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This paper (1) provides background on types of State aid to education and describes how they work, (2) discusses the existing expenditure structure in Illinois, (3) describes and analyzes the fixed foundation (Strayer-Haig), variable foundation, percentage equalization, and resource equalizer formulae used for equalization aid in the United States, and (4) analyzes alternatives in educational expenditure policy for Illinois. It is suggested that equalization formulae should include weighting for income and human resources because property valuation, the traditional measure of ability to pay, is becoming more equalized among districts. Although alternatives in expenditure policy are presented, no policy is recommended as best. (TT)

ALTERNATIVES IN EDUCATIONAL EXPENDITURE POLICY FOR THE STATE OF ILLINOIS

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The purpose of this paper is to stimulate discussion concerning fiscal policy alternatives open to the General Assembly of Illinois relative to the expenditure of funds for public secondary and elementary education. The paper is intended primarily for the beginning student, the educational practitioner, the interested layman, and the state legislator, rather than for the specialist in school finance. We have, however, placed a selected bibliography at the conclusion of the manuscript in order that readers interested in the subject can pursue it at greater length. We have also deliberately refrained from attempting to select any one policy alternative as the "best" or "optimum" alternative for two reasons. In the first place the amount of factual and empirical research in school finance that would be necessary to choose between the expenditure alternatives presented in this manuscript is far greater than that which is actually found in Illinois. It is true that the study often referred to in Illinois as the "Task Force Report" does provide a fair amount of "hard data" on school finance in this state. However, that report did not contemplate the range of expenditure policy alternatives outlined in this paper. In the second place, it would simply be misleading to suggest that there exists much of a consensus on school finance policies in Illinois, or anywhere else for that matter. The "experts" do differ, and there are both "liberal" and "conservative" alternatives in this area of economic policy, as in all other areas of economic policy.

We have found it convenient to use a traditional division of fiscal policy, e.g., expenditure policy and revenue policy. This particular paper deals with matters considered expenditure policy. While this is a useful, perhaps

essential, analytical device, the reader should bear in mind that the total impact of educational fiscal policy can be known only by looking at both sides of the coin, expenditure and revenue, at the same time. In this paper we shall try to: (a) provide a brief background for those not familiar with the subject of school finance; (b) point out some of the weaknesses of the existing expenditure arrangements, and (c) list and discuss some of the possible alternatives to the existing expenditure arrangements.

Basic Types of State Aid

The state governments aid local school districts throughout the United States in four basic ways. These can be designated "flat grants," "equalization grants," "categorical grants," and "aids in kind." A "flat grant" is simply a stated amount of money per child. The reasoning behind a flat grant is that since education is legally a state function, and not a local function, every child should be aided in receiving a basic education irrespective of what local districts provide, or do not provide, by way of provision for education. Flat grants do not take into consideration the environment in which different children are being educated, nor do they make any distinctions between the different educational "needs" of different kinds of children. "Equalization grants," on the other hand, do take into consideration a limited aspect of the environment in which the educational process is taking place, at least to the extent that the average assessed property valuation in a district can be taken to be partially representative of the educational environment of a district. Equalization grants are distributed by a "formula" which takes into consideration the "ability" of

a school district to support education. There are four major types of equalization "formulae" in use in the United States and each shall be discussed in this paper. The "ability" factor in these "formulae" is usually measured in terms of adjusted property valuations. The "adjustments" in the property valuation figures are necessary in order to offset assessments at less than full market value in most local school districts. Mathematically speaking, the various "formulae" are simply functions of the property valuation variable. The major purpose of an equalization grant is to reduce the variation in both expenditure levels and in tax effort among school districts in a state. Barring some malfunction in the grant process or in the working of the formula, there will always be an inverse relationship between the amount of state aid, and the level of the local school district's ability to support education. Poor districts will receive more, and rich districts will receive less. Equalization grants are thus thought to contribute to the broader policy goal of equal educational opportunity, or more correctly to contribute to a narrowing of the variance in educational opportunity.

While flat grants and equalization grants make up most of the funds given to local school districts by the state there are two other forms of aid that deserve mention. One of these is a "special purpose" or "categorical" grant and the other is an "aid in kind." The two most common forms of categorical aids are grants given to help with the cost of school construction, i.e., a "capital expenditure aid," and grants given to help with the cost of transporting pupils to and from school buildings. This classification, however, contains

quite a number of other grants. The "gifted child" program, the sizable grants for "special education," the federal grants under Title I and Title III of the Elementary and Secondary Education Act are all examples of "categoricals." The classification "aid in kind" is not really a money grant at all. It is rather an attempt on the part of state departments of education to provide services other than money grants to local school districts. The most common example of this would be state "supervisors" or "regional office" personnel who try to provide local school districts with expert advice on limited and specialized areas of education. The rationale behind both the categoricals and the aids in kind is that there exists certain aspects of the educational process which local school districts might either ignore, or which are so expensive that local school districts could not carry them without undue tax burden were it not for state intervention. Categorical grants are also, frankly, an attempt to bribe local school districts into actions which state authorities consider beneficial to education. Categorical grants are often also "conditional," that is, districts must take certain actions before they can qualify for this aid. Conditions can be, and frequently are, also attached to all of the various equalization grants.

A brief excursion into the bibliography at the end of this paper will quickly show the reader that "experts" on educational expenditure policy have never agreed upon the proper "mixture" of these aids to local school districts any more than, on the revenue side, they have agreed upon the proper "mixture" of taxes to support these expenditures. It is probably a safe generalization to say that "traditionalists" in the school finance field tolerate flat grants, are in support of equalization grants, have a distrust of categorical grants, and are

not really very much interested in exploring the possibility of aids in kind. Their less conventional colleagues, while also supporting equalization grants, would probably insist on major changes in the equalization formulae. This second group would also be more favorable to categorical grants, and would support experimentation with aids in kind. A minority would like to junk all the "formulae" approaches and move toward a much more direct form of state support and supervision of educational programs at the local level. It is probably fair to say that the "centralist" minority, a group which can historically trace its roots to the works of Professor Henry Morrison at the University of Chicago, is growing in membership with the passage of time. These policy choices reflect basic values relative to local versus state control of education, and also conservative versus liberal economic viewpoints, as mentioned previously. With this brief general background in mind we can now turn to the existing expenditure structure in Illinois and to some possible changes in that structure.

Choices Among State Aid Forms

The flat grant in Illinois can be disposed of rather quickly. Flat grants are sometimes given simply to see that wealthy districts which do not receive equalization funds still receive at least some state aid. The best argument for "aid to the wealthy" is that the wealthy school districts constitute "lighthouse" districts, that is, that they are the innovating districts, and thus the flat grants are really aids in support of innovation and change. An obvious rebuttal to this argument is that this is a rather circuitous way of supporting educational

innovation and that there are many more direct means available for this purpose. One change, however, could be effected in the flat grants in Illinois that would have considerable impact. If the pupils counted were to be taken in terms of "average daily membership" rather than in terms of "average daily attendance" the central cities would receive more funds. This would occur due to the fact that the rate of attendance is much higher in most suburban and rural districts than in the central city schools. Of course, keeping the count in terms of ADA can be thought of as a stimulation to urban schools to restrict truancy. However, given the very great motivational problems of the ghetto school it is doubtful that this "stimulation" would have the desired effect.

Considerably more time needs to be devoted to possible changes in the Illinois equalization formula. Equalization formulae are best analyzed in terms of algebraic expressions, rather than in words. However, since this paper is intended for the non-specialist, the authors will attempt a description of the four major equalization alternatives in words. We shall do this by spelling out, step by step, the computational procedures that one goes through in order to arrive at the amount of equalization aid provided any given local school district by the state. In each case we shall comment on the affect the adoption of a particular form would probably have on Illinois schools. The reader should be cautioned, however, that only a computer simulation could throw light on how each of these equalization forms would effect individual Illinois school districts. Hopefully such computer simulation studies will be carried out in the near future.

There are four basic types of equalization "formulae" used in the fifty states. The terminology is, regrettably, not standard, but most students of the subject would probably recognize these four forms by the following labels: (1) "fixed foundation" or "Strayer-Haig;" (2) "variable foundation," (3) "percentage equalization," (4) "resource equalizer" or "guaranteed valuation." The first of these, e.g., the "Strayer-Haig," is the most widely used and probably the best understood by school men. Unfortunately, it has several weaknesses as we shall point out below. It is the form used now in Illinois. An example of the "variable foundation," which is a modification of the "Strayer-Haig," can be found in Ohio. "Percentage equalization" is used in New York and Rhode Island; "guaranteed valuation" is used in Wisconsin. Each form has its proponents and opponents among school finance "experts" and among legislators. We shall go through the computational steps first, and then describe the strengths and weaknesses of each alternative.

The "fixed foundation" or "Strayer-Haig" has three steps. First, a "foundation level" is set by the state in terms of hundreds of dollars per pupil and this is multiplied by the number of pupils in the district. The exact way the pupils are counted varies, but in most states it is in terms of "average daily attendance." Second, a "required" or "qualifying" tax rate is multiplied by the adjusted assessed property valuation of the district. Third, the results of the second step are subtracted from the results of the first step. In states with only K-12 districts this is a relatively straightforward process. In states like Illinois and California the process is complicated somewhat by the

"dual district" organizational form. In "dual district" states there may be one qualifying rate for secondary districts, another for elementary districts, and still another for "unified" districts. The "Strayer-Haig" formula has only two variables in it, e.g., the number of pupils and the adjusted property valuations. It also has two constants, the "foundation level" and the "required" or "qualifying" tax rate.

The fixed foundation has certain strengths, which explains why it has been around as long as it has. First, the "floor welfare theory" upon which the formula is ultimately based is widely accepted by the average state legislator. No student, so the theory goes, will be allowed to receive an education priced below the "foundation" guaranteed by the state. Local districts may, of course, spend anything they want to over this "floor." Equalization is served by essentially putting a limit upon how far downward the quality of services will be allowed to drop in a given district. The formula is also fairly easy to compute, although students taking their first course in school finance might deny this. It is also predictable. Once the state legislature has made known the constants in the formula, local superintendents, or their business managers, can supply the variables and come reasonably close to determining what they will receive from the state. A certain amount of error does enter the calculation due to some projecting in time that needs to be done in terms of the two variables in the formula and also due to tax collection failures. This formula is also stable in the sense that a downswing in the economy would have little immediate effect upon the grant, nor would an upswing for that matter.

Property valuations usually lag behind swings in the general business cycle.

Unfortunately the "Strayer-Haig" or "fixed foundation" also has some very serious weaknesses. In the first place, stability is not always a strength, and, if the authors may be permitted a small pun, the constants in the formula have proven all too constant. The "foundation level" can be shown to have lagged behind an inflating economy in most states which have this form of equalization, including Illinois. The actual costs of education have risen faster than the "foundation level." An interesting and often overlooked phenomena also occurs with the "required" tax rate. The lower this constant is set the more wealthy districts share in the "equalization." If the required tax rate is not moved forward proportionately with the foundation level, the inverse relationship between wealth and the size of the state grant will weaken with the passage of time. Thus the "Strayer-Haig" has to be checked continually least its equalization strength fade. In the opinion of the authors, this alignment of the formula has not always taken place in Illinois with the probable result that the Illinois formula has not been as strong with regard to equalization at one time as it has at others. Only an empirical test could determine whether this hypothesis is correct but when several biennia pass as they did in the first half of this decade without change the results are obvious.

The "Strayer-Haig" form also does not reward for local effort. The district is required to exert the effort indicated in the "required" tax rate, but that is all. There is no incentive to spend for educational services such as there is in two other alternatives discussed below. This form does not

take into consideration differences between districts in the cost of educating pupils. It is assumed that the cost of education of a child in a densely settled suburb of Chicago is the same as the cost of education of a child in a sparcely populated rural district in downstate Illinois. Finally, despite considerable efforts to do so, no one can ever really tell you what the basis is for the "foundation level." In theory, it can represent either the lowest priced package a state is willing to buy for an average student, or it can represent a somewhat better "quality" priced package. In practice, it is set by the "political realities" of the moment in a given session of the General Assembly. While this pricing practice is certainly understandable, it is not very satisfactory from the perspective of professional educators; and it is probably not very satisfactory either from the perspective of state legislators, since haggling over the foundation level is, in the long run, not a very good vote getting procedure.

The "percentage equalization" form also has three computational steps. In the first step the local assessed valuation per pupil is divided by the state assessed valuation per pupil; this quotient is then multiplied by a constant usually set at .50 and the product of this multiplication is then subtracted from the constant 1.00. This first step determines the state "share" in the dollars spent for education in a given school district. In poorer districts the state share is larger than in wealthier districts. For a district whose valuation is exactly equal to the state valuation per pupil the state share will equal 50%. The constant .50 therefore determines the overall rate at which the state government shares with the local government in <u>each</u> educational dollar spent.

If it was decided that the state government should carry only 33% of the cost of education then this constant could be set at .33. In the second step the local expenditure per pupil is multiplied by the number of pupils in the district. In the third step the results of the first step are multiplied by the results of the second step. The state share usually operates between mandated limits, for example, the legislature may decide that no district will receive more than 90% of its funds from the state nor less than 10%.

Percentage equalization has certain definite advantages over the "foundation" or "Strayer-Haig" approach. First and foremost is the fact that the grants would escalate automatically with an inflating economy. The magnitude of the state's contribution is basically determined by the amount local school districts are willing to spend. If the rising costs of education are met at the local level, then this will be reflected in increased state contributions. The "if" is important, however. There is no "floor" in this equalization form and should a local district decide to price its product far below the cost of a "quality" education then the state would also reduce its contribution. In this sense, "percentage equalization" may be the most "local control" oriented of the three major forms. A second strength is the fact that this form does take into consideration unusually high costs in certain kinds of districts. For example, if either extreme sparsity or extreme density drives the cost of education up then the state would share in these increased costs. A third strength is the fact that the full force of teacher collective negotiation efforts would be shared between the state government and the local government,

rather than resting so much on the local taxpayer as is now the case. Militant teachers' organizations might well favor a shift to percentage equalization formula since the incidence of their negotiation victories would fall, at least partially, on taxpayers outside the boundaries of the particular school district in which negotiations had taken place. Of course, this can also be taken as a weakness of the percentage equalization formula. Any school district which did not have a well organized teacher's group, intent on obtaining higher salaries for its members, would suffer under a percentage equalization system. In particular, the stimulation to teacher organization in the poorer school districts would be especially great. Opponents of this formula also argue that it may be easier for a rich district to raise 75 cents of every dollar spent than it is for a poor district to raise 25 cents of every dollar spent. However, to our knowledge there is no empirical evidence to prove that the present New York formula, which is of this type, is any less equalizing than states with Strayer-Haig formula.

We would offer this speculation on what might happen if Illinois were to adopt a percentage equalization formula. It appears to us that the northern and central portions of the state might benefit, at least initially, more than the southern portions. In Illinois, as in Indiana and Ohio, there is a general declining gradient running from north to south in terms of expenditure for education. Of course, if the proponents of percentage equalization are right about the ability of this formula to stimulate local spending, then the districts in southern Illinois would see that they could benefit more by spending more,

and this might have the long range effect of equalizing the regional expenditure differences in Illinois and therefore help to equalize educational opportunities between the south and the north. With the exception of the St. Louis area, teacher organizations appear more aggressive in the north than in the central and south and under percentage equalization the state would be meeting more of these northern demands than under the existing formula. Of course, here again the advantage of the north over the south might be only short range. Teacher organizations in the south, seeing the state pick up more of the tab for successful negotiations in the north might well pursue their collective negotiations in a more forceful manner. Throughout the state districts which have maintained a good level of spending but which are low on property valuations would be aided most. This condition describes many "bedroom" or residential suburbs located in the standard metropolitan statistical areas of the state. On the other hand, the large central cities might not be so well off under this formula if they cannot maintain their local spending level relative to the rest of the districts in the state. The great difficulty central cities have in obtaining teachers plus the militancy that teachers' organizations show in the central cities will probably combine, however, to keep local spending at relatively high levels and thus assure a good state contribution under a percentage equalization system. At first glance it might seem that there would be a large increase in state spending under a percentage equalization. This possibility might argue against it in the eyes of many legislators who currently find they are getting about all they can out of the existing revenue structure in Illinois. However, while the long run effect might,

indeed, be an increase in state aid, the authors feel that local levels of spending are not all that elastic. A local spending stimulation effect, if it exists, would probably come only some five to ten years after this formula had been adopted.

The third major formula approach is usually termed a "resource equalizer" or a "guaranteed valuation." It can be used in conjunction with one of the other two forms. For example, a recent fiscal study in Ohio suggested adopting the "resource equalizer" in addition to a Strayer-Haig form. There are four steps in its calculation. First the average property valuation per pupil for the entire state is determined. Second, this average valuation is multiplied by the number of pupils in a given district. This establishes what the "average valuation" would be if applied to any district in the state. Third, the actual property valuations are subtracted from this hypothetical valuation. The results of these three steps gives the "resource deficiency" of a district. Finally, the fourth step is to multiply the local tax rate for education by the "resource deficiency" as determined in the third step. Minimum and maximum levels can also be used with this formula as they are with the percentage equalization grant. In this case the minimums and maximums apply to the local tax rate for education.

The resource equalizer or guaranteed valuation is the most clearly "reward for effort" type formula of the four major forms. The amount of state funds the district receives is dependent upon how much it chooses to tax itself. This is also true with percentage equalization but the concept is even clearer in the resource equalizer. As with the percentage equalization

formula there is no "foundation level" to set at every session of the legislature but unlike the percentage equalization formula it will not escalate automatically with the economy. It changes only as local effort changes. This type of formula would do much to eliminate "tax havens." In every state, and in almost every metropolitan area, one can find districts with heavy concentrations of industry. Frequently these districts do not educate the children of the workers in the factories of the district. A neighboring less fortunate district often ends up with the burden of educating the children but does not have the property valuations represented by the industries. The heavy concentration of industry produces low tax rates, which in turn cause industries seeking low tax rates to build more industry in the district. This is, of course, an oversimplification, since industrial locations depend upon more than simply favorable tax rates. Nevertheless, the adoption of this equalization form would do much to eliminate unusually low tax rates among school districts in Illinois. This formula can have a stronger effect by setting the "guaranteed valuation" not at the average valuation in the state, but at some point above the mean, say the valuation which represents the 75th centile in a distribution of valuations in the state.

The strengths and weaknesses of this formula are centered on the importance of the local tax rate. Much of the effect of this formula would depend upon just which "tax rate" is chosen. For example, if it is the rate for educational purposes only, as is frequently implied by the proponents of this formula then one kind of distribution will result. However, if "tax rate" is taken to mean total local tax rate, i.e., for both education and all other

local government expenditure then quite a different distribution of funds would result. In general, tax rate for educational purposes is higher in the suburbs than in the central cities, while on the other hand general local tax rate is higher in the central cities than it is in the suburbs. Central cities could be greatly aided if the total local tax rate was used. In fact, this could be one way of compensating the central cities for their high costs of police and fire protection, etc., which frequently inhibits the central cities from spending for educational purposes. These additional municipal costs faced by central cities are sometimes called "municipal overload" in the literature. This equalization form would probably also aid the "bedroom suburbs," e.g., those districts caught without either high industrial and commercial property valuations or high residential property valuations. Such school districts are almost inevitably condemned to unusually high tax rates and this equalization formula would give them the state aid they so badly need. Regrettably, there is a serious technical problem in computing a total local governmental tax rate in Illinois. A citizen of a school district in Illinois may be resident in many special district governments and general purpose local governments. Not infrequently as many as sixteen to twenty different tax rates have to be aggregated to determine what a county collector should receive from a given taxpayer. Determining, therefore, what the overall local governmental tax rate of a given school district was would be a formidable task.

The final equalization form we wish to discuss is basically a variation of the Strayer-Haig model and hence we can devote less time to it. The

Strayer-Haig formula can be modified so that the foundation level is not multiplied by average daily attendance but rather by a measure known as "classroom units." A basic foundation level has to be then determined for these "classroom units." Units can be awarded a school district on the basis of teacher-pupil ratios, the level of training of the teaching staff, the number and kind of auxiliary personnel such as guidance counselors, the number of physically and mentally handicapped children, etc. Since the units differ for each district this formula is sometimes called a "variable unit" foundation as opposed to the "fixed unit" or traditional Strayer-Haig. Its chief advantage is to eliminate some of the categoricals simply by awarding "units" for these purposes and including them within the general formula. It can also bring about certain kinds of action at the local level that would not be touched by a straight foundation level approach. For example, the "units" can be arranged so that districts which encourage their teachers to return to colleges and universities for further training receive more funds. This particular usage is credited in Ohio with reducing the number of non-certified teachers since districts in Ohio are actually penalized financially for the number of non-certified teachers they maintain on their staffs. The chief limitation of this formula is that wealthy districts frequently end up with more "units" than do poor districts, for example, wealthy districts normally have a greater proportion of teachers at the Masters and Masters plus level, they also have more guidance and special education personnel, etc., and hence they receive more funds for all of these extra "units." Also many of the limitations previously mentioned for the "regular"

foundation model also apply to this special conception of the Strayer-Haig. For example, there is still a foundation level which must somehow be determined and which must be raised every few years to keep pace with an inflating economy or if and when deflation occurs, reduced.

Before leaving the matter of equalization we should make note of two other kinds of institutional arrangements. One of these can be termed "county equalization" and the other "two step equalization." Under county equalization either the general county government or the county superintendent of schools would be impowered to levy a property tax. The funds so collected could then be distributed simply on a flat grant basis to school districts within the county. The equalization effect comes from the fact that larger numbers of pupils are normally located in the poorer districts. There are several problems with this institutional arrangement. In the first place if it is intended to replace state equalization completely then great inequalities would remain between counties, e.g., a poor district in one county would be much worse off than a poor district in another county. Secondly, the suburbs may combine to defeat the tax levy since usually this arrangement would take funds from the suburbs and put them into the central cities. Third, it is often incorrectly interpreted as a step toward metropolitan-wide school districts and, as such, opposed by a militant "local control" lobby which now includes some central city minority groups as well as middle class whites in the suburbs.

"Two step" equalization is a more interesting notion. Under this scheme state grants would first be given to the county and then distributed

to local school districts within the county. The advantage of giving them to the county first is that much more data is available at the county level than at the local school district level. For example, a large number of census type measurements, i.e., educational level, income, occupational composition, etc., are all readily available at the county level. These measurements could be worked into an equalization formula, in fact they are in some of the southern states which have only county unit governments for education. The second stage of the distribution could then be in terms of property valuations such as is now the case. "Two step" notions can also be applied on a regional, as well as a county basis. An extra benefit from the "two step" scheme is that it would provide funds either for new intermediate school districts, or for expanding the services and responsibilities of the county school superintendents since a county or regional office would have most of the responsibility for the second stage of the distribution. A drawback to this scheme for Illinois is the fact that many districts are located in two or more counties.

Choices Within Aid Forms

The distribution of funds to local school districts can be moderately rearranged by changes in the constants of a given equalization form. Changes to an entirely different equalization formula on the other hand will produce a major redistribution of funds. There is another method by which funds may also be subjected to a major redistribution. This is to introduce new variables into a given equalization formula. Technically

there are several ways in which new variables can be introduced. One method is simply to put them in directly. For example, it might be possible to define "ability" not simply as property valuations but as the combination of property valuations and income. It is also possible to introduce new variables by "weighting" some existing variable in the formula. For example, pupils in average daily attendance may be, and are, in many states, weighted to take into consideration a number of variables other than simply attendance. In the last session of the General Assembly a small step in this latter direction was taken by weighting the mixture of secondary and elementary pupils in a given school district. This was done under the rationale that it costs more to provide educational programs for secondary pupils than for elementary pupils. The number of "new variables" that might be suggested is rather large but we shall limit ourselves to discussing only two types of changes in this category.

There is growing dissatisfaction over the measurement of "ability" purely in terms of property valuations. The argument that "ability" really means "tax paying ability," and that tax paying ability for local school districts really means property valuations, is losing some of its strength. In the first place local districts in many states are experimenting with forms of taxation other than property taxation to support education, and in the second place there is a growing feeling that all taxes, in the end, must be paid for out of the taxpayers income. There is also the growing conviction that what we may mean by "ability" is really the resource level of a school district, and that this resource level can best be measured in terms of both human resources and material resources. A related argument is that wealth in the form of property valuations

is less important now than it was in the past and that, conversely, wealth in the form of income is more important than in the past. Empirical research conducted by one of the authors in the Boston metropolitan area suggested that local school districts may be becoming more equal with regard to property valuations while at the same time they are becoming more unequal with regard to certain human resource measurements such as educational level, occupational composition, and income. The Boston study also suggested that human resources were more important than property valuations in predicting the level of support that would be provided in local school districts. The strong implication of this study was that most state equalization formulae are distributing funds on the basis of a variable which is in the process of becoming more equally distributed among school districts with the passage of time and which can be shown to have less effect, at least on certain aspects of the educational process, than does various measurements of human resources. This line of empirical research is currently being pursued for four other metropolitan areas including two such areas in Illinois under a grant from the United States Office of Education at Illinois State University. Preliminary results indicate that the findings of the Boston study are holding up for other metropolitan areas. There ..ld appear to be a very strong case for introducing measurements of human resources into equalization formulae in Illinois as well as in other states with major metropolitan areas.

The greatest practical limitation upon introducing measures of human resources into equalization formulae is simply that these data are not normally available by school districts. It is true that by a tedious and lengthy process

one can convert social and economic data collected by the federal census into school district terms. However, this has been undertaken only for research purposes and not for administrative purposes. There is a limited amount of such data available for Illinois school districts at present due to dissertation efforts at the University of Chicago and currently through the activities of the Metropolitan Study Project at Illinois State University. To make this conversion from census reporting units to school districts for the entire state would be an enormous task. This basic problem can be solved in three ways. First, if Illinois adopts a state income tax this will provide yearly income data which could be used in the equalization formula, provided, of course, that the taxpayer is required to identify the school district in which he resides on the income tax form. This procedure will not give information on other aspects of human resources such as educational level and occupational composition, however. Second, it might be possible to get the Bureau of the Census to include school district residence in their decennial census and to also report in those units. The Bureau, however, has a history of resisting attempts to get it to report in other than its own special units, i.e., census tracts, ennumeration districts, etc., on the grounds that there is no end to the number of special district governments in the United States. Third, it might be possible to pass legislation requiring a state-wide school census to be taken every five years. Actually a mandatory school census is badly needed for reasons that have nothing to do with equalization formulae. "Educational planning" is in its infancy in the United States largely because basic demographic and socio-economic data on the many local school districts are not

readily available in the state capitals. Thanks largely to the presence of federal funds state departments of education do collect and analyze more kinds of social and economic data now than in the past. However, there is still a long way to go before real manpower and fiscal planning at the state level becomes a reality in the field of education.

A movement to include an income measure in the equalization formulae, regardless of what that formulae is, might gain considerable political support in Illinois should it get off the ground. The districts that would be aided would be the income poor central cities, but also aided would be the income poor rural and suburban districts many of whom are in the southern part of the state. A bi-partisan coalition consisting of legislators from the central city districts plus legislators from the rural areas could probably overwhelm the opposition from income wealthy districts, many of whom are found in the suburban rings of the major metropolitan areas. School men usually try to avoid this open confrontation of economic interests since it tends to divide their ranks with superintendents from income wealthy areas arrayed against superintendents from income poor areas. But avoidance of a problem is a poor solution to that problem, and perhaps educators should take a more active role in these public policy conflicts. If they do not, others will struggle through to some compromise and then dictate that compromise to reluctant educators.

A number of kinds of weightings on the ADA variable are possible, or on the ADM (average daily membership) if it is judged useful to take attendance out of the picture as was suggested earlier in this paper. For example, the central city school districts could be aided by a "density" weighting on

the ADA. Something of this sort was suggested in the "Task Force" report. The dual district structure of Illinois does complicate, however, the application of a density weighting. It might also be possible to give aid to socially and culturally deprived children vis-a-vis the "weighting" approach. For example, the ADM measurement could be weighted for the number of children on the welfare rolls in a given school district. Probably the easiest measurement to use here would be the same Aid to Dependent Children (ADC) statistics that are used in Title I programs of the Elementary and Secondary Education Act. This could be defended on the grounds that compensatory education programs are more expensive to run than the "average" school program and that these compensatory programs have "hidden costs" that are not entirely covered by the federal grants. Such a position does assume, of course, that the State of Illinois has a responsibility for compensatory education as well as the federal government. In an article cited in the bibliography the authors have argued that this is the case. Since ADC's are found in rural areas as well as in urban areas the addition of an ADC weighting might be expected to gather some political support in the General Assembly.

The "weighting" approach is not necessarily limited to the ADA or ADM factor although there has been more experimentation with weightings on this factor than with anything else. It is also conceivable that a weighting might be attached to the required tax rate. For example, a "working class" suburb with little property valuation and only modest income could get its required tax effort reduced if the required tax rate were weighted by an income measure.

It would also be possible to weight the state sharing ratio in a percentage equalization formula. Actually, the "weighting" process is simply a means of introducing other variables into equalization formulae by making some existing variable in the formula a simple function of the new variable or variables. The only limitation on this approach is that if too many weightings are introduced the formula becomes difficult to compute and also to understand.

Categoricals and Aids-in-Kind

This is a very broad area and we shall discuss only very briefly some possible alternatives here. There is a real need, as has been recognized by most school finance specialists in Illinois, for a capital aid or school construction aid program. Such a categorical aid, if correctly designed, could be a powerful stimulus to school reorganization. A great many states have used their capital aids program for this purpose. There are a number of ways in which funds could be distributed under such a categorical program. One possibility is simply to use the percentage equalization formula discussed earlier. In such a situation the state's share is determined as before, that is, by taking the ratio of the district assessed valuation per pupil to the statewide average assessed valuation per pupil, multiplying by .50 and subtracting from 1.00. However, rather than applying this to the local expenditure per pupil, as in the equalization formula, we now apply it to the approved costs of the new construction. For districts which have recently undergone consolidation or reorganization a bonus can be provided by raising the general sharing sonstant (.50) up to say, .75. Under such a proposed system the state would, on the average, put up 75% of the costs of the new construction needed under

consolidation and reorganization.

A second area for categoricals is in aid to compensatory education. As with many of these categoricals, there is an option here. If one were to build into the general equalization formula some variables which would aid districts which operate large compensatory programs then perhaps there would be less need for such a program. However, categoricals assure the state that funds will be spent for the purpose intended by the General Assembly. Funds provided in equalization formulae are almost in the nature of "block grants" to districts, that is, the funds can be used for many purposes. If the General Assembly intends that money provided to the central cities should go into compensatory education programs, and not into increased teachers salaries, then the Assembly will have to consider categorical grants much more seriously than they have up to this point. Categoricals also stimulate formal evaluation of educational programs. Categoricals usually have a much more easily measured "output" than do general aid forms and thus "cost-benefit" and "PPBS" (Program, Planning, Budgeting Systems) can be applied to programs financed by the state. If Illinois does decide to invest in compensatory education the General Assembly will probably insist on getting a full dollar's worth of return for every dollar voted. If that is the case then compensatory education should probably be approached from the categorical stance rather than by trying to work "compensatory" variables into the general equalization formulae.

If a categorical compensatory education program were to be adopted in Illinois it would aid the urban districts more than the rural districts. Granted there is rural poverty as well as urban poverty, but the lion's share of the

funds would go to the central cities as is now the case with federal Title I funds. In a state which must continue to look to the needs of its rural school children as well as its urban students it would be appropriate, as well as politically wise, to do something for the rural districts as well. We, therefore, suggest that the state absorb the full costs of all school transportation at the same time that it adopts a compensatory education program. Alternately the state could absorb a "standard" cost and then let the districts go beyond this with their own funds if they were so minded. There is, after all, no compelling reason why the local school district should be in the transportation business anyway. The present categorical aid system for transportation has become far too complicated to make it worth the effort and the absorption of the balance of the cost by the state would provide considerable relief to rural school districts. It does not necessarily follow that the state absorption of the transportation costs must also be accompanied by centralized state purchasing of school buses and other equipment, although this is an option that would result in considerable savings to both the locality and the state. It might be judged expedient to leave the bidding and the purchasing decisions at the local level even though the state subvention of the program would be 100%.

The future of various "aids-in-kind" schemes is probably tied to the future of the intermediate school district. It would be difficult to launch a large scale program with personnel that had to report continually to Springfield for instructions. Aid to local school districts in the form of trained personnel operating out of an intermediate school district, however, is quite another matter. There are at least two major choices here. The intermediate district can be formed out of groupings of local school districts with financial support and control kept close to the local level. The mildest form of this alternative is what

has been suggested in the Task Force report, i.e., that the new intermediate units be based on a very few contiguous counties. It is also probably wise to include the county superintendents in this reorganization process. Some states have gotten their intermediate units "off and running" by phasing out the existing county superintendents and phasing in these very same men in a new role as executives of the new intermediate districts. Granted there are some demotions of a sort involved here since there are fewer superintendents of the new regional or intermediate districts than there are county superintendents. In reality, however, the ex-county superintendent of a small and poor county has been promoted if he becomes the Associate Superintendent of a newly formed regional or intermediate district of greater size and wealth. That most county superintendents understand this can be seen from the fact that they did themselves present a scheme of this sort which was outlined in the 1965 edition of the Report of the School Problems Commission.

The second alternative is to decentralize the operations of the Office of the Superintendent of Public Instruction by creating regional offices throughout Illinois and operating much of the "aid-in-kind" activities out of these offices. This alternative was apparently rejected by the Task Force group, however, it has certain advantages over locally controlled intermediate school districts. In the first place it is likely that the federal government would look favorably on such a proposal and much of the cost of setting up the regional offices might be supported by grants to the states for this purpose. This should be popular with conservative congressmen since they usually will vote for appropriations which will strengthen the role of the state governments relative to the federal

government. The transfer of the administration of many federal programs from Washington to Springfield is already well underway and this would simply be a continuation of the process down to the regional level. Also county superintendents, which we feel to be central to the success of any intermediate district proposal, are already quite familar with working in close cooperation with the Office of Superintendent of Public Instruction and could make an easy transition to regional status. If, on the other hand, they had to become accustomed to local boards and local control there might be more of a problem. Aid offered by these regional branches of the Office of the Superintendent of Public Instruction would probably be more comprehensive and in greater amounts since the full taxing power of the state would be behind such a venture and not a limited local taxing and debt capacity.

Conclusions

Educational public policy is too important to be left to professors of educational administration. However, the academicians can outline alternatives for the voter and the legislator, that is what we have attempted here. It is our hope that we have made enough suggestions so that at least some of them will "catch fire" with the various groups that make up the educational world in Illinois. At the beginning of this paper we stated that no "optimum" or "best" alternative would be offered to the reader. However, the authors have reached some tentative conclusions, and perhaps it would not be too out of character to round out this effort by listing them. We feel that the current foundation program, that is, the traditional Strayer-Haig formula, has outlived its usefulness in its present form in Illinois. The limitations discussed

earlier in this paper lead us to counsel either the abandonment of this formula or the modification of it. We are not prepared at this juncture to recommend a specific alternative although we are currently leaning heavily in the direction of percentage equalization. The advantages of not having to continually negotiate the "foundation" level every two years are tempting indeed. More importantly, this may be the only formula which offers much protection to education from the ravages of inflation. It may also provide an escape valve for local districts facing the threat of a teacher's strike every September. If Illinois adopts percentage equalization then it will probably also find it necessary to adopt a state income tax. The only alternative would be to consider a very low "state shave," perhaps below 20%. It is doubtful that a sales tax would prove flexible enough to keep up with expenditure levels as they are pushed forward by militant teacher organizations at the local level. The authors certainly favor an aid program for school construction in Illinois, and especially a program that will provide strong incentives for reorganization and consolidation. The authors would support some form of participation of the state in the finance of compensatory education, probably via the categorical route. The authors favor taking the school district out of the transportation business, or at least out of the finance of it. The authors favor an intermediate district structure to further the notion of "aids-in-kind" and suggest that regional offices for the OSPI are just as valid an approach to this as are locally controlled intermediate school districts.

Finally the authors suggest that Illinois needs to undertake an extensive amount of "hard data" research in the field of school finance. Hopefully such

an investigation would result in a report of the quality of the Benson report for California or the Thomas report for Michigan (see suggestions for further reading). To be sure, even with this needed "hard data" research, there will remain honest differences of opinion since school finance is an area in which the researcher must take into consideration basic political and economic values, as well as factual information. The "data" never speak for themselves. They have to be interpreted by academicians, by the various professional educational organizations and agencies, by the General Assembly, and ultimately by the citizens themselves. The authors feel that it should be honestly admitted that colleges of education and even departments of educational administration have not been especially helpful in this public policy formation task. Too often the colleges and the departments have been so involved in the training of teachers and administrators that they have found little time to engage in research of any kind, and, more importantly, when they have carried out a small research effort, it is frequently not one which will eventuate in policy or law at the state level. This should not be construed as an attack on "pure" or "basic" research. Far from it; we know all too little about the basic processes of education and administration and will long stand in need of theory oriented research activities. It is a plea, however, for more policy oriented research and for research that will help legislators in particular to formulate sound educational laws. A step in the right direction might be for the General Assembly to establish a Bureau for Legislative Research on Educational Problems and attach it to one of the major state universities. The School Problems Commission is not really

equipped, nor was it intended, to carry out an extensive research effort on major educational problems. The Commission could, however, direct the efforts of a Bureau of Legislative Research on Educational Problems, once it had been established. Our final recommendation therefore is for the creation of such a Bureau which hopefully will, among other things, continue research into the alternatives available to the General Assembly in the matter of educational expenditure policy.

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