1,989.35	23.76	1.95	58
Colorado	171.40	68.50	2.50	1.84	61
Connecticut	65,295.51	11,483.64	5.69	1.98	73
Delaware	39,250.48	6,143.79	6.39	2.26	26
District of Columbia					
Florida	95.16	29.89	3.18	1.50	31
Georgia	47,564.45	10,244.06	4.65	1.69	28
Hawaii					
Idaho	175.43	65.05	2.70	1.67	48
Illinois	1,091.08	54.37	20.06	2.10	67
Indiana	51,718.06	3,012.66	17.17	3.84	64
Iowa	103,570.27	14,647.45	7.07	1.80	61
Kansas	255.58	68.23	3.75	2.01	64
Kentucky	56,042.00	6,514.00	8.60	1.47	31
Louisiana	451.15	8.55	52.70	2.46	39
Maine	45,908.00	4,115.00	11.16	2.41	68
Maryland	31,249.00	11,361.93	2.74	1.50	56
Massachusetts	80,452.00	7,772.00	10.35	2.20	79
Michigan	62,649.14	2,085.30	30.04	2.27	42
Minnesota	304.65	41.17	7.40	1.51	55
Mississippi	81.71	14.05	5.81	1.63	22
Missouri	447.06	17.79	25.12	3.90	62
Montana	9,268.26	3,015.20	3.07	2.13	68
Nebraska	17,754.10	3,424.20	5.18	1.24	76
Nevada	269.23	92.81	2.72	1.31	54
New Hampshire	91,678.99	20,409.42	4.49	1.85	88
New Jersey	119,421.88	11,387.37	10.49	1.66	82
New Mexico	25,264.02	1,771.24	14.26	1.62	14

	High	Low	Ability ratio <u>4/</u>	Total per pupil revenue ratio <u>5/</u>	Percent local revenue of total per pupil
New York	\$50,726.24	\$4,809.99	10.55	1.62	45
North Carolina	40,099.18	13,639.97	3.60	1.54	21
North Dakota	25,951.00	5,538.00	2.15	1.80	64
Ohio	44,468.79	4,165.16	10.68	2.11	64
Oklahoma	8,062.33	1,824.34	4.42	1.38	61
Oregon	495.14	180.24	2.75	1.40	73
Pennsylvania	50,044.81	4,696.50	10.65	1.78	53
Rhode Island	<u>5/</u>	<u>5/</u>	2.40	1.94	62
South Carolina	5,300.70	575.28	9.21	1.54	26
South Dakota	292.49	22.69	12.89	1.75	69
Tennessee	34.00	9.10	3.74	1.71	35
Texas	442.02	5.22	84.52	2.65	52
Utah	25,302.93	2,952.50	8.55	1.82	37
Vermont	<u>6/</u>	<u>6/</u>	2.81	2.39	72
Virginia	69,537.00	10,245.00	6.79	2.31	54
Washington	19,512.71	1,659.02	11.76	1.37	38
West Virginia	27,048.55	7,453.38	3.63	1.73	34
Wisconsin	61,561.23	17,196.30	3.58	1.55	72
Wyoming	313.11	86.35	3.63	1.63	65

1

National educational finance project, Gainesville, Fla.

2

Financial ability ratio represents the quotient between the most able and least able districts within the State; for example, the district of greatest wealth in Alabama has 3.79 times the wealth of the poorest district.

3

The ratio of total revenue per pupil received by the district with the highest amount when compared with the district which received the least amount.

4

Rhode Island local financial ability index based on State aid.

5

Vermont local financial ability based on ratio of district wealth per pupil and State wealth per pupil.

Although property value per pupil in ADA is the standard measure of local district financial ability, substantial variations appear when other measures of financial capacity are used. Richard Rossmiller and his associates, in their special study of fiscal capacity of school districts made for the NEFP, ^{33/} concluded from data for selected school districts in eight selected States that the financial ability and the sources of revenue of school districts varied to a significant extent according to the districts' levels of consumption and income, measured by such indices as retail sales and effective buying power. ^{34/} According to figures published by the NEFP, the adjusted gross income per pupil for elementary school districts ranged from a low of \$1177 to a high of \$1,255,087 in the State of California. ^{35/}

33/

National Educational Finance Project. Vol. 3: Planning to finance education. Gainesville, Florida, 1971: pp. 361-401.

34/

Ibid., p. 396.

35/

National Educational Finance Project. Personal income by school district. Gainesville, Florida, 1971: pp. 21-40.

School districts also vary substantially in terms of their tax effort, which is usually defined as the millage levied on the local property base. The decision of the Court in the case of Rodriguez v. San Antonio Independent School District in Texas cited the following example: ^{36/}

A survey of 110 school districts throughout Texas demonstrated that while the ten districts with a market value of taxable property per pupil above \$100,000 enjoyed an equalized tax rate per \$100 of only thirty-one cents, the poorest four districts, with less than \$10,000 in property per pupil, were burdened with a rate of seventy cents.

This pattern of poorer districts taxing themselves at substantially higher rates than richer districts appears to be fairly common; so is the result, also noted by the Texas court: the poorer districts taxing themselves at the higher rates still achieve much lower revenues than the low-taxing richer districts. In the Texas example the poor districts received only \$60 per pupil while the rich districts' lower levy yielded \$585 per pupil. ^{37/}

^{36/}

U.S. District Court. Texas (Western District). Demetrio P. Rodriguez, et al. v. San Antonio Independent School District, et al. [San Antonio, 1971] p. 2.

^{37/}

Ibid: pp. 2-3.

The local districts receive revenue from State and Federal sources as well as from the local property tax, but when the total revenue receipts of the various districts are reviewed, discrepancies between districts remain in most States. William Briley reports in his study of the financial situation of selected districts having over 1,500 pupils in average daily attendance that the ratio of total revenue available in the richest and poorest districts within each State ranges from 1.24 in Nebraska to 3.90 in Missouri. The following table is reproduced from Volume 4 of the NEFP. It shows Briley's figures for 49 States, comparing the richest and poorest districts in each State for each of the following categories: ability ratio, calculated according to each State's definition of district financial ability; total revenue per pupil ratio, and correlations between various sources of revenue and local financial ability: 38/

38/

National Educational Finance Project. Vol. 4: pp. 57-8.

TABLE 3-1

ANALYSIS OF FINANCIAL ABILITY* AND REVENUE RECEIPTS* FOR
SELECTED SCHOOL DISTRICTS WITHIN EACH STATE

State	Financial Ability Ratio ^c	Correlations Between Sources of Revenue Total Per Pupil and Local Financial Ability ^d				
		Per Pupil Ratio ^a	Local Revenue	Basic State Revenue	State Categorical Revenue ^e	Federal Revenue
Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7
Alabama	3.79	1.60	0.31	-0.07	-0.23	-0.20
Alaska	2.51	1.96	0.15	0.03	-0.42	-0.58
Arizona	7.41	1.38	0.51*	-0.67**	0.01	-0.14
Arkansas	10.98	1.68	0.94**	-0.47	0.55*	-0.52*
California	23.76	1.95	0.94**	-0.72**	-0.23	-0.38
Colorado	2.50	1.84	0.69**	-0.96**	0.62**	-0.18
Connecticut	5.69	1.98	0.64**	-0.50*	0.35	-0.01
Delaware	6.39	2.26	0.84**	0.40	0.09	-0.23
Florida	3.18	1.50	0.89**	-0.74**	-0.32	-0.43
Georgia	4.65	1.69	0.79**	-0.83**	-0.55*	-0.13
Idaho	2.70	1.67	0.89**	-0.70**	-0.04	-0.39
Illinois	20.06	2.10	0.62**	-0.87**	0.14	-0.29
Indiana	17.17	3.84	0.95**	-0.92**	0.50*	0.48*
Iowa	7.07	1.80	0.89**	-0.36	-0.32	-0.18
Kansas	3.75	2.01	0.80**	-0.32	0.07	-0.50*
Kentucky	8.60	1.47	0.89**	-0.78**	0.07	-0.74**
Louisiana	52.70	2.46	0.94**	-0.90**	-0.12	-0.30
Maine	11.16	2.41	0.70**	-0.52*	-0.07	-0.56*
Maryland	2.74	1.50	0.92**	-0.83**	-0.21	-0.51*
Massachusetts	10.35	2.20	0.87**	-0.42	0.59*	-0.25
Michigan	30.04	2.27	0.85**	-0.94**	0.17	0.13
Minnesota	7.40	1.51	0.84**	-0.97**	-0.34	0.21
Mississippi	5.81	1.63	0.45	-0.54*	0.88**	-0.25
Missouri	25.12	3.90	0.98**	-0.51*	-0.19	-0.45*
Montana	3.07	2.13	0.74**	-0.66**	0.14	-0.23
Nebraska	5.18	1.24	0.67**	-0.22	0.27	-0.50*
Nevada	2.72	1.31	0.96**	-0.91**	-0.18	-0.66**
New Hampshire	4.49	1.85	0.37	-0.51*	-0.34	0.21
New Jersey	10.49	1.66	0.19	-0.45	-0.37	-0.21
New Mexico	14.26	1.62	0.65**	0.22	0.12	0.04
New York	10.55	1.62	0.86**	-0.93**	-0.36	-0.09
North Carolina	3.60	1.54	0.47	-0.41	-0.48	-0.74**
North Dakota	2.15	1.80	0.64**	0.27	0.50*	-0.12
Ohio	10.68	2.11	0.95**	-0.72**	-0.34	-0.04
Oklahoma	4.42	1.38	0.94**	-0.83**	-0.10	-0.46
Oregon	2.75	1.40	0.26	-0.74**	0.02	0.63**
Pennsylvania	10.65	1.78	0.95**	-0.87**	-0.65**	0.22
Rhode Island	2.40	1.94	0.58*	-0.74**	0.12	-0.56*
South Carolina	9.21	1.54	0.90**	-0.34	0.50*	-0.12
South Dakota	12.89	1.75	0.83**	-0.83**	0.35	-0.68**
Tennessee	3.74	1.71	0.61**	-0.69**	-0.13	-0.29
Texas	84.52	2.65	0.97**	-0.79**	-0.09	-0.46
Utah	8.55	1.82	0.98**	-0.90**	-0.15	0.81**
Vermont	2.81	2.39	0.50*	-0.72**	0.41	0.56*
Virginia	6.79	2.31	0.91**	-0.75**	0.17	-0.16
Washington	11.76	1.37	0.53*	-0.75**	0.36	-0.20
West Virginia	3.63	1.73	0.90**	-0.75**	0.14	-0.52*
Wisconsin	3.58	1.55	0.90**	-0.82**	0.43	-0.38
Wyoming	3.63	1.63	0.95**	-0.88**	0.20	-0.54*

*The financial ability measures employed were those mandated by each state for local district participation in the basic state program.

^aRevenues were considered in terms of local, basic state, state categorical and federal.

^cFinancial ability ratio represents the quotient between the most able and least able districts within the state.

^dThe ratio of total revenue per pupil received by the district with the highest amount when compared with the district which received the least amount.

^eSimple correlation coefficients between each revenue category and local financial ability.

*Significant at the 0.05 level.

**Significant at the 0.01 level.

Lastly, one can see important discrepancies within virtually every State in the amount of money which is actually spent per pupil by the various districts. In their prepared statement presented to the Senate Select Committee on Equal Educational Opportunity on September 22, 1971, Joel S. Berke of the Syracuse Research Corporation and James A. Kelly of the Ford Foundation cited figures showing the expenditure per pupil of the highest and lowest spending districts in each State. Aside from Hawaii and the District of Columbia, each of which contains a single school district, the lowest ratio between the highest and lowest spending districts was 1.370, registered by North Carolina. At the other extreme, Oklahoma had a ratio of 7.503, Missouri 7.977, Texas 20.205, and Wyoming 23.553. The actual expenditures in Texas ranged from a low of \$264 to a high of \$5,334; in Wyoming from \$618 to \$14,554. Berke's figures follow:^{39/}

^{39/}

U.S. Congress. Senate. Op. cit.: p. 6656.

Intrastate disparities in per pupil expenditures, 1969-70

	High	Low	Index between high/low
Alabama	\$581	\$344	1.689
Alaska (Revenue/pupils)	1,810	480	3.771
Arizona	2,223	436	5.099
Arkansas	664	343	1.936
California	2,414	569	4.243
Colorado	2,801	444	6.309
Connecticut	1,311	499	2.627
Delaware	1,081	633	1.708
District of Columbia			
Florida	1,036	593	1.747
Georgia	736	365	2.016
Hawaii			
Idaho	1,763	474	3.719
Illinois	2,295	391	5.870
Indiana	965	447	2.159
Iowa	1,167	592	1.971
Kansas	1,831	454	4.033
Kentucky	885	358	2.472
Louisiana	892	499	1.788
Maine	1,555	229	6.790
Maryland	1,037	635	1.633
Massachusetts	1,281	515	2.487
Michigan	1,364	491	2.778
Minnesota	903	370	2.441
Mississippi	825	283	2.915
Missouri	1,699	213	7.977
Montana (Average of groups)	1,716	539	3.184
Nebraska (Average of groups)	1,175	623	1.886
Nevada	1,679	746	2.251

	High	Low	Index between high/low
New Hampshire	1,191	311	3.830
New Jersey (1968-69)	1,485	400	3.713
New Mexico	1,183	477	2.480
New York	1,889	669	2.824
North Carolina	733	467	1.370
North Dakota (County averages)	1,623	686	2.336
Ohio	1,685	413	4.041
Oklahoma	2,566	342	7.503
Oregon	1,432	399	3.489
Pennsylvania	1,401	484	2.895
Rhode Island	1,206	531	2.271
South Carolina	610	397	1.537
South Dakota	1,741	350	4.974
Tennessee	700	315	2.432
Texas	5,334	264	20.205
Utah	1,515	533	2.842
Vermont	1,517	357	4.249
Virginia	1,126	441	2.553
Washington	3,406	434	7.848
West Virginia	722	502	1.438
Wisconsin	1,432	344	4.160
Wyoming	14,554	618	23.553

For New Jersey data are for fiscal year 1969 since fiscal year 1970 data were not yet available.

For Alaska data represent revenue per pupil.

For Montana and Nebraska data are high and low of average for districts grouped by size.

For North Dakota data are averages of expenditures of all districts within a county.

Data are not fully comparable between States since they are based entirely on what data the individual State included in their expenditure per pupil analysis.

Source: State reports and verbal contacts with State officials.

It seems clear, then, that on any scale of financial ability or effort the school districts within all the States except Hawaii display substantial inequalities. Despite subventions by the State and Federal governments, it appears that the amount of money available to school districts for the support of educational services continues to depend on the wealth of the district as measured by local taxable property. This conclusion is supported by the Briley and other major studies, as well as by the statistics revealing the high proportion of school funds derived from local property taxes. It is less clear, however, what other conclusions can be drawn from the evidence of persisting discrepancies in local district financial capabilities. One problem of assessing these differentials is the tendency of one measure to cancel out another; for example, when poor districts tax themselves at higher rates than richer districts, the effect is to temper the variations in actual expenditures which one would expect to find if all districts expended the same effort.

The first question which arises concerns the relationship between poor districts and poor people. James W. Guthrie and his associates, in a study based on data from the State of Michigan, largely for the year 1967, show that low socioeconomic status is correlated with low levels of

available resources and actual expenditures per pupil, and below average performance on a wide variety of more specific measures of the quality of educational services. ^{40/} There seems to be general agreement that poor districts contain for the most part poor people, but that the relationship is not exact. One explanation for the exceptions that do occur is the inclusion of industrial property in the local tax base which is almost universally used as the measure of local district wealth and financial ability. Although there is probably a strong correlation between the socioeconomic status of a district's residents and the aggregate value of personal property in the district, and particularly the value of houses in the district, there would not seem to be such a close relationship between the status of residents and the presence of industrial property. The freakishly high wealth of some districts seems to be explained, in fact, by the presence of very highly-valued industrial property in districts with few children to educate -- but these children are perhaps more likely to be relatively poor than rich, given the industrial nature of the neighborhood.

40/

Guthrie, James W., George B. Kleindorfer, Henry M. Levin, and Robert T. Stout. Schools and inequality. Cambridge, Massachusetts, 1971: pp. 112, 116.

A more general problem in assessing the significance of the observed variations in district wealth and expenditures stems from the variations in the types and extent of services besides education which must be financed by local governments from the same property tax resources. It is generally recognized that the large central cities must provide more extensive services to their residents in the areas of health, welfare, transportation and the like than the suburbs which surround them. At the same time, the costs of providing equal services are likely to be significantly higher in the city than in surrounding areas. These factors give rise to the phenomenon known as "municipal overburden." To the extent that central cities must finance this overburden from the same local tax resources which support the local contribution to education, the use of a simple measure such as assessed valuation per pupil systematically overstates the financial capacity of the city. Various studies have documented the effects of this municipal overburden. Guthrie and his associates show in their study that the citizens of Detroit "pay lower taxes for schools than do suburban residents, but when their total property tax rate resulting from municipal overburden is taken into account, they pay more than their nearby neighbors outside the city limits."^{41/} Findings such as these have led some observers to suggest introducing a different wealth criterion or devising some correction factor for existing formulæ to take into account the differing levels of non-educational responsibilities. Other observers feel, however, that the problems of municipal overburden should be handled directly, by state or federal aid to cities for those special services which they must provide. It should not be handled, they feel, by the indirect method of aid to education.

^{41/}

Ibid; pp. 118-122.

School districts also differ in the nature of the students whom they must educate. These differences stem not only from inherent variations in the capabilities of individual students but also from the value of non-school educational experiences from which the children have benefitted. Guthrie and his associates, for example, attempted to estimate the value of the educational services provided children of different socioeconomic backgrounds by their mothers, their families, and their social environment. ^{42/} The National Educational Finance Project devoted much of its effort to the attempt to devise a system of weightings which would realistically reflect the differential costs associated with different types of students. To the extent that the harder to educate children are evenly distributed among school districts, their presence does not affect the relative financial positions of the districts. However, there is strong evidence that the students with the greatest educational disadvantages are not randomly distributed, but rather tend to be concentrated in certain districts where their presence causes a special strain on the resources available for education: They appear most likely to be concentrated in the central cities, adding an educational dimension to the overburden of the central cities.

42/

Ibid: pp. 140-144.

Although less has been written on the educational problems of rural areas, these areas also have special demands placed on the resources available for education because of the dispersion of their pupils, increased costs associated with small, less efficient school systems, and related causes. Many of these areas are also among the poorest in their States in terms of assessed valuation behind each student. Whatever the excess educational and non-educational burdens borne by the central cities, they appear to remain in most States above average in property wealth per pupil. Studies in California and New York, for instance, have shown that New York City, Los Angeles, San Francisco and other large cities exceed the State average valuation per pupil in ADA.^{43/} Phyllis Myers, an associate editor of City magazine, citing evidence prepared by the New York State Commission on the Quality, Cost and Financing of Elementary and Secondary Education (the Fleischmann Commission), states that "every sizable city in New York State falls above the state-wide median in wealth as measured by property value per student in average daily attendance" and that the really poor areas are those along the St. Lawrence River in upstate New York.^{44/}

^{43/}

U.S. Congress. Senate. Op.cit.: 6844-46.

^{44/}

Myers, Phyllis. Second thoughts on the Serrano case. City, v. 5, Winter 1971: p. 40.

The complex situation of the great central cities, whose relative wealth may not be able to compensate for the greatly unequal overall burdens which they must bear, highlights the difficulty in determining whether the unquestioned variations in the measures of fiscal capacity and effort of the nation's school districts represent systematic discrimination against certain areas or certain types of school districts, or whether they result from essentially chance variations. Even if the discrepancies can be shown to occur in a systematic fashion in favor of certain types of districts and to the detriment of others, the question remains whether such discrimination is intentional or is merely an epiphenomenon of other observable differences between the various types of districts. There seems to be considerable disagreement among the researchers on these points, although much of the disagreement seems to stem from the widely differing criteria used by different researchers in coming to their conclusions. Roe Johns and James A. Burns report in volume four of the NEFP that^{45/}

The central city or core city districts have a greater valuation of property per pupil than any other class of school districts. The central city school districts are followed in order of valuation of property per pupil by the suburban districts, the independent city districts and the rural districts.

Richard Rossmiller, conversely, in another study prepared for the NEFP using eight categories of school district ranging from "core city" to

^{45/}

National Educational Finance Project. Vol. 4: pp. 205-206.

"rural," concluded that the effects of local property valuation on fiscal capacity of school districts were not systematically discriminatory, but that reliance on this indicator concealed significant variations in fiscal capacity according to other indicators: 46/

No significant variation was found between the categories of school districts compared in this study with regard to fiscal capacity as measured by the market value of property per pupil in average daily membership. Similarly, the variance in property tax rate between the categories compared was barely significant at the .05 level in 1962 and was not significant in 1967.... Revenue from property taxes per pupil in average daily membership was not a major contributor to the variation between the categories of school districts compared, except in the comparison of school districts in the developing suburb category with school districts in the small city category.... If, however, indices of consumption and income (such as retail sales and effective buying income) are applied as the criteria for judging fiscal equity, then marked differences existed between several of the categories compared in the study with regard to both the fiscal capacity and the sources of revenue of school districts, municipalities, and counties. Effective buying income, expressed on either per capita or per household bases, was the major source of variation between the school district categories compared with regard to fiscal capacity.

Briley's study in the NEFP concludes that "throughout the United States the differences among districts in the revenue available per child are not nearly as great as they would be, simply because in many States the districts

46/

National Educational Finance Project. Vol. 3: pp. 395-396.

of the least wealth are making a much greater effort in proportion to ability than the districts of the greatest wealth." ^{47/}

These NEFP studies, all of which were made on the basis of broad national samples, must be weighed against numerous studies of individual large cities and their immediate suburbs. The argument that the central cities regularly suffer discrimination compared to other districts appears strongest when the amount of money actually spent on each child is the variable. The case can be strengthened, moreover, because expenditure figures can more readily be related to estimates of the differing educational loads associated with concentrations of high-cost children. The following table, prepared by the Advisory Commission on Intergovernmental Relations, compares total, educational, and non-educational expenditures of the central-city and non-central-city portions of the nation's 37 largest standard metropolitan statistical areas. In every case the non-educational expenditures of the central city are substantially larger than those of its suburbs. The result is that, despite the generally larger revenues available to the central city, the suburbs are actually able to spend more on each student than the central cities: ^{48/}

47/

National Educational Finance Project. Vol 4: p. 111.

48/

U.S. Congress. Senate. Select Committee on Equal Educational Opportunity. Equal educational opportunity. Part 7: Inequality of economic resources. Hearings. 91st Congress, 2nd sess. Washington, 1970. Hearings held September 30, October 1 and 6, 1970. P. 3552.

TABLE I.—PER CAPITA, TOTAL, EDUCATION, AND NONEDUCATION EXPENDITURES, 37 LARGEST SMSA'S, CENTRAL CITY AND OUTSIDE CENTRAL CITY AREAS, 1966-67

	Total expenditures		Education expenditures		Noneducation expenditures	
	Central city	Outside central city	Central city	Outside central city	Central city	Outside central city
Northeast:						
Washington, D.C.	\$564	\$316	\$148	\$179	\$416	\$137
Baltimore, Md.	375	286	174	168	251	118
Boston, Mass.	482	321	92	137	390	184
Newark, N.J.	540	390	169	144	371	165
Paterson-Cifton-Passaic, N.J.	270	273	97	151	173	122
Buffalo, N.Y.	392	372	128	207	264	165
New York, N.Y.	518	520	146	260	372	260
Rochester, N.Y.	499	403	158	265	341	138
Philadelphia, Pa.	293	255	126	139	167	116
Pittsburgh, Pa.	319	232	104	137	215	95
Providence, R.I.	241	201	94	109	147	92
Average	(408)	(317)	(126)	(160)	(282)	(145)
Midwest:						
Chicago, Ill.	339	234	103	155	236	79
Indianapolis, Ind.	312	268	139	173	173	95
Detroit Mich.	362	352	130	209	232	143
Minneapolis-St. Paul, Minn.	369	424	113	231	256	193
Kansas City, Mo.	303	238	137	127	166	111
St. Louis, Mo.	295	266	133	146	162	120
Cincinnati, Ohio	460	200	201	107	259	93
Cleveland, Ohio	328	282	132	144	196	138
Columbus, Ohio	299	267	111	162	188	105
Dayton, Ohio	353	228	161	132	192	96
Milwaukee, Wis.	416	383	151	165	265	218
Average	(349)	(286)	(137)	(159)	(211)	(126)
South:						
Miami, Fla.	346	281	136	136	210	145
Tampa-St. Petersburg, Fla.	305	216	113	113	192	103
Atlanta, Ga.	316	279	134	154	182	125
Louisville, Ky.	284	250	126	161	158	89
New Orleans, La.	233	318	93	143	140	175
Dallas, Tex.	219	290	91	177	128	113
Houston, Tex.	260	326	113	290	147	117
San Antonio, Tex.	204	208	101	145	103	63
Average	(271)	(271)	(113)	(155)	(158)	(116)
West:						
Los Angeles-Long Beach, Calif.	454	376	164	184	290	192
San Bernardino-Riverside-Ontario, California	471	435	202	219	269	216
San Diego, Calif.	383	391	135	209	248	182
San Francisco-Oakland, Calif.	486	463	131	216	355	247
Denver, Colo.	342	278	131	164	211	114
Portland, Oreg.	378	256	150	172	228	84
Seattle, Wash.	326	376	127	226	199	150
Average	(406)	(368)	(149)	(199)	(257)	(169)
Unweighted average, 37 SMSA's	363	308	136	170	230	138

Source: ACIR compilation.

The complexity and scope of the foregoing data make firm conclusions regarding the existence of discrimination among types of school districts impossible, but certain conclusions can tentatively be set forth. First, it seems clear that at least some significant variations in the fiscal resources available to school districts are the result of random, idiosyncratic variations in factors essentially unrelated to education. The most important of these factors is probably the location of highly-valued industrial or commercial property, which produces large amounts of local property-tax revenue for the districts which contain the property without necessarily having any effect on the educational services required by those districts. Any grouping of school districts -- whether by State, by district size, by metropolitan status, or any other criterion -- is bound to blur the extremes of such idiosyncratic variations and reduce the total variation in fiscal resources observed for various school districts. On the other hand, there do seem to be several factors tending to cause regular variations in fiscal capacity among identifiable groups of school districts. Central city school districts would seem, on the whole, to suffer from a relatively high educational burden compared with the resources actually available to pay for educational services. Part of the overburden stems from the underlying financial and social characteristics of the cities.

discussed above. Part comes from special legislative restrictions placed on the cities but not other districts. One expert has pointed out that in many States the only school districts which must pay for employee retirement systems are the largest districts in the State. ^{49/} In some States the largest city or cities are placed under a special limitation on the tax rate which they may levy. ^{50/} There is some evidence that State school aid formulae, devised originally to compensate rural districts for their poverty relative to the rich cities, now discriminate against the needy cities in favor not only of the poor rural areas but also in favor of the relatively wealthy suburbs. The persistence of low expenditure levels in the core cities despite above-average property wealth and tax levies lends support to such arguments. Lastly, however, it should be kept in mind that, even if one concludes that the central cities do indeed suffer discrimination vis a vis the suburbs, their position relative to poor rural areas is less clear; also, there is evidence that the suburbs reveal substantial variations among themselves.

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Urban Education Task Force. The urban education task force report: final report of the task force on urban education to the Department of Health, Education, and Welfare. New York, 1970: p. 55.

50/

U.S. Congress. Senate. Equal educational opportunity. Part 16: pp. 6661-62.

b. Inequalities among States

The States, like the individual school districts within each State, differ substantially among themselves on most measures of wealth, effort, and expenditures on education.

Since the States, unlike the majority of local school districts, can levy taxes on sales and incomes, measures such as personal income or volume of retail sales may provide a better indication of a State's fiscal capacity than taxable property wealth. According to the National Education Association's Rankings of the States, 1971, the personal income per capita ranged from a high of \$4,595 in Connecticut to a low of \$2,218 in Mississippi in 1969; sixteen States exceeded the national average of \$3,687 (See table 1, following). The National Educational Finance Project made a study of the rankings of the fifty States according to several different income measures which might appear the most appropriate in measuring a State's ability to finance education. ^{51/} First, the NEFP deflated personal income in each State by \$750 per capita and by the actual Federal income tax paid, arguing that the resulting "net personal income" more accurately reflected the personal income resources actually available to the State for taxation (See table 2). The NEFP then turned to measures of personal income per child in

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National Educational Finance Project. Vol. 5: pp. 66-77.

average daily attendance and per child of school age, since some observers hold these measures to be more closely related to the educational load borne by the State. Income per child of school age reflects the different age distributions of different States. The national average was \$14,013 in 1969, with a high of \$18,547 (New York) and a low of \$7,697 (Mississippi). Compared with the ranking for per capita income, the rankings on this measure show that six States (Alaska, Arizona, Minnesota, New Mexico, Utah and Wisconsin) dropped five or more places while seven (Florida, Maine, Missouri, Oregon, Pennsylvania, Rhode Island and Tennessee) rose by five or more places. Income per child in average daily attendance "markedly affects the apparent fiscal capacity of States or school districts in which a high percentage of the children attend nonpublic schools or which have a substantial number of children who are not in school". The national average on this measure was \$17,615 in 1969, with a high of \$25,976 in New York and a low of \$9,977 in Mississippi. Fifteen States exceeded the national average. The rankings, compared to those for income per school age child, show that seven States (California, Florida, Indiana, Maine, Nevada, Oregon and Washington) rank five or more places lower while seven States (Hawaii, Kansas, Kentucky, Louisiana, Missouri, New Hampshire and Wisconsin) stand five or more places higher (See table 3).

The combined effort expended by the State and local governments in the various States in support of educational and other governmental services can be measured in a number of ways. Defined as the percentage of net State personal income devoted to public school revenues, State/local efforts vary from a low of 5.00 percent (Nebraska) to a high of 8.90 percent (New Mexico), according to the National Educational Finance Project. Since the States also differ with respect to the amount of their revenues devoted to education, it is useful to look at measures of their general financial effort. Wyoming devoted 25.65 percent of its net personal income to State/local governmental revenues in 1969 while Illinois allotted only 14.41 percent; but Wyoming devoted only 25.21 percent of its State and local revenues to the support of education, less than any other State, while Utah, at the other extreme, spent 39.73 percent of its revenues on education (See Table 4).

In assessing these figures on State and local financial capacity and tax effort, it should be kept in mind that States, like school districts, differ in the mix of their personal and corporate resources and in their ability to pass on the incidence of their taxes to non-residents. Some States have relatively high proportions of corporate income compared to personal income; others are able to use such taxes as mineral severance

taxes or business taxes on out-of-State companies to pass on a significant portion of their tax burden to outsiders. In Louisiana, for example, almost 30 percent of State tax revenues came from severance taxes in 1970.^{52/} Any successful passing on of taxes will affect the tax burden actually borne by the residents of the State.

The varying wealth and the varying efforts of the States yielded, of course, different amounts of revenue to support each school child. The NEA estimates that in 1969-70 New York received a total of \$1,458 per pupil in average daily attendance while Alabama got only \$552; the national average of \$904 was exceeded by 20 States (See table 6).

Finally, the actual expenditures per pupil in ADA for current operating expenses ranged in 1969-70 from a high of \$1,250 in New York to a low of \$461 in Alabama, with a national average of \$773 exceeded by 19 States. The national average rose to \$868 in 1970-71 and is expected to reach \$929 in 1971-72 (See tables 7, 8).

^{52/}

U.S. Bureau of the Census. State tax collections in 1970. Series GF 70-1. Washington, 1970: pp. 20-21.

The following tables give State-by-State breakdowns of selected measures of financial capability, effort, and expenditures. They are drawn from the National Education Association's Rankings of the States, 1971 and its Estimates of School Statistics, 1971-72, and from the National Educational Finance Project's Alternative Programs for Financing Education.

52-PER-CAPITA PERSONAL INCOME, 1969

1.	Connecticut	\$4,595
*2.	Alaska	4,460
3.	Nevada	4,458
4.	New York	4,442
5.	California	4,290
6.	Illinois	4,285
7.	New Jersey	4,241
8.	Massachusetts	4,156
9.	Delaware	4,107
10.	Maryland	4,073
11.	Michigan	3,994
12.	Hawaii	3,928
13.	Rhode Island	3,858
14.	Washington	3,848
15.	Ohio	3,738
16.	Indiana	3,687
	UNITED STATES	3,687
17.	Pennsylvania	3,659
18.	Minnesota	3,635
19.	Wisconsin	3,632
20.	Nebraska	3,609
21.	Colorado	3,604
22.	Oregon	3,573
23.	Iowa	3,549
24.	Florida	3,525
25.	Kansas	3,488
26.	New Hampshire	3,471
27.	Missouri	3,458
28.	Arizona	3,372
29.	Wyoming	3,353
30.	Virginia	3,307
31.	Texas	3,259
32.	Vermont	3,247
33.	Montana	3,130
34.	Georgia	3,071
35.	Maine	3,054
36.	Oklahoma	3,047
37.	South Dakota	3,027
38.	North Dakota	3,012
39.	Utah	2,997
40.	Idaho	2,953
41.	New Mexico	2,897
42.	North Carolina	2,888
43.	Kentucky	2,847
44.	Tennessee	2,808
45.	Louisiana	2,781
46.	South Carolina	2,607
47.	West Virginia	2,603
48.	Alabama	2,582
49.	Arkansas	2,488
50.	Mississippi	2,218

*The figure for Alaska should be reduced by 30 percent to make the purchasing power generally comparable to figures for other areas of the United States.

Source: U.S. Department of Commerce, Regional Economics Division. "State and Regional Personal Income in 1969" *Survey of Current Business* 50: 33-41 August 1970, p. 35.

Table 52

Personal income: state personal income is the current income received by residents of the states from all sources, including transfers from government and business, but excluding transfers among persons. It is a before-tax measure. The total includes non-monetary income or income received in kind. The figures include income of individuals and also income of nonprofit institutions, private trust funds, and private pension, health, and welfare funds.

TABLE 254

TABLE 4-1
NET PERSONAL INCOME IN 1969 AFTER DEDUCTION OF AN ALLOWANCE FOR
BASIC EXPENDITURES (\$750/CAPITA) AND FEDERAL INCOME TAX PAID*

State	Gross Personal Income Per Capita (Dollars) ^{b/} Rank		Net Personal Income Per Capita (Dollars) ^{c/} Rank		Net Personal Income Per Capita as a Percentage of Personal Income Per Capita Rank	
	(Dollars)	Rank	(Dollars)	Rank	Percentage of Personal Income Per Capita	Rank
Alabama	\$2,566	48	\$1,605	48	62.55	48
Alaska	4,511	2	3,369	1	74.68	1
Arizona	3,336	29	2,291	29	67.68	27
Arkansas	2,520	49	1,582	49	62.78	47
California	4,272	7	3,096	5	72.47	2
Colorado	3,568	21	2,492	22	69.84	20
Connecticut	4,537	1	3,209	2	70.73	8
Delaware	4,013	10	2,781	10	69.30	24
Florida	3,427	28	2,338	28	68.22	30
Georgia	3,040	36	2,031	37	66.81	38
Hawaii	3,809	13	2,689	12	70.60	9
Idaho	2,857	42	1,875	42	65.63	43
Illinois	4,310	5	3,077	6	71.39	5
Indiana	3,691	16	2,579	17	69.87	19
Iowa	3,517	24	2,477	23	70.43	11
Kansas	3,532	23	2,493	21	70.58	10
Kentucky	2,850	43	1,871	43	65.65	42
Louisiana	2,781	45	1,784	45	64.15	45
Maine	3,039	37	2,029	38	66.77	39
Maryland	4,095	9	2,864	9	69.94	16
Massachusetts	4,138	8	2,946	8	71.19	6
Michigan	3,944	11	2,767	11	70.16	13
Minnesota	3,608	20	2,538	19	70.34	12
Mississippi	2,192	50	1,292	50	58.94	50
Missouri	3,459	26	2,373	26	68.60	28
Montana	3,124	33	2,127	33	68.09	31
Nebraska	3,643	19	2,580	16	70.82	7
Nevada	4,359	4	3,138	4	71.99	3
New Hampshire	3,474	25	2,365	27	68.08	32
New Jersey	4,278	6	2,992	7	69.94	16
New Mexico	2,893	40	1,909	40	65.99	40
New York	4,421	3	3,170	3	71.70	4
North Carolina	2,890	41	1,907	41	65.99	40
North Dakota	3,011	38	2,049	36	68.05	33
Ohio	3,779	14	2,633	15	69.67	21
Oklahoma	3,065	34	2,056	35	67.08	36
Oregon	3,565	22	2,473	24	69.37	22
Pennsylvania	3,664	17	2,538	19	69.27	25
Rhode Island	3,788	15	2,644	14	69.98	15
South Carolina	2,581	47	1,623	47	62.88	46
South Dakota	3,052	35	2,105	34	68.97	26
Tennessee	2,810	44	1,806	44	64.27	44
Texas	3,254	32	2,191	32	67.33	35
Utah	2,994	39	2,006	39	67.00	37
Vermont	3,267	31	2,239	30	68.53	29
Virginia	3,293	30	2,222	31	67.48	34
Washington	3,835	12	2,686	13	70.04	14
West Virginia	2,610	46	1,628	46	62.38	49
Wisconsin	3,647	18	2,549	18	69.89	18
Wyoming	3,445	27	2,388	25	69.32	23
UNITED STATES	3,675		2,556		69.55	

*Adapted from Roe L. Johns and Oscar A. Hamilton, Jr., "Ability and Effort of the States to Support Public Schools" (Gainesville, Fla.: National Educational Finance Project, 1970), 15pp. (Mimeo)

- ^{b/} Gross personal income: excludes taxable corporate income.
^{c/} Net personal income: gross personal income deflated by \$750 per capita and by actual federal income taxes paid to provide estimate of taxable personal income in the state.

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TABLE 4-2
COMPARISON OF PERSONAL INCOME PER SCHOOL AGE CHILD (5-17), AND
PERSONAL INCOME PER CHILD IN AVERAGE DAILY ATTENDANCE, 1969

State	Personal Income Per School Age Child ^a	Rank	Personal Income Per Child in ADA ^a	Rank	Net Income Per Child ^b in ADA	Rank
Alabama	9,526	46	11,731	46	7,210	49
Alaska	13,674	19	17,354	18	14,027	8
Arizona	11,675	34	14,581	30	10,299	30
Arkansas	9,489	47	11,983	45	7,629	45
California	16,695	5	18,032	11	14,231	7
Colorado	13,256	25	15,126	23	10,768	27
Connecticut	18,305	2	23,166	2	16,917	2
Delaware	14,886	12	18,358	9	13,062	13
Florida	14,050	15	17,061	21	11,694	23
Georgia	11,303	35	13,981	33	9,304	35
Hawaii	13,909	17	18,275	10	13,263	11
Idaho	10,495	42	12,324	44	7,890	43
Illinois	16,618	6	22,814	3	16,567	4
Indiana	13,802	18	16,540	24	11,733	22
Iowa	13,248	26	15,806	25	11,085	25
Kansas	13,272	24	17,215	19	12,253	19
Kentucky	10,788	39	14,201	32	9,410	34
Louisiana	9,705	45	13,409	37	8,386	42
Maine	11,714	32	13,174	40	8,990	37
Maryland	15,229	9	18,901	8	13,748	10
Massachusetts	16,757	4	21,355	6	15,488	5
Michigan	14,437	13	17,601	16	12,414	17
Minnesota	13,044	27	15,547	26	11,072	26
Mississippi	7,697	50	9,977	50	5,624	50
Missouri	13,528	20	17,751	15	12,403	18
Montana	11,138	36	13,424	36	9,111	36
Nebraska	13,514	22	16,645	22	11,870	21
Nevada	16,296	7	17,960	12	13,132	12
New Hampshire	13,527	21	17,762	14	12,649	14
New Jersey	17,087	3	22,470	4	16,654	3
New Mexico	9,025	49	10,777	49	7,224	48
New York	18,547	1	25,976	1	18,772	1
North Carolina	10,979	37	13,610	35	8,926	39
North Dakota	10,523	41	13,046	41	8,932	38
Ohio	14,061	14	17,872	13	12,637	15
Oklahoma	12,227	30	13,948	34	9,502	32
Oregon	14,017	16	16,626	23	11,662	24
Pennsylvania	14,937	11	19,797	7	13,861	9
Rhode Island	15,905	8	21,537	5	15,223	6
South Carolina	9,259	48	11,691	47	7,242	47
South Dakota	10,612	40	12,461	43	8,834	40
Tennessee	10,937	38	13,384	38	8,617	41
Texas	11,700	33	14,988	29	10,250	31
Utah	9,788	44	10,898	48	7,351	46
Vermont	12,509	29	14,565	31	10,489	29
Virginia	12,667	28	15,395	27	10,598	28
Washington	15,049	10	17,121	20	12,052	20
West Virginia	10,453	43	12,758	42	7,785	44
Wisconsin	13,359	23	17,432	17	12,566	16
Wyoming	11,791	31	13,199	39	9,453	33
U. S.	14,013		17,615		12,400	

^aAdapted from Research Division, National Education Association, *Rankings of the States, 1971*. Research Report 1971-RI (Washington, D. C. the Association, 1971), p. 32.

^b Net income: personal income deflated by \$750 per capita and by actual federal income taxes paid.

55/ Ibid: p. 70.

EFFORTS OF THE STATES TO SUPPORT STATE AND LOCAL GOVERNMENTAL
FUNCTIONS IN RELATION TO THEIR FISCAL CAPACITY, 1969*

State	Net Personal Income (\$ Millions) ^{d/}	General Revenue of State and Local Governments From Own Sources ^b (\$ Millions)	State and Local Revenue for Elementary and Secondary Education ^c (\$ Millions)	General Revenue of State and Local Governments as a Percentage of Net Personal Income	Elementary and Secondary Education as a Percentage of Net Personal Income	State and Local Revenue for Elementary and Secondary Education as a Percentage of Gross State and Local Government From Own Sources
Alabama	5,669	1,122	312	19.79 (22)	5.50 (43)	27.81 (47)
Alaska	950	183	59	19.26 (27)	6.21 (30)	32.24 (32)
Arizona	3,879	826	299	21.29 (11)	7.71 (6)	36.20 (16)
Arkansas	3,157	584	194	18.50 (30)	6.15 (31)	33.22 (27)
California	60,198	12,822	3,900	21.30 (10)	6.48 (23)	30.42 (10)
Colorado	5,233	1,052	346	20.10 (20)	6.61 (19)	32.89 (28)
Connecticut	9,626	1,394	543	14.48 (49)	5.64 (41)	38.95 (41)
Delaware	1,502	281	108	18.71 (28)	7.19 (11)	38.43 (7)
Florida	14,857	2,740	941	18.44 (31)	6.33 (27)	34.34 (24)
Georgia	9,425	1,685	541	17.88 (34)	5.74 (38)	32.11 (34)
Hawaii	2,135	466	136	21.83 (7)	6.37 (26)	29.18 (15)
Idaho	1,346	299	96	22.21 (6)	7.13 (13)	32.11 (34)
Illinois	33,992	4,898	1,831	14.41 (50)	5.39 (45)	37.38 (10)
Indiana	13,197	2,179	864	16.51 (43)	6.55 (21)	39.65 (2)
Iowa	6,889	1,352	484	19.63 (23)	7.03 (14)	35.80 (17)
Kansas	5,787	1,034	386	17.87 (35)	6.67 (17)	37.33 (12)
Kentucky	6,046	1,171	347	19.37 (24)	5.74 (38)	29.63 (42)
Louisiana	6,681	1,547	498	23.16 (5)	7.45 (9)	32.19 (33)
Maine	1,984	359	128	18.09 (32)	6.45 (24)	35.65 (20)
Maryland	10,784	1,879	729	17.42 (38)	6.76 (16)	38.80 (6)
Massachusetts	16,107	2,841	840	17.64 (37)	5.22 (48)	29.57 (43)
Michigan	24,258	4,694	1,563	19.35 (26)	6.44 (25)	33.30 (26)
Minnesota	9,391	1,954	691	20.81 (15)	7.36 (10)	35.36 (21)
Mississippi	3,048	763	239	25.03 (3)	7.84 (5)	31.32 (37)
Missouri	11,036	1,758	609	15.93 (44)	5.52 (42)	34.64 (22)
Montana	1,476	312	119	21.14 (12)	8.06 (3)	38.14 (8)
Nebraska	3,739	693	187	18.53 (29)	5.00 (50)	26.98 (49)
Nevada	1,434	285	85	19.87 (21)	5.93 (33)	29.82 (41)
New Hampshire	1,696	263	91	15.51 (47)	5.37 (46)	34.60 (23)
New Jersey	21,834	3,406	1,248	15.60 (46)	5.72 (39)	36.64 (14)
New Mexico	1,898	473	169	24.92 (4)	8.90 (1)	35.73 (18)
New York	58,080	12,472	4,057	21.47 (9)	6.99 (15)	32.53 (31)
North Carolina	9,924	1,721	585	17.34 (39)	5.89 (35)	33.99 (25)
North Dakota	1,260	322	90	25.56 (2)	7.14 (12)	27.95 (46)
Ohio	28,278	4,196	1,499	14.84 (48)	5.30 (47)	35.72 (19)
Oklahoma	5,280	1,022	299	19.36 (25)	5.66 (40)	29.26 (44)
Oregon	5,025	1,025	403	20.40 (16)	8.02 (4)	39.32 (3)
Pennsylvania	29,954	4,739	1,842	15.82 (45)	6.15 (31)	38.87 (5)
Rhode Island	2,409	403	124	16.73 (41)	5.15 (49)	30.77 (39)
South Carolina	4,370	786	291	17.99 (33)	6.66 (18)	37.02 (13)
South Dakota	1,387	302	82	21.77 (8)	5.91 (34)	27.15 (48)
Tennessee	7,196	1,284	422	17.84 (36)	5.86 (36)	32.87 (29)
Texas	24,513	4,086	1,331	16.67 (42)	5.43 (44)	32.57 (30)
Utah	2,096	443	176	21.14 (12)	8.40 (2)	38.73 (1)
Vermont	983	198	74	20.14 (19)	7.53 (8)	37.37 (1)
Virginia	10,374	1,796	652	17.31 (40)	6.28 (28)	36.30 (15)
Washington	9,137	1,845	571	20.19 (18)	6.25 (29)	30.95 (38)
West Virginia	2,961	602	226	20.33 (17)	7.63 (7)	37.54 (9)
Wisconsin	10,792	2,262	713	20.96 (14)	6.61 (19)	31.52 (36)
Wyoming	764	196	50	25.65 (1)	6.54 (22)	25.51 (50)
TOTAL U. S.	514,043	95,011	32,069	18.48	6.24	33.75

*SOURCE: R. L. Johns and Oscar A. Hamilton, Jr., "Ability and Effort of the States to Support Education" (Gainesville, Fla.: National Educational Finance Project, 1970), 15 pp. (Mimeo)

^bU. S. Department of Commerce, Bureau of the Census, *Governmental Finances in 1968-69*, G.F. 69, No. 5.

^cNational Education Association, Research Division, Research Report 1969 R-15, *Estimates of School Statistics, 1969*.

^{d/} Net personal income: personal income deflated by \$750 per capita and by actual federal income taxes paid.

TABLE 557/

SUMMARY OF DATA CONCERNING FISCAL CAPACITY AND TAX EFFORT OF THE STATES

	Personal Income Per Capita	Net Personal Income ^{a/} Per Capita	General Revenue of State and Local Governments From Own Sources as a Percentage of Net Personal Income	State and Local Revenue for Elementary and Secondary Education as a Percentage of Net Personal Income	State and Local Revenue for Elementary and Secondary Education as a Percentage of General Revenue of State and Local Governments From Own Sources
U.S. Total or Avg.	\$ 3,675	\$ 2,556	18.48	6.24	33.75
High State Amount	Conn. 4,537	Alaska 3,369	Wyo. 25.65	N. Mex. 8.90	Utah 39.73
Low State Amount	Miss. 2,192	Miss. 1,292	Ill. 14.41	Neb. 5.00	Wyo. 25.51
Ratio High-Low	2.07/1.00	2.61/1.00	1.78/1.00	1.78/1.00	1.56/1.00
Five Highest States	Conn. Alaska N. York Nevada Ill.	Alaska Conn. N. York Nevada Calif.	Wyo. N. Dak. Miss. N. Mex. La.	N. Mex. Utah Mont. Ore. Miss.	Utah Ind. Ore. Conn. Pa.
Weighted Avg., Five Highest	\$ 4,394	\$ 3,139	24.18	8.17	39.14
Five Lowest States	Miss. Ark. S. Car. Ala. W. Va.	Miss. Ark. Ala. S. Car. W. Va.	Ill. Conn. Ohio N.H. N.J.	Nebr. R.I. Mass. Ohio N.H.	Wyo. Nebr. S. Dak. Ala. N. Dak.
Weighted Avg., Five Lowest	2,497	1,549	14.84	5.25	27.36
Ratio Highest to Lowest Weighted Avg.	1.76/1.00	2.03/1.00	1.63/1.00	1.56/1.00	1.43/1.00

SOURCE: R. L. Johns and Oscar A. Hamilton, Jr., "Ability and Effort of the States to support Education" (Gainesville, Fla.: National Educational Finance Project, 1970), 15 PP. (Mimeo)

a/ Net personal income: personal income deflated by \$750 per capita and by actual federal income taxes paid.

81-PUBLIC SCHOOL REVENUE RECEIPTS PER PUPIL IN ADA, 1969-70 (REVISED)

1. New York	\$1,458
2. Connecticut	1,242
*3. Alaska	1,199
4. New Jersey	1,159
5. Illinois	1,144
6. Hawaii	1,140
7. Delaware	1,128
8. Maryland	1,055
9. Oregon	1,048
10. Pennsylvania	1,031
11. Wisconsin	1,015
12. Vermont	981
13. Washington	974
14. Kansas	964
15. Minnesota	953
16. Massachusetts	938
17. Nevada	930
18. Rhode Island	927
19. Arizona	920
20. Wyoming	919
UNITED STATES	904
21. Iowa	884
22. Montana	878
23. Colorado	864
24. Florida	862
25. Michigan	859
26. Missouri	830
27. Virginia	827
28. California	823
29. New Hampshire	810
30. Ohio	809
31. North Dakota	781
32. New Mexico	774
33. Indiana	768
34. Maine	764
35. Louisiana	763
36. West Virginia	752
37. Utah	743
38. Nebraska	742
39. North Carolina	711
40. Kentucky	705
41. South Carolina	698
42. Texas	696
43. South Dakota	693
44. Tennessee	639
45. Georgia	635
46. Idaho	632
47. Oklahoma	605
48. Arkansas	600
49. Mississippi	598
50. Alabama	552

*The figure for Alaska should be reduced 30 percent to make the purchasing power comparable to figures for other areas of the United States.

Source: National Education Association, Research Division. *Estimates of School Statistics, 1970-71*. Research Report 1970-R15. Washington, D.C.: the Association, p. 28, 34.

82-PUBLIC SCHOOL REVENUE RECEIPTS PER PUPIL IN ADA, 1970-71

*1. Alaska	\$1,777
2. New York	1,577
3. Connecticut	1,262
4. New Jersey	1,243
5. Wisconsin	1,212
6. Illinois	1,205
7. Hawaii	1,200
8. Delaware	1,199
9. Maryland	1,158
10. Vermont	1,136
11. Pennsylvania	1,122
12. Oregon	1,115
13. Washington	1,043
14. Kansas	1,025
15. Minnesota	1,022
16. Iowa	1,016
17. Rhode Island	1,000
UNITED STATES	982
18. Indiana	966
19. Arizona	956
20. Michigan	954
21. Colorado	950
22. Massachusetts	947
23. Wyoming	945
24. Nevada	930
25. Montana	927
26. Virginia	912
27. California	893
28. New Hampshire	892
29. Louisiana	881
30. Ohio	870
31. Florida	868
32. Missouri	862
33. Maine	833
34. Texas	808
35. New Mexico	803
36. West Virginia	798
37. North Dakota	780
38. North Carolina	770
39. South Carolina	759
40. Utah	754
41. Nebraska	749
42. South Dakota	744
43. Kentucky	740
44. Georgia	698
45. Tennessee	670
46. Idaho	669
47. Oklahoma	654
48. Mississippi	638
49. Arkansas	631
50. Alabama	586

*The figure for Alaska should be reduced 30 percent to make the purchasing power comparable to figures for other areas of the United States.

Source: National Education Association, Research Division. *Estimates of School Statistics, 1970-71*. Research Report 1970-R15. Washington, D.C.: the Association, 1970. p. 29 and 35.

Table 81

Average daily attendance: average of pupils attending when schools are actually in session.

Revenue receipts: includes all revenue receipts available for expenditures for current expenses, capital outlay, and debt service for public schools, including all appropriations from general funds of federal, state, county, and local governments, receipts from taxes levied for school purposes, income from permanent school funds and endowments, income from leases of school lands, interest on bank deposits, tuition, gifts, etc. Amounts which increase the school indebtedness or which represent exchanges of school property for money are excluded.

TABLE 759/

ESTIMATED EXPENDITURES FOR PUBLIC SCHOOLS

1970-71				1971-72			
REGION AND STATE	TOTAL CURRENT EXPENDITURES FOR PUBLIC ELEMENTARY AND SECONDARY DAY SCHOOLS			REGION AND STATE	TOTAL CURRENT EXPENDITURES FOR PUBLIC ELEMENTARY AND SECONDARY DAY SCHOOLS		
	AMOUNT (IN THOUSANDS)	PER PUPIL IN ADA	PER PUPIL IN ADM*		AMOUNT (IN THOUSANDS)	PER PUPIL IN ADA	PER PUPIL IN ADM*
1	2	3	4	1	2	3	4
50 STATES AND D.C.	\$39,589,764	\$929	\$867	50 STATES AND D.C.	\$36,852,065	\$868	\$812
NEW ENGLAND	2,274,244	972	902	NEW ENGLAND	2,171,210	941	868
CONNECTICUT	694,349	1,130	1,039	CONNECTICUT	681,871	1,116	1,027
MAINE	185,567	803	756	MAINE	175,000	767	721
MASSACHUSETTS	761,059	907	836	MASSACHUSETTS	925,700	882	809
NEW HAMPSHIRE	127,962	847	795	NEW HAMPSHIRE	113,680	781	729
RHODE ISLAND	180,670	1,006	960	RHODE ISLAND	163,675	960	876
VERMONT	124,637	1,208	1,148	VERMONT	111,284	1,100	1,045
MIDEAST	9,963,748	1,273	1,163	MIDEAST	9,092,081	1,174	1,072
DELAWARE	136,900	1,097	1,023	DELAWARE	125,833	1,029	957
MARYLAND	907,719	1,071	982	MARYLAND	807,827	976	891
NEW JERSEY	1,735,000	1,289	1,160	NEW JERSEY	1,545,000	1,163	1,046
NEW YORK	4,645,405	1,468	1,322	NEW YORK	4,336,000	1,381	1,244
PENNSYLVANIA	2,372,690	1,073	1,007	PENNSYLVANIA	2,128,057	969	910
DIST. OF COLUMBIA	166,034	1,284	1,172	DIST. OF COLUMBIA	149,364	1,134	1,035
SOUTHEAST	6,907,837	736	690	SOUTHEAST	6,415,977	686	642
ALABAMA	410,521	543	511	ALABAMA	394,054	523	492
ARKANSAS	250,000	601	571	ARKANSAS	239,832	578	549
FLORIDA	1,153,614	850	792	FLORIDA	1,091,942	819	763
GEORGIA	789,377	788	722	GEORGIA	684,226	680	623
KENTUCKY	434,000	650	611	KENTUCKY	414,000	625	585
LOUISIANA	681,280	867	800	LOUISIANA	616,143	797	736
MISSISSIPPI	312,464	634	599	MISSISSIPPI	299,964	603	568
NORTH CAROLINA ..	758,009	695	654	NORTH CAROLINA ..	724,158	657	618
SOUTH CAROLINA ..	414,050	700	666	SOUTH CAROLINA ..	383,985	654	611
TENNESSEE	559,737	659	623	TENNESSEE	529,437	623	590
VIRGINIA	880,450	875	823	VIRGINIA	788,521	784	738
WEST VIRGINIA	264,335	713	669	WEST VIRGINIA	249,715	676	635
GREAT LAKES	8,318,583	995	N.A.	GREAT LAKES	7,647,315	916	N.A.
ILLINOIS	2,179,444	1,032	960	ILLINOIS	2,054,005	978	909
INDIANA	930,606	837	792	INDIANA	886,291	797	756
MICHIGAN	2,303,628	1,148	N.A.	MICHIGAN	2,061,774	1,031	N.A.
OHIO	1,948,655	871	812	OHIO	1,775,126	793	740
WISCONSIN	956,250	1,069	1,017	WISCONSIN	870,119	973	927
PLAINS	3,021,913	864	822	PLAINS	2,843,904	813	773
IOWA	606,034	965	923	IOWA	577,175	922	881
KANSAS	391,665	854	811	KANSAS	373,014	804	764
MINNESOTA	830,000	941	891	MINNESOTA	770,000	878	838
MISSOURI	745,000	812	768	MISSOURI	695,877	759	716
NEBRASKA	224,500	713	682	NEBRASKA	213,300	676	647
NORTH DAKOTA	102,800	740	713	NORTH DAKOTA	100,600	711	685
SOUTH DAKOTA	121,914	781	747	SOUTH DAKOTA	113,938	718	686
SOUTHWEST	2,685,664	718	660	SOUTHWEST	2,553,248	687	645
ARIZONA	358,441	853	787	ARIZONA	341,373	843	778
NEW MEXICO	208,079	807	747	NEW MEXICO	190,009	735	683
OKLAHOMA	357,243	633	586	OKLAHOMA	343,008	607	562
TEXAS	1,761,901	705	646	TEXAS	1,678,858	674	638
ROCKY MOUNTAINS ...	1,024,511	833	N.A.	ROCKY MOUNTAINS ...	937,929	771	N.A.
COLORADO	469,599	905	847	COLORADO	419,517	819	766
IDAHO	129,182	732	N.A.	IDAHO	117,649	678	N.A.
MONTANA	147,918	904	854	MONTANA	138,800	858	802
UTAH	200,343	696	657	UTAH	188,401	657	621
WYOMING	77,469	940	898	WYOMING	73,562	900	855
FAR WEST	5,105,389	851	N.A.	FAR WEST	4,919,233	820	N.A.
CALIFORNIA	3,913,977	835	786	CALIFORNIA	3,783,155	808	762
NEVADA	110,100	910	847	NEVADA	94,924	808	749
OREGON	431,312	979	917	OREGON	410,500	934	874
WASHINGTON	650,000	866	N.A.	WASHINGTON	630,654	828	N.A.
ALASKA	113,632	1,432	1,346	ALASKA	107,380	1,401	1,316
HAWAII	174,243	1,039	960	HAWAII	163,788	979	904

59/ National Education Association. Estimates of school statistics, 1971-72: pp. 36-37.

* ADM: average daily membership (enrollment).

108-ESTIMATED CURRENT EXPENDITURES FOR PUBLIC ELEMENTARY AND SECONDARY SCHOOLS PER PUPIL IN AVERAGE DAILY ATTENDANCE, 1969-70 (REVISED)

1.	New York	\$1,250
*2.	Alaska	1,141
3.	New Jersey	993
4.	Connecticut	991
5.	Vermont	969
6.	Delaware	899
7.	Hawaii	891
8.	Maryland	882
9.	{ Oregon	881
	{ Wyoming	881
11.	Rhode Island	879
12.	Iowa	872
13.	Pennsylvania	871
14.	Wisconsin	869
15.	Illinois	853
16.	Michigan	842
17.	{ Minnesota	810
	{ Montana	810
19.	Washington	777
UNITED STATES		773
20.	Arizona	768
21.	Nevada	761
22.	California	744
23.	Florida	738
24.	Massachusetts	736
25.	{ Kansas	726
	{ Ohio	726
27.	Colorado	719
28.	Missouri	716
29.	New Hampshire	700
30.	Indiana	698
31.	Virginia	697
32.	Louisiana	690
33.	Nebraska	678
34.	Maine	677
35.	New Mexico	659
36.	South Dakota	656
37.	North Dakota	652
38.	West Virginia	640
39.	Kentucky	612
40.	Utah	609
41.	South Carolina	594
42.	North Carolina	584
43.	Idaho	573
44.	Georgia	572
45.	{ Oklahoma	565
	{ Tennessee	565
47.	Arkansas	548
48.	Texas	537
49.	Mississippi	503
50.	Alabama	461

*The figure for Alaska should be reduced 30 percent to make the purchasing power comparable to figures for other areas of the United States.

Source: National Education Association, Research Division. *Estimates of School Statistics, 1970-71*. Research Report 1970-R15. Washington, D.C.: the Association, 1970. p. 36.

110-ESTIMATED CURRENT EXPENDITURES FOR PUBLIC ELEMENTARY AND SECONDARY SCHOOLS PER PUPIL IN AVERAGE DAILY ATTENDANCE, 1970-71

*1.	Alaska	\$1,429
2.	New York	1,370
3.	{ New Jersey	1,088
	{ Vermont	1,088
5.	Hawaii	1,050
6.	Iowa	1,004
7.	Connecticut	997
8.	Wisconsin	988
9.	Maryland	974
10.	Delaware	954
11.	Rhode Island	951
12.	Pennsylvania	948
13.	Illinois	937
14.	Oregon	935
15.	Wyoming	927
16.	Washington	873
17.	Minnesota	864
18.	{ Michigan	858
	{ Montana	858
UNITED STATES		839
20.	Arizona	825
21.	Louisiana	808
22.	Nevada	804
23.	Virginia	800
24.	California	799
25.	Colorado	780
26.	Ohio	778
27.	Kansas	771
28.	Florida	765
29.	Maine	763
30.	Missouri	761
31.	Indiana	741
32.	Massachusetts	735
33.	New Hampshire	729
34.	New Mexico	713
35.	North Dakota	689
36.	South Dakota	688
37.	West Virginia	684
38.	Nebraska	683
39.	South Carolina	656
40.	Texas	646
41.	Utah	643
42.	North Carolina	642
43.	Georgia	634
44.	Kentucky	621
45.	Oklahoma	605
46.	Idaho	595
47.	Tennessee	590
48.	Arkansas	578
49.	Mississippi	521
50.	Alabama	489

*The figure for Alaska should be reduced 30 percent to make the purchasing power comparable to figures for other areas of the United States.

Source: National Education Association, Research Division. *Estimates of School Statistics, 1970-71* Research Report 1970-R15. Washington, D.C.: the Association, 1970. p. 37.

Table 108

Average daily attendance: average of pupils attending when schools are actually in session.

Current expenditures: all amounts spent at all levels of administration—state, intermediate, and basic local—for public elementary and secondary day schools for administration, instructional services, plant operation and maintenance, fixed charges, and other school services (attendance, health services, transportation, food services, etc.). Includes the cost of operating the state department of education and the intermediate (county) departments of education; employers' (state, intermediate, and local) contributions to retirement systems and/or social security on behalf of public-school employees; and federal, state, and local funds expended to cover deficit (gross expenditure less sales) of school lunch and milk programs.

c. Inequalities within districts

There seems to be general agreement that the amount of money spent on each pupil varies from school to school within individual school districts, especially in the large cities, but the difficulty in obtaining data for the distribution of funds to schools within districts makes it hard to estimate the extent of this phenomenon.

Julius Hobson, director of the Washington Institute for Quality Education, led a lengthy court fight in the District of Columbia which sought to prove that funds were allocated within the District school system on a discriminatory basis. The statistics which he was able to obtain and to present to the Court represent probably the best indication of the problems of intradistrict inequality of school fund distribution. ^{61/} The Court found

61/

U.S. Congress. Senate. Equal educational opportunity. Part 16:
pp. 6683-97, 7473-7578.

in the case of Hobson v. Hansen that the median per pupil expenditure from general district funds in the school year 1963-64 was \$100 higher in the District's predominantly white elementary schools than in its predominantly black elementary schools. ^{62/} Mr. Hobson maintains that the per pupil expenditures of individual elementary schools in the District ranged in that year from \$216 to \$627, and that the discrepancy actually increased in subsequent years, despite Judge Wright's 1967 ruling in favor of Hobson. ^{63/}

A major cause of these discrepancies is the pattern of teacher distribution across the district. Regulations governing employee relations permit senior teachers with high salaries to concentrate in the better schools while the ghetto schools tend to be staffed by teachers with less seniority who receive lower salaries. Since teacher salaries constitute a major portion of current school expenditures this phenomenon results in markedly higher per pupil expenditures in the better schools. The Court in Hobson v. Hansen expressed doubt, however, that the spending differential was fully explained by differences in teacher salaries and suggested that

^{62/}

Hobson v. Hansen. 269 F. Supp. 401 (1967): p. 437.

^{63/}

U.S. Congress. Senate. Equal educational opportunity. Part 16:
p. 6685.

discrimination was visible in non-salary expenditures also. For example, the Court noted that low pupil/teacher ratios tended to raise per pupil expenditures in the higher-cost schools. ^{64/}

^{63/} The existence of significant differences in the expenditure levels of schools within large school districts has caused problems in the administration of Title I of the Elementary and Secondary Education Act of 1965 providing funds for compensatory education programs for disadvantaged children. Evidence from some cities suggests that funds may be used only to close the gap between low and high expenditure schools rather than as special, additional funds which would provide extra services for the disadvantaged students. In 1970 Congress adopted amendments to ESEA under which the Office of Education issued guidelines requiring school districts to demonstrate that financial resources and pupil/teacher ratios were substantially equivalent in the various schools within the district before the receipt of Title I funds or face the loss of such funds. ^{65/}

^{64/}

Hobson v. Hansen: p. 438.

^{65/}

U.S. Congress. Senate. Equal educational opportunity. Part 7: pp. 3534-37.

5. State school aid distribution plans

Although specific clauses in most state constitutions assign the responsibility for maintaining a system of public schools to the states, the states at first delegated virtually complete authority for the maintenance of such schools to local school districts, which relied for financial support on the local property tax. This pattern endured until well into the current century. As early as the first decade of the century, however, educational experts began to call for a redefinition of the states' role in the provision of public education. Ellwood Cubberly, a pioneer in the study of educational finance, proposed that the states provide a given sum to each school district per unit of educational task in order to increase the total revenues available for the public schools.^{66/} Gradually the states accepted the principle that the state government should assure some minimum level of educational services to all children. This philosophy was embodied in various "foundation" plans, by which the states undertook to provide enough state money to assure that each local school district would have the resources, after making a reasonable effort, to give each child an education of acceptable quality. The plans suggested in the 1920's by Strayer, Haig and other reformers introduced another element into their conception of the state's role in the support of education: equalization

^{66/} John E. Coons et al. Op. cit. : chapter 1.

of financial resources. The state foundation plans were seen as assuring both that all students would have some minimum amount of money behind them, and that the state would intervene to equalize the effort expended and the revenues received by the local districts. Some variation of the Strayer-Haig foundation plan or its successors has been enacted in a substantial majority of the states in the last fifty years, but the success of these plans in achieving increased levels of educational expenditures and greater equalization of resources among districts has been mixed.

The simplest form of state aid to local school districts is the flat grant allocated to each district on the basis of some standard measure of educational task. Various measures of educational task have been proposed over the years, but the most commonly employed are the number of pupils in average daily attendance, either actual or weighted by some formula to reflect greater costs associated with certain types of pupil, and number of classroom units. Although the use of weighted pupils or another measure of differential educational loads may give flat grant aid programs some equalization effect, essentially such programs are non-equalizing in terms of distribution of state funds.

The equalization aid programs adopted by the various states fall generally into one of two types, the Strayer-Haig foundation plans and Percentage Equalization programs. Under the pure form of the foundation

plan, the state sets some figure, usually defined in terms of average expenditure per weighted or unweighted pupil in average daily attendance, and guarantees to each district at least enough revenue to provide that level of expenditure. The state also sets some minimum millage which the district must levy in order to participate; it then pays the difference between the amount generated locally by the required levy and the amount required for foundation-level expenditures.^{67/} If districts desire to exceed the foundation-level expenditures, they must raise the additional funds from local sources.

The percentage equalizing schemes derive from the foundation plans. They attempt to assure equal availability of resources to all districts at any level of expenditure (and tax effort) chosen by the district. Typically, however, the plans as enacted set a range of expenditures within which the state will equalize district resources. The district chooses a level of taxation and then the state, using a formula which takes into account the wealth of the district in relation to some key district and the overall proportion of school expenses which the state wishes to assume, determines the level of expenditures to be equalized and makes up for any difference between the amount of money locally generated and the amount determined by the equalization formula. As with foundation plans, the formulae can

^{67/}

Ibid: chapter 2.

be adjusted to reflect differing per pupil costs stemming from special conditions. Districts wishing to exceed the maximum expenditure level in the states which provide for a range of expenditures to be equalized by state aid can do so with additional funds drawn from local sources. Theoretically, the percentage equalization plans have the advantage of stimulating increased educational expenditures because they provide for state matching of additional funds budgeted by the local districts.^{68/}

State aid programs have typically provided both for categorical and general aid to the local school districts. Categorical aid has been provided for such expenses as transportation or compensatory education, which clearly fall with unequal effect on different districts depending on the socioeconomic characteristics of the district. States have also chosen to single out particular elements of general school expenses which are deemed to merit special state attention in the form of categorical grants. School construction and debt maintenance costs, which are traditionally separated from current operating costs in school accounts, have often been subject to special, categorical treatment by the states. Maryland, for instance, adopted a new program in 1971 under which the state pays all school construction costs in the state independently of its general aid program.^{69/}

There is no logical link between categorical or general aid and equalization

^{68/}

Ibid: chapter 5.

^{69/}

Cohen, Richard M. Maryland assembly enacts school construction bill. Washington Post, April 9, 1971.

programs, but in practice it seems that equalization schemes are more likely to be tied to general aid proposals than to categorical grants. Conversely, however, general aid plans need not be equalizing in their distribution format. Flat grant plans are the clearest example.

Another distinction applicable to various state aid programs is that between matching and non-matching grants. Matching grants are usually justified on the grounds that they stimulate additional local spending for worthwhile purposes by increasing the local rewards derived from a given local effort, and that they assure local responsibility by tying state aid to a clear measure of local effort. Matching provisions may also be developed as a means of insuring that local districts do not simply decrease their expenditures by the amount of state aid, taking the state aid essentially in the form of increased income for expenditures other than education. Matching provisions may well serve as disequalizing forces in the context of many state aid plans, however, because they tie the ability of local districts to obtain state aid to their ability to raise local funds. This may be exacerbated when the aid plan in question is categorical rather than general in nature. The richer districts find it easier to obtain funds from local sources for both general and special purposes, and can shift these funds from matching to non-matching programs to maximize their state aid. Coons points out that the problem occurs pointedly when state aid is directly tied to local expenditure commitments, such as when the state undertakes to assume some percentage of teacher salaries, district expenses for transportation, or some other special purpose. The richer districts can

attract and pay better, higher-cost teachers, and are additionally rewarded by the state's assumption of a fixed proportion of their additional costs. ^{70/} Percentage equalization plans, which were designed to combine the desirable features of equalization and matching plans, may not fully succeed in doing so if the poorer districts are effectively barred from making full use of the possible matching provisions because the required local effort becomes too great a burden on their strained tax resources.

Most plans actually in force have involved some combination of the various plans listed above, and the overall effect of the plan may be very different from that intended by the legislators or implied by the name given to the plan. A combination commonly enacted involves the insertion of a flat grant clause into the context of a foundation or percentage equalizing plan. Although nominally an equalizing aid program set up according to the Strayer-Haig or other model, the plan includes a clause under which each district receives a set amount per pupil regardless of wealth. This amount is then typically included in the total local resources counted in the determination of local ability for the purpose of allocating equalization funds. Poor districts, which do not attain the foundation level even with the flat grant aid, receive equalization funds up to the foundation level; since they would have been equalized up to the same level in any case, however, the flat grant means virtually nothing to them.

^{70/}

John E. Coons et al. Op. cit.: pp. 59-60.

Some richer districts, however, would not receive equalization funds under the foundation formula because the mandated local tax rate would generate enough funds locally to support the foundation level expenditures. Other districts would receive some equalization funds, but less than the amount of the flat grant. Each of these districts, however, would receive the flat grant under the combination plan. Some or all of the money included in the flat grant would then be disequalizing because it would guarantee that certain districts would have more funds than others although they were taxing themselves at the same, mandated tax rate. The decision of the Court in Serrano v. Priest noted this phenomenon in operation under the ^{71/} California school aid program:

Basic aid, which constitutes about half of the state educational funds,...actually widens the gap between rich and poor districts.... Such aid is distributed on a uniform per pupil basis to all districts, irrespective of a district's wealth. Beverly Hills, as well as Baldwin Park, receives \$125 from the state for each of its students.

For Baldwin Park the basic grant is essentially meaningless. Under the foundation program the state must make up the difference between \$355 per elementary child and \$47.91, the amount of revenue per child which Baldwin Park could raise by levying a tax of \$1 per \$100 of assessed valuation. Although under present law, that difference is composed partly of basic aid and partly of equalization aid, if the basic aid grant did not exist, the district would still receive the same amount of state aid -- all in equalizing funds.

^{71/}

Serrano v. Priest: pp. 13-14.

For Beverly Hills, however, the \$125 flat grant has real financial significance. Since a tax rate of \$1 per \$100 there would produce \$870 per elementary student, Beverly Hills is far too rich to qualify for equalizing aid. Nevertheless, it still receives \$125 per child from the state, thus enlarging the economic chasm between it and Baldwin Park.

In many states, the basic general aid distribution plan is combined with a series of categorical aid programs which may themselves use either a flat grant or an equalizing distribution formula. The relative weight of the funds allotted to these categorical programs has an important bearing on the overall effect of the state's programs.

The equalization effect achieved by the plans actually in force in the states depends not only on the admixture of various different distribution formulae but also on the details of the equalization plan itself. One critical consideration is the relationship of the "key" district to the richest district in the state under the conditions of a given equalization scheme. The key district in a foundation plan is that district which raises exactly the funds needed to support the foundation level of expenditures at the local tax rate mandated by the plan. If the key district is the richest district, then the state achieves maximum equalization for the funds expended because all local funds generated

go into the equalization formula and no district receives non-equalizing state aid. However, the amount of state funds required to support the program could be quite high because the state is committed to raise each district up to the level of the richest.^{72/} When the state chooses a foundation level and a tax millage which in effect set some other, poorer district as the key, each district richer than the key district generates more funds locally at the required millage than are needed to support the foundation program. If these funds must be returned to the state for redistribution, the equalization effect is retained and in fact the state can maintain a higher foundation level for the same cost in state money. Only one state, Utah, provides for the richer districts to return local funds to the state for redistribution.^{73/} In other states the richer districts are allowed to retain the excess local funds. The poorest districts are equalized up to the level of the key district, but the richer districts are assured a higher spending level for the same effort.

In practice, most state foundation (and percentage equalizing) plans assign an expenditure level lower than that of the highest-spending district, and often below the state average expenditures. They also set a tax levy lower than that levied voluntarily by most if not all of the state's districts. For example, the Serrano Court pointed out that while the state aid plan guaranteed \$355 per elementary school pupil and \$488

^{72/}

John E. Coons et al. Op. cit. : pp. 105-106.

^{73/}

Weiss, Steven J. Existing disparities in public school finance and proposals for reform. Boston, 1970: p. 32.

per high school pupil, actual median expenditures in the state in 1969-70 were \$672 and \$898, respectively. ^{74/} In the same year New York's percentage equalizing plan provided a guarantee of up to \$860 per pupil in ADA, but state average expenditures exceeded \$1,200. ^{75/} Eleven states which calculated basic school aid as a guaranteed level of expenditures per pupil set the basic foundation level at \$200-450 per pupil in 1968-69; only two of those states, Maine and North Dakota, had average expenditures below \$600 per pupil. Colorado, New Hampshire, and Washington had expenditures of \$600-700 per pupil, Illinois, Michigan, Minnesota, and Rhode Island had \$700-800 per pupil, while New Jersey and Oregon spent over \$800 per pupil. ^{76/} Under these conditions, most or all of the state's districts can be expected to levy taxes beyond the mandated millage to support higher expenditures, and these extra levies may go completely unequalized. Some districts will already have more money to spend simply by levying the mandated millage. As noted above, Beverly Hills raises \$870 at the 10 mill rate required by the California foundation plan, more than twice the amount guaranteed by the foundation plan; with a return of only \$47.91 per

^{74/}

Serrano v. Priest: p. 10.

^{75/}

New York State. Commission on the Quality, Cost and Financing of Elementary and Secondary Education. Report of the New York State Commission on the Quality, Cost and Financing of Elementary and Secondary Education. New York, 1972: pp. 1.18 and 2.58.

^{76/}

National Education Association. Rankings of the States, 1970. Washington, 1970.

U.S. Office of Education. Public school finance programs, 1968-69. Washington, 1969. (OE-22002-69).

10 mills of tax levy, Baldwin Park would have to levy over 100 mills of additional taxes to make up for the difference between the foundation level and Beverly Hills' return from the mandated tax levy.^{77/} In any state where some districts exceed the mandated tax level, these districts will vary in the return they get for their extra effort. The lower the level of equalized expenditures relative to the average level of expenditures in the state, the greater will be the relative importance of these supplementary, unequalized local tax efforts, and the greater the inequalities to be expected in actual school expenditures. The states have often enacted supplementary legislation designed to compensate for these problems in the actual operation of foundation plans. Utah has an elaborate three-tiered system under which the foundation plan is supplemented by guaranteed yields for additional local efforts.^{78/} Some states have set maximum rates for school levies. The effect of such limitations can be mixed however, especially when most districts are taxing at or near the limit. In Nevada, for example, the school tax is limited to fifteen mills, with seven mills required for participation in the equalization plan. In

^{77/}
Serrano v. Priest: pp. 13-14.

^{78/}
John E. Coons et al. Op. cit.: pp. 87-95.

1966-67, eleven of the state's seventeen districts levied the full eight mills supplementary tax; the return on this added levy was not equalized, and the limit meant that the poorer districts, which received less money per pupil for the eight mills' tax, had no means of raising additional funds.^{79/} Michigan's foundation plan, as of 1966, contained a clause that guaranteed inequities: the districts were required to levy nine mills of tax to participate in the plan, but only 4.6 mills were considered in calculating the equalization aid. The remaining 4.4 mills tax went unequalized and assured discrepancies among districts even at the minimum foundation level of effort.^{80/}

Other considerations altering the operation of typical foundation plans include minimum and maximum payment clauses, no-loss clauses, minimum aid ratios (altering the true ratio of local wealth to average state wealth for the wealthier districts in the operation of the plan) and various other limitations on the operation of the pure plan introduced to allay the fears of the richer districts, alleviate the stresses of a transition period, and hold down the total cost of the program.

Percentage equalization plans suffer from many of the same defects in practice as the foundation plans. In fact, in many cases the insertion of maximum payment clauses or limitations on the degree of effort which the

^{79/}

Ibid: pp. 80-87.

^{80/}

Wilensky, Gail R. State aid and educational opportunity. Beverly Hills, California, 1970: pp. 62-70.

state agrees to equalize under the percentage equalization formula essentially convert the plan into a modified foundation plan. This would seem to be the case when the state sets an upper limit on the amount of expenditures it will equalize which is less than the average expenditure currently prevailing in the state, or when the range of tax effort envisaged by the state plan falls below the actual level of many of the states' districts. Coons, Clune, and Sugarman concluded from their investigation of the percentage equalization programs in New York, Rhode Island, Maine, and Wisconsin that in practice these systems differed little from foundation plans because of the complex restrictions placed on aid ratios, total equalized per pupil spending by the districts, and total state spending to fund the equalization program.^{81/} The Fleischman Commission, in its examination of school finances in New York State in Chapter 2 of its report, published in January 1972, cited the minimum flat grant provision, expenditure ceiling of \$860 starting in 1970-71, and the limitation of the state share of local expenses to 90 percent, as three factors contributing to the failure of the state formula to achieve equalization.^{82/}

^{81/} John E. Coons, et al. Op. cit. : pp. 182-197.

^{82/} New York State. Commission on the Quality, Cost and Financing of Elementary and Secondary Education. Op. cit.: pp. 2.8-2.9.

83/

The Commission concluded:

The result of this compromise is to make the percentage equalizing grant into a foundation program for all practical purposes, especially when most districts actually do spend beyond the point at which the state stops its contribution, which is the case in New York. In effect, the \$860 upper limit of sharing in New York State is the cost of the foundation program per student.

The overall effect of any distribution plan can be affected by different criteria used in the allocation formulae. Introduction of the concept of weighted pupils, reflecting the fact that some children cost more to educate than other children, improves the balance between resources and educational task. To the extent that disadvantaged students are concentrated in certain districts, such as the central cities, reliance on simple per pupil measures systematically understates the districts' educational burden and overstates their wealth. The measures "average daily attendance," "average daily membership," and "population aged 5-17" all suggest the educational burden of districts in terms of numbers of children to educate, but they differ from one another because of different drop-out rates, truancy rates, and private school attendance. Estimates of district wealth based on per pupil and per capita measures differ because of differences in such factors as proportion of population in the school age bracket, while the type of wealth measured -- assessed valuation, state equalized assessed

83/

Ibid: p. 2.58

valuation, income, retail sales -- will also vary because of differing relationships among residence patterns, job distributions, and income sources, as well as technical discrepancies in assessment practices underlying property valuations.

The National Educational Finance Project attempted to develop a typology by which to judge the real, overall equalization achieved by complex state programs. First, the states were classified according to the nature of their basic program:

TABLE 4-1

CLASSIFICATION OF THE STATES INTO TYPES OF SCHOOL SUPPORT
PLANS USED FOR THE SCHOOL YEAR, 1968-69

<i>EQUALIZATION PROGRAMS</i>				
<i>Flat Grant Programs</i>	<i>Strayer-Haig Mort</i>	<i>Percentage Equalizing</i>	<i>Guaranteed Valuation or Tax Yield Plan</i>	<i>Complete State and Federal Support</i>
Arizona	Alabama	Iowa	Utah	Hawaii
Arkansas	Alaska	Massachusetts	Wisconsin	
Connecticut	California	New York		
Delaware	Colorado	Pennsylvania		
New Mexico	Florida	Rhode Island		
North Carolina	Georgia	Vermont		
South Carolina	Idaho			
	Illinois			
	Indiana			
	Kansas			
	Kentucky			
	Louisiana			
	Maine			
	Maryland			
	Michigan			
	Minnesota			
	Mississippi			
	Missouri			
	Montana			
	Nebraska			
	Nevada			
	New Hampshire			
	New Jersey			
	North Dakota			
	Ohio			
	Oklahoma			
	Oregon			
	South Dakota			
	Tennessee			
	Texas			
	Virginia			
	Washington			
	West Virginia			
	Wyoming			

84/

The NEFP staff then proceeded to analyze each of the elements of the total state funding scheme according to the level at which the funds were generated (state or local) and the basis on which the funds were distributed (the degree to which the formula recognized necessary cost variations and accounted for differences in local ability). Five classes were defined, ranging from level 0, funds apportioned from state or local sources in such a way as to maintain or increase the discrepancies in districts' financial resources, to level 4, funds distributed in accordance with a formula which takes into account both cost differentials and varying local financial capabilities. All local funds save those deducted for purposes of calculating state equalization aid were classified in level 0. Hawaii, whose full state funding program was deemed to yield 100% of school funds in level 4, was rated number 1 on the equalization scale, while Connecticut was rated 50, with 72.2 percent of school funds in Connecticut assigned to level 0.^{85/} The rankings of the fifty states are given in the following table drawn from volume four of the NEFP, Status and Impact of Educational Finance Programs:^{86/}

^{85/}
Ibid: pp. 141-190.

^{86/}Ibid: p. 137.

RANKING OF THE STATES BASED ON THE
NEFP TYPOLOGY FOR THE SCHOOL YEAR, 1968-69

Rank	State	Rank	State
1	Hawaii	26	Maryland
2	Utah	27	Virginia
3	Rhode Island	28	Texas
4	Alaska	29	California
5	Wyoming	30	Montana
6	Washington	31	Maine
7	Idaho	32	Nevada
8	Alabama	33	Massachusetts
9	Delaware	34	Oregon
10	North Carolina	35	Tennessee
11	Georgia	36	Minnesota
12	Kentucky	37	Arizona
13	Florida	38	Iowa
14	New York	39	North Dakota
15	Louisiana	40	Missouri
16	New Mexico	41	Michigan
17	Ohio	42	Kansas
18	Pennsylvania	43	New Jersey
19	Vermont	44	Indiana
20	Wisconsin	45	Oklahoma
21	Mississippi	46	Arkansas
22	West Virginia	47	Colorado
23	Illinois	48	South Dakota
24	Nebraska	49	New Hampshire
25	South Carolina	50	Connecticut

One conclusion which seems to emerge from a comparison of the nominal goals of state aid plans and the actual equalization achieved, as measured by the NEFP, is that the equalization provided by any state plan depends as much on the level of state support of the public schools as on the type of plan in use. The states ranking first and last on the NEFP equalization scale, Hawaii and Connecticut, both employed essentially flat grant programs, but Hawaii funded all non-federal school costs in the state while more than 70 percent of Connecticut's school monies came from local sources. Both foundation and percentage equalization plans could be improved with respect to the equalization achieved by eliminating some of the special clauses and particularly by instituting negative payments for districts deriving more from required levies than called for to support plan-level expenditures; but both could also yield greater effective equalization if the overall level of state support were raised, so that the foundation level or allowable equalized expenditures could be raised closer to the expenditure level of the richest district.

Those who argue that state aid formulae systematically discriminate against certain districts, notably the core cities, base their contentions on a combination of two points. First, they say, the particular measures used by the formulae to determine district wealth and effort work against

the cities because of the inherent biases they possess. The Urban Education Task Force concluded:^{87/}

Education aid formulas frequently overstate the fiscal capacity of central cities because their measure of fiscal capacity is almost universally tax base per pupil rather than tax base per capita. This seemingly insignificant factor is in reality of major consequence. For by focusing only upon the per pupil relationship with the tax base, the formulas assume that the fiscal resources of different kinds of school districts, for instance central city and suburban, are equally available for educational purposes.... This is in fact untrue, and central cities have a much heavier general service load than do other kinds of jurisdictions.

Second, they point out that many of the alterations introduced into the basic foundation or other general aid plans, as noted above, tend to favor the more wealthy districts by assuring them some minimum of state aid whether or not they are entitled to it under the equalization formula. Thus wealthy suburban districts siphon off state aid dollars which might have been used to support poorer districts and districts with concentrations of students harder to educate than those concentrated in the wealthier suburbs. The Urban Education Task Force cites figures based on data from 1962 showing that in 29 of 37 selected large metropolitan areas the central city received less state aid per pupil than the average of the school districts outside the central city.^{88/} A study recently published by the Office of Education

^{87/}

Urban Education Task Force. Op. cit.: p. 60.

^{88/}

Ibid: p. 58

confirmed these conclusions, using data on 87 big-city school systems from the year 1967-68. A summary of the study released by the Office of Education stated:^{89/}

The study... found that, on a per-pupil basis, 83 percent [of the big-city systems] received less than the statewide average for the distribution of State revenues. The study also found that while 65 percent of all big-city school systems were able to raise more, on a per-pupil basis, than the statewide average from local sources, the low level of State support usually resulted in total per-pupil revenues below the statewide average. St. Louis, for example, received \$182 per pupil from the State, or \$55 less than the State average, while the local school system provided \$10 more per pupil than the State average. Total revenue amounted to \$725 per pupil, which was \$42 less than the State average.

It appears that in many cases these biases are not accidental. They were often purposely introduced into the school aid plans in order to compensate for special conditions prevailing at the time of the plans' original adoption which have changed considerably in the years following. The Fleischmann Commission in New York State criticized the school aid program in that State for its failure to recognize city needs because of an outdated formula:^{90/}

Existing educational finance arrangements were devised during the 1920's when cities appeared to be rich and had strong, fully developed educational systems. At first, the state's grant programs were intended to redress an imbalance of educational power in that they were to help poor, rural districts improve their primary schools and begin to develop secondary schools. The rural bias in the original state aid formulas has, by this time, become a suburban bias, even though now it is the cities which lack educational systems sufficient to the challenge of the day.

^{89/}

U.S. Office of Education. News release. Washington, January 16, 1972. (HEW-B38).

^{90/}

New York State. Commission on the Quality, Cost and Financing of Elementary and Secondary Education. Op. cit.: p. 2.67.

6. Federal aid to public elementary and secondary schools

The Federal Government has traditionally played a relatively minor role in the financing of the public schools in the United States. In 1929-30 federal sources accounted for only 0.3 percent of all school revenues. The federal share rose very gradually over the next thirty years, reaching 2.9 percent in 1949-50 and 4.4 percent in 1959-60.^{91/} Then, in one year, the federal share doubled from 3.8 percent in 1964-65 to 7.7 percent in 1965-66. It has remained almost constant since 1966, decreasing slightly over the six-year period. The pattern of federal contributions to the costs of public elementary and secondary education over the last decade can be seen from the following table:^{92/}

Federal spending on public elementary and secondary education

<u>Year</u>	<u>Amount (in thousands)</u>	<u>As percent of total spending</u>
1961-62	639,616	3.7
1964-65	834,202	3.8
1965-66	1,914,759	7.7
1966-67	2,148,908	8.0
1967-68	2,472,464	8.0
1968-69	2,570,704	7.4
1969-70	2,767,045	7.2
1970-71	3,128,831	7.2
1971-72	3,305,707	7.1

^{91/} National Educational Finance Project. Vol. 4: p. 20.

^{92/} National Education Association. Estimates of school statistics, 1961-62 through 1971-72.

Although many analogies exist between the relation of the Federal Government to the various states, and that of the states to their numerous local school districts, the philosophy underlying the federal contribution to the school resources of the states has been very different from that underlying state school aid plans. The Federal Government has not undertaken to provide ongoing, general aid to support the costs of the public schools. It has chosen to allow the financial support of the schools to remain primarily a state responsibility delegated in varying degree to individual school districts. Congress has contributed money to the states and local school districts as categorical grants for special purposes deemed to be of special national interest. The Smith-Hughes Act of 1917, which provided funds for vocational training in the secondary schools, marked the entry of the Federal Government into the field of pre-college education. Building on experience from World War II, Congress enacted in 1950 Public Laws 815 and 874, the Impact Aid laws, which sought to compensate local school districts for revenues lost because properties of the Federal Government are tax-exempt. A new departure in federal participation in pre-college education came with the passage of the National Defense Education Act in 1958. This act strengthened programs in the elementary and secondary schools, as well as institutions of higher education, which were related to the national defense and the maintenance of certain vital activities.

Scientific, mathematical, and foreign language studies received the most attention and funds under the provisions of the NDEA. The passage of the Elementary and Secondary Education Act in 1965 meant an important extension of the scope of federal activities with respect to the nation's public schools. The NEFP summarized the purposes of the ESEA in these words:^{93/}

Broad in its concept and hope, it [the ESEA] directly involves over 90% of the nation's school districts. The purpose of this act can be stated broadly as follows: (1) to strengthen the elementary and secondary education of the educationally disadvantaged child, (2) to provide school libraries, resources, textbooks, and other instructional materials, (3) to fund supplemental education centers, (4) to broaden cooperative research, and finally (5) to strengthen state departments of education.

The effect of the passage of the Elementary and Secondary Education Act can be seen in the jump in the federal share of school revenues noticed in the year 1965-66. Several other programs were enacted during the 1960's which expanded federal involvement in the nation's public schools. Among these were the Vocational Education Act of 1963 and the Educational Professions Development Act of 1967.

Some federal programs, notably the impact aid legislation, were not intended to provide equalization. In other cases, where the financial ability of the states and local districts receiving

^{93/} National Educational Finance Project. Vol. 4: p. 230.

federal money is taken into consideration, each program has its own allocation formula whose effectiveness in equalizing the availability of school resources may be difficult to analyze, given the number of intermediaries between the federal sources and the schools and school districts which will actually spend the money. The National Educational Finance Project devoted a special study to an analysis of the equalization achieved by ten federal programs, regardless of whether the program intended to provide equalization or not.^{94/} The NEFP correlated personal income per child of school age in each state with the allocation per child of school age received by the state from each federal program. A negative correlation, implying that states with higher personal income tended to receive lower federal allocations, was taken to mean that some degree of equalization was achieved. The NEFP found that five of the ten programs showed statistically significant negative correlations between personal income and allocations; four programs showed no correlation between the variables and one showed a positive (disequalizing) correlation. The following summarizes their findings:^{95/}

^{94/} Ibid: p. 291.

^{95/} Ibid: pp. 288-89.

Correlations of personal income per child of school age with the allocation per child of school age from selected federal programs

<u>No correlation</u>	<u>Positive Correlation</u>	<u>Negative Correlation</u>
P.L. 81-874	ESEA, Title II	NDEA, Title III
P.L. 81-815		Vocational Education Act, basic grants
NDEA, Title V-A		ESEA, Title I
ESEA, Title III		ESEA, Title V
		ESEA, Title VI-A

While the NEFP concludes that there was an overall equalization effect from the combined ten federal programs, the Guthrie study in Michigan reached the opposite conclusion concerning the distribution of money from federal sources in that state:^{96/}

In assessing the association in Michigan between school district AV/PP (average valuation per pupil in average daily attendance) and receipt of federal funds, we actually found a negative correlation. That is, wealthier school districts tended to receive more federal dollars per pupil than poorer districts.

A study conducted by researchers of the Policy Institute of the Syracuse University Research Corporation and published by the Senate Select Committee on Equal Educational Opportunity under the title, Federal Aid to Public Education: Who Benefits?, concluded that ESEA, Title I, the compensatory education program designed to funnel special funds into school districts having high concentrations of educationally disadvantaged pupils, was the only federal program which had a systematically

^{96/} James W. Guthrie et al. Op. Cit.: p. 128.

equalizing (pro-city) effect. In general, they found that federal aid tended to favor nonmetropolitan areas as opposed to metropolitan areas, and, within the latter, suburban areas to the central cities.^{97/}

ESEA Title I appears to be generally recognized as successful in achieving some equalization among school districts; it appears to be the only federal program so recognized.

Various factors complicate any attempt to measure the equalization - planned or unplanned - which results from federal education aid. First, a number of agencies intervene between the source of the funds and the pupils ultimately benefitting from those funds. The nature of the pass-through provisions made in each program will obviously affect the ultimate outcome. Furthermore, the results may differ substantially depending on which level is studied, since the federal aid can be seen as equalizing the resources of states, of school districts (nationally or within individual states), of individual schools, or possibly even of individual students. Secondly, as in the case of state aid distribution plans, the equalization formulae used in federal programs may be altered to reflect various concerns, and the alterations may affect the equalization

^{97/} Berke, Joel S., Stephen K. Bailey, Alan K. Campbell, and Seymour Sacks. Federal aid to education: who benefits? Syracuse, New York, 1971.

achieved. Provisions for minimum payments to each state or for a portion of the total funds to be distributed on a flat grant basis both tend to decrease the overall effectiveness of the equalization scheme. This problem is compounded when appropriations fall below authorized levels, because the disequalizing effects of flat grants or other special provisions become more serious as their proportion of total grants rises. Lastly, federal distribution formulae suffer from the problems of biased indicators in much the same way that the state formulae do, with the added complication of special indicators needed to effect the categorical purposes of the federal programs.

LEGAL CHALLENGES TO THE CURRENT SYSTEM1. Serrano v. Priest (California)

On August 30, 1971, the Supreme Court of California handed down a decision which poses a major challenge to the current method of financing the public schools in California and, by analogy, in all the other states save Hawaii, where the schools are entirely state-funded. The California decision arose in a suit brought by a group of children attending public school in Los Angeles County and their parents as a class action to declare invalid the public school financing scheme in California which "relies heavily on local property taxes and causes substantial disparities among individual school districts in the amount of revenue available per pupil for the district's educational programs."^{98/} The original trial court dismissed the suit on the grounds that it failed to state a sufficient cause of action;^{99/} the suit then reached the State Supreme Court on appeal. The Supreme Court reversed the judgment of the lower court and remanded the case to the trial court.

The 6-1 opinion of the Supreme Court was delivered by Justice Sullivan. The Court first turns its attention to an analysis of the workings of the school financing system of California. Having noted that "over 90 percent of our public school funds derive from two basic sources: (a) local district taxes on real property and (b) aid from the State School Fund,"^{100/} the Court comes to the following conclusions regarding these two sources of income:

^{98/}

Serrano v. Priest: p. 3.

^{99/}

Ibid: p. 6.

^{100/}

Ibid: p. 7.

"The locally raised funds which constitute the largest portion of school revenue are primarily a function of the value of the realty within a particular school district, coupled with the willingness of the district's residents to tax themselves for education.....^{101/}

"Although equalization aid and supplemental aid temper the disparities which result from the vast variations in real property assessed valuation, wide differentials remain in the revenue available to individual districts and, consequently, in the level of educational expenditures. For example, in Los Angeles County, where plaintiff children attend school, the Baldwin Park Unified School District expended only \$577.49 to educate each of its pupils in 1968-69; during the same year the Pasadena Unified School District spent \$840.19 on every student; and the Beverly Hills Unified School District paid out \$1,231.72 per child.... The source of these disparities is unmistakable: in Baldwin Park the assessed valuation per child totaled only \$3,706; in Pasadena, the assessed valuation was \$13,706; while in Beverly Hills, the corresponding figure was \$50,885 -- a ratio of 1 to 4 to 13. Thus, the state grants are inadequate to offset the inequalities inherent in a financing system based on widely varying local tax bases."^{102/}

The Court then addresses itself to the legal issues raised in the case. It first rejects the plaintiffs' contention "that the school financing system violates article IX, section 5 of the California Constitution, which states, in pertinent part: 'The Legislature shall provide for a system of common schools by which a free school shall be kept up and supported in each district at least six months in every year....'"^{103/} This ends consideration of issues related to the State Constitution and allows the Court to proceed to "the chief contention underlying plaintiff's complaint, namely that the California public school financing scheme violates the

^{101/}
Serrano v. Priest: p. 9.

^{102/}
Ibid: pp. 12-13.

^{103/}
Ibid: p. 14.

equal protection clause of the Fourteenth Amendment to the United States Constitution." 104/

The Court advances two considerations which necessitate the application of the strict test of equal protection. In cases not involving economic regulations, the U.S. Supreme Court "has adopted an attitude of active and critical analysis, subjecting the classification to strict scrutiny," whenever the case involves "suspect classifications" or "fundamental interests." 105/ First, the Court examines the contention that the California system classifies and discriminates on the basis of wealth, and concludes in favor of the plaintiffs: 106/

Plaintiffs contend that the school financing system classifies on the basis of wealth. We find this proposition irrefutable.

It then provides documentation that the U.S. Supreme Court has treated wealth as a suspect classification which merits strict scrutiny. 107/ Secondly, the Court examines the proposition that education is a "fundamental interest." It concludes after a lengthy discussion: 108/

We are convinced that the distinctive and priceless function of education in our society warrants, indeed compels, our treating it as a 'fundamental interest.'

First, education is essential in maintaining what several commentators have termed 'free enterprise democracy' -- that is, preserving an individual's opportunity to compete successfully in the economic marketplace, despite a disadvantaged background....Second, education is universally relevant.... Every person...benefits from education....Third, public

104/

Ibid: p. 17.

105/

Ibid: p. 18.

106/

Ibid. pp. 19-20.

107/

Ibid. pp. 18-33.

108/

Ibid. pp. 42-45.

education continues over a lengthy period of life -- between 10 and 13 years.... Fourth, education is unmatched in the extent to which it molds the personality of the youth of society.... Finally, education is so important that the state has made it compulsory -- not only in the requirement of attendance but also by assignment to a particular district and school.

The fact that wealth is considered to be a suspect classification and the fact that education is judged to be a fundamental interest both require that the Court apply the strict test of equal protection under the Fourteenth Amendment. The Court therefore turns to the "final step in the application of the strict scrutiny equal protection standard -- the determination of whether the California school financing system, as presently structured, is necessary to achieve a compelling state interest."^{109/} It refutes both arguments put forth by the State -- that the current system assures "local responsibility for control of public education," and that it allows each local district "to choose how much it wishes to spend on the education of its children." These state interests are judged insufficient because: (a) "even assuming arguendo that local administrative control may be a compelling state interest, the present financial system cannot be considered necessary to further this interest," and (b) "under the present financing system, such fiscal free-will (of each local district) is a cruel illusion for the poor school districts."^{110/} Having failed to discover a compelling state interest which would justify

^{109/}

Ibid: p. 45.

^{110/}

Ibid: pp. 46-47.

the continuation of the current school financing system under strict judicial scrutiny, the Court finds the system to be in violation of the Fourteenth Amendment:^{111/}

We, therefore, arrive at these conclusions. The California public school financing system, as presented to us by plaintiffs' complaint supplemented by matters judicially noticed, since it deals intimately with education, obviously touches upon a fundamental interest. For the reasons we have explained in detail, this system conditions the full entitlement to such interest on wealth, classifies its recipients on the basis of their collective affluence and makes the quality of a child's education depend upon the resources of his school district and ultimately upon the pocketbook of his parents. We find that such financing system as presently constituted is not necessary to the attainment of any compelling state interest. Since it does not withstand the requisite "strict scrutiny," it denies to the plaintiffs and others similarly situated the equal protection of the laws. If the allegations of the complaint are sustained, the financial system must fall and the statutes comprising it must be found unconstitutional.

Although it is generally agreed that the Serrano decision has important implications for the school financing systems employed by all the states except Hawaii, there is less agreement as to the exact nature of these implications. First, the Court's decision was not a judgement on the merits of the case, but only determined that the California school financing system was unconstitutional if the facts alleged by the plaintiffs were proven at trial. The case was remanded to the trial court for a hearing on the facts themselves. The Court also made no determination of the relief available to the plaintiffs, and in a later clarification of its ruling, noted that the trial court could, if it found the state financing scheme unconstitutional, provide for an orderly

^{111/}

Ibid: pp. 54-55.

transition to a new scheme.^{112/}

Secondly, the national impact of the decision is unclear. The California decision has no binding effect on other states unless affirmed by the U. S. Supreme Court. An appeal to that Court was ruled out "at this time" by the California Attorney General according to an article in the New York Times dated January 1, 1972.^{113/} The decision has nonetheless had considerable persuasive effect and has been relied on to a substantial degree in the decisions of two U. S. District courts.

2. Van Dusartz v. Hatfield (Minnesota)

On October 12, 1971, Judge Miles Lord of the United States District Court for the District of Minnesota, in the case of Van Dusartz v. Hatfield, denied a motion to dismiss an action challenging the constitutionality of the Minnesota school financing system because it "makes spending per pupil a function of the school district's wealth [and] violates the equal protection guarantee of the 14th Amendment to the Constitution of the United States."^{114/} He retained jurisdiction in the case but deferred further action until after the close of the 1971 Minnesota legislative session.

112/

Clearinghouse Review. Modification of California Supreme Court Serrano decision. V. 5, January 1972: p. 537.

113/

New York Times. California won't appeal property tax ruling now. New York, January 2, 1972: p. 12

114/

U. S. District Court, Minnesota. Donald van Dusartz and Audrey van Dusartz et al. v. Rolland F. Hatfield, Auditor of the State of Minnesota, et al. [n.p., 1971] p. 11.

3. Rodriguez v. San Antonio Independent School District (Texas)

On December 23, 1971, a three-judge panel of the United States District Court for the Western District of Texas delivered a decision on the merits in the case of Rodriguez v. San Antonio Independent School District.^{115/} Also relying heavily on the Serrano opinion, the Court concluded "as a matter of law, that the plaintiffs have been denied equal protection of the laws under the Fourteenth Amendment to the United States Constitution by the operation of Article 7, paragraph 3 of the Texas Constitution and the sections of the Education Code relating to the financing of education, including the Minimum Foundation Program."^{116/} Unlike the courts in Serrano and van Dusartz, which only ruled on motions to dismiss, the Rodriguez court made a decision on the merits and was therefore faced with the question of what remedies to apply. The Court recognized that just because the current system of school finance was adjudged unconstitutional, the Court did not thereby ascertain what system would be constitutional. Rather, it chose to delay the effective date of its order restraining the defendants and other State education officials from enforcing the provisions of the state Constitution and state laws which were held to be unconstitutional for a period of two years "in order to afford the defendants and the Legislature an opportunity to take all steps reasonably feasible to make the school system comply with the applicable law; and without limiting the generality of the foregoing,

^{115/}

U. S. District Court, Texas (Western District). Demetrio P. Rodriguez, et al. v. San Antonio Independent School District, et al. [San Antonio, 1971]

^{116/}

Ibid: p. 8.

to reallocate the school funds, and to otherwise restructure the taxing and financing system so that the educational opportunities afforded the children attending Edgewood Independent School District, and the other children of the State of Texas, are not made a function of wealth, other than the wealth of the State as a whole, as required by the equal protection clause of the Fourteenth Amendment to the United States Constitution.^{117/} Should the Legislature fail to act within that time, the Court "is authorized to and will take such further steps as may be necessary to implement both the purpose and the spirit of this order."^{118/} The burden of change was thus placed squarely on the shoulders of the Legislature. In doing so, the Court noted that the Legislature had a wide range of alternatives to choose from in redrawing the system.^{119/}

Now it is incumbent upon the defendants and the Texas Legislature to determine what new form of financing should be utilized to support public education. The selection may be made from a variety of financing plans so long as the program adopted does not make the quality of public education a function of wealth other than the wealth of the state as a whole.

As a decision of a 3-judge District Court, the Texas decision could be directly appealed to the U.S. Supreme Court, and on January 8, 1972, the State Board of Education of Texas voted unanimously to appeal the ruling in the San Antonio case directly to the Supreme Court, opening the prospect that the case might come before the high Court reasonably soon.^{120/}

117/

Ibid: p. 9.

118/

Ibid: p. 9.

119/

Ibid: p. 8.

120/

New York Times. High court to get plea on school tax. New York, January 9, 1972.

4. Robinson v. Cahill (New Jersey)

The opinion of Judge Botter of the Superior Court of New Jersey (Hudson County) in the case of Robinson v. Cahill, delivered January 19, 1972, added a new dimension to the school finance decisions.^{121/} The case was brought by a group of plaintiffs which included the mayors of Jersey City, Paterson, Plainfield and East Orange, the cities themselves, and their Boards of Education, as well as individual students and taxpayers of the State. In the section of his opinion presenting an exposition of the state school system and the workings of its financial arrangements, Judge Botter included extensive information concerning the position of large cities in relation to other types of district in the State. He based his ruling almost entirely on the State Constitution and State laws, unlike the earlier decisions which had concentrated on the Equal Protection Clause of the Fourteenth Amendment to the U. S. Constitution. Judge Botter first examined the Bateman Act, enacted on October 26, 1970 to take effect on July 1, 1971 as the law governing distribution of State funds to local school districts in New Jersey, and the education clause of the State Constitution, which provides that:^{122/}

The Legislature shall provide for the maintenance and support of a thorough and efficient system of free public schools for the instruction of all the children in the State between the ages of five and eighteen years.

Consideration of the Bateman Act was complicated by the fact that it had not been fully funded, so that the amount of money actually appropriated

^{121/}

New Jersey. Superior Court. Law Division - Hudson County. Kenneth Robinson, et al. v. William T. Cahill, et al. [n.p., 1972]

^{122/}

Ibid: p. 54.

for distribution to local school districts was allocated such that each district received the amount allotted it under the previous foundation formula plus 20 percent of the difference between that amount and the amount it would receive under the Bateman plan, fully funded. Judge Botter drew the following conclusions:^{123/}

The Education Clause was intended to do what it says, that is, to make it a State legislative obligation to provide a thorough education for all pupils wherever located.... The word 'thorough' in the Education clause connotes in common meaning the concept of completeness and attention to detail. It means more than simply adequate or minimal.... It is clear from findings made earlier that a 'thorough' education is not being afforded to all pupils in New Jersey. However, the Bateman Act would probably afford sufficient financing for a thorough education if that Act were fully funded. In an area as difficult and costly as education, the judiciary would not invalidate a statute simply because all the funds necessary to fulfill its objectives were not made available in the first year or two of operation. As the [New Jersey] Supreme Court said in the West Morris Regional Board case, ... where public monies are involved, 'modest objectives must be allowed even though more pervasive ones would be welcome.' A statute may not be invalidated 'merely because it would also be reasonable to do more.' This is not to say that a statute will be left intact without a reasonable expectation that the fundamental constitutional demand for a thorough education will be achieved in the near future. A court would consider at least taking such steps as are necessary to allocate available resources in order to more closely approximate the constitutional demand. As a first step, certainly, the provision affording minimum support aid to each district regardless of wealth and the same harmless provision of the Bateman Act should yield to the State constitutional purpose.... As long as some school districts are underfinanced, I can see no legitimate legislative purpose in giving rich districts 'State aid.' I am satisfied by the evidence that a strong reason for minimum aid and save-harmless aid is political, that is, a 'give up' to pass the legislation. I conclude, therefore, that the Bateman Act as presently funded does not meet the State constitutional standard of a thorough education for all. Fully funded, however, with funds to

^{123/}

Ibid: pp. 57-61.

offset inflationary trends, the Bateman Act would probably reach this goal, even in cities with a high AFDC composition.... Accordingly, the Bateman Act will not be invalidated on the ground that at present funding levels it does not provide a thorough education for all. However, the minimum support aid and save harmless provisions cannot be reconciled at this time with the command of the Education Clause.

The Judge then turned his attention to questions raised by the equal protection guarantees of the New Jersey (and also Federal) Constitutions. He concentrated on the New Jersey Constitution, noting that "where educational objectives are left primarily to the states, it may be preferable for New Jersey to develop its own rules of equality though they may be more stringent than federal standards."^{124/} Although he observes that in theory the Bateman Act "goes far toward equalizing the revenue-raising power of local districts," he enumerates various reasons, both theoretical and practical, why the plan as operating fails to achieve the goal of equalization.^{125/} One cause he mentions is the problem of municipal overburden: "Even if districts were better equalized by guaranteed valuations, the guarantees do not take into consideration 'municipal and county overload.'"^{126/} Citing the Serrano, Van Dusartz, and Rodriguez cases previously decided in California, Minnesota, and Texas, respectively, Judge Botter concludes: ^{127/}

Providing free education for all is a State function. It must be accorded to all on equal terms. Public education cannot be financed by a method that makes a pupil's education depend upon the wealth of his family

^{124/}

Ibid: pp. 62-63.

^{125/}

Ibid: pp. 64-67.

^{126/}

Ibid: p. 66.

^{127/}

Ibid: pp. 67-69.

and neighbors as distinguished from the wealth of all taxpayers of the same class throughout the State.... The New Jersey system of financing public education denies equal protection rights guaranteed by the New Jersey and Federal Constitutions.... Education is one of the most important functions of state governments, and educational opportunities, where the state has undertaken to provide them, is a right that must be made available to all on equal terms.... No compelling State interest justifies the State's present financing system. It is doubtful that this system even meets the less stringent 'rational basis' test normally applied to the regulation of state fiscal or economic matters.... A finance system can be devised for New Jersey which affords equal protection to all pupils without precluding local control over public education. The invidious disparities cannot be justified by any overriding state purpose.

In conclusion, Judge Botter declared that "the present system of financing public elementary and secondary schools in New Jersey violates the requirements for equality contained in the State and Federal Constitutions.... The State must finance a 'thorough and efficient' system of education out of State revenues raised by levies imposed uniformly on taxpayers of the same class."^{128/} However, the Judge declares that the ruling shall operate "prospectively only" and that therefore the system may remain in operation during a transition period "unless and until specific operations under them (the laws declared unconstitutional) are enjoined by the court."^{129/} The Legislature is given until January 1, 1974 to adopt a non-discriminatory system, during which time the Court will not enjoin school finance operations, except that as of January 1, 1973 the State is enjoined from distributing State monies "to any

^{128/}
Ibid: p. 75

^{129/}
Ibid: p. 75

school districts pursuant to the 'minimum support aid' provisions and the save harmless provisions of the Bateman Act... which have been identified previously in this opinion." Any funds thus set free are to be allocated in such a way as to further so far as possible the principles expressed in the Court's opinion. 130/

Judge Botter's opinion offered a rebuttal to certain questions raised by some observers. First, does the requirement for equality of educational resources imply a similar requirement for other municipal services, such as police, fire protection, and the like? Under New Jersey law, according to Judge Botter, it does not because of the special status accorded education in the State Constitution. The Judge's treatment of the problem of relating school resources and expenditures to the needs of differing students casts light on another concern of some observers: does the doctrine of "fiscal neutrality" require equal expenditures for all students in the State, and hence the end of compensatory and special education programs for pupils with various handicaps? It would seem from Judge Botter's decision that, although the Court might not mandate any particular allocation of school funds according to "educational need," it would probably consider such allocations appropriate so long as they served a well-defined, justifiable purpose.

The ruling by Judge Botter, unlike the three previous school finance suits which have overturned state school aid plans, relies on state constitutional requirements. If affirmed by the New Jersey Supreme Court, it would be final and not subject to review by the U. S. Supreme Court.

130/

Ibid: pp. 76-77.

5. McInnis v. Shapiro and Burruss v. Wilkerson (Illinois, Virginia)

The Serrano and related cases are not the first in which school financing systems have been challenged as denying equal protection of the laws. In at least two previous cases, McInnis v. Shapiro, decided by the U.S. District Court for the Northern District of Illinois on November 15, 1968,^{131/} and Burruss v. Wilkerson, decided by the U.S. District Court for the Western District of Virginia on May 23, 1969,^{132/} federal courts sustained state laws governing school financing against constitutional attack. Both decisions were affirmed by the U.S. Supreme Court.

The plaintiffs in the McInnis case challenged the statutes governing the financing of public schools in Illinois on the grounds that they violated the equal protection clause of the Fourteenth Amendment because they "permit wide variations in the expenditures per student from district to district, thereby providing some students with a good education and depriving others, who have equal or greater educational need."^{133/}

^{131/} McInnis v. Shapiro. 293 F. Supp. 327 (N.D. Ill. 1968), aff'd.

mem. sub. nom. McInnis v. Ogilvie, 394 U.S. 322 (1969).

^{132/} Burruss v. Wilkerson. 310 F. Supp. 572 (W.D.Va. 1969), aff'd.

mem. 397 U.S. 44 (1970).

^{133/} McInnis v. Shapiro: p. 329.

The Court noticed that, under the financial arrangements in force in Illinois, substantial discrepancies in the amount of money available per student remain among the school districts of the State despite the State school aid program, which is at least partly designed to effect equalization.^{134/} Furthermore, it noted that "presumably, students receiving a \$1,000 education are better educated than those acquiring a \$600 schooling."^{135/} It did not conclude from this, however, that the system was invalid:^{136/}

While the inequalities of the existing arrangement are readily apparent, the crucial question is whether it is unconstitutional...Without doubt, the educational potential of each child should be cultivated to the utmost, and the poorer school districts should have more funds with which to improve their schools. But the allocation of public revenues is a basic policy decision more appropriately handled by a legislature than a court....

The Court cited two arguments supporting this conclusion. First, the Supreme Court had previously ruled that the "burden of establishing the unconstitutionality of a statute rests on him who assails it" and that "the Fourteenth Amendment permits the States a wide scope of

134/ Ibid: p. 330.
135/ Ibid: p. 331.
136/ Ibid: pp. 331-32.

discretion in enacting laws which affect some groups of citizens differently than others." Secondly, the school aid system in Illinois was held to serve the legitimate purpose of allowing "individual localities to determine their own tax burden according to the importance which they place upon public schools."^{137/} The Court summarizes its conclusions in the following paragraphs:^{138/}

The present Illinois scheme for financing public education reflects a rational policy consistent with the mandate of the Illinois Constitution. Unequal educational expenditures per student, based upon the variable property values and tax rates of local school districts, do not amount to an invidious discrimination. Moreover, the statutes which permit these unequal expenditures on a district to district basis are neither arbitrary nor unreasonable.

There is no Constitutional requirement that public school expenditures be made only on the basis of pupils' educational needs without regard to the financial strength of local school districts. Nor does the Constitution establish the rigid guideline of equal dollar expenditures for each student.

^{137/} Ibid: pp. 332-33.

^{138/} Ibid: p. 336.

The Court, having found that the system in force did not violate constitutional guarantees, made a further ruling with respect to the educational needs standard for educational expenditures put forth by the plaintiffs:^{139/}

Even if the Fourteenth Amendment required that expenditures be made only on the basis of pupils' educational needs, this controversy would be non-justiciable. While the complaint does not present a 'political question' in the traditional sense of the term, there are no 'discoverable and manageable standards' by which a court can determine when the Constitution is satisfied and when it is violated.

The only possible standard is the rigid assumption that each pupil must receive the same dollar expenditures. Expenses are not, however, the exclusive yardstick of a child's educational needs.

The three-judge court which heard the case of Burruss v. Wilkerson held that case to be substantially similar to the McInnis case and relied on that decision in making its ruling:^{140/}

Actually, the plaintiffs seek to obtain allocations of State funds among the cities and counties so that the pupils in each of them will enjoy the same educational opportunities. This is certainly a worthy aim, commendable beyond measure. However, the courts have neither the knowledge, nor the means, nor the power to tailor the public moneys to fit the varying needs of these students throughout the State. We can only see to it that the

^{139/} Ibid: p. 335.

^{140/} Burruss v. Wilkerson: p. 574.

outlays on one group are not invidiously greater or less than that of another. No such arbitrariness is manifest here.

Our conclusions here are supported by the decision of the three-judge Federal District Court in McInnis v. Shapiro.... The circumstances of that case are scarcely distinguishable from the facts here, Virginia's division of school funds closely paralleling Illinois'.

While we must and do deny the plaintiffs' suit, we must notice their be- seeming, earnest, and justified appeal for help. Virginia, we are told, is studying the school conditions in Bath and other counties confronted with similar inequalities. The General Assembly undoubtedly will come to their relief.

Both the McInnis and Burruss decisions were affirmed by the United States Supreme Court without opinion.

The Courts in all four of the more recent school finance suits specifically considered and rejected allegations by the defendants that the decisions of the Supreme Court in McInnis and Burruss were controlling. The Serrano court noted that while the McInnis case was technically a decision of the Supreme Court, many commentators have noted that

such per curiam (unsigned) affirmances have only limited precedential value.^{141/} At any rate, the Court felt that the contentions of the plaintiffs in the Serrano case differed significantly from those in McInnis.^{142/} While the plaintiffs in McInnis "repeatedly emphasized 'educational needs' as the proper standard for measuring school financing against the equal protection clause," and the nebulousness and nonjudiciability of this standard were "the basis for the McInnis holding," the plaintiffs in the California suit employ

"a familiar standard which has guided decisions of both the United States and California Supreme Courts: discrimination on the basis of wealth is an inherently suspect classification which may be justified only on the basis of a compelling state interest."^{143/}

"Assuming...the truth of the material allegations...and considering in conjunction therewith the various matters which we have judicially noticed, we [the Court] are satisfied that plaintiff children have alleged facts showing that the public school financing system denies them equal protection of the laws because it produces substantial disparities among school districts in the amount of revenue available for education."^{144/}

^{141/} Serrano v. Priest: pp. 57-58.

^{142/} Ibid: pp. 59-62.

^{143/} Ibid: p. 59.

^{144/} Ibid: pp. 60-61.

The Courts in the Minnesota and Texas cases offered similar arguments. Judge Botter, in the New Jersey case, distinguished the instant case from the McInnis and Burruss decisions on the grounds that^{145/}

one facet of the case at hand does invite a simple standard. Since the State Constitution requires the State Legislature to provide a thorough education for all pupils age 5 to 18, a tax levied to raise revenues for that specific State purpose should be applied uniformly to all members of the same class of taxpayers. Under the present system taxpayers in different districts pay different tax rates for school purposes. To the extent that these revenues fulfill the State's constitutional obligation to provide a 'thorough' education, the purpose remains a common State purpose, not a local purpose. (It is noted that there is no comparable provision in our Constitution dealing with municipal services such as police, fire, sanitation, etc.) Accordingly, the 'equality' provisions of the State and Federal Constitutions preclude taxing the same class of property at different rates.

6. Conclusions

The clarifications issued by the California Supreme Court subsequent to its original August ruling and the decisions of the courts in Minnesota, Texas, and New Jersey appear to have resolved some of the

^{145/} Robinson v. Cahill: pp. 70-71.

controversies which arose following the Serrano decision concerning the substantive implications to be drawn from the case, assuming that it was upheld in further actions before state and federal courts. Coons, in testimony before the Senate Select Committee in September, 1971, stressed the importance of remembering the essentially negative character of the Serrano decision. It judged that one plan of financing schools, that currently in force, violated Constitutional guarantees. It required of any alternative plan that it assure that school revenues not be dependent on wealth, i.e., it established a principle of "fiscal neutrality" required of state school aid programs.^{146/} But it did not stipulate any particular scheme to be enacted in the state. This element was made clear in the Texas and New Jersey rulings. One important consequence is that the property tax itself does not appear to be ruled illegal, and remains a potential source of school revenues under any new plan, so long as the method chosen to administer the property tax and to distribute its revenues eliminates the link between local wealth and school revenues. The decisions following the Serrano case seem to imply

^{146/} U.S. Congress. Senate. Equal educational opportunity. Part 16:
pp. 6850-51.

that the Courts would prefer to leave the choice of a particular school financing plan from the many possible alternatives to the Legislatures of the various states rather than intervening to establish some new system by court order. The Legislatures have a wide leeway in working out a new system which would comply with the Constitutional requirements being set down by the Courts and also reflect the special traditions and desires of each state. There is evidence that legislators and executive officials in some states, as well as educational reformers outside the government, see in the cases an opportunity for the state governments to enact desired reforms in an inequitable system and a means of enlisting support for change among legislators and groups of citizens who have not previously been favorable to massive changes in the educational support system. In Michigan, for example, Governor Milliken and Attorney General Frank Kelley pledged in early October, 1971, to seek a State Supreme Court ruling that Michigan's school finance system was unconstitutional.^{147/} Governor Milliken proposed major changes in the Michigan school finance program as early as 1969.

^{147/} New York Times. Officials in Michigan to seek a court ruling on school support. New York, October 4, 1971.

Since the decisions delivered so far deal only with state school finance plans, their implications in terms of federal educational programs and responsibilities remains unclear. John Coons, author of the book Private Wealth and Public Education and an influential figure in Serrano and other cases, and Sarah Carey, representing the Lawyer's Committee for Civil Rights under Law, which has been coordinating school finance suits in states throughout the nation, agreed in their testimony before the Senate Select Committee on Equal Educational Opportunity that the legal precedents established in the Serrano case would not require the Federal Government to intervene in order to equalize educational resources among the states. They base this conclusion on the fact that the federal constitution does not require the Federal Government to provide educational services, while state constitutions do typically require this of state governments. Therefore, although the Fifth Amendment may require that the Federal Government provide such educational services as it may choose to offer in an equitable fashion, it does not require it to equalize state resources for programs beyond the realm of the federal responsibility.^{148/} Other observers disagree, arguing that the Federal

^{148/} U.S. Congress. Senate. Equal educational opportunity. Part 16: p. 6860.

Government may be required to equalize the resources available for education among the several states in accordance with the definition of education as a fundamental interest and that, in any event, the Federal Government may wish to intervene to effect interstate equalization as states achieve intrastate equality and the different abilities of the states become more clearly visible.

ALTERNATIVES: THE STATE LEVEL

If the trend of decisions by the Courts continues in its current direction and if the Serrano and related opinions are eventually upheld by the United States Supreme Court, the Legislatures of the various states will be required to provide some new plan for the provision of the State's public elementary and secondary schools which will be sufficient to assure both some standard of quality education and an equitable distribution of the school resources and tax burdens among the students and taxpayers of the State. Even before the series of Court rulings related to school finance, however, many observers felt that effective reform of the school support system in the United States depends in large measure on the governments of the fifty states, and that local and federal efforts to aid in reform can only be supplementary to efforts by each state government. By the time of the Serrano ruling in August, 1971, efforts were underway in a number of States to study ways of improving the quality and equity of the schools, and to implement needed reforms by legislative means. The current Court decisions have lent added impetus to such reform efforts.

On the taxation side of the school finance problem, various solutions have been proposed to render the burden of supporting the public schools more equitable. The least radical measures would involve reform of the existing system of local property taxation to eliminate the differential burdens which it currently imposes. Improved assessment techniques could reduce the discrepancies arising from different assessments levied against

similar properties in different districts of the State and even within single districts. State assumption of the task of assessment, or perhaps only of the assessment of industrial property, has been suggested as a means of improving the quality and equity of assessment procedures across the State as well as restricting the political pressures on local assessors to vary assessment practices to serve special purposes. Even a completely standard, rationalized local property taxation system would not, however, solve the problems of equalizing the taxes across the State for the support of common State services, and of assuring sufficient funds for the maintenance of these services at a desired level of quality. Governor Anderson stressed this problem in his Budget Address to the 1971 session of the Minnesota Legislature:^{149/}

In my judgment, no one can argue in the year 1971, at this late hour, that the state has no responsibility for high real estate taxes simply because the state does not levy a mill rate....

When we fail to raise nonproperty taxes on the state level, we know real estate taxes must and do go up. If we want to reduce the tax burdens on our homes and on our real estate, then we must raise nonproperty taxes and return the money to local units of government.

It is hypocritical to state that property taxes are local and that they are not therefore the result of state action. The scandalous property taxes which today are literally driving Minnesotans from their homes are the direct result of legislative failure to properly fund education at the state level from non-property sources.

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Minnesota. Governor Wendell R. Anderson. Budget Address to the 67th session of the Minnesota Legislature. St. Paul, Minnesota, 1971: p. 3.

It is dishonest to speak of two tax systems -- state and local -- as if each existed without effect on the other. Minnesota has a single tax system -- and the taxes all come ultimately from one source -- your pocketbook. We cannot look at any one tax source without looking at its effect on other sources -- at every level of our government.

An increasing awareness of the interrelatedness of state taxes and the local property tax, which has traditionally served as the residual source for education funds, as well as the emerging acceptance of education as a common state purpose for which the State government bears primary responsibility -- combined with resistance to quickly rising local property tax burdens -- have led to various proposals to shift educational support away from local taxes altogether. Instead, the State would derive revenues from its own sources for distribution to local educational agencies. One alternative proposed in several states is that the State institute a state-wide property tax at a uniform rate to replace the local property tax as a source of funds for public education. (A variation would have local districts levy property taxes at a uniform rate and turn the proceeds over to a state education fund.) Such a state-wide property tax might be a permanent or a transitional measure. The Fleischmann Commission of New York State, for example, has proposed that the State impose a state-wide property levy of \$2.04 per \$100 of equalized assessed valuation, which is currently the average millage levied by the State's localities for educational purposes. This property millage would remain a permanent feature in the State's educational support system, but would be held constant at the proposed level,

so that its proportion of the total educational revenues would gradually decline as educational expenditures rose. Eventually the burden of producing educational revenues would shift, in the New York plan as well as plans presented in other states, to the general sources of State revenues, notably the state income and sales taxes.^{150/} In some proposed plans, unlike New York's, the property tax component of the state tax scheme would be purely transitional; it would serve to lessen the windfall gains and losses which would arise from an abrupt ending of the property tax but would gradually be completely phased out so that all educational revenues would come from nonproperty state tax sources. Governor Milliken of Michigan has proposed the introduction of a state value-added tax, along with a rise in state personal income taxes, to produce revenues at the state level which would allow the State to take full responsibility for the funding of the public schools and to eliminate reliance on any property taxes for educational monies.^{151/}

The two general types of tax reform proposed -- continued reliance on a reformed local property tax and a switch from local to state taxes, which might be on property, sales, income, or some combination of tax bases --

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New York State. Commission on the Quality, Cost and Financing of Elementary and Secondary Education. Op. cit.: pp. 2.26-2.27.

^{151/}

Michigan. Governor William G. Milliken. Special message to the Legislature on excellence in education -- equity in taxation. Lansing, Michigan, April 12, 1971.

roughly correspond to the two general areas of reform proposed for the state school aid distribution programs: introduction of some genuinely effective equalization program or full state funding.

It would seem that nothing in the series of Court decisions dealing with school finance rules out a State's continued reliance on a locally-administered property tax, so long as it takes sufficient steps to assure that the link between local wealth and available school resources is broken, i.e., that it undertakes an effective equalization program. Such equalization could be achieved in various ways. One method available to at least some states is the elimination of loopholes in the foundation and percentage-equalization programs currently in force. As described above, however, the overall effectiveness of any equalization plan is in part a function of the level of state funding, so that the effect of any of the existing plans depends on such factors as the level of expenditures provided for by the state, the deductible local contribution, and the limitations, if any, on additional local spending beyond the level of the foundation or maximum equalized expenditures. Full equalization via existing programs might therefore require additional state money as well as a more stringent plan. A second alternative has been outlined by John Coons and his associates, called "district power equalization." Under this plan, each school district would set the rate at which it desired to tax itself for educational purposes. The State would guarantee the district a predetermined amount of revenue corresponding to the chosen tax rate. The revenue could be determined by some formula or could simply be set forth in a table established by the

Legislature giving the per pupil revenue to be guaranteed for each possible level of local taxation. Minimum and maximum local tax rates could be fixed so that a minimum level of educational expenditures could be guaranteed throughout the state and a maximum set for total educational expenditures in the state.^{152/} A major advantage claimed for district power equalizing lies in its retention of the district's ability to choose the level of its educational expenditures and, presumably, the quality of its educational services. The district makes this choice when it chooses a property tax millage, but the resulting expenditures depend not on local wealth but on the levels of state-guaranteed revenues which are constant throughout the state. In this simple form the plan does not account for "municipal overburden," that is, the fact that the same tax rate will bear more heavily in districts with greater non-educational services to provide. Presumably, however, this factor could be accounted for in a modified version of the plan.

Assuming that local property tax administration practices were reformed and an effective equalization program devised, there remains in most equalization schemes a difficult political problem. Unless the relationship of the required levels of expenditure and local tax effort is such that the richest district in the state receives less income from its mandated local tax effort than required to support the guaranteed expenditures per pupil, some districts will generate "excess revenue" from the mandated tax which must, in theory, be collected from these districts for

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John E. Coons, et al. Op. cit.: part II.

redistribution to poorer districts. Past experience seems to indicate that such direct redistribution of local revenues engenders nearly insuperable opposition. It has in fact been achieved in only one state, Utah. One solution is to have all local tax revenues placed in a state education fund from which school districts are funded. Another solution is to avoid the issue of direct revenue redistributions by moving the funding of education up to the state level entirely.

The problems involved in administering and equalizing a system of school revenues depending in large part on local property taxes, coupled with the need to produce substantial increases in the total revenues available for the public schools, have led a considerable number of observers, as well as officials and commissions in several states, to advocate the introduction of full state funding of the public elementary and secondary schools. Currently only Hawaii employs such a system. It is argued that the shift to state funding would allow a more balanced and rational use of the different sources of revenue available within the state -- some of which are available only to the State. It would relieve the schools of their dependence on annual local budget elections and the consequent insecurity of local school revenues. It would eliminate the difficulties associated with the administration of local property taxes as well as those stemming from the vast differences in resources available to different school districts. In fact, it might remove some of the justifications for the maintenance of the current distribution of school districts -- which results at least in part from the desire of residents of wealthier districts to retain their fiscal advantages.

On the other hand, observers have noted that many problems remain under full state funding. Perhaps the most difficult is the choice of a level of spending, especially if the system, as seems likely, envisages equivalent spending by all districts. The cost of raising all districts in the state up to the level of expenditures enjoyed by the highest-spending district, even excluding a small number of freakishly wealthy districts, would, in most if not all states, involve an increase in total expenditures for education well beyond that which might be deemed feasible in any short period. Should the state set a level of expenditures lower than some school districts, however, it becomes liable to charges of "levelling down" the better schools and causing a drop in the quality of the best of the state's schools. This in turn may cause general harm to the extent that the better schools serve as "lighthouses" for educational innovation and experimentation and produce improvements which are then shared by less fortunate districts. Furthermore, any abrupt change in the revenues available to school districts on the order implied by raising the lowest expenditure district up to the level of the highest -- or even to the state median or some other intermediate point -- would arguably imply great waste because it would take some time for the district to develop the staff, programs, and facilities needed to make effective use of its increased resources; conversely, efforts to reduce or even keep constant the expenditures of richer districts would be in part frustrated by contractual and other long-term obligations of these districts which cannot immediately be abrogated.

The state would also have to deal with the problem of whether to allow local districts to supplement the state expenditure levels with additional

funds derived from local sources, and if so, what limits to set for such local supplements. The allowance for some local supplements might seem desirable in order to permit some expression of the district's special desires for educational services or to compensate higher-spending districts for the restrictions being placed upon their spending. However, unless limits were placed on the local supplement it might easily restore the problems of local differences which state funding was designed to eliminate; also, equal protection arguments might require that the supplementary expenditures be equalized by the state so that poorer districts could benefit as well as richer districts, and this would require reintroduction of the elaborate and problematic equalization mechanisms.

Opponents of full state funding advance two further, related arguments against the plan: it would result in uniformly mediocre school programs throughout the state and it would destroy local control over the schools. With respect to the first criticism, it can be argued that nothing in the full state funding proposals or the court decisions overturning existing school finance systems requires identical spending on every pupil in the state. By manipulating the formula used to distribute the state funds to the local districts, the state could take into consideration the varying needs and costs of the different pupils and school districts. Special programs for the physically and emotionally handicapped, compensatory education for the educationally disadvantaged, extra funds needed to support equivalent programs in high-cost areas -- these and other legitimate state interests could be achieved within the context of the state distribution formula. The overall quality of the state's schools would presumably depend on the total expenditures which the state chose to make on its schools, so that the mediocrity or excellence

of the system as a whole would be related to political decisions concerning the level of state investment in education. The quality of some individual schools could be threatened with the introduction of full state funding.

The arguments concerning local control of the schools continue to rage, and involve a number of issues beyond the financial support system. Opponents of increased funding of schools from levels above the local school district argue that control inevitably follows money, and that state assumption of school costs must eventually mean increased state interference in the running of the schools. Advocates of state funding, while not gainsaying the value of local control over the running of the schools, argue that local control would not be lost under full state funding. Rather, local school boards could devote their full attention to educational matters and would be freed from the time-consuming and frustrating search for funds. Furthermore, these advocates point out that local control is far from absolute even now, since each state has an elaborate system of state agencies and regulatory legislation which control many of the activities of the local school boards. Lastly, too, there is the argument advanced by the California Supreme Court that local control, however worthy an ideal, is a "cruel illusion" for poor districts under current arrangements.

Efforts were already underway in various states to reform the educational finance arrangements when the Serrano decision brought the subject into the national spotlight. Some of the major programs proposed or enacted in this field are summarized in the following section.

1. New York^{153/}

The New York State Commission on the Quality, Cost and Financing of Elementary and Secondary Education, commonly called the Fleischmann Commission after its chairman, Manly Fleischmann, was appointed by Governor Rockefeller and the Board of Regents of the State of New York late in 1969 and charged with making a thorough examination of the quality, cost and financing of public schools in the State and also with making recommendations for the improvement of performance in all these areas. The first three chapters of the Commission's Report were released in New York on January 29, 1972. Chapter two was entitled "School Finance: Toward Equality of Opportunity" and consisted of a thorough study of the existing financial arrangements of the public schools in New York and recommendations for changes in the State's educational finance system.

The Commission recommended that the State of New York assume full responsibility for the funding of all public schools in the State. The shift to full state funding would eliminate completely the local role in the raising of educational revenues; local school districts would be barred from raising any additional school funds from local sources. The Commission recommended that the State impose a uniform statewide property tax at a rate of \$2.04 per \$100 of full value of property, the prevailing average rate in the State; this rate would be permanently frozen, except that the rate

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New York State. Commission on the Quality, Cost, and Financing of Elementary and Secondary Education. Op cit.: chapter 2.

on residential property might subsequently be lowered, and additional revenues for education would have to be derived from State nonproperty tax sources so that the proportion of property-tax revenues for education would gradually decline. Although such a fixed rate would not specifically take into consideration the problems of municipal overburden and might in fact mean some rise in the school tax rate in New York City and other large cities, the Commission noted that these cities could expect even higher rises in the absence of state takeover and would therefore be granted some property tax relief under the proposed plan. A system of tax credits for low income families would be established to relieve the burden of property taxes on these families, whether they owned their own homes or rented.

On the distribution side, the Commission recommended that all districts be brought up to the level of the district spending at the 65th percentile in a ranking of districts according to their expenditures per weighted pupil in the year prior to the program's commencement -- that is, to the level of the district which spends more than is spent by 65 percent of the state's districts but less than is spent by 35 percent of the state's districts. Allocations would be made on the basis of weighted average daily membership (enrollment) rather than average daily attendance to avoid penalizing districts with high truancy and dropout rates; the extra weight for secondary school pupils would be eliminated on the grounds that it dilutes the effort in elementary schools, where

educational deficiencies can be caught early and dealt with most effectively. Students scoring below a certain level on state-supervised, standardized tests would be weighted 50 percent more than other pupils, with most of the additional funds channeled into elementary schools.

In order to avoid abrupt changes, the Commission provided that the realignment of tax burdens and spending levels should be spread over a period of three to five years. Districts spending above the 65th percentile at the start of the new program would be allowed to continue their expenditure levels with State funds, but would be barred from increasing expenditures until the State had brought up spending in all other districts to their level. Districts spending below the 65th percentile would be raised by 15 percent of the state-guaranteed expenditure level each year until they reached that level (the expenditure level of the 65th percentile district); the Commission estimated that the poorest district would reach the state-mandated level in the fourth year of the plan's operation.

2. Massachusetts 154/

The Commonwealth of Massachusetts established a Special Commission to Develop a Master Plan and Program for Taxation Within the Commonwealth by resolves of the legislature passed in 1967 and 1969. The Commission

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U.S. Congress. Senate. Equal educational opportunity. Part 16: pp. 7973-8014.

was charged with studying "the entire area of taxation within the commonwealth, including State, local, special district and county taxation, and the assessment, collection and distribution of taxes and revenue with the purpose of developing a master taxation planning program for the commonwealth for the period nineteen hundred and sixty-nine to nineteen hundred and seventy-nine, inclusive."

The proposals of the Commission included the introduction of a State-wide property tax as an integral part of the State's taxation effort. The Commission expressed concern that the State relied too heavily on the revenues of the local property tax and that the burden of that tax on the taxpayer was excessive. It proposed that the State property tax, combined with a residual local property tax, provide approximately 42 percent of all governmental revenues, down from the current 54 percent. The local governments would levy property taxes to pay the residual costs of local services after state aid and Federal aid had been expended. The State would levy its property tax at a rate such as to bring the total property yield to the required 42 percent of all revenues; the State property tax yield would go into the general State fund from which expenditures for both the costs of State government and aid to local governments would be funded. The Commission envisaged the State component of the property tax as by far the larger.

The Commission further proposed a redistribution of the responsibilities for providing various governmental services, with the State assuming greater responsibilities for funding in view of its increased share of the total tax revenues. In particular, the State would increase its responsibility for providing the funds required by the local public schools. It would provide amounts determined under the School Building Assistance Program and, more importantly, it would provide an "amount per child in average daily membership equal to 90 percent of the average cost per child in the Commonwealth for the preceding fiscal year, or, if lesser, the amount per child actually expended during the preceding year." Localities would be allowed to supplement these expenditures with funds derived from the residual local property tax. The distribution scheme appears to be a modified foundation plan with the foundation level tied to actual expenditure levels prevailing in the State, and incentives for districts below the envisaged foundation level to bring their expenditures up to that level. With respect to the schools, the Commission states that "it is intended that each community shall have available to it from State funds, the full amount required to meet a basic minimum standard of acceptable educational programming, beyond which point it would provide for itself out of its own property tax."

3. Minnesota 155/

Governor Wendell Anderson, in his budget message to the Minnesota Legislature of May 11, 1971, proposed a new school financing scheme called the Fair Financing Plan. He bases his plan on two propositions: that property taxes must bear a smaller proportion of total school expenses in the State, and that the State must use a realistic figure in calculating its aid to local school districts. Under prevailing arrangements, he says, the State uses a per pupil figure which it is willing to finance but which falls far below actual district expenditures. The Governor would base calculations on the estimated actual cost, on the average, of educating the State's pupils. Districts would be required to levy a uniform property tax millage which would be set by the State so that the burden on property would be a "fair" one. In order to compensate for their extra burdens, the three largest cities, Minneapolis, St. Paul, and Duluth, would be required to levy less than other districts. The State would pay the difference between the revenues produced by the "fair" millage, which would in no district be sufficient, and the amount needed to support expenditures at the level defined by the State as the actual cost of education per pupil in the State as a whole, set at \$780 in 1971-72 and \$819 in 1972-73. Districts currently spending below the defined level would not be

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Minnesota. Governor Wendell R. Anderson. Op cit.

raised to that level immediately, but over several years, according to a formula similar to that suggested in New York: the district would receive its base-year expenditures plus a set fraction of the difference between that and the State-defined level. Districts could increase local levies within certain limits to account for cost of living increases without voter approval. With voter approval they would be allowed to increase local property taxes to permit school expenditures above the level set by the State, but districts wishing to exceed the State level by more than ten percent would lose State aid in proportion to the additional local dollars raised, making it expensive to go far above the State-supported level. ^{156/} The Governor estimated that under his program the State share in educational expenses, financed from nonproperty tax sources, would rise from 43 percent to 70 percent in 1972-73, the second year of operation. The program would require \$390 million in new State revenues, but local property taxpayers could expect to regain virtually the whole amount in property tax relief because total expenditures would not exceed those expected under current arrangements.

156/

Advisory Commission on Intergovernmental Relations. Who should pay for the public schools? Washington, 1971: p. 22.

The Minnesota Legislature enacted a new school aid plan in its special session in October 1971, along the lines suggested by the Governor.

4. Michigan 157/

Governor William Milliken sent a special message to the Michigan legislature on April 12, 1971 on "Excellence in Education -- Equity in Taxation." In this message he developed proposals for reform which he had originally suggested as early as 1969 and pressed for legislative action within the 1971 session of the legislature.

Recognizing that the property tax suffers from many failings, among which he enumerated inelasticity and insufficient growth potential, varying assessment practices, regressivity, and special vulnerability to taxpayer resistance, the Governor proposed that the property tax be totally eliminated as a source of funds for the support of public elementary and secondary schools in Michigan. This would be accomplished by an amendment to the State constitution which would simultaneously reduce the maximum permissible millage for all purposes so that real property taxes would be lowered. The revenue lost by elimination of the local property tax would be recouped by

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Michigan. Governor William G. Milliken. Op. cit.

additional State taxes as Michigan instituted full state funding of the public schools. Governor Milliken proposed that these new State revenues be derived from an increase in the State personal income tax and from the enactment of a value-added tax of approximately two percent. According to the Governor the new combination of taxes supporting the school system would be substantially more elastic than the old system and would eliminate the need for regular increases in tax rates.

With the introduction of full State funding the problem of distribution of State revenues to local school districts would become crucial, and the Governor urged the Legislature and interested individuals and groups to devote intensive study to develop a suitable distribution scheme. He also called for an increase in the total funds available for education, stating that a simple trade-off of one tax system for another would not suffice to assure an equitable and sufficient educational system. Lastly, he indicated that local school districts should be allowed to supplement the State-supported expenditures by levying a special property tax, subject to voter approval.

5. Maryland

In 1971 Maryland enacted a new program under which the State assumed the full cost of school construction throughout the State. ^{158/} The Citizens Commission on Maryland Government has urged the State to assume all current operational costs as well. The Commission recommends that the State finance its increased school responsibility by reassuming the income surtax now levied by counties, by increasing the State personal income tax rates and making them progressive, by increasing State corporate income and franchise taxes, and by State assumption of a fixed portion of the proceeds of the property taxes now levied by local governments (equivalent to a State-wide rate of \$1.50 per \$100 of assessed valuation for educational purposes).^{159/}

6. Delaware ^{160/}

The State of Delaware formerly supplied over 90 percent of all non-Federal public school funds expended by the local school districts, but in

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Richard M. Cohen. Op. cit.

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Rowland, James B. State urged to pay all school costs. Washington Star, December 13, 1971.

Citizens' Commission on Maryland Government. A responsible plan for the financing, governance and evaluation of Maryland's public schools. Baltimore, 1971: pp. 80-84.

^{160/} Advisory Commission on Intergovernmental Relations. Op. cit.: pp. 24-26.

recent years the State has allowed increasing local supplementary levies to reduce the State's share to 71 percent. Governor Peterson has argued that full State funding places too great a burden on State finances, and that, in addition, retention of some degree of local financial responsibility is desirable as a means of guaranteeing local interest in the schools. He suggests that the State provide 75-85 percent of the non-Federal expenditures on public education.

7. New Brunswick ^{161/}

The Canadian province of New Brunswick enacted a major overhaul of its administrative and tax structure in 1967. Under the reorganization the provincial government assumed full responsibility for providing the funds for the public schools. A uniform provincial property tax was instituted and the number of school districts reduced from more than 400 to 33. The program has been controversial and evaluations of it have varied, with critics claiming that programs in the best schools have suffered and that innovation by better schools has been stifled, while proponents point to clear advances in the quality of programs offered by schools in the formerly poorer districts.

161/

Advisory Commission on Intergovernmental Relations. In search of balance - Canada's intergovernmental experience. Washington, 1971: pp. 8-10, 49-82.

ALTERNATIVES: THE FEDERAL LEVEL

Since the federal government has traditionally played a secondary role in the financing of public elementary and secondary schools in America and since the primary responsibility for the support of these schools has been held to reside with the states, the range of alternative roles in the school support system possible for the federal government appears different from the alternatives proposed for the state governments, despite analogies between the relationship of the federal government to the states and that of the states to their component school districts.

At the outset, it is necessary to define the nature of the activities and the scope of financial involvement in the running of the public schools which might be deemed desirable for the federal government. In the past the federal government has chosen to limit its role in educational finance to the funding of categorical programs designed to serve special goals defined to be in the national interest. Various proposals have been made which would have provided federal money for the general expenses of the schools, and bills to that effect are before the current session of Congress, but none has been enacted. One important consideration involved in previous debates on general school aid has been the potential position of non-public schools under a federal general-aid program. Another consideration is cost. Since the federal government has never provided more than nine percent of the total revenues of the public schools, any program to involve it in general school aid would probably require a major increase in the total federal spending for public elementary and secondary education. Clearly, any law introducing general federal aid for school operating costs would involve a major new departure in intergovernmental relations.

A second question arises in connection with the differences in resources available for schools in different jurisdictions. In its concentration on categorical aid programs the federal government has not in the past attempted to equalize the resources available to the various states, although the distribution formulae employed for certain programs have used weighting factors taking into account the wealth and tax effort of the states. In light of the series of court decisions declaring education to be a fundamental interest of each citizen and requiring the states to provide equal resources to their various school districts, however, the question may well arise whether it is necessary, or appropriate, for the federal government to undertake the task of assuring that the resources available for schools in each of the states be substantially equal.

Recently, the attention focused on the problems of the property tax has led both executive and legislative officials of the federal government to consider means by which the federal government could relieve the strains imposed by the property tax on certain groups of the population and to assure a steady and sufficient source of funds for the public schools. President Nixon, in his address to the White House Conference on Aging on December 2, 1971, promised to take action to reduce the burden of the property tax, which bears most heavily on the elderly and on others with low or fixed incomes:^{162/}

However -- and now I come to one [subject] that will be very close, I am sure, to the hearts of most of the people here, because when I met with representatives of this group before this conference was convened, this subject was raised by every one of

^{162/} U.S. President. Weekly compilation of Presidential documents, December 6, 1971. Washington, 1971: pp. 1600-1601.

those present. That is the property tax. It is not related to income, but it is a tax which keeps going up and up and up; whereas, an older person's income may be even going down.

The time has come, in this subject as in others, to stop talking about the impact of property taxes on older Americans and to act in their behalf, and in behalf of other citizens in similar circumstances.

The actual and potential activities of the federal government in the sphere of elementary and secondary education appear to fall into three groups: research, categorical aid programs, and general aid programs.

1. Research and Development

The role of the federal government in educational research and development projects and in the running or sponsoring of pilot programs is well established, although some observers feel that it could be substantially expanded. In his Education Message of 1970 President Nixon proposed the establishment of a National Institute of Education which would expand and coordinate the federal efforts in conducting and sponsoring educational research. Both the House and the Senate included provisions creating such an Institute within the Department of Health, Education, and Welfare in their versions of S. 659, the Education Amendments of 1971. S. 659 is currently being considered by a House-Senate conference committee.

2. Categorical Aid

The bulk of federal education aid at the present time is distributed under the various categorical aid programs. There are various prospects for the development of existing and new categorical programs to suit the educational needs felt by the Congress and the federal government. One

possibility is the introduction of new programs designed to bring the resources of the whole nation to bear on the most pressing needs of the educational system. An area of particular concern is the situation in the schools of the nation's largest cities, which many observers feel has become critical, even disastrous. The Urban Education Task Force recommended that the federal government undertake a massive program of financial aid to the nation's cities. It envisaged a special program under which the federal government would raise the resources available to city school districts by one-third. Additional funds would be made available to pay for the increased space needed to carry on expanded programs. While not gainsaying the problems of poorer districts outside the core central cities, the Task Force recommended that the resources available to pay for the program be concentrated at first in the very large cities, so that the program could be fully funded in each city in which it was introduced and the maximum results could be achieved; later, as additional funds were obtained, additional cities would be added to the list of those receiving aid.^{163/} Another proposal for special aid to the largest urban school districts was made before the Senate Select Committee on Equal Educational Opportunity by Mark Shedd, at the time Superintendent of Schools in Philadelphia, Pennsylvania. He recommended that the United States nationalize the school districts of the 25 largest cities.^{164/}

I am asking that you (the Committee) recommend to the Congress that the Federal Government nationalize the big city school districts of this country, that their operation and their funding be taken over by the Government.

I realize only too well that this is a drastic step, and I recommend it only after 4 years of fiscal

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Urban Education Task Force. Op. cit.: pp. 303-313 .

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U.S. Congress. Senate. Equal educational opportunity. Part 16: p. 6618 .

agony in Philadelphia and a good deal of soul-searching in the past several months. The job of rescuing the Nation's urban schools from disaster simply has become too big for the limited resources of the State and the local governments to accomplish.

A second possibility involves the consolidation of existing categorical aids into fewer, broader programs. This has been suggested in order to allow the states and local school boards greater flexibility in the use of federal money and the development of more comprehensive, longer-term educational plans. It would also reduce the administrative load borne by states and school boards in applying for and satisfying the various requirements of each of the existing categorical aids. President Nixon's Special Education Revenue Sharing program provides essentially for the consolidation of existing categorical grant programs into a single bloc, with the revenue distributed by the federal government to the states to be used in five broad areas of concern: education of the disadvantaged, education of the handicapped, vocational education, assistance for schools in federally-affected areas, and supporting educational materials and services.

There is, lastly, the possibility that existing categorical programs will be left essentially as they are. This could mean that federal expenditures would remain fairly constant, but federal outlays for education could also rise because current appropriations under existing legislation do not exhaust the authorizations provided by the various acts. It has been reported

that Chairman Mills of the House Ways and Means Committee specifically excluded education from the definition of services which would be financed from funds provided under his general revenue-sharing proposals because he felt that education is adequately covered under existing programs.^{165/} This differs from the General Revenue Sharing proposals of President Nixon, who excluded local educational agencies from the definition of local governmental bodies eligible to receive funds under general revenue sharing on the grounds that education would be covered by the special revenue sharing plan.

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Glass, Andrew J. The Congress. National Journal, November 12, 1971: p. 2449 .

3. General Aid

While research and categorical aid grants could be developed further, they represent basically a continuation of established types of Federal aid to education. Proposals have been made, however, both in Congress and elsewhere, which call for a new departure in Federal educational aid in the form of general financial aid to local and State educational agencies to cover the day-to-day expenses of maintaining the public elementary and secondary schools.

Determination of the need for the introduction of such a major new Federal responsibility and of a desirable level of Federal financial support depend on a number of considerations, similar in many ways to the arguments advanced in support of State assumption of a greater share of the costs of local public schools. One aim of Federal intervention could be to effect a major change in the balance of taxes used to support the schools and, in particular, to decrease reliance on the local property tax by substituting Federal money for local. Another possible aim could be to increase the total resources available to the schools by adding Federal money on to local and State money, in the belief that the situation of the local schools is sufficiently critical, and the importance of education sufficiently fundamental, that Federal aid to bolster insufficient local/State resources can be regarded as necessary to the

national interest. An increase in the total amount of Federal money going to the public schools could also provide the Federal government additional leverage in accomplishing other goals, including equalizing financial resources of States and local school districts and assuring that funds are available for compensatory and special education programs designed to improve the educational achievement of disadvantaged children.

The Federal government might wish to use some or all of its general aid to provide incentives for the States to reform their own school aid plans. It has been pointed out that, should the Federal government decide to assume the responsibility of assuring that the resources available for schools are substantially equivalent throughout the nation, it would be faced not only with significant differentials between the States but also with great differentials within almost every State. Although the elimination of these intrastate differentials would not eliminate the national problem, it has been argued that without the elimination of such local differentials by the States the Federal task of assuring nationwide equity would be impossible, or at least prohibitively expensive. The Federal government might therefore wish to give the States an incentive to provide intrastate equality. A desire on the part of the Federal government to ease the burden on the local property tax might similarly be handled through inducements for the States to introduce changes into their educational taxation arrangements so that State and/or nonproperty tax sources

would finance an increasing share of total educational expenses, thereby allowing a reduction in the share (absolute or at least relative) borne by local property taxes. In either or both cases the Federal government might seek to induce the States to move toward full State funding, with the expectation that such movement would simultaneously produce an easing of reliance on local property taxes and an increasingly equitable distribution of school monies to local school districts. Amendments to the Elementary and Secondary Education Act of 1965 sponsored in the House by Representative Dow and others (H.R. 6521, 7759) would provide a bonus to any State in any year in which it increased the State share of educational funds relative to the local share. The formula has been criticized, however, on the grounds that it penalizes those States which now provide a high proportion of school revenues. Other incentive plans would relate the amount of Federal money paid to States under certain existing or new programs to the proportion of nonfederal school revenues provided by the State from its own sources. U.S. Commissioner of Education Marland, in a speech delivered to the American Association of School Administrators on February 15, 1972, indicated that he hoped that an increase in Federal education spending to 30-40 percent of total school revenues would be accompanied by State takeover of remaining school costs so that reliance on the local property tax could be completely eliminated. ^{166/} The

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Marland, Sidney P., jr. A splendid discontent. Speech delivered to the annual convention of the American Association of School Administrators, Convention Hall, Atlantic City, New Jersey, February 15, 1972.

Advisory Commission on Intergovernmental Relations has advocated since 1969 that the Federal government assume all public welfare costs and that the States, relieved of that burden, assume full responsibility for the funding of public elementary and secondary schools. ^{167/}

Whatever incentives the Federal government might wish to provide the States to reform their own procedures, the Congress might also wish to introduce a program of general, unconstrained aid for the schools. In this case its first task would be to choose the desired level of Federal funding in light of its estimation of the nation's educational system, the ability of the localities and the States to provide funds for the schools, taking into consideration their other financial responsibilities, and the amount of Federal money needed to effect any additional goals set for the general aid program. Although the Federal government has a wide range of options with respect to its share in educational revenues and its total outlays to the public schools, if it chooses to increase its contribution beyond the current seven percent, there seems to be some agreement among advocates of general aid proposals that the total Federal

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Advisory Commission on Intergovernmental Relations. Who should pay for the public schools?: p. 1.

share of educational revenues should be somewhere between 20 and 40 percent: on one hand, no one seems to be arguing for complete, or even majority, support of the public schools by the Federal government; on the other hand, Federal outlays would probably have to jump substantially before they could have a significant effect on the general operating revenues of the nation's fifty States and over 17,000 school districts. The National Educational Finance Project recommended in its final volume that the Federal government assume responsibility for 22 to 30 percent of the total revenues of the local public schools: 168/

The minimum amount of Federal aid needed in order to at least make some significant impact on the accomplishment of legitimate Federal purposes, including present categorical aids plus the proposed general aid of 20 percent of State and local school revenue, would total approximately 21 percent of total school revenue. Those purposes would be much more adequately accomplished if the Federal government would provide 30 percent of total school revenues.

Although the Nixon Administration has not made any firm proposals to the Congress, it is reported to be considering some form of general school aid. Some of the Administration's ideas can be gleaned from briefings given by HEW Secretary Richardson and other officials, and from reports on the tentative proposals which President Nixon has asked the Advisory

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National Educational Finance Project. Vol. 5: p. 229.

Commission on Intergovernmental Relations to study.^{169/} Secretary Richardson indicated in an interview on February 10, 1972, that the Administration might propose Federal outlays of about \$12 billion to local schools, which represents about one-third of current school expenditures. Among the general aid proposals which have been introduced in the current Congress, the National Partnership in Education Act introduced by Mr. Pucinski (H.R. 6179), the National Quality Education Act of 1971, introduced by Mrs. Green (H.R. 10405), the Quality School Assistance Act of 1972, introduced by Mr. William Ford (H.R. 12695), and the Educational Quality Act of 1972, introduced by Senator Jackson (S. 3165), all envisage general Federal aid to education equal to 25-35 percent of total school revenues after a transition period of several years, during which the percentage would be gradually raised.

The significance of the increased Federal share of educational revenues depends on the overall pattern of educational responsibilities which the framers of the Federal program intend. At one extreme, it is possible that the increase in Federal expenditures on education might be designed solely to compensate for a decrease in local expenditures,

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Marland, Sidney. Op. cit.

Samuelson, Robert J., and Andrew Barnes. 3% sales tax for U.S. aired by Richardson. Washington Post, February 11, 1972: p. A6.

so that the total expenditures on education in the nation would remain constant. At the other extreme, the increased Federal contribution could be predicated on the maintenance by State and local authorities of their current spending levels, so that the increase in Federal funds would appear as new money for the educational system. It appears from reports on the President's plan that the Administration intends to use Federal general education aid to permit a reduction in local property taxes. The money raised and distributed by the Federal government would be granted to the States with the requirement that they restructure their own financial arrangements to bring about some specified degree of residential and/or commercial property tax relief. Secretary Richardson indicated that proposed Federal outlays of \$12 billion would permit residential real estate taxes to be reduced by half. The various general aid bills currently pending before the Congress differ in their intentions with respect to increasing total educational spending as opposed to providing local tax relief. The Educational Quality Act of 1972 (S. 3165) finds that "reliance on local property taxes to finance public schools is creating unacceptable disparities in the quality of education available in the public schools" and that "the Federal Government must, while preserving local autonomy, assume a greater role of support for local schools,"

(Section 2) but it does not specify the relationship of increased Federal aid to local revenues. The National Quality Education Act of 1971 (H.R. 10405) provides that "any local educational agency may determine to use funds received under this section to replace funds which would otherwise have been raised by local taxes for preschool, elementary, and secondary education: Provided, however, That such relief shall be limited to a local educational agency in which the effective tax rate for education support taxes is above the average of the State and then only to the extent that such relief would not reduce it below such average." The State is also allowed to replace some of its education funds with the Federal money. (Section 4c) The Quality School Assistance Act of 1972 (H.R. 12695) requires that "Federal funds made available under this section will be so used as to supplement and, to the extent possible, increase the level of funds that would, in the absence of such Federal funds, be made available from non-Federal sources of the education of pupils participating in programs and projects assisted under this section" (Section 4-b-4-B-IV).

The Federal government faces many of the same problems in administering any general aid program as the State governments face in their school aid plans. The basis of the distribution formula for any general

aid plan is likely to be some grant to local education agencies, either directly or through the State educational agency, on the basis of enrollment, attendance or school-age population. Such aid would go to all school boards in proportion to the number of pupils whom they must educate. The amount per child could be fixed by the Federal government or could be set indirectly as a fixed proportion of actual expenses incurred in the preceding year or in some past base year. It could be uniform nationwide or it could be keyed to the expenditures in each State, or possibly, some combination of the two, as when the entitlement of a State is based on its own expenditures or the nationwide average, whichever is higher. The entitlement could also be varied to reflect special concerns of the Federal government; for instance, it could change depending on some index of the State's tax effort or its wealth relative to other States. In addition to the basic grant for each child, the formula might provide extra funds for disadvantaged children to reflect the extra costs which must be regularly incurred if these children are to receive an education equivalent to that received by other children. Such special aid for the disadvantaged is included

in the bills introduced by Representatives Pucinski, Ford, Green, and Senator Jackson. Other variations in the basic formulae could be introduced in order to effect special purposes; for example, the National Quality Education Act of 1971 (H.R. 10405) specifically includes preschool children in the entitlement formula in addition to elementary and secondary school children.

The increase in Federal spending commitments caused by the introduction of a general school aid plan by the Federal government would necessitate some adjustment of the Federal taxation structure. One possibility would be simply to finance the increased expenditures from general Federal revenues with the required additional revenue derived from an increase in the tax rates or from a reform of the existing income tax laws. Other alternatives have been suggested, however. Governor Shapp of Pennsylvania has proposed that the Congress establish an Education Trust Fund which would provide funds for education on a sharing basis, much as the Highway Trust Fund operates. ^{170/}

The basis of the general aid plan suggested by President Nixon for study by the Advisory Commission on Intergovernmental Relations is a national

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Shapp, Milton. An education trust fund. New York Times, October 30, 1971.

value-added tax which would be introduced to provide the revenue needed to underwrite general school aid. Secretary Richardson estimated in his press conference that a 3 percent value-added tax would raise roughly \$18 billion a year in new revenue for the Federal government. However, he suggested that about \$6 billion of this new revenue be used to offset income tax rebates and credits which would be desirable in order to reduce or eliminate the regressive elements which he acknowledged were inherent in the value-added tax. The 3 percent tax would effectively yield, then, about \$12 billion a year for the support of the public schools, which the Secretary compared to estimates of \$11 billion currently raised by local property taxes on residential property and \$10 billion from these taxes on commercial and industrial property. 171/

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Shanahan, Eileen. Op. cit.: p. 39.

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