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ABSTRACT

In this speech, the author discusses the sources of revenue for public education and the methods of distributing funds for its financing. The discussion is based on the underlying premise that equalizing educational opportunity is desirable. The author points out trends in educational legislation and common philosophical points of view on school finance, examines the causes for rising costs in education, assesses the adequacy of foundation programs using the Utah case for illustration, and looks at the various options for school district organization. The document lists concerns to be examined as changes are considered in the financing of public education. The document concludes with discussions on the federal and business roles in education and educational accountability. (Author/DN)

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SPEAKER: Walter D. Talbot, State Superintendent of Public Instruction, Salt Lake City, Utah.

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I appreciate the opportunity afforded me to discuss school finance programs and problems under the title "New Methods of Financing Public Education." As I contemplated the content of this speech I concluded that the title gave me at least three alternatives: (1) to discuss the sources and resources as methods of financing education; (2) to discuss the application of those resources to formulae for distribution of funds as methods of financing education; (3) to combine the two.

As you will readily see as the body of this speech is analyzed, I have chosen option number three--to discuss sources of revenue and methods of distribution. Hopefully, by combining the two the topic is broadened to provide greater interest and coverage.

School finance is becoming an increasingly important issue as educators, legislators, governmental officials, lay citizens, and even students, contemplate how best to finance programs in the public schools. Increasing pressures for equalization of school finance formulae have caused a rebirth of the notion that all children are entitled to a sound education.

Quoting from the Fleishmann Report School Finance: Toward Equality of Opportunity we find the philosophy of Serrano and Rodriquez paramount:

> It is repugnant to the idea of equal educational opportunity that the quality of a child's education, insofar as that education is provided through public funds, is determined by accidents of birth, wealth, or geography; that a child who lives in a poor district is, by reason of that fact alone, entitled to lower public investment in his education than a child in a rich district. It is unconscionable that a poor man in a poor district must often pay local taxes at higher rates for the inferior education of his child than the man of means in a rich district pays for the superior education of his child. Yet, incredibly, that is the situation today in most of the 50 states, . . . (p.57)

Most people agree on the merits of equalizing educational opportunity but few agree on the specific sources of revenue to be used, the distribution pattern as it relates to providing equality, or the extent to which the local,

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state and federal governments should participate in financing education. Most people also agree that the ultimate source of revenue for financing education is the people whether it be individual, group, or corporate taxation; but the percentage of each and the best method for extracting the money from that source continue to remain illusive.

There do appear to be some trends in financing public education which are observable in states with recent enactments of school finance laws. It should be emphasized that the following are not common to each state finance program, but are seen as trends as state programs are analyzed:

(1) A greater state assumption of school costs which tends to reduce the excessive reliance upon the property tax.

(2) A lessening of the range of expenditure variation among districts.

(3) Greater equalization of tax burdens among districts.

(4) Allocations of educational resources in relation to educational need.

(5) Adjustments of state aid in proportion to cost of living.

(6) State assumption of some or all construction costs.

(7) Reform of property tax structure. (Phi Delta Kappan, December, 1973)

Some common philosophical points of view seem to be finding their way more and more into school finance discussions.

(1) The federal share of financing public education should be at least one-third. (That is a long way from the current seven to eight per cent.)

(2) States and local governments should have a balanced tax system. Few definitions are available as to what constitutes balance but it is presumed that balance relates to combinations in appropriate amounts of property, sales, income and other major taxes and to applications on a broad basis so as to obtain maximum revenues from a variety of sources.

(3) There should be great reductions in the inequalities and disparities among and within states. These disparities show up in several ways: (a) disparity in the ability to finance education and other services, (b) disparity in need, (c) disparity in cost, (d) disparity in effort, which may be a direct result of the inclination of the people in a specific locale; such disparity may also result from frustration or from unfavorable state finance programs which discourage effort.

Difficulties arise in financing education when the factors mentioned above get out of balance. Certainly the federal share and method of financing education provide imbalance. The amount of federal money available is woefully short of what it ought to be and also the kinds of programs for which money is provided at the federal level reflect special interest legislation and for the most part the method of distribution violates sound principles of school finance. Most state school finance laws provide imbalance in that they rely excessively upon one tax at the expense of the other or their property assessment ratios bear little resemblance to equity. Most school finance programs recognize disparities but do not recognize all of them or tend to trade off one against the other.

Inequality, frustration brought on by an inability to solve school finance problems, a growing disenchantment of the public with public education, political expediencies, and many other factors have given rise to the current demand for school finance reform. However, the chief and basic cause for the sudden flurry to do something about school finance is the rising cost of education. Authorities generally agree that rising costs come from three sources: (a) increasing school enrollments (generally, but certainly not specifically, that factor is becoming less and less important; however, if your state is like mine, falling school enrollments are destined to be brief and enrollments will begin to rise again in the next five years); (b) inflation (it is likely that past experiences with inflation have been mild compared with what is on the horizon); (c) needed improvements in the quality of programs (the need for quality in education programs is long overdue. Programs based on student need with ample resources to support those programs in the interest of filling that need are largely just in the talking stages in most parts of the country. Except in possibly a few lighthouse schools there do not exist programs which consider unique needs of all students or for which sufficient resources exist).

Foundation programs among the states have served an extremely useful purpose. Providing minimum educational programs to every child in the state has been a goal worthy of attainment; yet minimum state-supported programs have been recognized by many communities as perpetrating inferior education programs. Some have moved individually and aggressively to improve their programs which has provided inequalities among districts and states in the nation. Appropriate financing will not occur until every district is accorded the opportunity to produce a program in excess of its state foundation limitations and the state recognizes that effort by supporting it with incentive grants. If disparities are to be overcome incentive grants in the states must be sufficient to move the people in local districts to want to make greater effort to finance education and they must be determined by effort in relation to ability, cost and student need.

As indicated foundation programs have been popular and have served well for the past four or five decades, but in terms of quality education they have been grossly oversold. The adequacy of the foundation level seldom can be defended in terms of quantity or quality of education but some of that inadequacy is not related to the amount of money available. Some of the problems generated by the foundation approach to financing education lie in low local standards and expectancy of education, unsatisfactory school district structures, unimaginative budgetary decisions and inept management, and lack of local effort to determine quality education and to finance what is needed. But foundation programs have been subsidized by special grants and categorical programs to overcome inherent deficiencies. These specialized programs have eroded the foundation concept and generated inequality among districts. Such inequality in many instances is directly related to the non-monetary inadequacies of foundation programs. It takes little imagination or research to show that those school districts in which the people had a high expectancy of education, where administration was forward looking and the organization and management operated on up-to-date principles, and where people were willing to make unusual effort special and categorical funds were obtained out of proportion and where this was not possible they were utilized more appropriately and profitably. Districts with low education expectancy and unimaginative educational leadership didn't receive their share of categorical monies.

In my own state, despite tremendous efforts at equalizing, and educators and legislators who are constantly on the alert for better programs, the school finance program has many missing parts which deter it from meeting basic criteria for equalizing educational opportunity. I want to discuss briefly some of our shortcomings to illustrate philosophical points made earlier. I use Utah as an example because I know it best and I believe our problems may be transferable to most any other state.

Historically, Utah has maintained the philosophy of equal educational opportunity for every child, regardless of economic status, geographic location, or special personal characteristics. In practice, however, the state has fallen short of this ideal. Complications in connection with distribution unit definitions, special allowances, and categorical program monies have created unequal dollars per student among the districts. Federal programs aimed at specific target populations, without regard for the financial ability of the district in which that population resides, have "disequalized" state efforts.

Equal educational opportunity does not imply uniformity of curriculum or financial expenditure. To the contrary, equal opportunity requires expenditures in relation to specific needs as determined by student characteristics and geographic locations of school units to guarantee student advancement in personal and academic goals as well as preparation for life's work. The goal of equal educational opportunity cannot be achieved by providing standard and uniform programs for all students. Variations in need are expressed between and among such target groups as rural and urban; handicapped, "normal," and gifted; children whose home and cultural background points to a need for compensatory education and those whose life experiences indicate a reasonable assurance of success; and, pupils whose goals in life require differences in programs, e.g., vocational v. college bound. An additional variation in program need as related to expenditures lies within each program such as science compared to social studies and between levels of education, i.e., elementary, secondary, and post-secondary.

A concern in Utah which has continued to raise questions on school finance is that connected with how best to organize the state school system for maximum service to patrons while maintaining equilibrium in economic effort. This problem manifests itself in school districts that are either too small, too large, or poorly located or poorly organized with respect to access to services. Of equal concern (particularly since sources of revenue and revenue itself are not inexhaustible) is the problem of cost-benefit analysis of programs, which, if available, would permit the state to determine program priorities on a fixed level of income or to ascertain the kinds of programs most susceptible to increased benefit when new and additional monies are to be allocated to education.

Concerns which are almost perpetually with us and which must be addressed as we look at changes in financing public education are the following:

(1) An identification, measurement and interpretation of differences in educational need among students.

(2) A deliberate attempt to relate variations of educational need to the ability of a school district to finance appropriate educational programs so that state equalization may have a greater impact.

(3) A search for target populations which possess or may develop a unique need for special kinds of programs.

(4) A recognition of cost differentials among various types of programs within each target group and among levels of education.

(5) A determination of kinds and types of incentive measures to bring about greater efficiency and economy considerations as well as to encourage

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greater financial effort at the local and state level.

(6) A projection of balance between financing foundation or "regular" programs and programs of a categorical nature.

(7) A determination of an appropriate ratio between expenditures for direct instructional programs and those necessary support areas, including school plant and transportation expenditures.

(8) A probing of means to effectuate cost-benefit analysis which would permit priorities to be set and selections to be made of alternative programs for attaining the goals and purposes of education.

(9) A means of finding sources for and allocating more funds to education.

(10) A method of using all resources to equalize educational opportunity, including federal dollars for education programs.

Most school finance authorities suggest only three alternative actions available to states to meet requirements of equal educational opportunity: (a) complete state financing, (b) reorganization of school districts and subsequent formation of larger administrative units, (c) revision of the state's current finance formula to provide greater equity in the distribution of funds to local school units. Whether these are the total number of factors that should be considered is subject to conjecture. Nonetheless, most states would find that (a) and (b) are not as easy to accomplish as is item (c). While full state funding may be desirable in many places it also has its drawbacks and is not generally politically popular for one reason or another. Proponents see it as a means of bringing equality of educational opportunity and a shifting of tax burdens from the local property owner to a broader base available at the state level. Others see it as a forerunner to one single school district in the state and as a means to deal the final death blow to local control and to basic public interest in their schools. As for reorganization of school districts and subsequent formation of larger administrative units the same fears are used to politically destroy efforts. So what basically remains as a viable means of improving school financing is to revise the state's current formula. If you are fortunate, as we were in Utah, a complete revision is possible; if not old programs are patched to provide greater equity.

In a 1971 publication, the National Educational Finance Project concluded that if the American dream of quality education for all the nations children is to be met then the policymakers and concerned citizens, which should include everyone, must ask themselves some searching questions:

(1) What educational programs and services will be funded in the state's

school finance plans and for whom will these programs be provided?

(2) Will state funds be apportioned on the flat grant basis which ignores differences in the wealth of local school districts or on the equalization basis which provides more state funds per unit of educational need to poorer districts than to richer districts?

(3) Will necessary variations in unit costs of different educational programs and services be recognized or ignored in allocating state funds on either the flat grant or equalization basis?

(4) What proportion of school revenue will be provided by the state and what proportion from local sources and what proportion by the federal government?

(5) How progressive or regressive will be the state's tax structure?

(6) To what extent will the state provide for financial equalization of educational opportunity among school districts of the state?

(7) To what extent does the federal government have the responsibility to eliminate educational inequalities among the states?

(8) What are the financial needs of the public schools and how nearly can these needs be met taking into consideration needs for other governmental services and the financial ability of the state to provide them?

(9) Is America willing to take the bold step necessary to make the dream of equal educational opportunity for all truly a reality? (pp. 60-61)

The authors of the booklet Future Directions for School Financing conclude by saying that "The correct answers must be found by 'we the people'!" Basically, I quoted those questions to indicate the depth and breadth of the problems for which solutions are being continually sought but only superficially found and also to note as did the directors of NEFP that the people must provide the answers.

As indicated earlier, the source of revenue for education is the people whether we tax them as individuals, in groups, or the corporations they form; whether they are taxed on property they own, goods they buy, income they make, services they render, gadgets they build, minerals they mine, or numbers of students they send through the system. This being the case it seems that a very simple solution to an extremely complex problem would be to involve them in making the determination.

I recognize that in our country basic involvement of the people is accomplished through representative government where people are represented by those whom they elect. This is a convenient way to do business, but it all too often lets people off the hook and those who having voted disengage themselves from active participation and shrink from acceptance of responsibility. They would by and large prefer to remain in the background assuming no responsibility; those who are a bit more active prefer to "hold their elected and appointed officials 'accountable'." But the means of success of any accountability program is understanding the concept and basic to this concept is that "accountability begins at the top." In our country, in our form of government, the people are at the top.

Now lest I be misunderstood, I want to properly fix responsibility upon the educators, also. People are reluctant to become involved in the schools because they have felt unwanted by educators who "run" the schools. I believe it is the responsibility of the educators to develop the mechanisms whereby the people can become heavily involved in the schools. The natural link between the school and the home is the child; the natural link between the school and the people who do not have children is service. What we have to do in my opinion is to point the way and provide the procedures whereby people can come to feel that the schools belong to them, that the school is an institution whose function and destiny they can help shape, that the school is a public institution for whose success they have a major responsibility.

Educators must also do their level best to provide the kinds of services needed by the people--not just those who come there daily because laws compel them to do so but also all those who have need that the schools can serve. There are some strange phenomenon at work in the world today. Intricate communication and transportation networks have brought the people of the world closer together, yet we have pulled apart in our beliefs, our faith, our value systems, and our ability to work together. At a time when it is essential that the home and school be drawn together in mutual support we find ourselves at odds with the public. When there is a necessity of accountability through identification with programs, agencies are being proliferated bringing about overlapping and duplication and an inability to fix responsibility. The very things we are attempting to clarify are being muddled and being made more obscure.

Schools today are wrestling with problems that have not been anticipated, problems for which administrators have not been especially prepared, and for which we are forced to admit there are no ready solutions. One thing looms apparent: we must develop better dialogue and a new partnership with the people in our school communities.

Well, what is the purpose of all this? Simply that the people--not just a selected few, but all of them--are the benefactors of the schools in whose hands

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the necessary resources are held. If we are going to tap that resource so that education serves its most useful purpose we have to engage the people in such a way as they feel responsible for the schools and are willing to pay for them. While it is true that many are receiving services for which they do not pay adequately, it is also true that many are paying for services far beyond that which they are receiving. The people hold the resources and only they can permit their resources to be tapped either by taxation or voluntarily. I have a feeling that there is more resource available to be given voluntarily than we will ever be able to extract through taxation if we but had the key to open the doors of the schools to the people and the hearts of the people to their schools.

As a postlude to what I have just said, not as philosophically but in keeping with the spirit of it, I believe that there are many industries and businesses who would finance vocational and technical programs if they could be certain they could find among the class members those who were capable of doing the work those businesses and industries have to do. In Taiwan, I understand, prospective employers pay a two per cent employee salary tax for the purpose of financing vocational education. If we could expand that notion to career education in our own schools we indeed would tap a great resourece.

Now, one last point before I close. I have been discussing to some extent with a member of the House Appropriations Committee the notion of using federal dollars as incentives to get states to equalize their own education finance programs and also the ability to utilize federal dollars which flow into states as a resource to those states to be used in equalizing education programs. I have every reason to believe that Congress would seriously consider both issues if they really had any idea that states would handle their own problems.

I have already indicated that my own state has historically been an equalization state. By using NEFP criteria Utah's school finance program is rated as number one following Hawaii, in terms of equalization. But we have only partially equalized. Yes we have a fair foundation program although there isn't enough money in it. We have a leeway program in which by balloting the people of a district may increase their program by 10 mills. The state guarantees that at a very minimum level of $4 per weighted pupil per mill. We also have a state guaranteed school building program--again on a very minimal level--which leads us toward equalization. This past legislative session we introduced an equalization program for school transportation including some funds for field trips and interscholastic activities but it was defeated. I believe by trying again it will succeed.

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My point is that Congress is unlikely to send federal dollars to states for equalization if states do not make the effort to equalize. Utah equalizes its basic instructional program but it must do likewise with its leeway program, its transportation program and its capital outlay program before it can expect the disequalizing effect of federal dollars to cease.

It is my sincere hope that those who are expert in school finance and those who are expert in school-community and interpersonal relations will combine their efforts to find ways to adequately finance public education in the country. The resources are available, the needs are apparent, the challenge is tremendous.

Thank you.

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