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ABSTRACT

This study focuses on the political feasibility of some of the alternatives open to States for raising educational revenue and allocating funds to local school districts. Eight states -- California, Colorado, Georgia, Maryland, Michigan, New Hampshire, Oklahoma, and Oregon -- were chosen for study, to represent a range in (1) the level of State aid, (2) the average per pupil expenditure, (3) interdistrict disparities, (4) propensities to innovate, and (5) region. Recent school finance legislative history, the current educational finance system, significant factors affecting education finance reform outcomes, and the reform efforts during the 1972 legislative session were examined for each of the eight States. Study results show that the distribution of property wealth and income, the perceptions of educational needs, and patterns of urbanization will be critical variables in developing alternative proposals for financing education. The study documents the political diversity among States affecting education finance outcomes; and it indicates that a single, national solution to school finance problems will fail to resolve the specific and different issues in individual States even though all States share certain issues in common. (Author/DN)

THE POLITICAL LIMITS TO SCHOOL FINANCE REFORM

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ABSTRACT

The sudden emergence of education finance reform as a major issue has produced a number of studies which have examined alternative ways in which states could raise revenue for education and allocate funds to local school districts. This study focuses on the political feasibility of some of these alternative ways of financing schools.

Eight states--California, Colorado, Georgia, Maryland, Michigan, New Hampshire, Oklahoma, and Oregon--were chosen for study to present a range in the level of state aid, average per pupil expenditure, inter-district disparities, propensities to innovate, and region. The recent school finance legislative history, the current educational finance system, significant factors affecting education finance reform outcomes, and the reform efforts during the 1972 legislative session were examined for each of the eight states.

The range of reform instruments--litigation, initiatives, referenda, and constitutional amendments, as well as legislation--suggests that the process of reform will be highly political. This study shows that the distribution of property wealth and income, the perceptions of educational needs, and patterns of urbanization will be critical variables in developing alternative proposals for financing education. This study documents the political diversity among states affecting education finance outcomes, and indicates that a single, national solution to school finance problems will fail to resolve the specific and different issues in individual states. Despite the diversity among states, however, there are also issues common to all states--such as the fear of the loss of local control or the concern that additional dollars for education "do not make a difference"--which act as political constraints on the adoption of certain approaches to the financing of schools. These common political issues are also noted in this study.

ACKNOWLEDGEMENTS

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Although this work is the result of the sympathetic assistance of many individuals, the final responsibility for the accuracy of statements or interpretations that follow is that of the authors.

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INTRODUCTION

How public education is financed, previously the concern of a few experts in each state, has recently emerged as a major political issue. Even before the California Supreme Court in the Serrano case held that California's school finance system, because of its heavy reliance on the local property tax, was unconstitutional,[1] there was widespread recognition of the need for reform. Revenue for public elementary and secondary education in many of the nation's school districts was inadequate to maintain even current educational services. Vast disparities among school districts in per pupil expenditures were common in most states. Finally, the tax burden for the support of public education was unequally shared, leading to growing resentment among taxpayers. These problems tinue to exist today.

While the emergence of education finance reform as a major political issue has implications for all levels of American government, the ultimate direction of any reform will be determined by the states. Which of the

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1. Serrano v. Priest, 5 Cal. 3d 584, 487 P. 2d 1241 (1971). Courts in seven other states have reached similar conclusions about their states' financing systems. See Caldwell v. Kansas, Civil No. 50616 (D. Kan., Aug. 30, 1972); Rodirguez v. San Antonio Independent School Dist., 337 F. Supp. 280 (W.D. Texas 1971), prob. juris. noted, 406 U.S. 966 (1972); Van Dusartz v. Hatfield, 334 F. Supp. 870 (D. Minn. 1971); Hollins v. Shofstall, Civil No. C-253652 (Ariz. Super. Ct., June 1, 1972); Robinson v. Cahill, 118 N.J. Super. 223, 287 A.2d 187 (Super. Ct., 1972); Sweetwater County Planning Comm. v. Hinkle, 493 P.2d 1050 (Wyo. 1972); Milliken v. Green, Civil No. 54,809 (Mich. Sup. Ct., December 1972) Contra, Parker v. Mandel, 344 F. Supp. 1068 (D. Md. 1972); Spano v. Board of Educ., 68 Misc. 2d 804, 328 N.Y.S. 2d 229 (Sup. Ct. 1972).

various revenue and distribution alternatives which have been proposed at the state level are politically feasible? In order to answer this question, an analysis of the political process of school finance reform in eight states was undertaken, with particular emphasis on events during the 1972 legislative year.

During 1972, no major school finance reform measure was enacted in the eight states examined. In the November election, voters in four of the states rejected proposals for abolition or restriction of the use of local property taxes for schools.[2] Measures introduced in the various state legislatures were generally stalled in committee or defeated. Voter disapproval and legislative inaction on school finance reform can be attributed to a number of factors. One such factor is uncertainty about how the Supreme Court will rule in the Rodriguez case.[3] Knowing that the U.S. Supreme Court would soon hear arguments in the Rodriguez case, state legislators in many states were reluctant to act on school finance reform proposals during the closing days of the 1972 legislative sessions. That reluctance still prevails, with a Supreme Court decision not due at least until the Spring of 1973.

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2. Measures failed in California, Michigan, Colorado and Oregon. See "Voters Around Nation Reject Any Tinkering With Property Taxes," Wall Street Journal, November 9, 1972, p. 1.

3. Rodriguez v. San Antonio Independent School District, 337 F. Supp. 280 (W.D. Texas 1971), prob. juris. noted, 406 U.S. 966 (1972). The U.S. Supreme Court heard oral arguments on this case in the Fall of 1972. Like the Serrano v. Priest case in California, the Rodriguez case holds that current reliance on the local property tax to raise education revenues violates the equal protection clause of the 14th Amendment. School districts with low tax bases often tax themselves at a much higher rate than wealthier districts, yet the level of expenditure per pupil in the poorer districts is substantially below that of wealthier districts. The resulting inequalities in local revenues are only "tempered" by the distribution of state aid.

Another factor is the waning federal interest in the question of local property tax relief,[4] and an apparently improved fiscal situation at the state level. The onset of federal revenue sharing and significant increases in state tax yields have clearly contributed to legislative inaction on school finance reform. The resultant improvement in the fiscal situation at the state level has enabled many state governments to provide local property tax relief without a change in state law.[5]

A final factor contributing to inaction is the lack of knowledge concerning the impact on individual taxpayers or on school districts of the various alternatives being proposed, impeding the development of viable political coalitions for school finance reform.

This picture of stalled movement for school finance reform could, however change quite rapidly. A decision in favor of the plaintiffs in the Rodriguez case would force the issue in most states. Even if the Supreme Court rules against the plaintiffs, state court decisions might still compel legislative action on state constitutional grounds.[6] Nor does it seem likely

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5. "Where Property Taxes May Be Trimmed Soon," U.S. News and World Report, December 18, 1972, pp. 74-76.

6. As of August 1972, 51 actions had been brought in 30 states, many alleging violations of provisions of their state constitutions as well as of the equal protection clause of the Fourteenth Amendment to the U.S. Constitution.

that the reports of the many state commissions on school finance reform will all be shelved.[7]

Assuming, however, that school finance reform is to come, whether rapidly or incrementally, what are the political issues and problems to be faced at the state level and how will they affect the character of the reforms that emerge from the political process? This paper examines these questions and attempts to delineate the political limits of school finance reform in different types of states. This exercise is particularly important in view of earlier experiences with educational reform. The recent history of the 1954 Brown v. Board of Education decision suggests the importance of anticipating the circumstances that major changes will have to confront at the state level. This analogy is instructive in several respects. Political obstacles at the state level can thwart reform efforts mandated by the courts unless reformers are fully cognizant of their existence. Even then, such obstacles may effectively block implementation of court rulings.

SELECTION OF STATES FOR STUDY: IMPACT OF DIVERSITY

One important requirement in an analysis of the movement for education finance reform is to recognize the diverse political, fiscal and educational

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7. A report from the Education Commission of the States indicates that at least one major commission exists in 49 of the 50 states. In some states there are as many as a dozen separate study groups. Education Commission of the States, Department of Research and Information Services, "Survey of School Finance Study Commissions and Committees," No. 1, Denver, the Commission, June 1, 1972.

circumstances found in states across the country.[8] As pressures mount for new systems of education finance at the state level, it is important to understand that policy alternatives will have dissimilar consequences in different types of states.

CRITERIA FOR SELECTION

To determine the diversity of conditions facing education finance reform, studies were undertaken in eight states: California, Colorado, Georgia, Maryland, Michigan, New Hampshire, Oklahoma, and Oregon. Political, economic, and educational systems vary considerably across these states and will have significantly different effects on the process of fiscal reform in a given state. In order to be able to generalize about these differences for the nation as a whole, the states were chosen according to the following criteria:

Level of State Aid to Education. The state percentage of total non-federal expenditures for education varies considerably across the fifty states. States were chosen which represent different levels of state contribution, from 10.0 percent in New Hampshire to 64.5 percent in Georgia in 1970-71.[9]

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8. This diversity has been documented in a study of the state politics of the distribution of federal education aid. Joel Berke and Michael Kirst, Federal Aid to Education: Who Benefits? Who Governs?, Lexington, Massachusetts, Heath, 1972. Other studies of state politics of education include: Stephen Bailey et al., Schoolmen and Politics, Syracuse, Syracuse Press, 1962; Michael Usdan, David Minar, and Emmanuel Hurwitz, Education and State Politics, New York, Teachers College Press, Columbia University, 1969; Laurence Iannaccone, Politics in Education, New York, Center for Applied Research, 1967, and Thomas H. Eliot, Nicholas A. Masters, and Robert Salisbury, State Politics and Public Schools, New York, Knopf, 1964.

9. Data from National Education Association, Research Division, Rankings of the States, 1971 Research Report 1971-R1, Washington, D.C., the Association, pp. 48-50.

Average Per Pupil Expenditures. Statewide average per pupil expenditures range from $489 in Alabama to $1,429 in Alaska for the school year 1970-71. Among the states chosen for this study, expenditures vary from $605 per pupil in Oklahoma to $974 in Maryland.[10]

Inter-District Disparities in Expenditures. States were ranked according to the magnitude of the disparity in expenditures per pupil between the highest spending district in the state and the lowest.[11] The greatest disparity is found in Oklahoma and the least in Maryland.

State Propensities to Innovate. An important indication of a state's ability to enact significant statewide reform is its past history of innovation. Innovation indices developed in a recent study of states' propensities to innovate in a number of different legislative areas since 1900 were used.[12] Within the eight state sample, California ranks highest, third nationally, and Oklahoma is lowest, forty-second nationally.

Region. A final criterion in choosing the sample is regional location. States were chosen from all parts of the country in an attempt to develop a broad-based, regionally representative sample.[13]

Table I shows the distribution of the eight states selected for study according to the above criteria.

METHODOLOGY

Each state's recent school finance legislative history, existing system of financing education, significant political factors that affect education finance reform outcomes, and 1972 legislative session reform efforts

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10. Ibid., p. 63.

11. These rankings are based on data developed by the President's Commission on School Finance. Sidney J. Marland, Issues in School Finance, Washington, D.C., Department of Health, Education and Welfare, U.S. Office of Education, March 1972, Table II.

12. Jack Walker, "The Diffusion of Innovation Among the American States," American Political Science Review, September 1969. Walker examines programs in a number of substantive areas enacted by state legislatures prior to 1965. He defines an innovation "as a legislative program or policy which is new to the states adopting it, no matter how old the program may be or how many other states may have adopted it." p. 881.

13. For discussion of the role of regional variations, see Ira Sharkansky, Regionalism in American Politics, Indianapolis, Bobbs-Merrill, 1970.

TABLE 1

CRITERIA FOR SELECTION OF STATES

	Percent State Aid[1] (1970-71)	National Rank	Average Per Pupil Expenditure[2] (1970-71)	National Rank	Disparities[3] (1969-70)	National Rank	Innovation Score[4]	National Rank	Region[5]
CALIFORNIA	37.1%	30	$799	24	4.2	8	.604	3	Pacific
COLORADO	32.7	37	780	25	6.4	5	.538	9	Mountain
GEORGIA	64.5	9	634	43	2.0	31	.381	37	South Atlantic
MARYLAND	37.5	29	974	9	1.7	44	.482	16	South Atlantic
MICHIGAN	47.2	20	858	18	2.9	33	.578	5	East North Central
NEW HAMPSHIRE	10.0	50	725	33	3.9	18	.482	17	New England
OKLAHOMA	48.2	23	605	45	7.7	4	.368	42	West South Central
OREGON	20.8	47	935	14	2.7	23	.544	8	Pacific

1. State share of total state-local expenditures for education. National Education Association, Research Division, Rankings of the States, 1971, Research Report 1971-R1, Washington, D.C., the Association, pp. 48-50.

2. Ibid., p. 63.

3. Ratio of highest spending district to lowest spending district--based on data developed by President's Commission on School Finance for 1969-70.

4. Scores based on analysis of programs enacted by state legislatures prior to 1965. See Jack Walker, "The Diffusion of Innovation Among the American States," American Political Science Review, September 1969.

5. Regions are taken from Number of Inhabitants, P.C. (1) - A1, Washington, D.C., Bureau of Census, U.S. Department of Census, 1971.

were examined. State legislators, state education department officials, representatives of interest groups, and other individuals who play important roles in the reform process were interviewed. In addition to the interviews, questionnaires were mailed to people in the above categories in order to sample a broader base of opinion concerning school finance reform.[14]

The comparative analysis across states is intended to document the diversity of conditions facing reform and, where possible, to suggest its political limits. This study also attempts to illustrate the importance of political factors in determining education finance outcomes. Contrary to conclusions found in much of the political science literature--that the reapportionment of the legislature with the accompanying shift in representation from rural to urban will not affect policy outcomes[15]--analysis of these eight states shows the importance of legislative reapportionment and the changing character of representation in the adoption of specific education finance proposals. School revenue and distribution formulas usually reflect the distribution of political power among legislative districts, and consequently, are primarily products of political compromise.

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14. A questionnaire was sent to all legislators, state departments of education, educational organization representatives, and other interest group leaders in six states. The purpose of the questionnaire was to yield qualitative data about the preferences of key individuals and organizations in the area of school finance reform. The information received from respondents permitted more precise interviewing in the states and has supported the conclusions found during visits to the states.

15. See Thomas R. Dye, Politics, Economics, and the Public: Policy Outcomes in the American States, Chicago, Rand McNally and Company, 1966; Thomas R. Dye, "Malapportionment and Public Policy in the States," Journal of Politics, Vol. 27, August 1965, pp. 586-601; Richard I. Hofferbert, "The Relation Between Public Policy and Some Structural and Environmental Variables in the American States," American Political Science Review, Vol. 60, March 1966, pp. 73-82.

In order to ascertain the political limits of reform, subsequent sections of this paper will focus on the following areas:

1. reform efforts in the states,
2. political issues affecting education finance reform, and
3. proposals for change and their political support

REFORM EFFORTS IN THE STATES

The importance to the public of the education finance question is reflected in the current range of efforts designed to change aspects of various state financing systems. From the initial impetus from state and federal courts, concern with reform has spread to city officials, state legislatures, governors, and to citizens' organizations. Even rarely employed procedures of the American political system, such as the initiative, the referendum, and the constitutional amendment, are now being utilized to force state legislative representatives to change existing tax structures and school aid distribution formulas. Education finance is affected by many different issues, including the character of American public education, the efficiency of schools, increasing taxes, loss of local control, and, most recently, the impact of federal revenue sharing. While these issues are not always treated explicitly in education finance discussions, they are rarely far from the minds of those involved.[16]

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16. The interconnection of these issues is well-demonstrated by Frederick M. Wirt and Michael W. Kirst in The Political Web of American Schools, Boston, Little, Brown and Company, 1972.

Table 2 presents an overview of reform activities, indicating the different types of reform efforts found in the eight states in the study. The most common instrument of reform in these states has been the court suit, with filing dates as far back as August 1968 for California and as recent as early 1972 for Oregon. There is significant diversity among the complaints. Some attack the entire school finance system, with its heavy reliance on the local property tax as a source of educational revenues; others have more limited objectives, such as equalizing property assessment ratios.

In most instances, judicial decisions upholding the plaintiffs will have statewide consequences for education finance. The rapid filing of cases in over 30 states, and more than one case in some states, illustrates the common perception of the vulnerability of the local property tax as a source of education revenues.

Other non-legislative instruments of reform include citizens' actions through initiatives, referenda, and constitutional amendments. Most of these movements have focused on the reduction of the property tax burden by establishing ceilings on tax rates in an effort to force the enactment of other types of revenue measures within states. Groups in California, Colorado, Michigan, and Oregon placed the issue on the November 1972 ballot, hoping that widespread resentment against rising property taxes would gain voter support.[17] The measures failed by 2 to 1 margins in three of the

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17. In California, the Watson Initiative sought a constitutional amendment limiting the property tax and expenditures for education. It was defeated by nearly a 2 to 1 margin. Colorado voters turned down two different measures which would have limited property taxes to 1½ percent of actual property value. One of the proposals would have barred the use of property taxes for schools. The Michigan ballot measure would have transferred chief responsibility for school financing to the state. The Oregon proposal to withdraw property tax support of public schools lost in every county in the state. See "Voters Around Nation Reject Any Tinkering With Property Taxes," Wall Street Journal, November 9, 1972, p. 1.

TABLE 2

REFORM EFFORTS IN EIGHT STATES

Type of Action	California	Colorado	Georgia	Maryland	Michigan	New Hampshire	Oklahoma	Oregon
Court Case	Ruling by State Supreme Court[1]	Complaint Filed	Case Dismissed on Procedural Grounds	Ruling by U.S. District Court[2]	Ruling by State Supreme Court[3]	Complaint Filed	Complaint Filed	Complaint Filed
Legislative Proposals[4]	10 - 15	5 - 10	0 - 5	15 - 20	5 - 10	0 - 5	0 - 5[5]	0 - 5
Governor's Proposals	Major Proposal			Promised for 1973	Major Proposal	Major Proposal		Major Proposal
Initiatives	One	Two						Five
Constitutional Amendments	One	Four		One	Three		Three	Five

1. Serrano v. Priest, 5 Cal. 3d 584 (1971).
2. Parker v. Mandel, 344 F. Supp. 1068 (D. Md. 1972)
3. Milliken v. Green, Civ. No. 54, 809 (Mich. Sup. Ct., Dec. 1972).
4. Includes proposals intended by their sponsors to become legislative bills. Through June 1972 only.
5. Education Finance Act passed in 1971.

states, and by a 58 percent to 42 percent vote in Michigan. However, these votes should not necessarily be interpreted as support for the present property tax structure but rather as suspicion of the proposed alternatives.

Some groups hope that resentment against local property taxes will be translated into statewide tax reform. But few legislators in any of the states studied wish to support increased state income or sales taxes. The extra-legislative reform efforts described above permit an independent appraisal of voter sentiment on tax questions before legislators commit themselves to reforming the existing structure. Citizen movements provide an information function while also exercising political leverage.

A third major category of efforts for change are legislative proposals. As the following pages suggest, there have been a wide variety of legislative bills dealing with school finance. Their goals, methods and levels of complexity differ across and within states. From more than a dozen bills in California and Maryland, to a few in Georgia, Oklahoma, and New Hampshire their quantity reflects the degree of legislative concern in each state resulting from court and constituency pressures.

While the pattern of legislative bills introduced in the 1972 session of each state is a product of that state's recent legislative history and unique circumstances, it also reveals the present distribution of political, economic, and educational resources. Thus, in Georgia, where the legislature has historically been controlled by rural political forces, discussions about education finance have not included statewide reform, but are confined to finding ways to provide tax relief for small, rural districts.[18] This

18 . The 1972 Georgia legislature passed a bill freezing the total required local contribution to the state's minimum foundation program at $78.5 million.

rural perspective in Georgia has analogs in the other states with large rural populations--Oklahoma, New Hampshire and Oregon. In contrast, legislatures in such states as California, Maryland, or Michigan are faced with the problem of meeting the fiscal needs of urban districts whose resources are becoming increasingly inadequate to maintain their current programs. These differences apply to discussions of both tax and distribution questions.

REVENUE PROPOSALS

Legislative proposals for tax reform focus on three problem areas, not always mutually compatible: demands for property tax relief, the need for alternative revenue sources to meet revenue losses incurred in reducing the property tax, and the need for new revenues to meet increasing educational costs. These three problems have elicited legislative bills in most of the eight states in this study.

Proponents of property tax relief have sought to change assessment procedures, establish a ceiling on the rate of local taxes on property, or provide property tax exemptions for fixed and/or low income groups. The differences in assessment practices within states result in major inequities even without regard to differences in tax rates. Not only are these inequities a result of individual assessors, but in some states, such as Georgia, property in urban districts is legally assessed at a higher rate. This differential treatment of urban areas, theoretically justified in terms of their greater wealth, is a result of rural legislative majorities. This has led to a series of court suits focusing on inconsistent assessment ratios.

The legislative proposals introduced in 1972 to limit property taxes usually included alternative revenue sources. Thus, in Colorado, one bill sought to substitute a 3 percent gross income tax for some portion of present property tax revenues.[19] Other proposals included the following alternative revenue sources: a sales tax increase in California[20] and Georgia,[21] the adoption of an income tax in New Hampshire,[22] and other lesser revenue sources--such as a mineral severance tax in California,[23] liquor taxes in Michigan, and others shown in Table 3. While inclusion of these alternative revenue sources in a bill suggests legislative realism concerning revenue needs, it also reflects the political experience in some states where property tax relief has been opposed by education groups on the grounds that alternative sources of education revenue had to be specified. A constitutional amendment limiting property taxes was defeated by mobilized teachers' groups in Colorado in 1966 because of its failure to indicate from where alternative revenues would come.

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19 . H.B. 1094, proposed by Representative Robert Schafer. (Died in committee.) This and other 1972 legislation for each of the states studied are described in the Appendix.

20 . The Watson Initiative; A.B. 1000, proposed by Assembly Speaker Robert Moretti; and Governor Reagan's school finance plan, which eventually became the compromise bill S.B. 90. (This last bill was adopted in a special legislative session in December 1972.)

21 . H.B. 1201, proposed by Senator Howard Atherton and the Georgia Municipal Association. (Died in committee.)

22 . Proposed by Governor Peterson. The proposal was defeated at a special session of the legislature in the Spring of 1972.

23 . The Watson Initiative. (See Appendix for description.)

TABLE 3

1972 REVENUE PROPOSALS

	California	Colorado	Georgia	Maryland	Michigan	New Hampshire	Oklahoma	Oregon
Local Property Tax Limits	X	X	X	X	X	X		X
Statewide Property Tax	X	X		X	X	X[1]		X
State Sales Tax	X	X	X			X		X
State Personal Income Tax	X	X		X	X	X	2	X
Corporate Income Tax	X	X		X	X			X
Assessment Changes				X	X		X	X
Local Taxes Other Than Property				X[3]		X[4]		
Beer/Liquor Taxes	X			X	X			
State Lottery	X			X	X			X
Other Related Measures	Gross Receipts Tax Mineral Severance Tax Telephone Users Tax	Mineral Severance Tax		Homeowners' Exemption on Property Tax	Value Added Tax	Homeowners' Exemption on Property Tax		Gasoline Tax License Tag Fees Net Receipts Wage-Earners' Tax

1. Statewide property tax on non-residential property.
2. Governor Hall's proposal for a state income tax was enacted by the legislature in 1971.
3. Local Income Tax.
4. Local Sales Tax.

The third major problem area on which legislative proposals for tax reform have focused is the need for increasing the total amount of funds available for education while providing property tax relief. In some states, this problem has been interpreted as a need for incremental increases in the state foundation program, as in Colorado where legislation was passed to increase the foundation level from $460 to $518.[24] In other states, such as California and Maryland, legislation focused on increased state aid to districts with special educational needs through supplementary formulas.[25] The perception of the problem differs among the states. While legislators in Maryland were debating the extent of the increase in the proportion of education revenues which the state should be contributing,[26] their counterparts in Oklahoma and New Hampshire were discussing whether to appropriate the full amount of funds authorized for already enacted school finance programs. Fundamental questions of distribution, including the impact of increased state funding on local school district autonomy and whether additional "dollars make a difference" in education, are always raised when legislation is offered to increase total educational spending. The political effect of these issues will be discussed later.

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24 H.B. 1058, proposed by Representative Austin Moore. Governor Love proposed that the foundation level be increased by this amount.

25. In California, A.B. 1876, the Educational Improvement Act of 1972, proposed by Assemblyman Willie Brown, called for additional money for districts with high proportions of low-income students or bi-lingual students, or districts which have high pupil mobility. The bill was not brought to a vote, but later became a provision of S.B. 90--the "Property Tax Relief Act"--which passed in special legislative session in December 1972.

26. In January 1973, Governor Mandel disclosed a $36 million state budget surplus, much of which will be available to increase state aid to education. See Washington Post, January 19, 1973. It is likely that the money will be distributed according to the plan proposed by the Lee Task Force, which would raise the state share from 37.5 percent of total non-federal revenues to over 50 percent.

In spite of the fiscal crises of many local school districts in the states studied, and the increasing focus on inter-district inequality, legislators attach higher priority to providing property tax relief than to providing additional revenues for education. These preferences reflect the political pressures on state legislators. Proposals to increase total education revenues therefore face serious revenue constraints in their respective states.

The political pressures surrounding tax questions cannot be underestimated. State political traditions play a significant role in this process. The New Hampshire legislature has once again defeated gubernatorial and legislative attempts to adopt a statewide income tax. Governor Love, in Colorado, campaigned for election on the reduction of the income tax and kept his promise, thereby limiting the revenue opportunities for the state. Voters in Oregon, with the right to vote on all tax measures passed by the legislature, defeated general sales tax proposals on two occasions, 1947 and 1969. On the last occasion, the margin of defeat was 8 to 1. Cigarette sales tax proposals were rejected at least six times before barely passing in 1972. Governor Hall of Oklahoma reneged on a promise not to increase taxes; the result was an overwhelming defeat in his first bond issue brought to the voters. More cautious elected officials, such as Governors Carter of Georgia and Mandel of Maryland, have attempted to reorganize state government before asking for major state revenue increases. All of these phenomena emphasize the obstacles to tax reform and the political character of the outcomes.

DISTRIBUTION PROPOSALS

Legislative proposals for change in the methods of allocating schools revenues to the districts within a state vary considerably among the states studied. In 1972, reform efforts focused on a number of concerns, some in conflict with each other: increasing the state share of total state-local expenditures, eliminating the disparities in per pupil expenditures among districts, requiring districts to meet some minimum level of expenditure for education, providing additional funds for special educational needs, and developing approaches to financing which recognized cost differences between various types of districts in the provision of education. While some of these issues, such as inter-district equalization of expenditures, have received public attention only since the California Supreme Court decision in Serrano v. Priest, others have posed recurrent dilemmas for legislative education committees since the turn of the century. Legislative history in the post-World War II decades shows that state school finance statutes were continually revised as population growth and urbanization changed the demographic and political character of states. The methods by which state funds for educational purposes, the single greatest state expenditure in many state budgets, are distributed, reflect the politically acceptable role of state government in education and the balance of political power within a state. Decisions on the problems listed above, therefore, rarely are based on a consideration of education issues alone. Distribution decisions involve the interests of each legislator's district in the ultimate distribution of state resources, and consequently, are usually the result of complicated political compromises.

Table 4 presents the various distribution proposals considered during the 1972 legislative sessions in the eight states. The variety of proposals shown in this table illustrates the legislative importance of distribution questions in education finance reform. While these proposals are not equally significant in terms of their content, political support, or likelihood of enactment, they do indicate the range of possibilities being considered. This diversity in turn reflects the breadth of political interests concerned with distribution outcomes. Thus, in 1972, California had a great variety of bills before its legislature, while proposals in Georgia and New Hampshire covered only a few selected issues. The large number of bills in Maryland reflected the activity of its citizens' groups concerned with property tax relief, while the paucity of bills in Oklahoma suggested a legislative consensus of approval for the present finance system. In states where, in the immediately preceding sessions, bills had been enacted modifying the foundation program--as in Colorado and Oklahoma--the number of efforts to further revise the foundation program was inhibited.[27]

POLITICAL ISSUES AND INTERESTS AFFECTING SCHOOL FINANCE REFORM

Having catalogued the major reform efforts in the eight states, it is important to discuss briefly the political issues which surround these efforts. Executive, legislative, or voter preferences will ultimately determine the limits to school finance reform. Before examining the policy

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27 . The Colorado legislature adopted its present foundation plan in 1969 while its Oklahoma counterpart enacted an education finance law in 1971.

TABLE 4
1972 DISTRIBUTION PROPOSALS*

	CALIFORNIA	COLORADO	GEORGIA	MARYLAND	MICHIGAN	NEW HAMPSHIRE	OKLAHOMA	OREGON
I. Full State Funding	Watson Initiative			S.B. 79 H.B. 995/ S.B. 631 H.B. 1056 H.B. 861 (Constr.)	H.B. 1536 State Educ. Dept. H.B. 5326 Democratic Party			Governor's Proposal
II. Partial State Funding								
A. Aid Based on Fiscal Criteria								
Low Property Wealth Districts			H.B. 1123 (Freezes Local Tax Effort	B.B. 695/ S.B. 285 H.B. 1095	H.B. 6001/ S.B. 1257 S.B. 1269	H.B. 1		
Low Income Districts				H.B. 695/ S.B. 285 H.B. 1095				
Power Equalization	A.B. 212 State Bd. of Educ. A.B. 1283							
B. Aid Based on Educational Need Criteria								
Disadvantaged Students	A.B. 1876 S.B. 90				State Educ. Dept.			
Students With Low Achievement Levels	A.B. 1283				H.B. 6001/ S.B. 1257 S.B. 1269			
III. Formula Unit								
Equal Dollar Grant Per Pupil	S.B. 90 Watson Initiative A.B. 212				S.B. 1269 Spencer's Proposal	H.B. 1		
Weighted Pupil Formula	State Bd. of Educ.				State Educ. Dept. Democratic Party	H.B. 70		Governor's Proposal
Personnel Unit Formula				H.B. 945/ S.B. 631	H.B. 5326 H.B. 1536			
IV. Other								
Increases Foundation Level	S.B. 90	H.B. 1058		H.B. 695/ S.B. 285	H.B. 6001/ S.B. 1257 S.B. 1269 Spencer's Proposal			
Changes State Share of Total Education Aid	S.B. 90 A.B. 1283			H.B. 695/ S.B. 285				

*A description of each bill is provided in the Appendix.

preferences, to be discussed in the next section of this paper, it is first necessary to carefully define the implicit and explicit issues involved in policy change.

LOCAL CONTROL

The issue of local control is perhaps the single most important question raised in discussions of education finance reform. Parents, teachers, principals, superintendents, and all elected public officials fear that new methods of financing education will bring about a loss in the autonomy of local school boards. Local citizen control over school officials and the setting of spending levels are considered the few remaining areas of effective citizen participation in education and government generally. Greater state involvement in local decision-making is regarded as authoritarian interference in local affairs. The "ideology of local control," therefore, is used to preserve a community's political identity. Moreover, when invoked by educators, the local control issue is used to delimit a territory prohibited to outside influences. Education is to be left to local authorities who in turn delegate their responsibility to local educators.

While a previous Urban Institute study has shown that there is no consistent correlation between the percentage of state funding and the degree of local autonomy,[28] the issue of local control has been used by

28. The authors found that the common assumption that higher levels of state aid lead to substantial state control over local educational policies is not borne out. Eleven dimensions of possible state control over local educational policy were examined in ten different states. The dimensions included items such as curriculum requirements, regulation of federal funds, teacher certification, and the setting of jurisdictional boundaries. The authors concluded that high levels of state aid do not appear to lead to substantial state restrictions on local school district decision-making, and do not stifle the initiative of local school boards to adopt innovative practices. See Betsy Levin and Michael A. Cohen, "Levels of State Aid Related to State Restrictions on Local School District Decision-Making," Paper 727-1, Washington, D.C., The Urban Institute, 1973.

local and statewide political and educational groups to protect their own interests. It is worth noting, however, that not all types of districts place the issue of local control at the forefront. In California, wealthier districts, desiring to preserve their financial and educational privileges, are the strongest proponents of local control. In contrast, poorer districts, who actually could not "afford" local control, appear willing to relinquish some of their alleged autonomy in exchange for greater state financial support.[29]

The issue of local control is not only used by communities to protect their privileges, but also by the education lobbies. Interpreting local control as educators' hegemony over public educational resources, the education associations work hard to establish the principle of the separation of politics and education. However, this separation has been largely fictional. Indeed, most state, county, and district superintendents expend great energy establishing political ties with their respective constituencies. They seek "community support for education," which is analogous to votes sought by elected officials.

On a statewide basis, the education associations assert this mythical separation of education and politics in order to preserve their control over the resolution of certain types of questions, i.e., only educators should decide educational issues. This strategy supposedly permits education associations, such as state organizations of school administrators or of school board members, to play major roles in developing policy alternatives and ultimately in directing legislative outcomes towards their own goals.

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29. Arnold Meltsner, et al., Political Feasibility of Reform in School Financing: The Case of California, New York, Praeger, 1973.

The lack of legislative staff to study these educational issues adds to the important roles that these associations try to develop for themselves. Consequently, while espousing local control over education policy, the education groups are actually seeking a role in a centralized process of decision-making in the state capitals. The ideology of local control is thus used to obscure efforts by educators to maximize their influence on educational questions. As later sections will show, this influence has declined in many states and plays only a minor role in shaping outcomes in school finance discussions.

REAPPORTIONMENT

A second major factor influencing legislative decisions on education finance is the reapportionment of state legislative districts. Legislative support for particular distribution formulas will depend on the amount of resources to be distributed to specific types of districts. The frame of reference of legislators is local--that is, they will respond to proposals according to how much their own legislative district will gain or lose. There are few exceptions to a strict constituency reference for support or opposition.[30] Therefore, since alternative financing proposals will have different impacts on different types of districts, legislative representation, according to city, suburban and rural districts, will be a factor in the ultimate choice of a particular formula.

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30. Meltsner, ibid.; Frank Pinner et al, The State and Education: Decision-Making on the Reform of Educational Finance in Michigan, a report prepared for The Urban Institute, Washington, D.C., November 1, 1971.

The process of legislative reapportionment since the Supreme Court decision in Baker v. Carr has fundamentally changed the composition of state legislatures. Whereas in the past, many legislatures were largely composed of rural members, legislatures now reflect the urbanization of America in their increasingly diverse city and suburban membership. Consequently, it can be expected that legislative policy outcomes will also reflect the new composition of legislatures[31]--including the developing conflict between city and suburban interests.

This composition reflects recent demographic changes in the states. The metropolitan representation of the Georgia House of Representatives, for example, increased from 31 to 81 members as a result of reapportionment. Greater metropolitan representation also led to the creation of legislative districts encompassing smaller areas, thereby permitting a greater diversity of city and suburban interests to be represented at the state level. Thus, 9 of the 10 blacks elected to the legislature in 1964-65 came from the metropolitan area of Atlanta in Fulton County. Similarly, Republican representation increased from 4 in 1962 to 32 in 1965, mostly from metropolitan areas. This infusion of diversified metropolitan interests into a previously rurally-dominated legislature can be expected to have some impact on school finance reform measures to be enacted by the legislature.

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31. This expectation was not shared by American political scientists in the early 1960's. Researchers such as Thomas Dye and Richard Hofferbert found little correlation between the degree of malapportionment and public policy outcomes as enacted by the legislature. Their use of indices of malapportionment and single variables, such as per pupil expenditures, to represent policies with complex distributive arrangements prevented them from discovering the impact of the new composition of legislatures. See Dye, Politics, Economics . . ., and Hofferbert, "The Relation Between Public Policy. . ." More recent work by researchers such as Brett Hawkins demonstrates the growing importance of reapportionment as a determining influence on the types of bills enacted by legislatures. See Brett Hawkins, "Consequences of Reapportionment in Georgia," State and Urban Politics, eds. Richard I. Hofferbert and Ira Sharkansky, Boston, Little Brown and Company, 1971, infra n. 32.

A recent study in Georgia supports this hypothesis.[32] That study found that as a result of the reapportionment that took place between 1961 and 1966, there was an increase in the absolute number of urban legislators, an increase in the number of urban legislators in positions of power, an increase in the number of urban policy preferences, and an increase in the number of urban-oriented bills passed.

Several propositions can be offered to explain the relationship between legislative representation and education finance outcomes.

1. <u>The effect of reapportionment on education finance outcomes will vary with the degree and nature of urbanization of a state</u>.[33] Thus a state without great urban-rural population differences, such as Oklahoma, will find urban-rural conflict less salient than differences in socio-economic status in legislative politics.[34] States such as Georgia, with a relatively low statewide level of urbanization, yet having major metropolitan areas, will find the urban-rural cleavage to be primary in determining legislative outcomes.[35]

2. <u>The nature of the revenue and distribution alternatives will reflect the interests of the predominant type of legislative district represented in the legislature</u>. Since legislators usually vote according to the interests

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32. Brett Hawkins, "Consequences of Reapportionment in Georgia," p. 274.

33. For similar propositions, see V.O. Key, <u>American State Politics: An Introduction</u>, New York, Alfred A. Knopf, 1956.

34. Samuel C. Patterson, "Dimensions of Voting Behavior in a One-Party State Legislature," reprinted in <u>American State Politics</u>, ed. Frank Munger, New York, Thomas Y. Crowell Company, 1966, p. 70.

35. Merle Black, "Legislative Politics in the Deep South 1939-1967," unpublished doctoral dissertation, Department of Political Science, University of Chicago, 1972.

of the legislative districts they represent, they will reflect the relative taxable wealth and educational needs of their constituencies.[36] Since both wealth and need are frequently related to type of district (rural areas generally having the lowest average property wealth and central cities having the highest concentration of disadvantaged children), representatives are likely to vote according to city, suburban, and rural categories. Whether these constituencies conflict or form coalitions depends on the extent of the disparities in wealth and need within a state.[37]

3. There will be a lag between reapportionment and the perceived impact on policy outcomes until common legislative interests are understood and acted upon.[38] The process of coalition formation may take time until legislators decide to join with their colleagues to represent city and suburban interests against rural interests or city and rural interests against suburban. Once these coalitions are formed, there will be an increase in the rate of city or suburban-oriented bills passed. At present, however metropolitan legislators in many states have not organized themselves to proportionately increase their influence and impact on legislative outcomes.[39]

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36. Even though different types of school districts may exist within legislative districts, legislators still have to make judgments about the collective interests of districts in terms of their property wealth and educational needs.

37. One factor that inhibits predictions of policy outcomes is the sharp differences found among suburban districts in property wealth, income and various educational characteristics. See Betsy Levin, Thomas Muller, William J. Scanlon, and Michael A. Cohen, "Public School Finance: Present Disparities and Fiscal Alternatives," Paper 727-3, Washington, D.C., The Urban Institute, July 1972, Chapter II.

38. Lee S. Greene, Daniel R. Grant, and Malcolm E. Jewell, The States and the Metropolis, University of Alabama Press, 1968.

39. Based on personal interviews in the eight states. Because of diversities in their constituency, city and suburban legislators may not be able to reach common ground on school finance issues.

4. The diversification of legislative and district interests through increased bi-partisan and district representation will further politicize education finance outcomes. A greater number of interests will be represented than before, thereby complicating processes of logrolling.

5. Reapportionment and demands for equalization may go in opposite directions. While reapportionment increases the representation of high density districts, demands for equalization of per pupil expenditures may require redistribution of wealth from those districts to poorer ones. Therefore, politically-powerful metropolitan districts may be required to subsidize the education of less populated rural districts due to the comparatively high property wealth of metropolitan districts.[40] The contradictions of this situation will further politicize and compromise finance outcomes.

6. The process of reapportionment may result in a change in the politically acceptable definition of equality in educational expenditures. Increasing representation of metropolitan area districts with higher educational costs may contribute to demands for supplemental appropriations to metropolitan areas beyond a statewide minimum foundation program to take into account the cost differentials in providing the same educational services services.[41]

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40. This situation is further complicated by the fact that the fast growth suburban districts in some states will possibly benefit even more than rural districts under certain distribution alternatives while slow growth suburban districts stand to lose as much as or more than central cities. See Levin, et al., "Public School Finance . . . ," Chap. III; B. Levin, T. Muller, M. A. Cohen, and W. J. Scanlon, Paying for Public Schools: Issues of School Finance in California, Washington, D.C., The Urban Institute, April 1972, Chap. 4.

41. These cost differentials are documented in B. Levin, T. Muller, and C. Sandoval, The High Cost of Education in the Cities: An Analysis of the Purchasing Power of the Educational Dollar, Washington, D.C., The Urban Institute, 1973. See also Levin, et al., "Public School Finance...," Chap. II.

The above propositions suggest the importance of reapportionment as a factor influencing education finance outcomes. The pattern of representation may limit the ability of a legislature to enact an education finance law which meets the standards of equity established by the courts. More specific legislative conflicts attributable to the changing character of legislative representation will be discussed below with regard to the likelihood of enactment of particular revenue and distribution alternatives in various types of states.

ACCOUNTABILITY IN EDUCATION

A third important issue affecting education finance outcomes is that of accountability in education. Steadily growing educational expenditures, with little observable return, have caused taxpayers and their legislative representatives to question the present use and management of educational resources. These questions, many of which are well-founded and yet to be answered, have led to increasing scrutiny of educational spending and reluctance to impose new taxes on the public. If "dollars do not make a difference," it is both wasteful and politically foolish for legislators to impose new taxes on their constituents. Faced with the inconclusive evidence from educational experts, public officials are able to use the issue of accountability for partisan political purposes in order to avoid increasing spending and taxes. Public reactions against student unrest, teacher strikes and poor pupil performance may be translated by legislators into solid arguments for educational accountability, leading to financial austerity for education --based on political calculations rather than considerations of educational needs.

The consequences of the increasing insistence on accountability are significant in determining the nature of education finance outcomes in the states. The political price of additional state dollars for education could easily be greater requirements for accountability. Bills calling for improved educational assessment and evaluation procedures by state departments of education were introduced during the 1972 legislative session in most of the states studied.[42]

While becoming a bargaining point in legislative decisions on finance questions, accountability also becomes a major political issue for the education associations. A counterpart to local control, requirements for accountability challenge the jurisdiction of existing educational authorities. Demands for accountability, therefore, may be strongly resisted by unions and professional organizations. Fears of teacher evaluation, revised tenure statutes, and limits on salary increases, will mobilize educators against the accountability movement. This mobilization will serve to further confuse legislative decisions on finance, because it is likely that reform packages in some states will include both finance and accountability provisions, as did several 1972 bills introduced in California. The Citizens' Commission on Maryland Government made the same recommendation in their report in November 1971. Educators' interests may conflict with efforts toward school finance reform, if accompanied by new controls or accountability requirements imposed on educators. This struggle between the education organizations and legislators responding to constituency demand for accountability will produce different results among the fifty states, depending partly on the strength of the education associations as political forces within states.

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42. For example, California's A.B. 212, proposed by Assemblyman Leroy Greene, included such a provision. (The bill died in committee.)

EQUALIZATION AND "LEVELING DOWN"

Also affecting education finance reform is the fact that "equalization" has no politically effective constituency, particularly if equalization is produced by redistribution of existing resources rather than the distribution of additional resources. A legislative majority will be hard to find for any plan that might reduce the resources available to any sizable number of districts.[43]

ASSOCIATION WITH OTHER POLITICALLY POTENT SCHOOL ISSUES

The issue of education finance reform in some states is complicated by the explosive issue of busing. This is particularly true in Colorado, Michigan and Oklahoma.

EDUCATION INTEREST GROUPS

The impact of educational interest groups on issues of local control and accountability has already been noted. While some responses to these issues are predictable across states, it is important to note the great differences among the various states in the role that education organizations play. Previous studies have categorized state politics of education according to interest group structure. Differences between so-called "fragmented" and "syndical" structures do exist.[44] However, in spite of these differences, some comparative, cross-state conclusions can be suggested. First, there is a general awareness that "education finance reform is too important an issue to be left to educators." The far-reaching consequences of changes in

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43. See F. Pinner, et al., The State and Education..., p. 161.

44. Laurence Iannaccone, Politics in Education, New York, The Center for Applied Research, 1967.

revenue and distribution patterns involve questions beyond the expertise of teachers and school administrators. Education finance reform affects all levels of government within a state and involves a major part of the state budget. Consequently, the education associations are likely to be less important during this reform movement than they have been in previous periods of educational reform.

Secondly, education associations rarely address themselves to the revenue issues involved in reform. While proclaiming their expertise on distribution questions, the interest groups rarely face the revenue constraints on educational spending. Consequently, they leave revenue questions to the legislators.[45]

In sum, the role of education interest groups in finance reform will be to focus on ancillary issues, such as local control and accountability, which directly threaten their own interests. Mobilization over these issues may affect decisions on revenue and distribution questions, but those effects will be secondary rather than primary and will not ultimately determine the nature of reform.

GUBERNATORIAL PREFERENCES

A final factor influencing education finance outcomes are the preferences of the governor. Differences in gubernatorial style, political base, and consequent policy preferences are important in explaining differences among states. Governors willing to promote education finance reform, such as Governors Milliken of Michigan and McCall of Oregon, will be strong assets for the reform movement. In contrast, governors such as Reagan in California or Hall in Oklahoma can be insurmountable obstacles to enactment of certain

45. See F. Pinner et al., The State and Education... .

types of reform packages. Other politicians, such as Governors Mandel of Maryland and Carter of Georgia, postponed reform efforts in 1972 in order to focus on other high priority issues. Mandel avoided a bitter legislative fight over education finance reform, which might have imperiled his other 1972 legislative initiatives, by convincing a legislator to withdraw a controversial school finance bill. However, the Maryland governor is expected to act upon the January 1973 recommendation of his finance task force to raise the state foundation level. Governor Love of Colorado proposed a "percentage equalization" plan in early 1973 after deliberately excluding the issue from his legislative "Call" for the 1972 legislative session.

PROPOSALS FOR CHANGE AND THEIR POLITICAL SUPPORT

Previous sections of this paper have documented the range of current efforts to reform state education finance systems. Political factors affecting those efforts have been briefly discussed. This section will present an overview of the types of political support for various revenue and distribution alternatives.[46] The locus of support for specific proposals varies across states, depending on the distribution within a particular state of property wealth, income, and pupil population with special educational needs. By examining the types of bill introduced in the eight

46. As noted earlier, the data for this section are drawn from personal interviews with legislators, officials of state departments of education, business and taxpayer association representatives, education interest group leaders, and others in each of the states studied as well as from the monitoring of school finance developments during the 1972 legislative sessions. In addition, data from the questionnaire referred to in footnote 14 were utilized.

legislatures during the 1972 legislative session and the responses they evoked from various groups, it is possible to estimate legislative preferences and the likelihood of passage of specific proposals.

Brief discussions of the political support for various revenue and distribution alternatives will follow. These alternatives include:

Revenue Sources

1. Local Taxes
2. State Taxes
   a. State Income Tax
   b. State Sales Tax
   c. A Mix of Sales and Income Taxes
   d. Statewide Property Tax

Distribution Alternatives

1. Full State Funding
2. Partial State Funding
   a. State Aid Based on Fiscal Criteria
      (1) Aid to Low Property Wealth Districts
      (2) Aid to Low Income Districts
      (3) Power Equalization
   b. State Aid Based on Educational Need Criteria
      (1) Aid to Districts with Disadvantaged Pupils
      (2) Aid to Districts with Low Achieving Pupils
   c. State Aid to Low Density Districts

REVENUE SOURCES

Increased Local Property Taxes. It is appropriate to begin consideration of revenue alternatives by discussing the possibility of raising funds for schools through increases in local property tax rates. In all eight states studied, there are widespread demands for property tax relief within school districts. (These demands are unrelated to the issues raised by the recent court cases concerning the constitutionality of a school finance system which relies heavily on the local property tax.) The 1960's saw a rapid growth in the number of school tax election defeats and a consequent tightening of budgets in many local school systems. For example, since 1966, half of the requested tax increases and 60 percent of school bond issues have been defeated by local California voters. While the so-called "taxpayer revolt" may not be totally a response to higher tax rates, and in fact may reflect, at least in part, discontent with the educational system and its effect on children, it nevertheless has important financial consequences for public education. The defeat of regular and supplemental school taxes in Detroit in June 1972 may be tied to the busing controversy in Michigan, but its consequences for Detroit's public schools may include a much-shortened school year; existing funds run out on March 15, 1973. Oregon has similarly faced an alarmingly high rate of school budget election defeats. Portland was forced to close down its schools a month early in 1972 because of insufficient funds.

State Income Tax. In order to break the connection between per pupil expenditures for education and district wealth, as required by the recent court cases, and to increase the state's contribution to education, many proposals for financing schools rely on state taxes rather than local taxes. All of the states examined in this study, except New Hampshire, presently use the state income tax as a major source of general revenue. Organizations representing low-income groups, generally central city residents, support the increased use of the income tax for education because of its perceived progressivity. Generally, urban states such as Maryland and Michigan tend to generate more support for the increased use of the income tax than more rurally oriented states. It is interesting to note that Georgia, where the legislature continues to be dominated by rural representatives, was the only state in the study in which a proposal to increase the income tax was not even introduced in 1972. Rural legislators tend to favor the sales tax since the metropolitan areas are the centers of commerce. Opponents to the income tax frequently include special economic interests, such as the petroleum industry in Oklahoma. One interesting finding was that supporters of the income tax often are also supporters of additional educational resources for disadvantaged students within their states.

Nevertheless, the use of the income tax as a major source of additional revenue for schools is unlikely in most of the states examined. The limits on the use of the state income tax include the existence of the federal income tax, the state of the economy, and the strength of in-state political lobbies. In Oklahoma, Governor Hall's proposed income tax was enacted in 1971, but has produced strong negative reactions to his subsequent efforts in other areas, such as a major highway bond issue. The political costs of increasing income taxes are high and thereby diminish the chances that income taxes will be used as alternative sources of revenue for public schools.

State Sales Tax. All of the states in this study except New Hampshire and Oregon presently use the sales tax as a major source of state revenue. Support for sales taxes comes from the rural areas of all states studied (with the exception of New Hampshire). Not much support for the sales tax is found in urban states such as Maryland and Michigan. In fact, no sales tax proposals were introduced in the legislatures of either state during 1972. While the sales tax is generally recognized as more burdensome to low income groups, the fact that the tax is easy to administer and its acceptance by the public as a "reasonable" tax, have led to increases in the sales tax being frequently proposed as an alternative revenue source.

A Mix of Sales and Income Taxes. Another alternative revenue source to the local property tax is an increase in the sales and income taxes concurrently.[47] Interest in this alternative reflects the need for large amounts of revenue to pay for school finance reform and the political difficulties in increasing just one of these revenue sources. This is particularly true in states which now rely heavily on the local property tax to finance schools.[48]

Statewide Property Tax. While the statewide property tax has received increasing public attention as a way of responding to *Serrano*-type decisions, the tax has few supporters in the states studied. Only a few legislators interviewed in states outside California saw the statewide property tax as

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47. This alternative received the greatest support among respondents to the questionnaire.

48. For example, Colorado and Michigan would require a 178 percent and 95 percent income tax surcharge respectively if they tried to raise the revenues now raised through the local property tax solely through the income tax. Raising the same amount of revenue through the sales tax alone would increase the sales tax from 3 percent to 8 percent and from 4 percent to 9 percent in these states respectively. Delaware, with much smaller local property tax collections, could raise the necessary revenues with a 14 percent income tax surcharge or a 1.5 percent sales tax. Levin, *et al.*, "Public School Finance . . . .," p. 124.

a realistic alternative to local property taxes.[49] High property wealth areas within particular states were strongly opposed to the statewide property tax, because they understood that it could mean redistribution of their wealth to less rich districts.[50] The most common response to questions about this alternative, however, was unfamiliarity with the tax.

This pattern of uninformed opposition to the statewide property tax, however, is likely to change, as the experience of California suggests. In that state, statewide property tax proposals have been defeated in legislative committees seven times since 1961. However, in the 1972 legislative session, some of the major school finance bills included the statewide property tax as a principal source of revenue for education.[51] One of these bills was supported by a coalition which included former opponents of the tax.[52] While

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49. Only a small percentage of the questionnaire respondents believed that passage of a statewide property tax was feasible.

50. The greatest opposition was found in urban areas in Georgia and Maryland and in rural areas of Colorado. In contrast, the statewide property tax received some support among rural respondents in Maryland, in view of the substantial redistribution of wealth to them--primarily from Montgomery and Baltimore counties. However, in most states, a statewide property tax levied at a high enough rate to generate the same revenues now raised by the local property tax would mean substantial increases in tax rates for rural districts. See Levin, *et al.*, "Public School Finance . . .;" Levin, *et al.*, *Paying for Public Schools: Issues of School Finance in California*; and B. Levin, T. Muller, and W. J. Scanlon, *Schools and Taxes in North Carolina*, Washington, D.C., The Urban Institute, January 1973.

51. A.B. 212 and the State School Board's School Support Committee's proposal, neither of which passed.

52. This bill was developed by the School Support Committee of the California State Board of Education. The statewide property tax was eliminated during legislative consideration of the bill. See also Levin, *et al.*, *Paying for Public Schools* . . . .

the cause of this reversal of past positions is not clear, the impact of the Serrano decision in California itself is probably significant. Therefore, although in 1972, support for the statewide property tax was negligible in most states, this may change as legislators become increasingly familiar with it and recognize its utility in meeting the requirements of judicial decisions. This hypothesis is supported by the fact that since Serrano was decided, the Governors of California and Oregon, and legislators in California, Colorado, Maryland and New Hampshire, have proposed statewide property taxes.[53]

DISTRIBUTION ALTERNATIVES

Full State Funding. Full state funding through various mechanisms was proposed in several states in 1972, but in no case was it adopted. Governor McCall of Oregon urged a full state funding approach through the use of a flat grant per pupil distribution formula. In California, the defeated Watson Initiative included what was, in effect, a full state funding provision, using a restricted local property tax as a source of revenue for the program.. The issue was debated in Maryland with the Citizens' Commission on Maryland Government supporting complete state assumption of school costs, while the Hughes Commission, appointed by the Governor and comprised largely of legislators, concluded that 55 percent was the desirable level. The more recent Lee Task Force reaffirmed this latter figure and Governor Mandel is believed to concur in this recommendation. In states where the state

53. Governor Milliken of Michigan originally proposed a statewide property tax in 1969. However, in his 1972 proposal, he turned to a state value-added tax as the source of revenue, dropping the idea of a statewide property tax.

share of non-federal education revenues is already large, such as Georgia, there have also been bills urging full state funding.[54]

Political opposition to full state funding often stems from the belief that this system would eliminate local leeway for raising additional revenues for enrichment of programs beyond the state provided level. This would hurt those districts which now have higher expenditures, such as large cities and slow growth suburbs. The opposition, therefore, to full state funding stems from several views of state school finance. It would hurt high spending districts in three ways: (1) limit their revenue to meet their higher costs for equivalent educational services (particularly true of central cities), (2) limit local option for additional revenues for enrichment programs, and (3) require them to redistribute revenues to poorer districts. All of these factors provide strong political reasons for opposition to full state funding.

Partial State Funding. Because of the political problems facing full state state funding of education, most proposals assume the continuation of a state-local partnership in the financing of education. These proposals vary significantly in the methods used to allocate the state share of funds to local school districts. The debate over methods concerns issues of whether allocation formulas should reflect fiscal or educational needs of districts. Thus the analysis of the political support for various distribution formulas in the eight states studied focused on whether respondents recognized the deficiencies of an "equal dollar per pupil" approach to school finance.

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54. A legislator from De Kalb County, Georgia proposed full state funding in 1971. The bill received only 11 votes. Black legislators opposed the bill on the ground that full state funding would support an inefficient system of small, rural school districts.

Interviews and questionnaire data suggest that a large majority of respondents support the concept of supplemental aid to alleviate particular problems, although preferences vary according to the criteria for special aid. At a general level, this finding points to the need for and probable acceptance of distribution formulas with special factors providing additional aid to certain types of districts within a state. Subsequent pages will examine the support for these criteria of special aid.

Fiscal Criteria for Distributing State Aid. The Serrano case focused on the inequities resulting from a school finance scheme tied to individual districts' property wealth. Many informants noted that as long as school finance programs remained linked to the property wealth of districts, there should be some special consideration given to low property wealth districts.[55] Not surprisingly, the strongest support for this target of supplemental state aid came from residents of low property wealth districts. Legislators appear quite aware of the relative wealth position of their districts within the state as a whole and base their preferences on this knowledge. Rural areas, by and large, strongly support a program which would provide supplemental aid to low property wealth districts, while central city residents indicate much lower levels of support.[56] The possibilities for low property wealth being accepted as a valid criterion for supplemental state aid will depend

55. Over 55 percent of the respondents to the questionnaire favored special aid to low property wealth districts.

56. In the states studied, the greatest support was found in rural Maryland, rural Oregon, and suburban (low property wealth) Colorado. The greatest opposition came from Atlanta, Georgia and Montgomery County, Maryland.

on individual state circumstances, specifically whether high or low property wealth districts have a majority of representatives in the legislature.[57]

Support for supplemental aid to low income districts is not as strong as support for low property wealth districts. While states have frequently included "equalization factors" in their distribution formulas, i.e., factors adjusting for differences in property wealth among districts, direct aid to districts with high proportions of low income residents is less common. Usually special categorical programs aim at low income students. "Low income" has most frequently connoted a subsidy to the urban poor, usually blacks, and has therefore not enjoyed large support within state legislatures, despite the fact that data indicate that the districts with the lowest per capita incomes are in rural areas.[58] While some states such as California have examined possible distribution formulas which include income as a factor, this alternative is not likely to receive a significant degree of support in the near future.

District power equalization, an alternative which provides equal dollars for equal tax effort, has been proposed as a way of maintaining local

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57. For example, while the property poor suburban districts in Colorado favor special aid to low property wealth districts, the state legislature has a higher proportion of representatives from Denver and from the relatively high property wealth rural areas. The Denver suburbs thus lack the political power to enact bills which would provide additional aid to low property wealth districts.

58. See Levin, et al., "Public School Finance . . .", Chap. II. Support for this alternative nevertheless reflects the distribution of income. Greatest support came from rural respondents to the questionnaire and the least from suburban respondents.

control over levels of expenditures for education while meeting the requirements of the court cases that the level of spending for a child's education not be a function of district wealth.[59] The use of the principle of power equalization in 1972 proposals for reform is limited to California. Proposals by the State School Board and various legislators included power equalization provisions, either as a method of raising and distributing the majority of school revenue or as a tool for permitting local add-ons in a manner meeting the standards laid down in the Serrano decision. While this plan was originally regarded by legislators as too complicated and unwieldy a mechanism for distribution of state resources, it has gradually become better appreciated as an alternative allowing some local choice. Nevertheless, the bill that finally passed in December 1972 during the special legislative session did not include a power equalizing provision.[60] As is the case with the statewide property tax, power equalization would seem to require a period of public information and education before it can receive the necessary support to be a realistic alternative in most states.

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59. J. Coons, W. Clune, and S. Sugarman, Private Wealth and Public Education, Cambridge, Mass., Harvard University Press, 1970. Power equalization is an alternative designed to make a district's expenditure level a function of its tax effort rather than its property wealth. Under this proposal, the state guarantees specific amounts per pupil for specific tax rates. If local property values in a given district produce less revenue than the state guarantees at the tax rate voted by that district, the state supplies the difference. If the tax levy produces more than the state guarantee, the state takes the surplus. The advantage of power equalization is that it permits local choice as to expenditure level. Possible disadvantages are that while it may meet Serrano requirements, since the level of spending for a pupil's education is no longer a function of the wealth of his school district, it still makes the amount spent for education dependent on where he lives. Levin, et al., Paying for Public Schools, pp. 44-45.

60. S.B. 90, "The Property Tax Relief Act."

Educational Need Criteria for Distributing State Aid. Most informants in interviews and questionnaires responded favorably to the concept of additional aid for "disadvantaged" pupils.[61] This fact, however, does not eliminate the need to develop a working definition of "disadvantaged" which can be translated into a factor in a distribution formula. Using percentage of AFDC recipients, bilingual students, or students from low income families within school districts may help to target additional resources to school districts with extra educational burdens, but these ultimately involve a more precise specification of who is to be included. In California, Assemblyman Willie Brown, D-San Francisco, included in his definition of "disadvantaged" a bilingualism index along with other factors, thus ensuring additional aid to districts with high proportions of Oriental children. Brown's position had clear political motivations, but also points to the complexity of cultural patterns of poverty such as the fact that using AFDC criteria alone may exclude Spanish-speaking families which are intact, yet low income.

Another possible criterion for supplemental state aid is the average level of pupil performance of individual school districts. This criterion was adopted by the New York State Commission on the Quality, Cost and Financing of Elementary and Secondary Education (the Fleischmann Commission) in its final recommendations to the New York State Legislature. Informants in the states included in this study, however, were not enthusiastic about supplemental aid to "reward low achievement." State legislators remarked

61. Analysis of the responses to the questionnaires shows that the greatest support comes from central cities and the suburbs. Significantly less support was expressed by rural and smaller city respondents.

that additional state aid to low achieving districts would encourage poor performances by those districts rather than permit extra efforts to improve achievement levels. This pattern has exceptions, however, as in Georgia, where Governor Carter has advocated special programs for disadvantaged pupils. His advocacy has in turn been translated into broader support for supplemental state aid to low achieving districts. In most states, however, it is unlikely that achievement levels will be included as factors in state distribution formulas.[62]

A final criterion for special aid which was mentioned by some informants was low population density. States with large rural areas, such as Colorado, Oklahoma, or Oregon are faced with the financial problems of rural school districts serving relatively small numbers of pupils who live far from schools. High transportation costs in these districts require small rural communities to tax themselves at high rates. Moreover, diseconomies of scale mean that very small school districts have to have much higher expenditures per pupil to even begin to offer the same varied educational program as in larger districts. State legislators with rural origins are particularly sensitive to this problem.

SUMMARY AND CONCLUSIONS

The 1972 legislative year was one of cautious waiting. Legislators in the eight states studied here introduced a variety of school finance

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62. While support for use of this criterion was generally low, nearly double the proportion of central city and suburban respondents to the questionnaire favored its use compared to the proportion of rural respondents who favored it.

reform measures, but in most states the proposed legislation was stymied or rejected. Where measures were enacted, as in California and Maryland, they provided property tax relief or simply raised the state's level of support, without meeting the equalization requirements of the Serrano or Rodriguez decisions. Nor were the voters enthusiastic about tampering with the local property tax. They rejected, usually by great margins, ballot measures in California, Colorado, Michigan and Oregon. Strong, effective political coalitions in support of specific school finance alternatives have not yet emerged, largely because the impact of such alternatives on various interest groups is not well understood.

But while the state legislatures and voters exercised considerable caution, judicial action which could eventually lead to major educational finance reform continued. As noted at the outset of this paper, courts in seven additional states have followed the ruling of the California State Supreme Court in Serrano v. Priest, the most recent decision being that of the Michigan State Supreme Court on December 29, 1972. The U.S. Supreme Court heard oral arguments in the Rodriguez case in October, 1972 and a decision is expected during the Spring of 1973. If the Supreme Court rules in favor of the plaintiffs, school finance reform may very well be on the legislative calendar in most states in 1973 and after. Even if the high court rules otherwise, decisions in state courts may still compel action on school finance. This study has attempted to indicate the likely outcomes of such action.

The hypotheses and conclusions generated from the data in this study emphasize the diversity of state circumstances which education finance reform must face. Although judicial criteria for equity in school finance may point to certain types of revenue sources and distribution formulas, it is doubtful whether a single remedy to current inequalities is politically feasible in all fifty states. The distribution of property wealth, educational characteristics, and population vary to a degree which eliminates the feasibility of a single approach to education finance. It is clear that there is likely to be considerable diversity in the combination of revenue and distribution alternatives adopted by the various states.

Yet in this study, certain characteristics of states have been identified which help to set the political parameters for reform. If states are grouped according to certain criteria with significant political and fiscal consequences, it is possible to understand the diversity of state circumstances while at the same time reducing the policy choices to manageable proportions. Thus, to summarize and to generalize about the political limits to education finance reform, the states in this study are grouped into three different categories based on their degree of urbanization.

REFORM AS A FUNCTION OF URBANIZATION

The distribution of city, suburban, and rural populations within a state helps establish some parameters within which revenue and distribution alternatives can be discussed. States with large numbers of urban residents, such as California, are likely to face the problems of raising additional revenues to prevent leveling down of high expenditure districts or to provide funds for districts with concentrations of disadvantaged students, while states with largely rural populations, such as Oklahoma, will be faced with generating sufficient revenue to meet even minimal educational expenditure levels. In order to illustrate the different school finance requirements among various types of states, the states studied have been classified according to degree of urbanization.

Urban States are those with more than 70 percent of their total population located in SMSA's.[63] Included in this category, therefore, are California, Colorado, Maryland and Michigan. These states are accompanied by levels of educational need, cost, and revenue capacities which distinguish this group of states from other states.

Predominantly Rural States With Major Metropolitan Areas are represented by Georgia. While that state has only 55.6 percent of its population in towns over 2,500, the Atlanta metropolitan area comprises a sizable proportion of the state's total population. Significant urban-rural conflict is likely to exist in states of this category. Oregon was also placed in this category.

Predominantly Rural States Without Major Metropolitan Areas are relatively homogeneous, often having one or more cities, but of smaller size than those in the states in the second category. States such as Oklahoma and New Hampshire fit this category. While these states differ in many respects, they are, nevertheless, similar in the degree of consensus about revenue and distribution preferences.

These three categories suggest parameters within which proposals for individual states can be examined. Of course factors other than urbanization--e.g., the distribution of property wealth, population, educational needs, and the political situation--will be important determinants of the outcome of school finance reform proposals in a particular state. The three categories simply offer a convenient way of forecasting likely alternative revenue and distribution outcomes.

REVENUE SOURCES

Although there is much stronger support for the state income tax in predominantly urban states, that tax alone will prove inadequate to raise the substantial revenues needed if reliance on the local property tax is to be eliminated or diminished. A likely supplemental source is the sales tax.

63. This is based on the designation by U.S. Bureau of the Census, U.S. Census of Population: 1970, Number of Inhabitants, United States Summary, PC (1) A1, Table 41, pp. 1206-1212.

In rural states with a single large metropolitan area, urban-rural conflict is inevitable. In general, rural legislators can be expected to favor increases in the sales tax while their urban counterparts will prefer raising the level of state income taxes. As urban Georgia respondents indicated, however, urban interests may find increases in the local property tax preferable as a revenue source to either an increased sales tax or a statewide property tax.

Predominantly rural states without major metropolitan areas will face serious revenue problems. Political controversy will be less prevalent since sales and income tax revenues will be distributed more or less uniformly across states. The relative poverty of such states will lead to support for passage of increased sales and income taxes. Economic interests such as the oil companies in Oklahoma can be expected to lobby against an increase in corporate income taxes.

DISTRIBUTION ALTERNATIVES

Since most cities, like Denver and San Francisco, currently spend considerably more per pupil than most of the other districts in the state, full state funding will not gain big city support unless their higher expenditures--largely due to the higher costs of providing educational services are accounted for in distribution formulas. Otherwise, most big cities stand to benefit from retention of the present system. However, cities like Detroit, with relatively low property wealth, may join with poor rural areas to seek equalization of expenditures--a coalition which could confront wealthy suburbs in legislative battles. In general, predominantly urban states can be expected to seek formulas with special provisions for districts with high proportions of disadvantaged, low achieving pupils and with higher costs for equivalent educational services.

Distribution questions in predominantly rural states with a single metropolitan area will be bitterly fought between urban and rural legislators. In states like Georgia, where rural legislators dominate, supplemental aid for districts with special problems and needs will face stiff opposition. The passage of bills determining statewide minimum expenditure levels will provide state subsidies to rural communities, limiting the degree of local effort and leaving higher cost districts with difficult prospects in millage elections.

Distribution preferences in the predominantly rural states will probably include supplemental aid to districts with low property wealth. Aid to low density areas will receive favorable attention from rural legislators, many of whom are concerned with the financial problems of school transportation and the inability of very small rural districts to support a full program.

COMMON POLITICAL ISSUES AFFECTING SCHOOL FINANCE REFORM

The course of school finance reform in the United States will be determined by judicial pressures and alignments of political forces in the individual states. These political forces will emerge, at least partially, from the extent to which states are urbanized, as argued above. However, there are major political issues constraining school finance outcomes that are common to all of the states in the study. Some of these issues are summarized below:

Local Control. Although there is evidence that states which contribute larger proportions of education revenues do not exert greater control over local school district decision making, local education officials perceive a correlation between increased state money and state control. Proposals which would increase the state contribution to education financing are likely to meet local opposition, especially from property-rich districts, school board associations, and school administrators. This demand for continuing local control may be the most powerful constraint to education finance reform.

Do Dollars Make A Difference? While the courts have generally avoided the issue of whether or not increased expenditures result in improved education, legislators are more likely to pose such questions. Dissatisfaction with the public schools is widespread, and many legislators question whether additional monies can be well spent. Given limited financial resources, some state legislatures may prefer spending money in other areas.

"Levelling Down." Political reality suggests that plans to "level down," i.e., to redistribute current education outlays without providing additional statewide revenue, are doomed to failure. Property-rich districts cannot be expected to "share the wealth." However, "levelling up," the more likely solution, is expensive and requires major statewide tax reform. Limited financial resources and uncertainty about the consequences of substituting other taxes for the local property tax are further constraints on reform efforts.

Demands for Property Tax Relief. School finance reform is inextricably tied to demands for property tax relief. This demand appears to have greater political support than equalization or meeting the fiscal crisis faced in urban school districts like Detroit. Demands for equalization and property tax relief may conflict, and when they do, the latter demand will likely prevail. The problems of replacing the local property tax are obviously great, however, as voters proved in the November 1972 elections.

Finally, it is important to note that there is a serious lack of knowledge of the impact of various alternative school financing proposals on differently situated taxpayers and on different types of school districts. Viable political coalitions for education finance reform will not emerge until there is greater knowledge and understanding of the effects of major changes. Also inhibiting the development of such coalitions is the lack of agreement on the criteria for reform of school finance among the supporters of reform. School finance reform means different things to different people. For some, property tax relief is all that need be involved. Others look to reform as a way of bailing out fiscally desperate urban school districts. Another group is concerned primarily with the inequalities in per pupil expenditures among districts within a state. Finally, there are those who seek additional aid to the disadvantaged. Somehow proposals for school finance reform must reconcile the conflict inherent in these different perceptions of the school finance problem.

In conclusion, this study has documented the diversity of state circumstances which will affect the nature of school finance reforms and has indicated the kinds of reform proposals which are likely to be adopted in different types of states. This study has also outlined those political factors that are common to all states which will strongly influence and shape the reform outcomes.

APPENDIX
1972 Legislative Proposals

CALIFORNIA

Watson Initiative: Would amend the state constitution by shifting responsibility for education finance from the local school district property tax to a countywide property tax with a uniform ceiling rate of $7.00 per $100 assessed valuation, with $2.00 of that rate a required levy for education and the remaining $1.25 a permissive levy for other public services (except welfare, which would be paid for solely out of non-property tax state revenues). The required $2.00 for education in most counties would raise less than the plan's guaranteed amoung of $825 per pupil per county and the state would make up the difference. The Watson plan specifies increases in the state sales tax and other state taxes to cover part of the deficit. The county would then distribute the funds to local school districts according to "need." This was submitted to the voters in November 1972 and failed by nearly a 2-to 1 margin.

State Board of Education Support School Committee Proposal: Proposed a statewide property tax in conjunction with local district taxes. A basic per pupil grant from the state would establish minimum district spending levels.

This grant would be "weighted" according to the number of children at certain grade levels and the number of physically or mentally handicapped pupils. The plan would also include a power equalization formula, under which districts may receive state funds in addition to the funds they receive under the "weighted" per pupil grant, depending on the local tax rate they choose. Tax rates are pinned to specified expenditure levels with the state supplying the difference between what the local tax rate actually yields and the level of expenditure called for under the tax rate. Since some districts would raise more revenues at certain tax rates than the guaranteed expenditure level, they would relinquish the excess to the state. The plan had an expenditure-level ceiling beyond which the state would not provide any money. Local districts, however, would not be restricted as to the amount of revenues they could raise and retain beyond this state-set maximum level. The proposal became A.B. 1283, at which time the statewide property tax was dropped, and provisions of A.B. 1876, relating to the disadvantaged, were included. A.B. 1283 did not pass in 1972.

A.B. 212: Would substitute a uniform statewide property tax for the local property tax for most school costs. A grant of $650 per pupil would be provided by the state to each unified school district in 1973-74, with the amount of the grant to increase in succeeding years. Local school districts would be permitted to supplement state aid through a power-equalized provision in which low property wealth districts would receive additional state support tied to local tax rates. High property wealth districts which raise more than the authorized expenditure level would return the excess to the state. The bill was not voted out of committee.

S.B. 90: Gives property tax relief by raising tax exemptions on homes and providing renters with an income tax credit. It puts a ceiling on school district property taxes by providing for the computation of a "base revenue amount" for each district based on its previous year's tax rate and assessed valuation, and receipts from state aid programs. With certain specified adjustments, such as for inflation, this amount is then to be divided by the district's current assessed valuation to produce the district's current tax limit. The bill also increases foundation program levels; increases the state sales tax; and provides funds for educationally disadvantaged students and for early childhood programs. The bill, with the support of Governor Reagan, passed at the close of the special legislative session in December 1972.

A.B. 1876: Would provide additional money for districts with high proportions of low income students or bilingual students, or to districts where there is high pupil mobility. The bill was eventually incorporated as a provision of S.B. 90, the "property tax relief act," which passed in December 1972.

A.B. 1283: Was derived from the State Board of Education proposal described above, but without the statewide property tax. School districts would set local tax rates but assessed valuation would be shifted from wealthier to poorer districts at 10 percent a year over a 5-year period. State support, as a percent of current expenditures, would be increased over a 3-year period to reach a level of 55 percent. The bill also featured a power equalization system. The bill passed the Assembly and was approved by the Senate. However, when it was returned to the Assembly, the Assembly, on the last day of the regular legislative session, failed to send it to the Governor since S.B. 90, the compromise bill, had gone to him the previous day.

COLORADO

H.B. 1058: Increases state foundation level from $460 to $518, as specifically called for by Governor Love. The bill passed.

GEORGIA

H.B. 1123: Freezes the total required local contribution to the state's minimum foundation program at $78.5 million. This limits required local effort for 1972-73 to the same level as 1971-72. The bill continues the policy of, and is almost identical to, H.B. 140, enacted in 1971. The bill passed.

MARYLAND

S.B. 79: Would amend the state constitution to provide full state funding for the entire cost of constructing, maintaining, controlling, and operating the public schools. The bill died in committee.

H.B. 995/S.B. 631: Would provide for full state funding. It calls for a uniform statewide property tax for education, and eliminates the local income surtax, but increases state income, corporate and franchise taxes. It provides for a foundation program based on a combination of district valuation and net taxable income, the funds to be distributed on a per pupil basis with adjustments for personnel salaries. It also provides for assessment and evaluation of school achievement. The bill died in committee.

H.B. 1056: Proposed an amendment to the Maryland Constitution providing that the state shall bear the entire cost of public education, social services, and health services, and prohibiting the use of the real property tax to fund these programs. The bill died in committee.

H.B. 695/S.B. 285: Would increase the amount of state aid by establishing a foundation program based on a combination of district assessed valuation and net taxable income. It would provide for incentive aid designed to encourage the employment of more professional staff members. It would also change the rates of local income taxes. The Senate version would change the rates of state individual and corporate income taxes. The House bill died in committee and the Senate bill received an unfavorable committee report.

H.B. 861: The state would provide $150 million from bond funds to build public schools throughout the state, the priorities of projects to be decided by an interagency committee. The state would also pay all principal and interest for local debt service obligated for school construction prior to June 1967. No local supplement is required. The bill passed in 1971.

H.B. 1095: Very similar to H.B. 695/S.B. 285 described above, except that it would impose a statewide property tax and would eliminate the local income tax entirely. The bill died in committee.

MICHIGAN

H.B. 6001/ S.B. 1257: Would appropriate money for a foundation program which provides $740 per pupil less 20 mills times the state equalized valuation for each district. It would give this formula further equalizing effect by reducing the valuation of certain districts. It would also appropriate money for compensatory programs according to achievement test scores, for special education, occupational and career development, and transportation. The bill, with minor revisions, became S.B. 1269 which was passed as the State Aid Act of 1972.

State Department of Education Plan: Would implement full state funding through a combination of a statewide property tax, increases in state sales and income taxes, and amendment of the state constitution to provide for a graduated income tax. It would allow a minimal local effort for enrichment programs. Funds would basically be distributed on the basis of an equal dollar per pupil grant, but additional funds would be allocated on an educational need basis through a weighted pupil formula. The state would reimburse the district for all non-instructional expenses. This proposal was never put into bill form.

Democratic Party Proposal: Would replace the present constitutional millage limitation from 50 mills to 26 mills, 6 mills of which may be voted for enrichment. It prohibits, with exceptions, the levy of local property taxes for school operating purposes; provides for general state taxation for schools; establishes a graduated income tax rate structure in the constitution; and establishes constitutional guidelines for the distribution of funds, specifying that allocations must take account of regional variations in cost of services and in level of service needed for each child. In addition, the state would assume full responsibility for funding special, compensatory, and vocational-technical education. The proposal was never put into bill form.

<u>H.B. 5326</u>: ("Equal Quality Plan") Would provide for full state funding. The plan provides for a statewide property tax. Allocation of money to districts would be based on a formula which takes account of both education and experience levels of the instructional staff, and the number of classroom units. The state would provide funds for capital outlay, transportation, and would participate in existing local debt retirement programs. The plan would allow districts to levy up to three mills in addition to the statewide property tax for local enrichment purposes. The state would share in the funding of this local enrichment program by reimbursing the local district for the difference between the district's SEV per pupil and an SEV of $30,000 per pupil for each mill levied up to 3 mills. The bill did not

pass but it has been redrafted and will be introduced in the 1973 legislative session.

H.B. 1536: (Gov. Milliken's proposal) Would amend the state constitution to lower the present total property tax limit from 50 mills to 26 mills. It would prohibit property taxes for schools except up to 6 mills for enrichment programs. The state would participate in the 6 mill local option under the same terms as in H.B. 5326. The proposal mandates the legislature to establish a program of general state taxation and a method of distributing funds for the support of public schools to assure equal and quality educational opportunity for all students. It would guarantee 47 professionals per 1,000 students, reimbursement to be based on regional and local cost differentials, and provide for state assumption of transportation costs. It was submitted to the voters in November 1972 and failed.

S.B. 1269: Appropriates money for a foundation program which provides $732.50 per pupil less 20 mills times the state equalized valuation for each district, plus funds for transportation and tuition. It gives this formula further equalizing effect by reducing the valuation of certain districts. It also appropriates money for compensatory programs according to achievement test scores, for special education, occupational and career development, transportation and teacher development. It provides for the levy of a 4 percent excise tax on liquor, the proceeds to go to the school aid fund. The bill passed, but its 1971 predecessor, containing essentially the same provisions, was ruled unconstitutional by the Michigan Supreme Court in December 1972.

Spencer's Proposal: Would guarantee to all districts $450 per student for the first 10 operating mills, and $400 per pupil for the next 10 mills. It would provide state funding of capital outlay, and would provide for enrichment of categorical programs. The proposal was never put into bill form.

NEW HAMPSHIRE

H.B. 1: Would give property tax relief by introducing a 3 percent flat rate income tax with exemptions on the first $5,500 for a family of four and for couples over age 65. One-half of the gross revenue from this tax would be placed in a revenue-sharing fund which would be distributed to the cities and towns (for unspecified purposes), 50 percent according to property value, 30 percent according to the ratio of ADM in the district's schools to ADM of state as a whole, and 20 percent according to a per capita calculation. This was Governor Peterson's proposal. It was defeated in special session in the spring of 1972.

H.B. 70: Would give property tax relief by calling for a $4\frac{1}{2}$ percent income tax with one exemption on the first $675 and another on the first $8,500 for those over age 65. This revenue would be deposited in a school tax fund, which would be divided by the number of pupils weighted according to their level in school to derive a repayment figure for each community. This amount would yearly be apportioned to the individual taxpayers in the form of an income tax credit or a check. The bill was defeated in special session in 1972.

OREGON

Gov. McCall's Proposal: Would amend the state constitution to provide for a statewide property tax limited to one percent of property value. It would increase personal income taxes and provide for a 3 percent tax on business profits. The state would fund school operating costs, while the local districts would retain responsibility for capital outlay, transportation and program improvement. The state would provide each district with a $900 flat grant per weighted, full-time equivalent student--all high school students would be computed on a 1.3 higher cost basis. Districts would be constitutionally limited to $2 per $1,000 tax on real property for enrichment. This will probably be submitted to the voters ir [illegible] il 1973 as a referendum.

<u>Oregon School Board Association Proposal</u>: Would provide for a 3 percent tax on all income brackets (over and above the present state income tax) to be used for local government purposes. One half of the proceeds would go into the Basic School Support Fund, and the other half would be divided between cities and counties. The plan included no change in Oregon's formula for distribution of education funds. It was put into bill form but was never brought to a vote.

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