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ABSTRACT

This document examines the effect that alternative ways of reforming school finance would have on major city school districts. Using census data, the authors attempt to show that parity between tax effort and revenue yield will not in itself insure fiscal justice for most major city schools. The paper considers the higher costs of educational inputs in urban areas; the economic status of the population as between urban, suburban, and rural areas; the problem of municipal overburden; the additional educational needs of urban children; and fiscal capacity. Numerous tables throughout the paper outline the problem on a city-by-city basis. The document concludes with some recommendations for creating an adequate mechanism for the financing of education. Related documents are EA 005 147, 265, and 270. (Author/DN)

SCHOOL FINANCE REFORM IN THE STATES: WHAT SHOULD BE DONE?

by

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Introduction

Powerful judicial and political forces are now producing the most sweeping revision of state school finance systems in American history. Since 1970, state courts have invalidated the school finance systems of California, Michigan and New Jersey.[1] State legislatures have approved major revisions in the educational funding systems of Minnesota, Kansas, North Dakota and Utah.[2] Equally important, significant revisions are now being discussed in states ranging from Maine to Oregon.[3]

Regardless of state, most proposals for school funding reform share a common objective: equalization of school district taxes and expenditures. Accordingly, it would be reasonable to anticipate that reform programs would convey the greatest benefits to school districts with the most extraordinary fiscal needs and the most deficient fiscal resources. There is an increasing amount of evidence, however, which indicates that this expectation may prove unfounded, especially for school districts in major cities.

Clearly, most major city school districts have exceptional fiscal problems. Much more than most other school districts, they must educate concentrations of minority pupils, must compete with municipalities for

available tax dollars, must meet exceptional operating costs, and are deeply in debt.[4] Close analysis of existing reform plans, however, indicates that many are unlikely to deal with these problems any more effectively than existing state finance systems.

Wilken and Levin, for example, show that Minnesota's widely heralded school finance reform plan has produced significant reductions in property tax rates and some increases in expenditures, but has yielded very little redistribution of resources from the status quo ante.[5] Consequently, the state's city school districts are not much better off relative to all other districts today than they were prior to reform.

In the same vein, Berke and Callahan suggest that one widely discussed reform, full state funding, is likely to reduce major cities' school expenditures while increasing their school taxes.[6] Similarly, an analysis of seven school finance reform plans proposed in Kansas, Michigan, Minnesota and New York indicates that only two would provide cities with more than $200 per pupil in additional aid. All the others would cause cities to lose aid either to suburban or rural districts.[7]

What, then, should be done? One recent and widely-read study of school funding argues that states can achieve "fair" equalization of school district finances by distributing aid in inverse relation to the per pupil revenue yield of local educational tax effort.[8]

Correspondingly, it asserts that several other widely discussed criteria--income, municipal overburden, factor cost, and educational need are basically irrelevant, dismissing them as ". . . important to think about but not essential to act upon . . ." in any initial reform program.[9] Focusing on the nation's major cities and their respective states, this paper evaluates this judgment.

Tax Effort-Revenue Yield Parity

On the face of things, equalizing school district revenues on the basis of educational tax effort seems to be quite fair. As its proponents contend, it would guarantee equal treatment to both taxpayers and schoolchildren regardless of their school district. Put another way, it would make school finance a function of state wealth. Simulation analysis, however, suggests that this prescription may be much less equitable than it seems.

Assume, for instance, that states with major city school districts decide to guarantee parity between educational tax effort and per pupil revenue through district power-equalizing aid systems. Assume, moreover, that the district power-equalizing aid systems require no new state funds and that all school districts maintain their 1971-72 expenditure levels. As Table 1 shows, this would result in a reduction of state aid to about

Table 1

ACTUAL AND SIMULATED STATE AID AND TAX RATES BY CITY*

City by Region	State Aid Per Pupil		Educational Mill Levy	
	Actual 1971-72	Simulated, District Power Equalizing	Actual 1971-72	Simulated, District Power Equalizing
NORTHEAST				
Baltimore	$ 420	$ 352	12	16
Boston	242	226	29	29
Newark	363	365	38	27
Buffalo	676	493	11	16
New York	559	556	16	24
Rochester	574	585	15	19
MIDWEST				
Chicago	399	319	13	16
Indianapolis	266	236	16	18
Detroit	362	168	10	34
Minneapolis	391	422	18	19
St. Louis	247	185	11	18
Cincinnati	147	106	10	32
Cleveland	139	112	11	25
Columbus	162	184	14	19
Dayton	177	112	11	34
Milwaukee	184	228	18	24
SOUTH				
Miami	391	502	11	10
Atlanta	246	410	12	24
New Orleans	349	166	3	16
Dallas	275	194	9	14
Houston	322	191	9	14
San Antonio	375	178	9	12
WEST				
Los Angeles	318	376	13	15
Long Beach	184	303	10	14
Riverside	332	327	11	11
San Diego	278	323	11	11
San Francisco	207	307	10	24
Oakland	230	380	13	14
Denver	192	229	17	18
Portland	157	108	14	25

Source: National Education Association Research Division, "Local School System Budget Surveys," (1971-72). State data are drawn from selected state sources.

*For example of calculations, see Appendix.

half of the nation's major city school districts, the unweighted mean aid occasionally decreasing by about 50 percent. Additionally, almost all major city school districts would be forced to raise their tax rates--and owing to their relative property wealth, often substantially. As Table 1 reveals, educational tax rate increases of over 100 percent would be common with the average increment ranging between 50 and 60 percent.

But what if tax effort-revenue yield parity were assured through another type of state aid system? Or what if school districts elected expenditure levels greatly different from the 1971-72 levels? In either event, most signs point to the fact that major city school districts would be placed at a fiscal disadvantage relative to most other school districts. One key reason, of course, is that major city school districts tend to have much greater property wealth per pupil than most other school districts. Accordingly, as Table 2 shows, one mill of educational tax effort in major city school districts usually raises much more revenue per pupil than in most other school districts. Consequently, so long as states attempt to equalize solely on the basis of an effort-yield relationship, major city school districts are likely to face both an increase in relative school taxes and a decrease in relative state aid.

Table 2

CITY-STATE PER PUPIL TAX YIELDS, 1971-72

City by Region	Revenue Yield Per Mill of Property Tax Effort		City/State Ratio
	City	State	
NORTHEAST			
Baltimore	$ 26.37	$ 34.74	76
Boston	20.79	26.66	78
Newark	19.36	26.72	73
Paterson, Clifton-Passaic	N.A.	N.A.	
Buffalo	27.30	34.99	78
New York City	50.76	34.99	145
Rochester	38.83	34.99	111
Philadelphia	22.86	19.77	116
MIDWEST			
Chicago	52.49	42.01	125
Indianapolis	28.54	17.82	160
Detroit	40.06	18.79	213
Minneapolis	57.01	25.51	223
Kansas City	42.58	23.07	185
St. Louis	44.20	23.07	192
Cincinnati	56.61	25.15	225
Cleveland	60.26	25.15	240
Columbus	41.14	25.15	164
Dayton	49.82	25.15	193
Milwaukee	38.22	27.95	137
SOUTH			
Miami	40.77	28.57	143
St. Petersburg	24.12	28.57	84
Atlanta	47.61	17.12	278
Louisville	38.11	29.16	131
New Orleans	45.90	25.64	179
Dallas	52.00	16.99	306
Houston	38.12	16.99	224
San Antonio	23.48	16.99	138
WEST			
Los Angeles-Long Beach	60.09	45.53	132/ 88
San Bernardino-Riverside-Ontario	53.88	45.53	118
San Diego	50.00	45.53	110
San Francisco-Oakland	112.63	45.53	247/145
Denver	50.78	29.66	171
Portland	44.77	32.38	138

Source: National Education Association Research Division, "Local School System Budget Surveys," (1971-1972). State data are drawn from selected state education department reports.

Equalization and Income

But is this fair? This, of course, is debatable. It is quite clear, however, that it ignores the fact that major city school districts must collect their property taxes, in part, from individuals whose incomes are not very much higher than those living in most other school districts. As Table 3 indicates, educational tax yields in 42 of the largest American cities are 62 percent greater than the unweighted average of their respective states, yet per capita incomes in the same cities are only 5 percent greater.

In one respect, however, even per capita incomes overstate the wealth of major city school districts. Although major city school districts have slightly above average per capita incomes, they not only have a far greater concentration of poor families than most other school districts, but also have a relative lack of affluent families. As Table 4 reveals, the proportion of poverty families in the nation's major cities during 1969 was 10 percent greater than in their respective states; moreover, the proportion of affluent families was 7 percent less.

Equalization and Municipal Overburden

Equalization on the basis of educational tax yield not only fails to recognize that cities have a high concentration of poor people, but also ignores the fact

Table 3

CITY-TO-STATE RATIOS OF PER PUPIL PROPERTY VALUES AND PER CAPITA INCOME, 1970-1972

City by Region	City-to-State Ratio of: (1) Per Pupil Property Values, 1971-72	(2) Per Capita Income, 1970	(1) / (2)
NORTHEAST			
Baltimore	76	81	94
Boston	78	88	89
Newark	73	89	82
Buffalo	78	83	94
New York City	145	102	142
Rochester	111	95	117
Philadelphia	116	95	122
MIDWEST			
Chicago	125	100	125
Indianapolis	160	114	140
Detroit	213	108	197
Minneapolis	223	122	183
Kansas City	185	109	170
St. Louis	192	95	202
Cincinnati	225	105	214
Cleveland	240	92	261
Columbus	164	105	156
Dayton	198	96	206
Milwaukee	137	109	126
SOUTH			
Miami	143	110	130
St. Petersburg	84	107	79
Atlanta	278	127	219
Louisville	131	118	111
New Orleans	179	115	156
Dallas	306	128	239
Houston	224	118	182
San Antonio	138	85	162
WEST			
Los Angeles-Long Beach	132/ 88	112/110	118/ 80
San Bernardino-Riverside-Ontario	118	96	123
San Diego	110	96	115
San Francisco-Oakland	247/145	116/106	213/137
Denver	171	119	144
Portland	138	118	117

Source: National Education Association Research Division, "Local School System Budget Surveys," (1972). Sales Management Survey of Buying Power, (1971).

Table 4

CITY-STATE PROPORTIONS OF POOR AND RICH FAMILIES, 1969

City by Region	% of Families Having Income Less Than Poverty Level 1969		% of Families Earning More Than $15,000 1969	
	City	State	City	State
NORTHEAST				
Baltimore	14.0	7.7	16.7	28.6
Boston	11.7	6.2	18.1	25.2
Newark	18.4	6.1	12.4	29.5
Paterson, Clifton-Passaic	9.2	6.1	21.9	29.5
Buffalo	11.2	8.5	14.1	26.5
New York City	11.5	8.5	23.6	26.5
Rochester	8.9	8.5	20.5	26.5
Philadelphia	11.2	7.9	18.2	18.3
Pittsburgh	11.1	7.9	16.3	18.3
Providence	11.7	8.5	17.4	18.9
MIDWEST				
Chicago	10.6	7.7	23.3	26.4
Indianapolis	7.1	7.4	24.9	19.4
Detroit	11.3	7.3	22.6	26.7
Minneapolis-St. Paul	6.9	8.2	22.2	20.3
Kansas City	8.9	11.5	20.2	17.1
St. Louis	14.3	11.5	13.0	17.1
Cincinnati	12.8	7.6	17.6	21.6
Cleveland	13.4	7.6	15.3	15.3
Columbus	9.8	7.6	18.5	18.5
Dayton	10.6	7.6	19.0	19.0
Milwaukee	8.1	7.4	19.2	19.8
SOUTH				
Miami	10.9	12.7	21.5	16.8
Tampa-St. Petersburg	10.7	12.7	14.2	16.8
Atlanta	15.9	16.7	18.9	15.2
Louisville	13.0	19.2	15.1	11.6
New Orleans	21.6	21.5	19.9	12.8
Dallas	10.1	14.6	25.1	16.5
Houston	10.7	14.6	22.9	16.5
San Antonio	17.5	14.6	13.3	16.5
WEST				
Los Angeles-Long Beach	9.7	8.4	27.7	26.7
San Bernardino-Riverside-Ontario	10.2	8.4	20.9	26.7
San Diego	9.3	8.4	24.4	26.7
San Francisco-Oakland	10.7	8.4	25.8	26.7
Denver	9.4	9.1	21.4	19.7
Portland	8.1	8.6	20.5	18.0
Seattle-Everett	6.2	7.6	26.5	22.8

Source: U.S. Bureau of the Census, 1970 Census of Population: General Social and Economic Characteristics, PC-1C, Tables 184, 188.

that cities face extraordinary noneducational needs and demands. As Table 5 shows, the nation's largest cities have per capita police expenditures that are 53 percent higher than the average of their respective states, have fire protection expenditures that are 91 percent higher, and have refuse and disposal expenditures that are 87 percent greater. Similarly, where the same cities have responsibility for the function, health and hospital costs are 75 percent higher, and sewage costs are 66 percent higher.

The higher cost of these services reflects itself in the much lower proportion of local budgets that cities can allocate to education. As Table 6 shows, central cities in the nation's 36 largest metropolitan areas allocate 33 percent of their budget for education, while their suburbs and local governments in the same states devote 57 percent and 46 percent respectively. Hence, if cities could devote the same share of their local expenditures to education as their surrounding suburbs, they would outspend suburban and rural districts by far.

The retarding effects of municipal overburdens are especially notable when one notes the level of effective major city local tax rates. As Table 7 shows, major city school districts not only have considerable non-educational fiscal requirements, but they also have local tax rates that are rarely surpassed by other

Table 5

CITY-STATE PER CAPITA NON-EDUCATIONAL EXPENDITURE COMPARISONS, 1969-70

City by Region	City-State Per Capita Expenditure Ratio, 1969-70				
	Police	Fire	Refuse	Sewers	Health/ Hospitals
NORTHEAST					
Baltimore	231	224	92	54	224
Boston	230	158	79	122	339
Newark	251	286	223	N.A.	178
Paterson, Clifton-Passaic	126-87-101	194-176-159	74-118-105	N.A.	N.A.
Buffalo	95	171	153	55	N.A.
New York City	160	153	151	73	180
Rochester	72	144	188	547	N.A.
Philadelphia	274	262	277	71	396
Pittsburgh	267	371	291	N.A.	N.A.
Providence	154	162	190	58	68
MIDWEST					
Chicago	198	174	228	N.A.	64
Indianapolis	200	193	195	229	N.A.
Detroit	202	169	289	72	78
Minneapolis-St. Paul	165-153	238-269	248-247	149-144	N.A.
Kansas City	164	197	167	177	90
St. Louis	281	204	250	N.A.	280
Cincinnati	190	269	196	185	160
Cleveland	259	239	314	95	218
Columbus	167	182	135	196	141
Dayton	158	232	213	105	N.A.
Milwaukee	194	169	258	116	N.A.
SOUTH					
Miami	134	152	213	103	108
Tampa-St. Petersburg	110/85	146/89	104/121	92/105	122
Atlanta	203	263	328	268	N.A.
Louisville	267	289	258	268	86
New Orleans	184	222	172	208	N.A.
Dallas	175	191	184	148	N.A.
Houston	129	195	99	194	N.A.
San Antonio	107	103	120	136	N.A.
WEST					
Los Angeles-Long Beach	144-127	122-145	156-158	N.A.	N.A.
San Bernardino-Riverside-Ontario	94-75-75	136-119-139	164-184-135	124-101-37	N.A.
San Diego	74	77	103	102	N.A.
San Francisco-Oakland	156-127	225-154	99-41	N.A.	219
Denver	169	199	262	101	206
Portland	185	230	214	155	N.A.
Seattle-	210	206	238	143	N.A.

Source: U.S. Bureau of the Census, City Finances, 1969-70, Table 7. U.S. Bureau of the Census, Government Finances, 1969-70, Tables 18, 26.

Table 6

CITY-STATE COMPARISON OF PROPORTION OF EXPENDITURES USED FOR EDUCATION, 1969-70

City by Region	Percent of Local Expenditures Being Used for Education, 1969-70	
	City	State
NORTHEAST		
Baltimore	34	49
Boston	26	45
Newark	28	44
Paterson, Clifton-Passaic	34	44
Buffalo	34	33
New York City	20	33
Rochester	31	33
Philadelphia	35	54
Pittsburgh	34	54
Providence	35	51
MIDWEST		
Chicago	30	47
Indianapolis	41	54
Detroit	37	50
Minneapolis-St. Paul	29	48
Kansas City	33	52
St. Louis	30	52
Cincinnati	23	45
Cleveland	39	45
Columbus	33	45
Dayton	38	45
Milwaukee	29	40
SOUTH		
Miami	37	48
Tampa-St. Petersburg	42	48
Atlanta	39	48
Louisville	23	56
New Orleans	36	51
Dallas	39	52
Houston	45	52
San Antonio	43	52
WEST		
Los Angeles-Long Beach	28	35
San Bernardino-Riverside-Ontario	37	35
San Diego	33	35
San Francisco-Oakland	23	35
Denver	34	47
Portland	39	53
Seattle-Everett	29	52

Source: Seymour Sacks and John J. Callahan, "Central City-Suburban Fiscal Disparities," Appendix D, U.S. Advisory Commission on Intergovernmental Relations, Financial Emergencies in American Cities, (1973 forthcoming).

Table 7

CITY-STATE COMPARISON OF TOTAL LOCAL TAX RATES PER $1,000 PERSONAL INCOME, 1969-70

City by Region	Total Local Taxes Per $1,000 Personal Income, 1969-70	
	City	State
NORTHEAST		
Baltimore	8.4	6.0
Boston	11.7	6.9
Newark	10.0	6.7
Paterson-Clifton-Passaic	6.3	6.3
Buffalo	7.2	8.0
New York City	9.5	8.0
Rochester	7.3	8.0
Philadelphia	7.7	8.0
Pittsburgh	8.8	5.0
Providence	5.8	5.0
MIDWEST		
Chicago	6.4	6.0
Indianapolis	7.0	5.1
Detroit	7.0	.6
Minneapolis-St. Paul	5.9	5.4
Kansas City	7.5	5.3
St. Louis	9.1	5.3
Cincinnati	7.2	5.4
Cleveland	9.7	5.4
Columbus	6.1	5.4
Dayton	7.6	5.4
Milwaukee	9.0	6.6
SOUTH		
Miami	5.1	4.3
Tampa-St. Petersburg	4.2	4.3
Atlanta	7.0	3.8
Louisville	5.8	3.0
New Orleans	4.8	3.7
Dallas	5.2	4.6
Houston	5.0	4.6
San Antonio	3.9	4.6
WEST		
Los Angeles-Long Beach	7.8	7.5
San Bernardino-Riverside-Ontario	7.5	7.5
San Diego	5.7	7.5
San Francisco-Oakland	10.2	7.5
Denver	7.3	7.0
Portland	6.9	6.1
Seattle-Everett	4.9	4.1

Source: U.S. Bureau of the Census, Government Finances, 1969-70, Tables 18, 26.

jurisdictions in a state. Thus, in the 36 central city areas surveyed, 16 have total local tax rates that are more than 20 percent above the state average; while several have tax rates that range as high as 70 percent above the state average. These excessively high effective local tax rates make it virtually impossible for these jurisdictions to raise their taxes for education or any other pressing service. Indeed, by further raising taxes, central cities are promoting the continued flight of middle and upper income families and taxable property values from city to suburban areas. The loss of tax base, in turn, creates further tax pressure on the central city.

Given this combination of municipal and total tax overburden, do major cities have any way of circumventing this chain of fiscal dependence? The answer has to be negative. Indeed, cities have attempted to follow tax policies that would alleviate these tax burdens, yet many eventually may prove counterproductive. As Table 8 indicates, many major cities attempt to cope with the overburden problem by overassessing higher-priced residences and nonresidential property. This practice, of course, increases tax burdens on more wealthy properties and provides an inducement for their owners to locate elsewhere.

Another policy cities attempt to follow is the adoption of taxes that effectively tap the incomes of

Table 8

DIFFERENTIAL ASSESSMENT RATIOS BY TYPE OF PROPERTY, 1966-67

City by Region	Assessment Ratio for: All Property	Residential Property	High Value Residential Property	Low Value Residential Property
NORTHEAST				
Baltimore	68.6	67.1	60.8	86.9
Boston	37.1	31.7	23.8	39.4
Newark	73.7	70.1	58.7	75.8
Paterson-Clifton-Passaic	71.1	73.4	65.7	79.7
Buffalo	69.1	61.8	54.9	79.4
New York City	49.0	44.0	35.6	50.0
Rochester	38.9	39.4	30.0	46.4
Philadelphia	58.1	58.5	53.1	67.8
Pittsburgh	43.6	41.0	33.8	48.5
Providence	67.9	65.5	60.5	76.6
MIDWEST				
Chicago	39.4	36.3	28.1	41.6
Indianapolis	32.3	30.4	26.7	36.4
Detroit	40.3	42.2	34.5	47.9
Minneapolis-St. Paul	10.0-9.0	9.7-8.4	8.1-6.4	10.9-9.3
Kansas City	26.4	26.1	20.8	30.4
St. Louis	41.0	36.2	30.0	43.7
Cincinnati	44.5	44.2	37.9	48.6
Cleveland	36.3	35.0	30.6	38.5
Columbus	38.2	38.4	35.0	41.6
Dayton	37.3	36.8	30.8	43.4
Milwaukee	51.1	49.2	47.0	60.1
SOUTH				
Miami	71.6	83.6	72.4	96.8
Tampa-St. Petersburg	49.3	49.9	44.9-68.4	56.5-92.6
Atlanta	25.3	18.9	16.1	21.8
Louisville	91.8	92.6	82.6	100.4
New Orleans	21.8	22.6	18.0	28.7
Dallas	18.1	19.5	16.5	22.0
Houston	17.7	18.9	16.5	21.2
San Antonio	22.3	24.2		
WEST				
Los Angeles-Long Beach	19.6/19.0	17.6/19.8	17.0-16.9	24.1-22.3
San Diego	20.7	22.9	18.9	22.9
San Francisco-Oakland	11.1/14.7	9.7/14.7	7.0-13.3	11.6-16.4
Denver	28.7	28.9	26.6	31.7
Portland	20.6	21.5	18.6	24.3
Seattle-Everett	16.3	15.7	13.6	17.5

Source: U.S. Bureau of the Census, 1967 Census of Governments, Taxable Property Values vol. 2, Tables 19-21.

suburban residents. Thus, municipal income taxes have been adopted in 12 of the 47 largest cities in the country; local sales taxes are utilized in 21 of these same cities. Yet, as the economic dominance of most large cities wanes, the usefulness of these taxes will subside. Indeed, the phenomenal growth of suburban sales and employment may already herald the futility of cities adopting these local revenue instruments. Moreover, in a number of other cases, overlying governments, particularly counties, are taking responsibility for the use of these revenue instruments. As this occurs, cities are preempted from using these instruments.

Cities also have to contend with a host of counter-vailing forces that hinder their attempts to offset their local tax burdens. Thus, in a number of cities, overlapping governments such as counties and areawide special districts have control over taxing and spending policies that affect central city areas. Indeed, as Table 9 indicates, these jurisdictions account for 17 percent of all local expenditures in the nation's major cities, with the share ranging as high as 40 percent in Los Angeles.

Given all these problems in reducing city tax burden, urban areas have increasingly turned to higher levels of government for assistance. Indeed, analysis done since 1957 indicates that cities are generally receiving higher levels of overall state and federal

Table 9

CITY AREA EXPENDITURES, 1969-70

City by Region	City Area Expenditure, 1969-70	
	Amount	Proportion Attributable to City and School District
NORTHEAST		
Baltimore	$ 638	100%
Boston	531	100
Newark	735	91
Paterson-Clifton-Passaic	381	100
Buffalo	528	70
New York City	894	94
Rochester	699	76
Philadelphia	495	96
Pittsburgh	450	77
Providence	392	97
MIDWEST		
Chicago	498	76
Indianapolis	355	76
Detroit	474	87
Minneapolis-St. Paul	540	64
Kansas City	485	85
St. Louis	463	87
Cincinnati	761	92
Cleveland	512	80
Columbus	398	82
Dayton	456	87
Milwaukee	562	72
SOUTH		
Miami	481	70
Tampa-St. Petersburg	372	79
Atlanta	554	82
Louisville	508	100
New Orleans	334	92
Dallas	352	86
Houston	305	83
San Antonio	252	84
WEST		
Los Angeles-Long Beach	624	60
San Bernardino-Riverside-Ontario	635	66
San Diego	484	67
San Francisco-Oakland	768	89
Denver	502	95
Portland	486	79
Seattle-Everett	524	69

Source: Seymour Sacks and John J. Callahan, "Central City-Suburban Fiscal Disparities," Appexned D, U.S. Advisory Commission on Intergovernmental Relations, Financial Emergencies in American Cities, (1973 forthcoming).

aid since 1957. At the same time cities' expenditures have increased at an even faster rate so that State and Federal aid as a percent of local expenditure is generally no higher in large cities now than it was in 1957. Especially since State and Federal aid is still a minor part of many noneducational functions, cities will continue to be financing functions that do not receive overly substantial external support. Thus, higher levels of government have not aided city-type functions at the same rate as education.

Equalization and Educational Costs

Just as school tax yield equalization fails to acknowledge major cities' municipal overburden, it also does nothing to relieve their exceptional educational costs. Well-financed educational cost corrections, however, would benefit most major city school districts dramatically. Data provided by the U.S. Office of Education indicate that major city school districts exceed all other school districts in all but two cost categories: administration and transportation. And as Table 10 shows, the cost gap is especially great when major city school districts are compared to their respective suburbs. On the average, major city school district expenditures exceed those of their suburbs by an average of about $25 per pupil in all of the following categories: professional and nonprofessional salaries,

Table 10

PER PUPIL EDUCATIONAL COSTS BY EXPENDITURE CATEGORIES
LARGE CITIES, CENTRAL CITIES, SUBURBS, AND RURAL AREAS
1968-1969

District Type		Per Pupil Expenditure			
	Total	Instruction	Health	Plant Operation	Fixed Charges
Large Central City	$ 719	$ 523	$ 6	$ 60	$ 65
Central City	675	498	6	54	56
Suburban	670	490	6	55	50
Rural	562	411	3	42	37
Total U.S.	632	464	5	50	47

Source: U. S. Office of Education, Statistics of Local Public School Systems: Finances, 1970, Table G.

auxiliary services, attendance, maintenance of plant, and fixed charges.

No doubt, part of the expenditure gap between cities and suburbs can be explained by differences in educational preferences. There is a substantial amount of circumstantial evidence, however, which suggests that much of the gap results from differences in three cost factors. One is the nature of the pupil population. Often poor, often hostile to public schools, pupils in major city school districts tend to require greater expenses for such items as attendance and health services than their counterparts in suburban and rural school districts. Another factor is the nature of major city factor costs. Owing to the high cost of land, for example, major city school district capital costs are almost always higher than those of most other school districts. Similarly, and as Tables 11 and 12 indicate, cities must pay significantly higher teacher salaries than most other areas, these higher salaries being necessitated in part by the competitiveness of the labor market, in part by unionization of teachers, and in part by the higher cost of living.

Equalization and Educational Need

In the final analysis, perhaps the greatest shortcoming of school tax yield equalization is that it would fail to acknowledge variations in educational

Table 11

CITY-STATE TEACHER SALARY SCHEDULE DIFFERENTIALS BY SCHOOL DISTRICT SIZE, 1972

Salary Minimums and Maximums by Degree	District Size	
	School Districts 100,000+ Pupils (N=27)	All Surveyed Districts (N=1,179)
Bachelor's Degree		
Mean Minimum Salary	$ 7,[illegible]	$ 7,061
% Systems Paying $7,500+	22.2%	14.0%
Mean Maximum Salary	11,684	10,299
% Systems Paying $13,000+	25.9%	8.4%
Master's Degree		
Mean Minimum Salary	8,215	7,837
% Systems Paying $8,500+	29.6%	22.4%
Mean Maximum Salary	13,170	11,973
% of Systems Paying $15,000+	25.9%	9.4%
Six Years of College		
Mean Minimum Salary	8,805	8,501
% Systems Paying $9,000+	32.0%	32.1%
Mean Maximum Salary	14,208	13,308
% Systems Paying $16,000+	24.0%	11.0%
Doctor's Degree or Seven Years College		
Mean Minimum Salary	9,186	8,943
% Systems Paying $9,750+	26.1%	24.1%
Mean Maximum Salary	14,371	13,805
% Systems Paying $17,000+	21.7%	18.4%

Source: National Education Association Research Division, Salary Schedules for Teachers 1970-71, Table 6A, 6B.

Table 12

CITY-STATE COMPARISON OF TEACHER SALARIES, 1971

District by Region	Average Classroom Teacher Salary		Share of Teachers Earning More Than $15,000	
	City	State	City	State
NORTHEAST				
Baltimore	$ 9,373	$ 10,091	15.1%	6.2%
Boston	9,900	9,500	N.A.	4.8
Newark	10,207	10,050	24.1	8.7
Paterson-Clifton-Passai	9,802	10,050	4.7	22.0
Buffalo	10,035	11,100	13.1	22.0
New York City	10,971	11,100	33.9	22.0
Rochester	10,524	11,100	22.4	22.0
Philadelphia	11,170	9,300	36.4	2.2
Pittsburgh				
Providence				
MIDWEST				
Chicago	11,017	10,233	29.3	9.6
Indianapolis	9,927	9,272	3.4	1.6
Detroit	11,414	10,647	45.4	11.0
Minneapolis-St. Paul	10,484	9,271	26.9	8.0
Kansas City	10,001	8,373	3.2	0.0
St. Louis	9,858	8,373	.2	0.0
Cincinnati	9,944	8,798	6.1	3.2
Cleveland	9,681	8,798	5.8	3.2
Columbus	9,236	8,798	6.9	3.2
Dayton	10,030	8,798	1.7	3.2
Milwaukee	10,575	9,640	16.0	4.2
SOUTH				
Miami	9,999	8,805	13.9	2.0
Tampa-St. Petersburg	N.A.	N.A.	N.A.	N.A.
Atlanta	8,962	7,778	.4	N.A.
Louisville	N.A.	N.A.	N.A.	N.A.
New Orleans	8,657	8,340	N.A.	.2
Dallas	8,813	8,325	N.A.	.1
Houston	8,962	8,325	N.A.	.1
San Antonio	8,113	8,325	N.A.	.1
WEST				
Los Angeles-Long Beach	11,555	11,022	34.8	20.0
San Bernardino-Riverside-Ontario	N.A.	N.A.	N.A.	N.A.
San Diego	11,158	11,022	4.9	20.0
San Francisco-Oakland	11,465	11,022	7.6	20.6
Denver	10,014	8,260	21.7	1.8
Portland	9,762	9,298	N.A.	.7
Seattle-Everett	10,791	9,250	33.9	5.9

Source: National Education Association Research Division, 25th Annual Salary Survey of Public School Personnel, 1970-71.

need. As Table 13 suggests, however, major city school districts face extraordinary need, with nearly one-third of their pupils having mental handicaps, physical handicaps or special learning disorders. Additionally, they must educate large numbers of pupils requiring either vocational or compensatory education.

Not only do these students make up a considerable proportion of central city enrollments, as Table 14 indicates, they are more heavily concentrated in city areas than in other parts of most states. Indeed, looking at the relative city and state concentrations of compensatory education pupils it is not uncommon to see city concentrations exceed the state average by a ratio of more than two to one. While data for other types of pupils are not immediately available, all indications point to the concentration of major city school districts.

The disproportionate loading of these students in city districts adds another dimension to the urban educational crisis. Due to the higher expenditure requirements for these students, cities must devote more fiscal resources to these students. They either must drastically lower teacher-pupil ratios as has been suggested or make available a whole host of other types of resources for such pupils. Given the fact that those resources also cost more on the average in cities, the fiscal bind is indeed a cruel one.

Table 13

SHARE OF TOTAL ENROLLMENT BY SPECIAL NEED CATEGORY, 1971-72

City by Region	Share of Total Enrollment:				
	Physically or Mentally Handicapped	With a Special Learning Disorder	Title I Eligible	Vocational Technical	Total Special Students
NORTHEAST					
Boston	3.7%	4.7%	36.1%	1.5%	48.0
Buffalo	4.0		31.4	9.0	44.4
Pittsburgh	3.8	.5	48.9	7.2	60.5
MIDWEST					
Chicago	2.5	.1	60.8	27.1	90.5
Detroit	2.6	.3	32.7	.6	36.2
Minneapolis	3.8	7.8	16.8	2.9	31.3
St. Louis	5.2	.2	29.8	7.0	42.2
Cleveland	1.3	.1	43.1	6.7	51.2
Milwaukee	2.7	N.A.	37.2	N.A.	39.9
SOUTH					
Atlanta	.8	.1	7.3	4.9	13.1
Houston	2.2	N.A.	25.7	7.3	35.2
WEST					
Los Angeles	1.9	5.2	34.6	12.9	54.6
San Diego	1.5	.5	9.5	6.1	17.6
San Francisco	2.2	.8	32.4	1.9	37.3
Denver	3.6	.9	16.4	5.2	26.1
Portland	5.2	2.3	52.7	10.2	70.4

Source: Authors' survey of pupil enrollments in member cities of the Great Cities School Council, 1972. U.S. Department of Health, Education and Welfare, Public Assistance Statistics of 1972 (SRS 73-03100), Table 7.

Table 14

CONCENTRATIONS OF AFDC AND TITLE I PUPILS BY SCHOOL DISTRICTS, 1972

School District	Title I Eligibles as % of Local School Enrollment (1)	School Age AFDC as % of State Enrollment (2)	(1) / (2)	City Enrollment as % of State Enrollment	Local Title I as % of State AFDC
NORTHEAST					
Boston	36.1%	10.8%	3.34	8.1%	28.0%
Buffalo	31.4	16.1	1.95	2.0	3.6
Pittsburgh	48.9	12.1	4.04	2.8	13.4
MIDWEST					
Chicago	55.6	13.?	4.21	25.1	91.1
Detroit	32.7	11.0	2.97	12.9	55.5
Minneapolis	16.8	5.8	2.90	7.0	17.7
St. Louis	29.8	8.4	3.55	9.9	33.6
Cleveland	43.1	6.5	6.63	6.3	36.8
Milwaukee	37.2	5.8	7.27	12.8	80.0
SOUTH					
Atlanta	7.3	11.0	.66	8.9	6.2
Houston	25.7	5.2	4.94	8.4	40.2
WEST					
Los Angeles	34.6	13.0	2.66	12.6	32.6
San Diego	9.5	13.0	.73	2.6	1.8
San Francisco	32.3	13.0	2.48	16.4	3.9
Oakland	18.2	13.0	2.94	1.2	3.4
Denver	16.4	7.5	2.19	16.0	34.9
Portland	52.7	7.8	6.76	15.5	8?.8

The magnitude of the fiscal burden imposed by these pupils can be indicated by calculating the expenditure or teacher requirements that would be necessary if all these pupils were weighted in accord with the findings of the National Educational Finance Project (NEFP). As Table 15 reveals, applying NEFP weights would require many major city school districts to increase their per pupil expenditure levels about 50 percent. Similarly, they would be compelled to increase teacher employment by about 45 percent.

The strain this education overburden places on urban districts might be expressed in another way. As indicated earlier, many states express school district wealth on a per pupil basis. But as Table 16 indicates, using NEFP weights in calculating fiscal capacity would reduce the apparent wealth of many major cities by about 50 percent. Similarly, using pupil weights suggested by the President's Commission on School Finance would reduce the wealth of major city school districts even further.

Table 15

CITY FISCAL AND TEACHER REQUIREMENTS
ARISING FROM NEFP WEIGHTINGS
1972

City by Region	Expenditure Per Pupil		Number of Teachers	
	in 1972	NEFP Requirement	in 1972	NEFP Requirement
NORTHEAST				
Boston	$ 918	$ 1,271	4,652	5,937
Buffalo	1,293	1,917	3,327	4,002
MIDWEST				
Chicago	1,024	1,789	25,403	37,786
Detroit	803	1,159	10,533	16,473
Minneapolis-St. Paul	1,085	1,576	3,142	3,256
St. Louis	689	1,017	3,960	6,297
Cleveland	744	1,158	5,727	8,830
Milwaukee	962	1,420	5,140	7,220
SOUTH				
Atlanta	856	1,057	4,753	5,791
Houston	685	973	8,897	13,603
WEST				
Los Angeles-Long Beach	1,078	1,719	24,239	39,319
San Diego	813	1,047	5,301	6,724
San Francisco-Oakland	1,388	2,163	5,070	4,973
Denver	1,143	1,543	4,168	5,351
Portland	852	1,500	3,615	4,733

Source: Authors' survey of pupil enrollments in member cities of the Great Cities School Council, 1972. U.S. Department of Health, Education and Welfare, Public Assistance Statistics of 1972 (SRS 73-03100), Table 7.

Table 16

CITY PROPERTY VALUES WEIGHTED AND UNWEIGHTED FOR EDUCATIONAL NEED

City by Region	Per Pupil Property Value in 1972	
	Unweighted	Weighted for Education Need on NEFP Basis
NORTHEAST		
Baltimore	$ 20,794	$ 15,024
Buffalo	27,305	18,417
MIDWEST		
Chicago	52,490	30,046
Detroit	40,063	27,757
Minneapolis-St. Paul	57,010	39,249
St. Louis	44,203	30,338
Cleveland	60,260	38,728
SOUTH		
Atlanta	47,612	38,558
Houston	38,120	26,837
WEST		
Los Angeles-Long Beach	60,096	37,686
San Diego	50,000	38,826
San Francisco-Oakland	112,630	72,275
Denver	50,780	37,616
Portland	44,770	30,120

Conclusion

In brief, it is clear that parity between tax effort and revenue yield will not by itself insure fiscal justice for most major city school districts. This, of course, is not to assert that tax effort-revenue yield parity is undesirable. Rather it is to argue that it is insufficient as an equalization mechanism. But how do we create an adequate mechanism?

Part of the answer seems to be in the realm of classification. We need to know which school districts are really poor, which ones are overly taxed, which ones have concentrations of educational need, and which ones are paying high prices for their factor inputs. This information, if comprehensive enough, not only would provide a realistic picture of the fiscal environment, but also, and more important, might provide vital clues for developing policies consistent with both fiscal justice and political expediency.

In the time being, however, we believe that those concerned with fair school finance--

1. should continually emphasize the need, cost, capacity, and effort differentials that cities face, differentials which make them deserving of additional external assistance.

2. should press for a pupil weighting system that reflects the differential educational needs in large cities. Weights along the order of those developed by the National Educational Finance Project or other more empirically testable weights should be developed.

Consideration should also be given to graduating weights for a given type of pupil when they reach high concentrations in a school district.

3. should insist on aid for the differential costs of urban education. Generally, cost correction factors might have two components, one reflecting the differential a city district pays for providing a service and the second recognizing the higher costs cities must pay for educational inputs not always required by other school districts.

4. should give prime consideration to developing a fiscal capacity measure which is income, rather than property based in nature and which uses total population rather than school enrollment as the unit by which to measure wealth.

5. should take into account the problem of municipal overburden. Cities invariably have higher total tax burdens than most other types of school districts. Consequently, they are burdened by aid programs which make the implicit or explicit judgement that cities are "free" to choose a level of tax effort that will be sufficient to meet their educational requirements. Municipal overburden corrections, taking into account the higher tax effort in cities, should be a basic component of a revised aid formula.

6. should give attention to the form of school finance revisions as well as their initial fiscal impact on city school finances. Full State funding programs, in particular, should be scrutinized insofar as they have a "levelling" effect on urban school finances. Power equalizing schemes should be examined to see that they do not demand extraordinarily high tax effort in large urban centers. And all school finance revisions should be studied as to their tax-expenditure impacts on urban areas. Cities should be especially careful of not ending up paying the major share of school finance revision programs.

FOOTNOTES

1. Serrano v. Priest, 5 Cal. 3d 584, 96 Cal. Rptr. 601, 487 P. 2d 1241 (Sup. Ct. 1971). Also, Milliken v. Green, _____ Mich. _____, 203 N.W. 2d 457 (Sup. Ct. 1972). And, Robinson v. Cahill, _____ N.J. _____ (Sup. Ct. 1973).

2. See, for example, Education Commission of the States, Newsletter, selected dates.

3. Ibid.

4. The Urban Institute, Public School Finance: Present Disparities and Fiscal Alternatives (Washington, 1972).

5. Betsy Levin and Thomas Muller, The Financing of Schools in Minnesota (Washington, 1973). William H. Wilken, Minnesota School Finance: The Need for Continued Reform (Washington, D.C.: National Education Association, 1973).

6. Joel S. Berke and John J. Callahan, "Serrano v. Priest: Milestone or Millstone," Journal of Public Law, 21 (Summer, 1972), pp. 23-71.

7. National Legislative Conference, A Legislator's Handbook to School Finance (Denver: Education Commission of the States, 1972).

8. John Coons, William Clune and Stephen Sugarman, Private Wealth and Public Education (Cambridge, Mass.: Belknap Press, 1970), pp. 201-242.

9. Ibid., p. 242.

APPENDIX

The simulated state aid and tax rate data in Table 1 were calculated as follows. State aids were determined for each school district by multiplying the average per pupil state aid in 1971-72 by the local to state school tax effort ratio for the same fiscal year. Tax rates were determined for each school district by subtracting the simulated state aid from 1971-72 state-local revenue, then by dividing the remainder by the local tax base, and, finally, by multiplying that product by the local to state per pupil tax base ratio.

To be sure, this procedure does not correspond perfectly with district power equalizing in its pure form. This is unavoidable, however, unless one makes assumptions about guaranteed revenue schedules, that is, the number of dollars that states will provide school districts for each level of tax effort. Although there is nothing inherently wrong about making such assumptions, stating them raises very difficult questions, especially in the area of interactance between guaranteed revenue yields and potential changes from present levels of tax effort.