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This study guide for student teachers, classroom teachers, school administrators, and interested citizens describes how public elementary and secondary schools obtain and spend their revenues. Material covered includes (1) a study of p.. school money problems, (2) an analysis and comparison of two hypothetical s .ol district programs, (3) a historical background of public school finance, (4) so basic questions with respect to the rationale for public support of education, (5) the school budget, and (6) characteristics of a good school finance program. References for each topic and a glossary of terms used in the text are provided. (TT)

so that you may know about

FINANCING PUBLIC SCHOOLS

COMMITTEE ON EDUCATIONAL FINANCE ■ NATIONAL EDUCATION ASSOCIATION

A STUDY GUIDE

FINANCING PUBLIC SCHOOLS

A STUDY GUIDE

PREPARED BY

STAYNER BRIGHTON

FOR THE

COMMITTEE ON EDUCATIONAL FINANCE

NATIONAL EDUCATION ASSOCIATION

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CONTENTS

FOREWORD

This is a study guide for student teachers, classroom teachers, school administrators, and interested citizens. The subject is school finance, with reference to financing the public elementary and secondary schools. This study guide covers the basic principles necessary for an understanding of how public schools obtain their revenues and spend them on the various services and materials which comprise the school program.

One purpose of this study guide is to present the essential facts of school finance in an interesting, pleasant, and effective way. Each selected topic is introduced by a summary of pertinent information followed by a group of questions for discussion and a list of selected references.

Financing Public Schools may be used as a unit in a general survey course in education for undergraduate students, or as an introduction to a more comprehensive course in school administration and finance. It may be used as a discussion guide or outline for individual or group study.

To many, this syllabus may seem too elementary; it is a primer designed for the beginner. Most of the items included are basic principles which may be studied more or less intensively as the situation calls for. References are provided for the individual who desires to probe each topic in more depth. The author and the NEA Committee on Educational Finance hope that a great many persons will be motivated to do this. A glossary used in the text appears as Appendix B.

A preliminary edition of the study guide was used in the classrooms of several colleges and universities throughout the country in the spring and summer semesters of 1964. The Committee and the author wish to express their appreciation to the teachers who participated in the evaluation of the study guide: Henry E. Butler, Jr., University of Rochester; Donald L. Duncanson, Indiana State College; W. H. Fountain, Seattle University; Calvin Grieder, University of Colorado; V. O. Hornbostel, Oklahoma State University; Herold Hunt, Harvard University; R. L. Johns, University of Florida; Richard P. Jungers, Oklahoma State University; William P. McLure, University of Illinois;

Forrest W. Murphy, University of Mississippi; Wilburn Shannon, Harvard University; George D. Strayer, Jr., University of Washington; and A. H. Word, North Texas State University.

We are especially grateful to the students who contributed their reactions to the preliminary draft of the study guide. In addition, the study guide was used as a basis of discussion by the NEA Department of Classroom Teachers at its National Conference in Bellingham, Washington, and by the Committee on Educational Finance at the Seventh National Conference on School Finance.

In the course of the evaluation, many suggestions were made for the improvement of the preliminary draft of the study guide; however, the author and the Committee are solely responsible for the information which is presented here.

The Committee on Educational Finance wishes to acknowledge the time and thought which Stayner Brighton has given to this work. The Committee also appreciates the contribution of the staff of the Research Division: Victor O. Hornbostel, former Assistant Director of the Research Division and now Associate Professor at Oklahoma State University, who aided in the preparation of the preliminary edition; Jean M. Flanigan, Assistant Director, who guided the preparation of this manuscript; and Beatrice C. Lee, Publications Editor of the Research Division.

Erick L. Lindman, Chairman
Committee on Educational Finance

A STUDY OF PUBLIC-SCHOOL FINANCE-- FINDING ANSWERS TO SCHOOL MONEY PROBLEMS

The introduction to this study guide is a series of seven questions which arise whenever public-school finance is considered. These questions are pertinent to an understanding of the issues of school finance today. Each question posed is followed by three answers representing different points of view. The answer representing the majority opinion of recognized experts in school finance is presented first. A short discussion follows each answer given.

QUESTION 1: Who should determine the scope and quality of education to be provided at public expense?

Answers	Discussion
a. Each state legislature with the help of the people should determine the answer to this question.	The state legislature should determine at least the minimum level of support that will be available to each local school district. In this way, the taxing resources of the state can be brought into the picture to help equalize the funds available from local property tax sources. It is also fairer to taxpayers in that it equalizes the tax burden. By establishing minimum levels of support, the state protects children in those few districts where shortsighted taxpayers may be inclined to place money values above human values. However, leeway must be given local districts to encourage them to provide quality education above the minimum levels set by the state.

b. The citizens in each local school district alone should determine the scope and quality of education to be provided at public expense.

The people of the local school district should have an important part in determining the scope and quality of education which should be provided for all children residing in the district. However, few districts have the local tax resources needed to provide an adequate educational program. Furthermore, school children and taxable wealth are not distributed proportionately. Unless the state is brought into the picture to help with the financing, the range in educational opportunities provided for the children in various parts of the state would be very great.

c. The Congress should determine minimum levels of financial support for the education of all citizens of the United States.

Some persons believe the Congress should determine the minimum levels of education for all citizens in the United States. The problem, however, is a complicated one--how to utilize all tax sources while leaving control of the educational program with the local citizens. A practical solution for bringing the resources of the national government to aid in the problem of financing the total educational program of local schools has not been found. A solution which would leave local school districts free to determine educational programs, but with adequate resources from all levels of government to support those programs, is the goal of many respected individuals and agencies, including the National Education Association.

QUESTION 2: How much money should be invested annually per pupil enrolled in public school today?

Answers	Discussion
a. An amount determined by the needs of our free society and economy and by the prices which prevail throughout the economy.	This is the best answer if public policy reflects reasonably the needs of society and if the economy operates reasonably well. Propaganda, restrictive laws, regressive taxes, and many other factors operate to interfere with the establishment of public policy. The case can be made that in the long run the investment in education pays higher dividends than almost any other investment that can be named, both to individuals and to society. In fact, our very survival as a nation depends upon how well we educate our children and youth.
b. An amount equal to the present national average expenditure.	This would be a compromise which would probably not be satisfactory to any state or local school district. The national average expenditure may have limited use in a formula for apportioning federal grants-in-aid to states, which are low in economic ability, but certainly ought not to be a criterion for measuring a satisfactory level of educational program.
c. Proportionately as much as the Russians spend.	Some analysts say that if we spent as much on education in proportion to our income as the Russians do in proportion to theirs, we would have to more than double our school taxes. School expenditures, however, ought to be sufficient to meet

the educational needs and aspirations of our own citizens rather than be based on how well or how poorly some other country supports its schools.

QUESTION 3: What share of the costs should different levels of government bear?

Answers	Discussion
a. All the resources of government, local, state, and national, should share.	All levels of government should share in the financing of the public schools. All levels of government are part of the American system of government. Today, the jet airplane, television, radio and newspapers, bring the federal government as close to the people as the county courthouse in years gone by. Ways must be determined whereby the revenue sources of the federal and state governments can be brought into the local school district financing picture without interfering with local control. Actually, the factor exerting greatest control over local school programs may be lack of funds.
b. All costs should be borne by the local school district.	The major tax source available to local governments is the property tax. In all but a very few school districts, this source alone could not possibly provide sufficient revenue to pay for a modern educational program. Furthermore, in order to provide an enrollment large enough to offer a comprehensive school program, local school districts are being consolidated into large administrative units. The mobility

of the American people results in one family in five moving across state lines each year. Local district financing from a tax source which lags behind the growth of the economy cannot provide an educational program of the scope and quality needed in the space age.

c. The local districts should be required to make uniform tax effort, and the state should then provide the balance of funds through grants-in-aid.

This is the way the majority of states presently finance their schools. It has provided a fairly satisfactory way of financing schools in the past. Since the successful launching of satellites, Americans have demanded a far more comprehensive school program. National defense and modern industry implications now call for a much greater commitment to education. The old finance patterns are breaking down. New and better ones must be developed.

QUESTION 4: How can educationally and economically efficient schools be assured in all areas of the country?

Answers	Discussion
a. By organizing school districts into units containing sufficient pupils to maintain comprehensive elementary and high-school programs and financing these on a "partnership" basis with revenues derived from local, state, and federal sources.	All types of school districts, from the sparsely populated to the urban metropolitan centers, should be assured adequate finances to operate good schools by action of state legislatures. Each local school district in the state should be required to make at least a specified tax effort. By collecting broad-based taxes on the wealth of the states, wherever it may be located, and allocating this revenue to the school

districts where the children reside, we can bring finances for each school to an acceptable level of support. In addition, federal assistance to maintain an acceptable level of school support is advised by most recognized school finance authorities.

b. The most effective and efficient schools will be maintained where each community finances its own schools from its own resources.

Some local communities would have sufficient funds to operate their schools if their residents were not required to make heavy state and federal tax contributions. State and federal governments might help local communities maintain good schools better by reducing their tax revenue demands so that sufficient money would be available to local taxpayers to pay for the level of education they want for their children. (An alternate proposal would allow taxpayers a tax credit against their state and/or federal obligations in the amount they paid in local school taxes.) None of these proposals equalize the the wide differences in ability of local communities to support schools.

c. Only where the state assumes all, or nearly all, of the responsibility for financing schools can economically and educationally efficient schools be assured for all children.

Because of economic and social differences in communities, no assurance of equal educational opportunity for all children can be achieved unless the state spells out minimum educational standards in law and enforces these standards by fiscal and regulatory controls. Tax machinery of the state and federal governments is more impartial, less regressive, and more efficiently administered than local property taxes.

Population growth and migration, modern communication, and high speed transportation have expanded the "community concept" to larger areas. These trends will accelerate in the future and should be reflected in expanded area organization and school support.

QUESTION 5: Can money spent on education be considered an investment for production of more capital?

Answers	Discussion
a. Money spent on education results both in the consumption of goods and services and in the development of increased productive capacity of tomorrow's adults.	Money spent on education has certain aspects of both consumption and production goods. It satisfies human wants, and it is productive of higher levels of earning power. Hence, it is an investment in future consumption and in future earnings. Investments in education pay tremendous returns in economic, cultural, social, and scientific progress both to individuals and to society. Education is such a good investment that our citizens should be putting a lot more money into it. They may when they realize the potential economic returns from their educational investments.
b. Money spent for education is not available to buy any other goods or services and is therefore used for consumption.	In terms of economics, money may be used for goods or services which are used up in the process of satisfying wants. An artillery shell or a rocket are examples of consumption goods. Or money may be used for goods which help to produce other goods. Tools, power dams, and reclamation projects are examples of producers goods. Money spent for education does

	not entirely fit either classification exclusively.
c. Money spent on education yields returns in greater earning power of individuals and is therefore productive in nature.	Education is not directed only at enhancing the ability of future adults to produce more at higher levels of skill and to earn more. To the extent that educational expenditure results in the satisfaction of human wants, it is buying consumption goods.

QUESTION 6: How can continued local interest and control of schools by local people be assured?

Answers	Discussion
a. Provide financial incentives so that local communities are encouraged to provide programs of a quality higher than the minimum levels of support established by the state for all school districts.	Most state school finance programs permit local school districts to raise extra funds by voting additional local property taxes; some of the newer state finance programs encourage it by extending state aid on a matching basis for each extra dollar raised at the local level.
b. Provide some leeway in school finance so that local school communities are permitted by their own additional local tax effort to provide quality programs above the established level for all school districts.	School finance programs in various states permit local school districts to support educational programs beyond the minimum level out of their own resources. Constitutional restrictions and heavy dependence on local taxes for other governmental services may severely restrict school districts' ability to raise funds even though the majority of persons in the community would like to provide them.
c. Provide public hearings before final adoption of all school budgets and financial policies.	Citizens elect their school boards, state legislators, and other representatives who pass laws and

make policies concerning financing public schools. School-board candidates and elected representatives run for office on the basis of platforms and issues which provide a public forum maintaining a high level of local interest in school programs and budgets.

QUESTION 7: How can needed improvements in school financing be developed and put into operation?

Answers	Discussion
a. Local school authorities work with teacher associations, school patrons, taxpayer groups, and legislative bodies to develop a desirable school program and a system to finance it.	Citizens look to professional staffs of schools for leadership in developing better school support programs. In practice, it falls upon the superintendent and other school administrators, under the direction of the board of education, to conduct the business operations of the schools. Teachers now, however, are accepting a more active role as members of the professional team. As such, they have a responsibility to know and participate in financial matters. Upon the school budget hinges the level of the salary schedule, the quality and quantity of textbooks and instructional supplies, and the adequacy of the school curriculum. The teacher needs to be involved in matters which determine quality of instruction as well as those pertaining to his own economic status. This involvement demands at least a basic knowledge of the principles of school finance.

b. The state legislature adopts a school finance system that has proved successful in another state.	The differences in the tax systems appropriate to the economy of the various states, the geography, ecology, school organization patterns, and urban-rural and demographic factors make it impractical for one state to adopt another state's financial system.
c. Representative citizens determine general principles and leave it up to finance "experts" to work out the mechanics.	Experts can help a great deal, but it is doubtful that the whole job can be left to the expert.

TWO SCHOOL DISTRICTS

"It is not wise to pay too much, but worse to pay too little. When you pay too much, you merely lose a little money. When you pay too little, you sometimes lose all--because the thing you bought is not capable of doing that which you bought it to do." —John Ruskin

School District A and School District B are hypothetical suburban school districts adjacent to a large central city of a metropolitan area. They are about equal in enrollment and have a similar tax base. There the similarity ends. These two districts report expenditures of $625 and $755, respectively, per pupil (K - grade 12).

Sometimes patrons of School District A may wonder why taxpayers of School District B are willing to pay $130 more per pupil per year for their children's education than they themselves pay. (The patrons of School District B might ask the same essential question in reverse!)

What do children of District B receive in school that is not available to the children in District A? How much more effort do District B's taxpayers have to make than District A's? Is it worth the extra investment? Where is the point of diminishing returns?

Barring inefficiency in organization or administration, the school program determines the school budget. What is a school budget? Merely a dollars-and-cents expression of the educational program of a district. The cost-quality relationship has been demonstrated in many studies, particularly by the Metropolitan School Study Council of New York State (3). 1/

1/ Numbers in parentheses refer to items in the bibliography at the end of the section.

Now let us examine the programs of our two hypothetical school districts to see if we can find answers to some of the questions the patrons have raised.

In District A, the salary schedule for teachers looks like this:

Less than bachelor's degree	Bachelor's degree	Five years	Master's degree
$ 4,500	$ 4,700	$ 4,900	$ 5,100
4,700	4,900	5,100	5,300
4,900	5,100	5,300	5,500
5,100	5,300	5,500	5,700
5,300	5,500	5,700	5,900
5,500	5,700	5,900	6,100
5,700	5,900	6,100	6,300
5,900	6,100	6,300	6,500
6,100	6,300	6,500	6,700
6,300	6,500	6,700	6,900

In District B, the salary schedule for teachers looks like this:

Bachelor's degree	Five years	Master's degree	Doctor's degree
$ 5,000	$ 5,500	$ 6,000	$ 6,500
5,500	6,000	6,500	7,000
6,000	6,500	7,000	7,500
6,500	7,000	7,500	8,000
	7,500	8,000	8,500
		8,500	9,000
		9,000	9,500
		9,500	10,000
			10,500
			11,000

In District A there are 40 professional staff members--teachers, specialists, and administrators--for every 1,000 pupils enrolled. In District B there are 50 per 1,000.

In District A, 10 percent of the staff have less than a bachelor's degree; 80 percent hold a bachelor's degree; 10 percent have had training beyond the bachelor's degree, including 5 percent with a master's degree. In District B, all teachers have at least a bachelor's degree and 40 percent have completed a year or more of graduate study; 20 percent hold a master's degree, and 5 percent have doctorates.

Teachers in District A teach a six-period day. Teachers in District B teach five periods a day and have one period free for lesson planning, counseling students, and other professional responsibilities.

District A provides a basic curriculum. The district is accredited; therefore, graduates are accepted in any state-supported college or university in the region. In addition, the district provides vocal and instrumental music, art, and athletics.

District B is also accredited. It offers music, art, and athletics. The students of District B, however, have a wide selection of other course offerings available on an elective basis. Counseling, guidance, health services, and library and supplementary instructional materials are available on a much wider basis than in District A.

The dropout rate for high-school students in District A is 25 percent; in District B, 9 percent.

The features above indicate some quality differences and many more could be listed. Now, what about the cost to the taxpayers of Districts A and B?

District A operates at the "foundation level"--the minimum financial base established by state law and subsidized by state funds. Of the $625 expenditure per pupil, $350 is paid by state funds and the balance comes from the levy on local property required by the state for participation in the "foundation" program.

District B also has the state and local monies equaling those raised by District A, but, in addition, District B residents have

voted a levy above the foundation level which provides $130 per pupil more with which to buy the quality program features described above.

What does this mean in terms of the school taxes in Districts A and B? The average homeowner in District A pays a school property tax of $120 per year; in District B the taxpayer with a home of equivalent value pays an annual tax of about $177. The additional cost amounts to about $57 per year in increased property taxes fo. the average homeowner in District B--a little less than 16 cents per day. The residents of District B think that having the extra quality is a bargain at 16 cents per day.

Which district do you think is getting the better value for its school expenditure?

DISCUSSION QUESTIONS

1. The economic ability of two groups of persons being equal, what determines how they will spend their money? For goods and services from government? For goods and services from private business?

2. In what ways are monies allocated for education productive investments rather than consumption expenditures?

3. The difference in life-time earnings between men who have graduated from high school and those who have only an eighth-grade education is over $63,000. Consider the difference in dropout rates between Districts A and B in terms of economic losses.

4. How does the quotation from John Ruskin at the beginning of this section apply to School District A?

5. How can "minimum standards," "accreditation," "foundation programs," etc., be kept from establishing a ceiling for the scope and quality of educational programs?

6. Is the taxpayer without any children in school of necessity penalized more in District B than in District A?

7. To what extent, if any, does the state have an obligation to participate with a local district in providing "quality items" over and above the minimum "foundation program"?

8. Look at the salary schedules of the two districts. What would be the difference in earnings between two teachers each starting with a bachelor's degree and earning a master's degree in five years, if one taught 30 years in District A and the other taught 30 years in District B?

9. In District A, the salary of a teacher with maximum tenure and a bachelor's degree is only $400 less than that of a teacher with a maximum tenure and a master's degree. What is the differential in District B?

10. How can the teachers in District A achieve for their schools the financial support that is available for the teachers and students of District B? Do they have a responsibility to take such steps? Why?

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HISTORICAL BACKGROUNDS

"When education ... passes from the area of the individual, incidental, or clan-group support ... to the place where an entire community, state, or nation cooperates under democratic rule to pay for the education of all the people .., it travels a long and difficult road. To go along that road is to advance from naive barbarism toward purposeful civilization." (6:xvii)

The American free public school is a system unique in the history of the world. It has been over 300 years in developing and continues today as a dynamic evolving institution to which historian Henry Steele Commager gave the credit nearly 15 years ago with having "kept us free"--helping the United States survive and flourish longer than any other democracy or republic in all the world. 1/

To understand principles and systems of school finance, it is helpful to know something of their historical development in this country. A clear and concise summary can be found in the Mort and Reusser publication (6).

During the colonial period such schools as existed were largely private or parochial schools supported by tuition, private contributions, fines, licenses, and subscriptions taken by churches or societies formed for the purpose of sponsoring a particular school. In New England a "district" system was developed for providing schools which were supported by "rate bills," lotteries, and private contributions. From these early school districts developed the organization and administration units which make up the typical state school systems of today.

When the Constitution was written, no mention was made of education. No national system of education was established, and hence under the Tenth Amendment each state was left to organize its own schools and support them at whatever level it saw fit (1:26).

1/ Commager, Henry Steele. "Our Schools Have Kept Us Free." Life 29: 46-47; October 16, 1950.

However, while establishing the national policy that the states and communities are primarily responsible for providing public schools, there is evidence that the founding fathers expected the federal government to share in the financial burden of providing education.

In Article 1, Section 8, the Constitution reads: "The Congress shall have power to lay and collect taxes, duties, imposts, and excises, to pay debts and provide for the common defense and general welfare of the United States."

Most of those who framed the Constitution had been in office and helped pass the land ordinance of 1785 and the Northwest Ordinance of 1787, granting vast areas of federally owned lands to the states for the support of the common schools.

Although certain statesmen of that day, notably Thomas Jefferson of Virginia, visualized a system of universal education, it was a meager one by today's standards. For instance:

1. Only boys were to be educated beyond the most elementary levels--and only the most promising of those.

2. Education was prohibited by law to Negroes in some states.

3. Support of schools at public expense was considered relief for the poor--charity rather than universal training for citizenship.

4. Parents were expected to pay a major portion of the costs of educating their children.

5. The curriculum consisted of reading, writing, ciphering, and little more.

6. Three or four years' schooling was considered adequate for nearly all students except those going into the ministry or law.

7. Very little money was invested in public education.

From about 1800 to 1850, the states began to expand their public school programs. Federal land grants under the Ordinance of 1785 did much to stimulate the expansion of public education. The states advanced at different rates in developing tax-supported free public schools. By 1875 most states had established common schools. In the last quarter of the nineteenth century, high schools were added to tax-supported elementary schools. The noteworthy Kalamazoo Case of 1872 established the precedent for taxing all citizens of a district to pay for the education of all children of school age.

Today the pattern is fairly well established. Public schools are generally accepted as a state responsibility. The state, in turn, authorizes local school districts to organize and operate school programs through their own boards of directors, but sets minimum educational standards by law and establishes a minimum level of financial support through shared financing (6:193-221).

The public-school program is expanding upward, downward, and out to comprise a comprehensive system of education from kindergarten through the twelfth, thirteenth, and fourteenth years for all children and youth of school age, with much emphasis on providing for individual differences.

Educational costs have increased from about $238 million in 1900 to over $23.0 billion today (1964-65), a 97-fold increase in expenditures. Some critics of school costs point out that public-school enrollments have increased from 15.5 million in 1900 to 42.8 million in 1964-65--a 2.8 fold increase in numbers.

Why, they ask, have school costs advanced so much more rapidly than enrollments in the last half century? Some of the answers are found in the following factors:

<u>The 1900 base is not comparable to the 1964-65 base in:</u>

1. Length of school term
2. Percent of students in high school and upper grades
3. Buying power of the dollar
4. Quality of school program and of professional staff
5. Program and services available in the schools.

Table 1 compares some items as they relate to school conditions in 1900 and in 1964-65.

TABLE 1.--A COMPARISON OF SOME ITEMS AFFECTING PUBLIC-SCHOOL COSTS, 1900 AND 1964-65

Item	1900	1964-65
1	2	3
Average length of school term in days	144	179 a/
Average number of days attended per pupil enrolled	99	162 a/
Percent elementary is of total enrollment	96.7%	63.3%
Percent high school is of total enrollment	3.3%	36.7%
Value of the dollar in terms of 1964 purchasing power	$3.92	$1.00

a/ Estimated.

Demands on education today and for the decades ahead mean that a far greater investment in education will have to be made than in the past.

There is still much unfinished business in school finance such as:

1. Consolidation of small, uneconomical school districts into more efficient administrative units

2. Improvement in property tax assessments

3. Equalization of school income within states and among the states

4. Broadening the base of school support.

While these unsolved matters are taking up the time and resources of the American people, bigger problems press upon us:

1. Finding ways of providing money for the education of a proportionately larger segment of post-high-school students, and for the provision of needed nursery and kindergarten programs

2. The problems attendant on bigness in our growing metropolitan areas

3. Finding means of financing "quality" educational features as well as the "basic programs" of education

4. Increasingly larger attendance at summer school sessions

5. Adult education and retraining

6. Special educational programs for potential dropouts.

DISCUSSION QUESTIONS

1. What essential differences must there be between the program and the financing of public education in a democratic republic and those of a totalitarian country?

2. Contrast the financing of a colonial school with that of a typical present-day public school district. What similarities remain?

3. What are the strengths and weaknesses of a national policy that makes the states and communities primarily responsible for financing public schools?

4. What has been the effect of federal land and money grants on public-school programs?

5. Why is it difficult to compare the costs of public education today with the costs of some previous year?

6. Upon what principles did the courts base their decision on the legality of taxing all residents of a district to pay for the public high-school education of the children residing therein?

7. What inferences may we draw about the costs of public education in the future from the history of education in the United States?

8. Show how changes in public-school programs, and consequently in levels of support, reflect social and economic changes which take place.

9. Discuss the probable attitude of the framers of the Constitution toward the support of education in terms of the Ordinances of 1785 and 1787.

10. Estimate how much of the increased cost of education today over that of 1900 is due to improved quality of school program rather than to inflation.

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THE RATIONALE FOR PUBLIC SUPPORT OF EDUCATION-- SOME BASIC QUESTIONS

The people of America invested more than $23.0 billion in public elementary and secondary education in 1964-65. More than one-fourth of the total population was in school. Obviously Americans think education is very important. What are the reasons for this commitment, a commitment which many Americans believe is still far short of being adequate? For the large sums of tax money invested each year in public education, what does society expect of the schools?

Educational expenditures have been justified because education is necessary for (2:19-23):

1. Citizenship

2. To make an individual an efficient producer and consumer in a free-enterprise capitalistic economic system

3. Individual self-realization

4. The civilization of man

5. Healthful living

6. Cultural, scientific, and social progress

7. National defense

8. Self-discipline in use of freedom.

All society benefits when the individuals which comprise it are able to develop their talents to their maximum potential and use these talents in constructive ways. This is the "social benefit theory" which underlies public support of education. The home, the church, and other social agencies contribute to the

educational process, but the public school is the agency assigned the specific task of educating children and youth.

If we agree that it is necessary for the success of a democracy to evaluate continually and modify when needed the solutions now provided, we must still resolve these questions:

1. How shall the scope and quality of education be determined?

    a. Who shall go to school at public expense?

    b. For how long?

    c. Who shall organize and administer the educational program?

2. How shall it be paid for?

    a. What share of the costs shall be borne by parents and student, local communities, county, state, and federal governments?

    b. What will be the mechanics of collecting, accounting, budgeting, and buying an educational program with these funds?

The answers to the first question determine the school budget.

Many experts, including Galbraith (6:139-51), Benson (2), Bator (1:63-112), and Burkhead (4:33), have tried to determine whether or not citizens are diverting enough of their incomes to education. Either by their ballots at the polls or by their purchase dollars, people render their approval or disapproval of goods and services in both the public sector and the private sector of the economy. (See Figure I for the differences among the states in total personal income per child of school age.) There is evidence

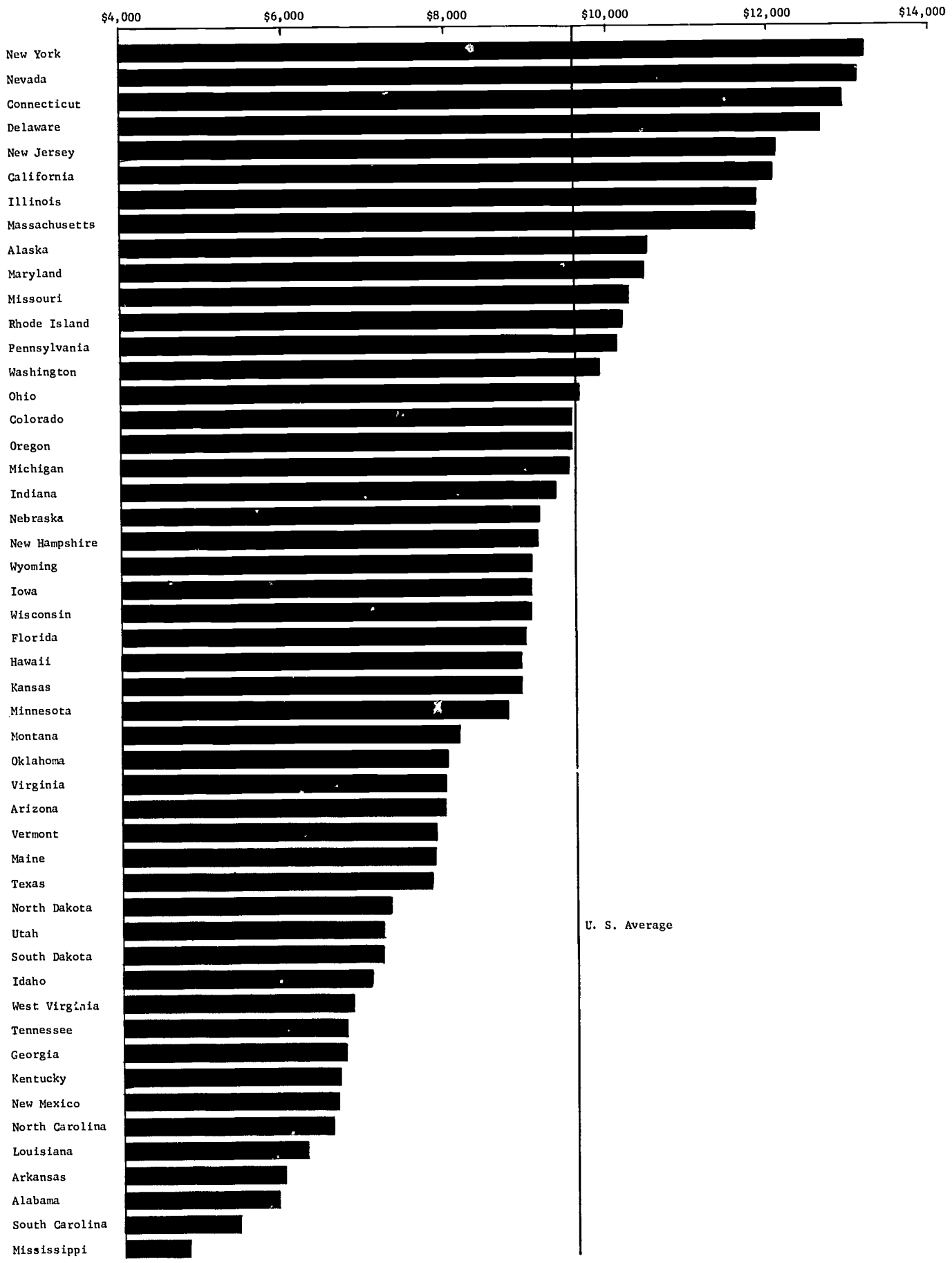
that there are greater returns both to individuals and to society from investments in education than in nearly any other allocation of money. The returns are not often immediate, however, and there are many demands upon people to allocate their earnings to other necessary and desirable programs. Most state legislatures have enacted laws covering minimum standards in the following areas: (a) compulsory attendance ages, (b) length of the school year, (c) teacher certification, and (d) finance program.

These vary from state to state. The average expenditure for public elementary and secondary schools per pupil in ADA (average daily attendance) was $483 in 1964-65. The range was from $273 in Mississippi to $790 in New York. (See Figure II.)

Does this mean that the citizens in New York put a higher value on education than do those in Mississippi? Not necessarily. Another and better measure of effort is the public-school expenditure expressed as a percent of income of the people. Such a comparison shows for 1964 an average allocation of 3.7 percent of personal income for the 50 states and the District of Columbia, with a range from 3.0 percent in Massachusetts to 5.5 percent in New Mexico. Because of variations in the proportion of pupils in private schools, this does not measure the total commitment of the people to education. It is, however, one way to measure.

FIGURE I

Personal Income per Child of School Age (5-17), 1963



Source:

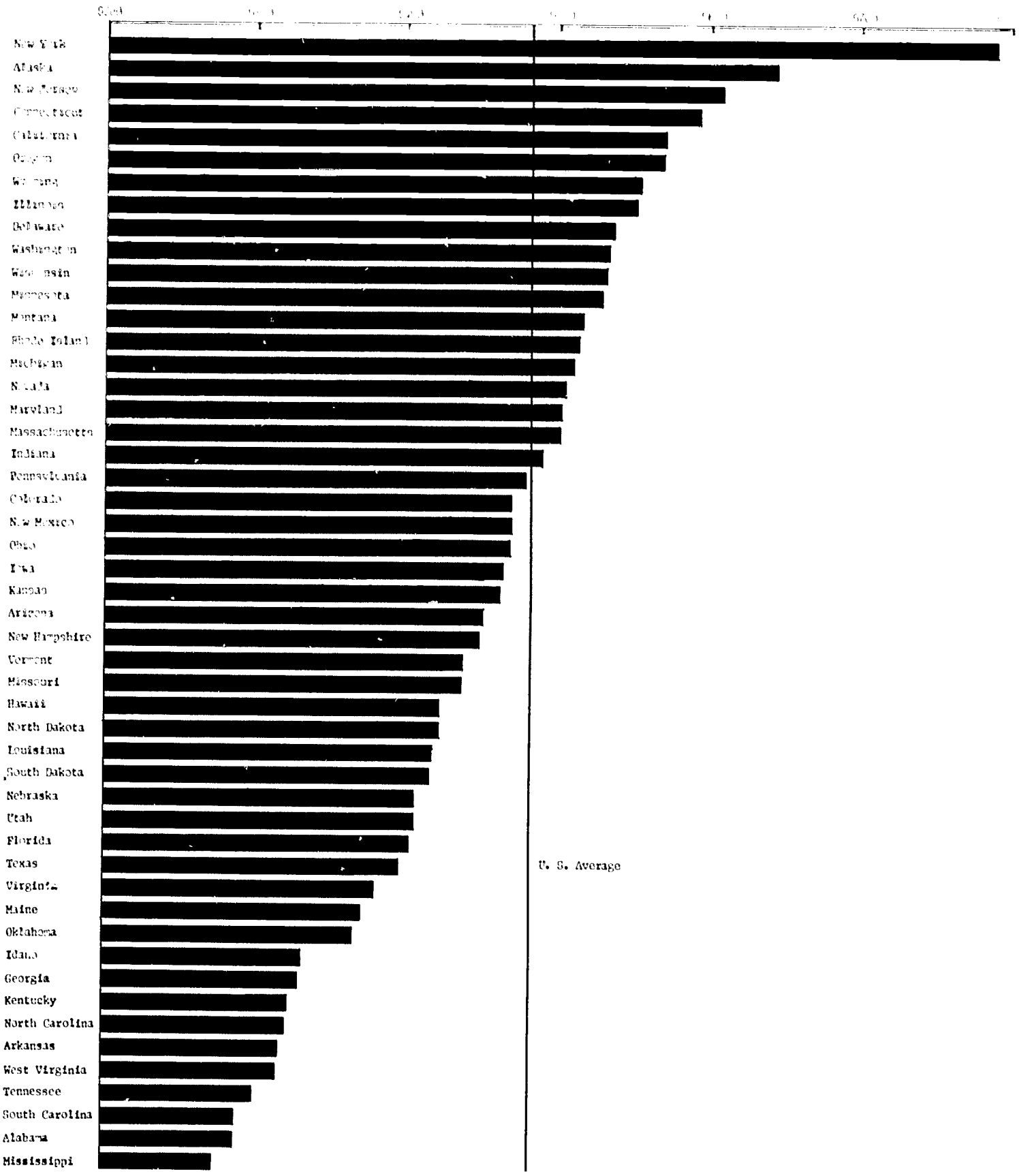
U. S. Department of Commerce, Bureau of the Census. Estimates of the Population of States, by Age: July 1, 1963. Current Population Reports. Series P-25, No. 294. Washington, D. C.: the Bureau, November 5, 1964. p. 6.

U. S. Department of Commerce, Office of Business Economics. "Personal Income by States and Regions in 1963." Survey of Current Business 44: 15-24; August 1964. p. 16.

NEA Research Division

FIGURE II

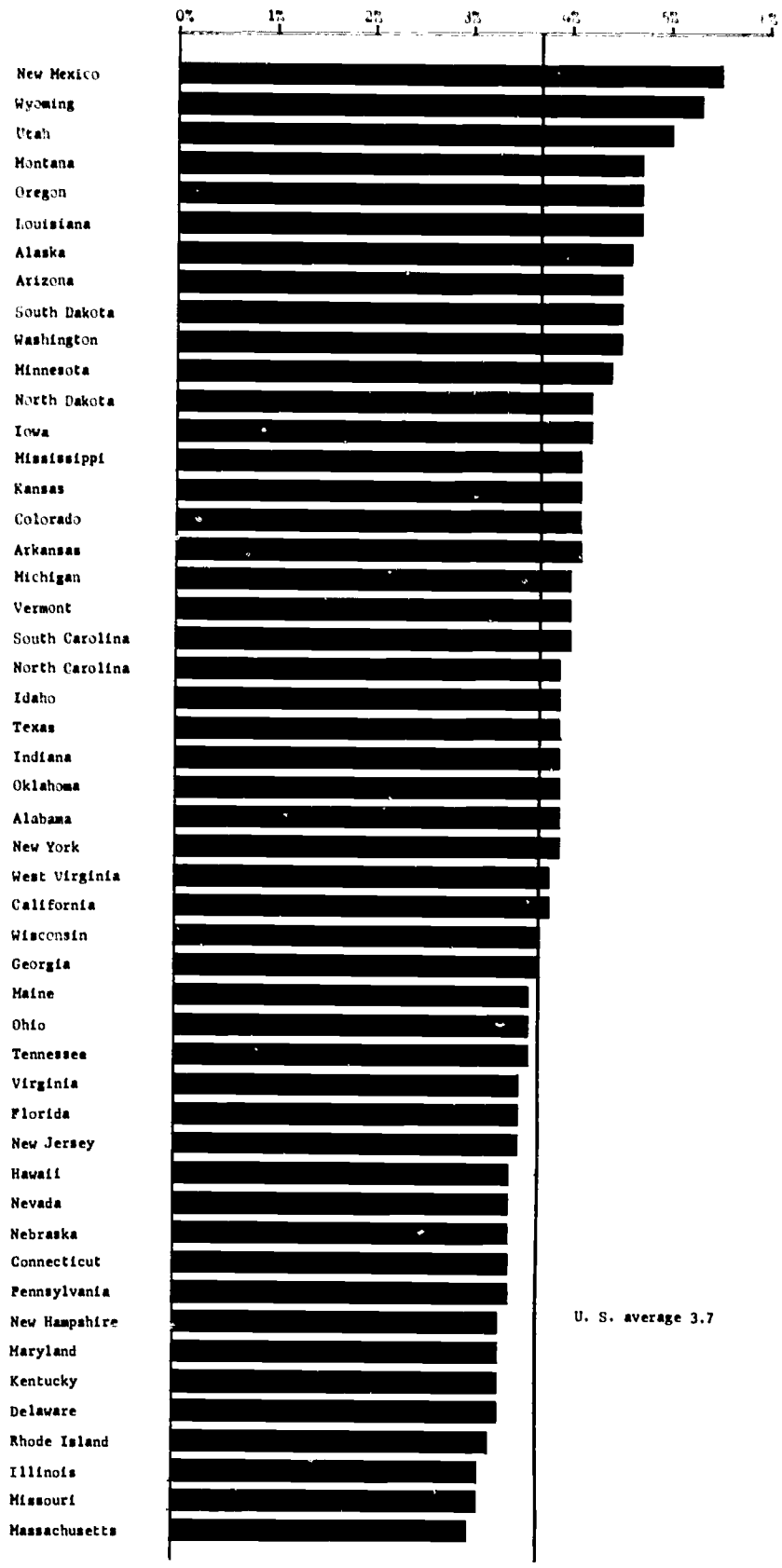
Estimated Current Expenditure for Public Elementary and Secondary Schools per Pupil in ADA, 1964-65



Source:
National Education Association, Research Division. Estimates of School Statistics, 1964-65. Research Repor. 1964-R17. Washington, D. C.: the Association, December 1964. p. 31.

FIGURE III

Current Expenditure for Public Elementary and Secondary Schools as a Percent of Personal Income, 1963-64



Sources:

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TABLE 2. --SELECTED COMPARISONS OF STATES

Item	Low	U. S. Average	High
1	2	3	4
Length of school term in days, 1961-62.	168.0 (Arizona)	179.1	184.1 (South Dakota)
Average salaries of classroom teachers, 1964-65 . . .	$4,103 (Mississippi	$6,235	$8,360 (Alaska)
Pupils per classroom teacher, fall 1963	19.5 (South Dakota)	25.5	30.4 (Alabama)
Percent of population 25 years old and older with at least four years of high school, 1960	27.6% (Kentucky)	41.1%	55.8% (Utah)

Source:

National Education Association, Research Division. Rankings of the States, 1965. Research Report 1965-R1. Washington, D. C.: the Association, February 1965. 65 p.

DISCUSSION QUESTIONS

1. What benefits accrue to an individual with no children in public schools from his payment of school taxes?

2. If public education is an investment which returns substantial dividends both to individuals and to society, why must school taxes be required by law?

3. How can individuals or groups of individuals effectively influence the improvement of school programs in their local districts?

4. H. G. Wells, in 1920 stated, "Human history becomes more and more a race between education and catastrophe." What did he mean?

5. How does state participation in financing public education tend to control school programs at the local level? Is this a good or bad thing?

6. Many states have established a maximum tax rate on local school districts or have limited the property that may be taxed. How can this procedure be justified?

7. What steps might be taken to safeguard local control of educational programs financed in part by state and federal funds?

8. What are some of the changing social, economic, and technological factors which call for an expansion of school programs with their attendant increases in costs?

9. Contrast the financial problems of a metropolitan school district, a suburban district, and a rural district.

10. Tax-supported schools are generally accepted at the elementary and secondary levels; why not all forms of higher education also?

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THE SCHOOL BUDGET

The school budget is a financial plan for providing an educational program in a school district for a specified period of time, usually one year. It shows the items and services which will be provided and the amounts expected to be spent on each. It also shows the revenue sources from which the district's funds will be drawn. The local school board is usually given the legal responsibility for preparing the budget. The state legislature, however, by determining the school appropriation and the formula for its allocation to school districts, is the most important single agency for setting the level of spending for most states.

The professional staff of the school has a primary responsibility for leadership in developing the budget. The problems inherent in school budget-making are challenging enough to enlist the aid of all who are willing to help. When budget-making is turned over to the superintendent or a finance officer to make all the decisions on how much money will be allocated to the various purchases of goods and services, the school program becomes a "one-man show." Budget hearings before final adoption of a budget accomplish little unless many persons have first-hand knowledge of why each item or service is purchased and how much it will cost.

There are two kinds of school budgets, operating and capital outlay. Normally, the operating budget refers to the plan for financing the educational program, usually for one fiscal year. The capital outlay budget refers to the plan for acquiring buildings, sites, and equipment, usually over a period of from five to ten years or more. Operating and capital outlay budgets are usually separate, although there is often a close relationship between the two.

The Operating Budget

The operating budget, usually called "current operations," is divided into two major sections: revenues and expenditures.

The revenue, or receipts, section contains a list of all sources and the amounts of money from each source that are expected during the period covered by the budget. The various revenue categories are arranged in some uniform manner, usually following a standard accounting manual prepared by the state education agency. The U. S. Office of Education in 1957 published a national handbook entitled Financial Accounting for Local and State School Systems. Most states have adapted their own financial accounting system to this reference. Revenues are of two kinds: (a) revenue receipts (these increase a district's assets without increasing liabilities, e. g., money from taxes and from other governmental units, tuition, rents, interest on investments), and (b) nonrevenue receipts (these reduce a district's assets or increase its indebtedness, e. g., sale of bonds and property, money received from loans or insurance adjustments).

The expenditure section itemizes the various planned expenditure amounts under such headings as administration, instruction, transportation, maintenance, and fixed charges.

Most school boards start their budgeting process by determining how much was received and spent from various revenue sources the previous year and what will be forthcoming from the same sources for the budget year in question. This practice tends to retard the development of a quality school program. Ideally, a community should decide what levels of education are needed irrespective of past offerings and then determine the amounts from available sources that should be tapped to raise the needed funds. Nearly all school revenues come from three sources: (a) the local property tax, (b) state grants-in-aid, and (c) federal allotments.

Local Property Taxes

Local property taxes bear about 50 percent of the cost of education in the average state. Local support for education, almost all of which comes from property taxes, ranges from 5. 9 percent in Alaska to about 90. 0 percent in Nebraska. 1/ The local property

1/ National Education Association, Research Division. Estimates of School Statistics, 1964-65. Research Report 1964-R17. Washington, D. C.: the Association. p. 29.

tax has been and still is a mainstay of public support, although other local sources of tax revenue have been tapped in several states (8). The property tax has limitations which are becoming more and more pronounced as the demand for increased school support continues. As an economy becomes more industrialized and commercialized, a declining portion of the tax-paying ability of its citizens is represented by real property. Investments such as stocks, bonds, insurance policies, and investments in retirement funds, are most frequently exempt from the property tax.

Problems of assessing fairly have never been resolved. Inequalities in assessments exist among similar properties within the same taxing unit. Furthermore, taxing units within a single state commonly assess property at varying percents of true or market value. On the whole assessments tend to lag behind increases in the market value or sales prices of property. More and more property is becoming tax exempt as it is required for public use or use by tax-favored individuals, such as veterans and older persons, and by organizations such as universities and charitable institutions.

When all expected receipts have been estimated, they are compared with expected expenditures. If sufficient funds are not available, perhaps the expected expenditures must be curtailed. In some states, however, the school board has the authority to levy an additional amount on property and, in others, to place the issue of a supplementary amount before the voters in what is called a tax-override election for the purpose of producing enough money to cover the budget.

State Grants-in-Aid

In the 1964-65 school year, state governments allocated to local school districts some $8.7 billion in grants-in-aid representing 40 percent of total school revenue for the 50 states and the District of Columbia. 2/ Sales and excise taxes are the major

2/ Ibid., p. 29.

sources of state revenue, although personal and corporate income taxes, severance taxes, licenses, fees, and other miscellaneous charges play an important part.

State aid for education is apportioned to local school districts as general purpose and special purpose grants. General purpose grants are distributed to the localities without specification as to how they will be used in financing the local district programs. Special purpose grants, have been designated by the state legislature to be used only for certain specific purposes. An example of a special purpose grant would be a grant for driver education programs.

Both general and special purpose grants may be distributed either as flat grants or as equalizing grants. Flat grants are monies distributed to all public school districts in the state on such bases as numbers of classroom units or numbers of children belonging in school without regard to the relative ability of districts to finance their own programs locally. Equalizing grants, on the other hand, are designed to subsidize the poor district more heavily than the rich district in order to achieve a measure of equality of educational opportunity for children throughout the state. At the same time, taxpayers' burdens are equalized among the various districts.

The system by which the state takes into account local tax revenues for schools and apportions its grants-in-aid to the various districts is usually called a foundation program or school apportionment formula. Behind the details of every apportionment formula lie certain concepts about educational levels, administration, and control. Some of these concepts are:

1. Every child should have a relatively equal basic educational opportunity regardless of where he might live in the state or the taxable wealth of the school district which provides his schooling.

2. The state should encourage the most efficient organization and operation of school districts possible.

3. The state legislature has a responsibility to maintain a proper balance among all sources of revenue available to school districts so that no district is penalized or unduly rewarded financially, as compared with other districts.

4. State funds should be apportioned on an objective basis, easily estimated by legislative bodies as to amounts and computed upon definite factors.

5. The state should exercise limited control over local school boards in the administration of their schools.

6. Allowances should be made for some range in revenues among the school districts in recognition of differences in costs not otherwise provided for in the formula and in the scope and quality of local educational programs.

7. The state should encourage local school boards to go beyond basic educational levels in providing quality features and developing experimental educational programs to meet changing needs of local conditions and of the times.

Although in recent years the state and local shares of revenue have been fairly constant, historically state grants-in-aid comprise an increasing share of local school district revenues. (See Figure IV.) Within the framework of the state grants-in-aid formula, local revenues for the school district usually can be estimated. The local property taxes required for the district's share of foundation programs are, in effect, state taxes (5).

Federal Allotments

Only 4 percent of the average school budget at present is from federal funds. Most school finance authorities, however, hold that the federal government should provide a much more substantial part of public-school support. The range of the federal government's financial involvement is illustrated by the

report of over 600 educational activities in 156 programs sponsored under 22 different federal departments and agencies in 1960. 3/

The federal funds available in each local district will depend upon programs which qualify for federal allotments and upon the amount and type of federal activity in the district.

School Expenditure Classifications

School current expenditures fall into six major categories:

1. Administration
2. Instruction
   a. Salaries
   b. Instructional materials
3. Operation of plant
4. Maintenance
5. Health and other services
6. Fixed charges.

Under these headings may be listed all the services and materials which constitute the educational program of the district. The three basic factors which determine school costs are number of pupils enrolled, standard of living as it affects salary levels, and quality of program provided. The largest single purchase by districts, of course, is the time and services of the professional staff. About 75 percent of the school budget is usually committed for salaries of teachers, specialists, administrators, and other professional educators employed by the district. When one adds to these the salaries of custodians, engineers, stenographers, clerks, and other noncertificated employees of a school district, one finds that about 85 percent of the average district's budget is allocated for salaries.

3/ U. S. Department of Health, Education, and Welfare, Office of Education. Federal Funds for Education: Fields, Levels, Recipients, 1959 and 1960. Circular No. 679. Washington, D. C.: Government Printing Office, 1962. p. 5.

According to School Management, 4/ the average district allocates the following percents of its budget for the six major categories:*

Administration		4.0%
Instruction		78.4
Staff salaries	73.2	
Instructional material	5.2	
Operation of plant		10.0
Maintenance		3.4
Health and other services		0.7
Fixed charges		3.5

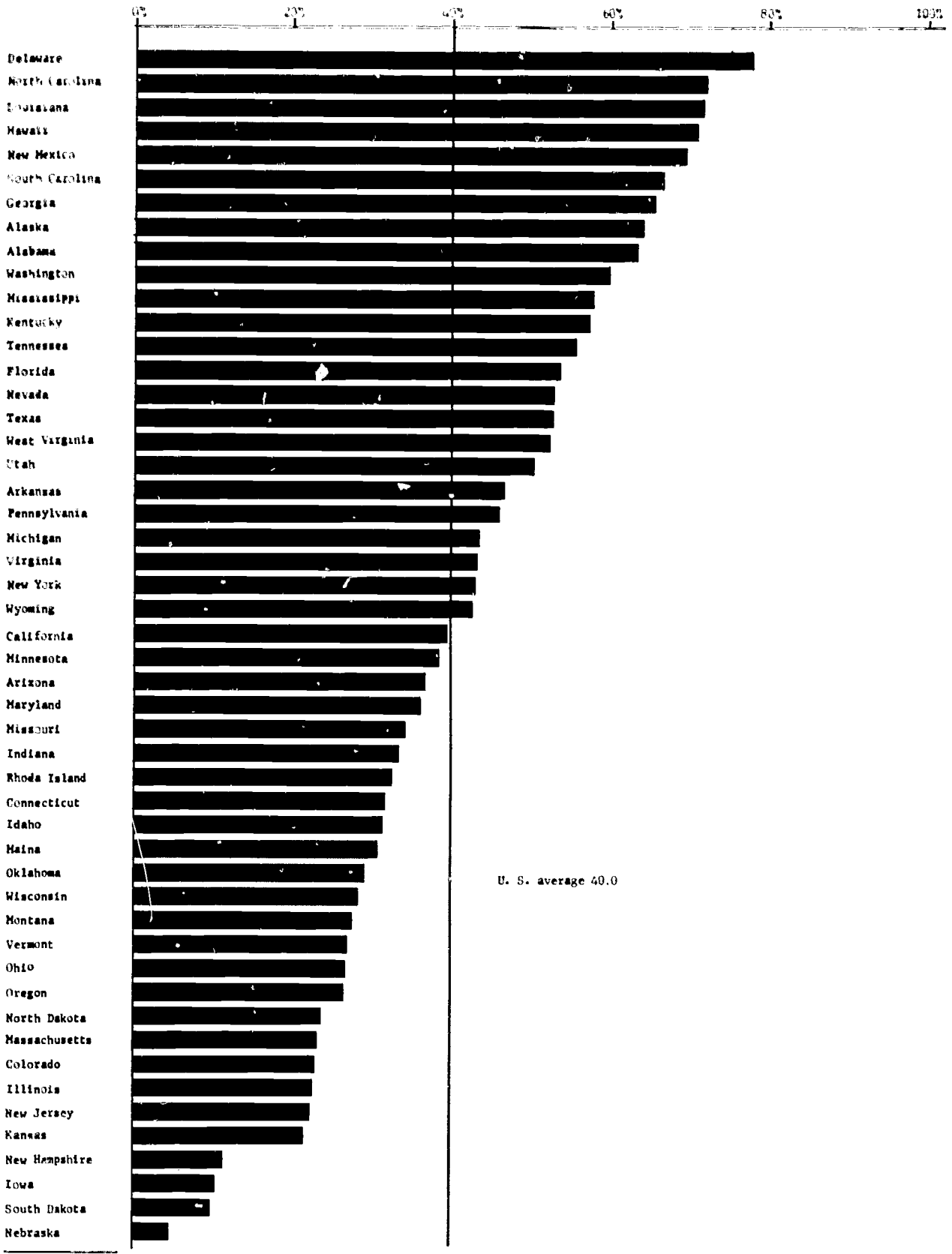
*Transportation is treated as a separate budget item.

The salary policy for teachers and other certificated personnel of a school district is the most important single budget item so far as obtaining quality education is concerned. In the last analysis, whatever education takes place in a school takes place between teachers and pupils. Everything else a district provides--buildings, materials and administration--only makes possible the environment for teaching. Therefore, it should be the concern of all--the people, the school board, the administration, and the teachers--that a salary schedule be adopted that will attract and hold in that district the highest quality professional teaching staff the district can afford. It should be the concern of patrons as well as faculty that the salary schedule provide a standard of living sufficiently high that teachers can give their undivided attention to the task at hand without the necessity of supplementing their salaries with outside employment, or having to economize to the point where they curtail their educational and cultural activities to the detriment of teaching effectiveness.

4/ School Management. "The Cost of Education Index--1957-59, 1961, 1962, 1963, 1964, 1965." School Management 9:110-11; January 1965.

FIGURE IV

Estimated Percent of Revenue Receipts for Public Elementary and Secondary Schools Received from the State, 1964-65



Source:
National Education Association, Research Division. Estimates of School Statistics, 1964-65. Research Report 1964-R17. Washington, D. C.: the Association, December 1964. p. 29.

NEA Research Division

The National Education Association and affiliated state and local associations long have been struggling to upgrade salaries of teachers. The NEA Research Division and Salary Consultant Service are recognized as sources of the most authoritative and comprehensive information on teachers' salaries available. 5 /

As a result of many decades of experience with, and study of, the problems of providing the nation's schools with competent teachers and able administrators, NEA and affiliated state association policy statements and publications recommend the following salary principles:

1. Salary schedules should be sufficiently high to attract and hold the most able professional personnel our society can produce.

2. Salary policies in general should provide that:

   a. Teachers receive a salary in line with other professional career persons of like training and responsibility.

   b. Maximum salaries be attained after 10 or 12 years of service and be at least double the starting salaries.

   c. The salary schedule be relatively simple and easily explained and understood.

   d. The schedule be professional in concept, that is, it should be designed for the career teacher, giving adequate allowance for superior training and qualifications.

   e. The schedule not recognize training below the bachelor's degree.

5/ National Education Association, Research Division. Materials on Salaries Available from the National Education Association. ARL 64-6. Washington, D. C.: the Association, November 1964. 7 p.

3. Salary levels should be regularly reviewed and revised in the light of changing economic conditions.

4. Desirable fringe benefits should be included in the personnel policy of a school district.

5. A single salary schedule is the most workable and best device yet developed for administering the salary policy for teachers, principals, and other faculty members. This should not be taken, however, to exclude study and consideration of merit schedules or other proposals.

6. Salaries of all certificated personnel should start with the regular salary schedule of classroom teachers with specified additional amounts expressed as percentages for extra responsibility and/or extended time required for supervision, administration, or other special services.

7. The salary level of the superintendent has a direct bearing on the quality of educational leadership of the community and a similar relationship to the salary level of the entire teaching corps. The district policy should be to employ the best qualified professional administrator obtainable and pay him a salary comparable to salaries paid the chief executive officers holding positions of comparable scope and responsibility in professional, business, and industrial enterprises.

8. Teachers ought not to be expected to assume a greater financial responsibility than other citizens in providing the children of a district with educational opportunities. Therefore, salaries of certificated personnel should be given first consideration in school district budgets. If, after adequate salary programs have been adopted, there are insufficient funds for such necessary items as books, transportation, maintenance, and extracurricular activities, these needs should be brought to the attention of the people on a tax election basis rather than increase teacher-pupil loads or curtail needed salary improvements.

TABLE 3.--SUMMARY OF A TYPICAL CURRENT OPERATIONS BUDGET, 1965-66

Expenditures			Receipts		
Item	Budget 1964-65	Proposed 1965-66	Item	1964-65	1965-66
1	2	3	4	5	6
Administration (general) control: salary and office expenses of superintendent and clerks)	$ 78,600	$ 81,300	Expected receipts, regular levy	$ 893,250	$1,048,725
Instruction (salaries of principals, classroom teachers, and other professionals; textbooks and classroom supplies)	1,534,665	1,849,954	State support	754,300	885,590
			Federal support	99,250	116,525
			Tuition and charges	79,400	93,220
Operation of plant (salaries and supplies, utilities, primarily cleaning and heating)	198,465	214,470	Interest and rent	19,850	23,305
			Total from sources other than local extra levy	$1,846,050	$2,167,365
Maintenance (repairs and upkeep of buildings, grounds, classroom equipment)	68,775	80,100	Local extra levy (tax override)	138,950	163,135
Auxiliary school services (health and lunch programs)	13,755	16,255	Grand Total	$1,985,000	$2,330,500
Fixed charges (e.g., retirement and insurance)	70,740	79,421	Cash balance	$ 20,000	$ 9,000
Total current costs	$1,965,000	$2,321,500			

The Capital Outlay Budget

The physical plant of a school is something vastly more important than mere shelter from the elements. School buildings and grounds provide the environment which may stimulate and enhance learning while protecting the health, safety, and well-being of the students.

Planning a new building, or modernizing an existing one, provides the school executive and the faculty one of the best opportunities they will have to improve the educational climate of the community. The time, energy, and professional information invested by the staff at the planning stage should result in constructing not only better buildings, but also more efficient ones. In school building, the number-one economy is to produce a plant which will serve the purpose for which it was constructed and will not become obsolete before it is worn out.

A most important aspect of the construction program is the plan developed to finance it. A school district has alternative means for funding a building program.

1. It may adopt a pay-as-you-go basis either by diverting current funds into a building account or by passing an extra tax levy.

2. It may borrow money to be amortized over a period of years.

The advantage of the pay-as-you-go plan is avoidance of interest charges and payments. This means that the taxpayers receive far more building and equipment per dollar expended than those in districts which borrow part or all of the money to pay for their school buildings and sites. The disadvantages of the pay-as-you-go plan are that diverting large amounts of current funds to building accounts may tempt the district to curtail educational programs, increase class size, and withhold justifiable salary increases from employees.

The borrowing route to capital financing spreads the burden over a longer period, giving those who will use the buildings an

opportunity to help pay for them. Borrowing through sale of bonds or other means is less burdensome and therefore makes it easier to obtain the approval of voters for undertaking capital expansion. It also tends to safeguard current operating funds. Many districts, however, have borrowed so heavily that annual debt service costs have become a major expenditure item.

Traditionally the people of the various states have considered the financing and construction of school buildings to be a local responsibility. The need for state grants-in-aid for capital outlay is just as pressing as for current expenses. Over one-half the states now provide some state aid for buildings.

Money for capital outlay ultimately comes from the same sources as current operating funds, namely, local property taxes, state appropriations, and the federal government. (Federal funds are provided for school construction mainly in those districts housing large numbers of children of federal employees or military personnel.)

DISCUSSION QUESTIONS

1. The school district budget is a financial plan for providing an educational program in a school district for a specified period of time. Explain.

2. What should be the role of the following in school budget preparation:

   a. The faculty
   b. The teachers' professional organization
   c. The superintendent of schools
   d. The school board
   e. Residents of the district.

3. In budget making which should be considered first, receipts or expenditures? Why?

4. What are the elements of a foundation program or apportionment formula?

5. State grants-in-aid have become an increasingly important source of school district revenue. What are the advantages and disadvantages of the aspect of school district financing?

6. Both flat grants and equalizing grants-in-aid tend to reduce the financial differences between rich and poor districts. Explain how this operates. What should be the range between the richest and poorest district in a state in amount of revenue available per pupil?

7. What are the principles behind special purpose grants-in-aid?

8. Justify the concept of "leeway" in a state-aid program.

9. What tends to be the effect of the different assessment levels among the various school districts upon the allocation of state equalizing grants-in-aid? What remedies might be applied to reduce inequities in assessment?

10. The suggestion has been made that the state should encourage districts to develop quality programs. How can this be done without jeopardizing local autonomy?

11. In the last analysis, what factors determine how much money the taxpayers of a district will allocate to public education? How do the laws of economics operate to determine how much personal income of citizens will be diverted to the public sector of our economy?

12. How do the salaries of professional and nonprofessional employees compare among the states? Among the districts of a particular state?

13. List some problems connected with single salary schedules and suggest possible solutions.

14. Compare teachers' minimum salary schedule laws in various states with average salaries paid. Is there any evidence that teachers in states with minimum salary schedule

laws have fared better than in those states with a flat minimum or no provisions at all?

15. Discuss the property tax, its strengths and weaknesses, as a major source of school revenues.

16. What taxes are collectable by state governments that would be impractical if assigned to local municipal governments or school districts?

17. Why should the capital outlay and current operations budgets be kept separate?

18. Justify a program of state grants-in-aid for school buildings.

19. What arguments can be presented for federal aid for buildings that would not hold for teachers' salaries?

20. What are the advantages and disadvantages of bonding as a means of financing a school building project?

21. What are the problems involved in assigning to the state legislature the responsibility for determining how much money local districts will have to spend each biennium?

22. Justify a lobby at a state legislature supported by the teachers' association.

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THE MARKS OF A GOOD SCHOOL FINANCE PROGRAM

Most school finance programs just grew. Leaders translate philosophical ideas on school support into mathematical formulas and foundation programs. However, historical factors, differences in tax systems appropriate to the economy of the various states, the geography, ecology, school organizational patterns, and urban-rural and demographic factors all serve to prevent development of a uniform grants-in-aid system for all states.

There have evolved over the years, however, some commonly accepted characteristics which are present in all good local and state school finance systems. Among these are the following:

1. The plan of financial support for schools in each state should provide for an adequate program of education (a satisfactory foundation program of essential school services and facilities) for all who attend public schools.

2. The sources of revenue for school support should be reasonably related to the sources of income of the people of the state; i. e., the tax systems should be appropriate to the economic pattern of the state.

3. All school districts should be required to make an equal tax effort to support the foundation program. Once local tax effort is equated, the state should participate on a partnership basis in financing the foundation program.

4. States should encourage educational progress by participating on a limited partnership basis with those districts desiring to go beyond the foundation program and willing to make additional tax effort.

5. The state finance plan for public schools should encourage efficient organization and administration of school districts.

6. The state finance plan should provide maximum opportunity for the development and exercise of leadership and responsibility for education at the local level.

7. All justified cost variables--levels of programs, sizes of districts, metropolitan factors, geographical features--should be accounted for in the apportionment formula.

8. Various revenue sources, open incidentally to some but not all districts (e.g., Federal P. L. 874 money which goes to schools systems that are "impacted" with federal activities), should be included in calculating available funds for the foundation program.

9. The mechanics of the apportionment formula should be as simple and clear as possible for facilitating understanding and application.

10. The state finance plan should emphasize continuous evaluation and long-range planning. It should be flexible enough to meet changing conditions.

DISCUSSION QUESTIONS

1. How would you list in order of priority the 10 criteria of a good school finance program given above?

2. Name certain taxes for school support which might be more appropriate in some states than in others. What implications do these have for federal aid for education?

3. Equality of educational opportunity has been a goal in most state grants-in-aid programs. How would you evaluate a state-aid program in which the richest district had one-and-a-half times as much revenue per pupil enrolled as the poorest district? What is the range in your state?

4. How might state-aid programs limit local determination of educational programs? How might they encourage local determination?

5. In what ways is consideration of levels of education justified in a state-aid program?

6. In what ways do geographic and population density factors affect school costs? How should these be considered in state-aid programs?

7. In light of the fact that the criteria for a good school finance system are generally accepted, how do you account for the

widespread inequities and inefficiencies in most state programs?

8. Local effort in state grants-in-aid is usually measured in terms of a compulsory property tax levy of a stated number of mills. How does this make the local school property tax, in effect, a state tax?

9. Explain how a state equalizing grant might tend to reward a district for low or inefficient assessment of property. Should the state withhold a part of its aid to districts in a taxing area in order to obtain improved assessments?

10. Check some new state-aid programs such as those of Rhode Island and Wisconsin. What features do they have that are not found in older systems?

SELECTED REFERENCES

1. Burke, Arvid J. Financing Public Schools in the United States. New York: Harper and Brothers, 1957. Chapter 8, "Principles and Policies Underlying Expenditures," p. 204-34.

2. Johns, R. L., and Morphet, Edgar L. Financing the Public Schools. Englewood Cliffs, N. J.: Prentice-Hall, 1960. 566 p.

3. Mort, Paul R.; Reusser, Walter C.; and Polley, John W. Public School Finance: Its Background, Structure, and Operation. Third edition. New York: McGraw-Hill Book Co., 1960. 512 p.

4. U. S. Department of Health, Education, and Welfare, Office of Education. Public School Finance Programs of the United States, 1957-58. Misc. No. 33. Washington, D. C.: Government Printing Office, 1960. 275 p. (Later information for individual states is available from the Office of Education.

APPENDIX A.--BIBLIOGRAPHIC NOTE

Several comprehensive bibliographies on public-school finance are available to the student who wishes to delve deeper into the literature available on the subject. The NEA Research Division's latest bibliography of References on School Finance, released August 1963, includes publications dating back to 1957, and includes the publications of the NEA Committee on Educational Finance.

For those desiring to do a historical study, two bibliographies cover the literature up to 1931:

Alexander, Carter. Bibliography on Educational Finance. Education Finance Inquiry Commission Report, Vol. IV. New York: Macmillan Co., 1924. 257 p.

Alexander, Carter, and Covert, Timon. Bibliography on Educational Finance, 1923-1931. National Survey of School Finance Report. U. S. Department of the Interior, Office of Education, Bulletin 1932, No. 15. Washington, D. C.: Government Printing Office, 1932. 343 p.

Other references can be found in the 1950 and 1960 editions of the Encyclopedia of Educational Research (pages 461-64 in the 1950 edition, and pages 563-65 in the 1960 edition).

2

APPENDIX B.--GLOSSARY

1. Account: a descriptive heading under which are recorded financial transactions similar in terms of a given frame of reference, such as purpose, object, or source.

2. Aid, state: grants by the state to local (county or district) school administrative units for the support of an educational program.

3. Amortization of debt: gradual payment of an amount owed according to a specified schedule of times and amounts.

4. Apportionment formula: a mathematical formula for computation of the amount of state aid for which a local school district may be eligible. It usually takes into consideration the school districts' ability to raise a designated amount of money from a uniform tax effort toward financing a minimum guaranteed dollar amount of revenue per pupil.

5. Apportionment of school funds: the division and distribution of money for school purposes by a central agency, such as a state, to its subordinate units according to a predetermined basis.

6. Appropriation: an authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes.

7. Assessment: value placed on property for property tax purposes.

8. Assessment, special: a compulsory levy made by a local government against the value of certain properties to defray part or all of the cost of a specific improvement or service.

9. Average daily attendance (ADA): the aggregate days attendance of the school divided by the number of days school was actually in session.

10. Bond: a written promise, generally under seal, to pay a specified sum of money, called the face value, at a fixed time in the future, called the date of maturity, and carrying interest at a fixed rate, usually payable periodically.

11. Budget: a plan of financial operation embodying an estimate of proposed expenditures for a given period or purpose and the proposed means of financing them.

12. Capital outlay: an expenditure which results in the acquisition of fixed assets or additions to fixed assets; an expenditure for land or existing buildings, improvement of grounds, construction of

buildings, additions to buildings, remodeling of buildings, or initial or additional equipment.

13. Cost, pupil: the annual cost of operating the school computed on the basis of the pupil as the unit, the "pupil," however, being variously defined as "pupil in average daily attendance," "pupil enrolled," or "pupil in average daily membership."

14. Current expense: any expenditure except for capital outlay and debt service.

15. Debt limitation: a legal restriction on the power of a corporation, government, or other agency to incur debt.

16. Debt service: a classification used in financial accounting that includes expenditures made for payment of outstanding debt and payments of interest on debt.

17. Deficit: the excess of the obligations of a fund over the fund's resources.

18. Disbursements: payments in cash.

19. Equalization: the process whereby the state government allocates funds to school districts taking into consideration their ability to raise tax money from their local resources; it usually involves guaranteeing that a specified minimum dollar amount per unit (classroom unit, pupil) will be raised by a uniform levy on the taxable property of the district. In the amount it fails to do so, the state makes up the difference as an equalization payment.

20. Equalizing grants: a grant of money from state or federal governments to local school districts based on their lack of ability to raise funds from their own tax resources to provide a minimum program of educational services.

21. Estimated revenue: the amount of revenue estimated to accrue or be collected during a given period.

22. Expenditure, capital: expenditure for acquisition of an asset.

23. Expenditure, current: any expenditure except for capital outlay and debt service.

24. Fiscal control: the power or authority to regulate financial matters.

25. Fiscal period: any period at the end of which a school district determines its financial condition and the results of its operations and closes its books. The most common fiscal period for school districts is a year extending from July 1 through June 30.

26. Fixed charges: charges of a generally recurrent nature which are not readily allocable to other expenditure categories. They consis of such charges as school board contributions to employee retirement, insurance and judgments, rental of land and buildings, and interest on current loans.

27. Flat grant: a grant of money from state or federal governments to local school districts without regard to the districts' ability to raise funds from their own tax sources.

28. Foundation program: a school finance term used to describe the minimum program of education which will be guaranteed in each school district from local and state funds. It is usually designated in law as a given expenditure in dollars per classroom unit, per pupil, or per teaching unit.

29. Fund: a sum of money or other resources set aside for specific activities of a school district. The fund accounts constitute a complete entity and all of the financial transactions for the particular fund are recorded in them.

30. Fund, general: the fund used to finance the ordinary operations of the school district. It consists of all school money not specifically designated for some particular purpose.

31. Grant-in-aid: a financial grant, frequently in the form of periodic payments, made by a government or agency to another government or agency as assistance for either a general or a special purpose; for example, a grant by the federal government to the states for the promotion of vocational education. (Usually a grant-in-aid requires a preliminary or matching contribution and the meeting of certain stipulations by the receiver of the grant.)

32. Leeway: the amount of local tax resources which is regularly available to a school district but is not included in the district's required contribution to the apportionment formula or foundation program.

33. Levy: to impose taxes or special assessments; the total of taxes or special assessments imposed by a governmental unit.

34. Maintenance of plant: those activities concerned with keeping the grounds, buildings, and equipment at their original condition of completeness or efficiency.

35. Minimum program: the educational program which the state will underwrite for each local district. It typically involves numbers of pupils per teacher, teachers' salary levels, a school year of a certain length, supply of books and supplies, and reasonably accessible school housing in a building that is safe and well maintained. Transportation for pupils living over a specified distance from the school is usually also included.

36. Non-revenue receipts: amounts received which incur an obligation that must be met at some future date, change the form of a district-owned asset from property to cash thus decrease the amount and value of school property. (Money received from the sale of bonds, loans, or sale of property constitute the majority of non-revenue receipts.)

37. Operation of plant: those housekeeping activities concerned with keeping the physical plant open and ready for use; does not include repairing.

38. Payroll: a list of individual employees entitled to pay, with the amounts due each for services rendered.

39. Prorating: the allocation of parts of a single expenditure to two or more different accounts in proportion to the benefits which the expenditure provides for the purpose or program area for which the accounts were established.

40. Revenue receipts: additions to assets which do not incur an obligation that must be met at some future date and do not represent exchanges of property for money. (Tax revenues, and state and federal grants constitute most of a district's revenue receipts.)

41. School district: used synonymously with the term, "local basic administrative unit."

42. Special purpose grant: a grant of money from state or federal governments to local school districts to pay part or all of a specified educational service to be provided by the district.

43. State aid for education: any grant made by a state government for the support of education.

44. Tax limitation: restriction of tax rates or levies by a constitutional or statutory enactment, the limit applying either to the total amount that may be raised or to the rate that may be imposed.

45. Voucher: a document which authorizes the payment of money and usually indicates the accounts to be charged.

46. Warrant: a written order drawn by the school board or its authorized officer directing the school district treasurer to pay a specified amount to a designated payee.