

DOCUMENT RESUME

ED 093 075

EA 006 274

TITLE Financing Public Schools In Massachusetts: Problems of the Past, the Present and the Future.

INSTITUTION Massachusetts Advisory Council on Education, Boston.; New England School Development Council, Cambridge, Mass.

SPONS AGENCY Massachusetts Educational Conference Board.

PUB DATE May 74

NOTE 45p.; Proceedings of the Massachusetts Educational Conference Board Invitational Conference (3rd, Framingham, Massachusetts, May 1974)

EDRS PRICE MF-\$0.75 HC-\$1.85 PLUS POSTAGE

DESCRIPTORS *Educational Finance; Educational Needs; Elementary Schools; Equalization Aid; *School Support; *School Taxes; Secondary Schools; *State Aid; *State Legislation

IDENTIFIERS *Massachusetts; School Finance Reform

ABSTRACT

This conference aimed at focusing the attention of educators, legislators, and interested citizens on the inadequacies of present methods used to finance public elementary and secondary schools in Massachusetts. The papers presented in this document give an overview of the present problems and provide direction for the actions required to develop a more equitable tax system. Specific topics addressed by the speeches include the needs of education; revenue needs, resources, and the possibilities of change; executive policy and the financing of public schools; political realism and the financing of public education; issues in the financing of schools in Massachusetts; and the need for reforming State aid to education in Massachusetts. (Author/DN)

ED 093075

FINANCING PUBLIC SCHOOLS IN MASSACHUSETTS

Problems of the Past, the Present and the Future

Proceedings

1974 Invitational Conference

Massachusetts Educational Conference Board

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EA 006 274

Published by

Massachusetts Advisory Council on Education

and

New England School Development Council

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Massachusetts Association of School Committees
Massachusetts Association of School Superintendents
Massachusetts Congress of Parents and Teachers
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**FINANCING PUBLIC SCHOOLS
IN MASSACHUSETTS**

**Problems of the Past,
the Present and the Future**

**1974 Invitational Conference
sponsored by**

The Massachusetts Educational Conference Board

**Chateau de Ville
Framingham, Massachusetts**

May 9, 1974

PREFACE

Members of the Massachusetts Advisory Council on Education are pleased to collaborate with the New England School Development Council to publish this summary of presentations on financing public education in Massachusetts. Finance reform will be a critical part of future attempts to improve the equalization of educational opportunity in the Commonwealth. The Massachusetts Educational Conference Board has performed an important service by bringing together some of the educational leaders and the elected leaders who must work together to achieve educational reform as part of more comprehensive fiscal and service reform in state and municipal government. The comments from these leaders constitute part of the foundation for future action.

The Advisory Council on Education is supporting other projects that will assist elected officials and educators in pursuing the improvement of equalization of service and financing. One project under director John E. Heffley will synthesize data from elected officials and educators to suggest new funding alternatives for education. Another project directed by the Massachusetts Taxpayers Foundation will provide a resource booklet on taxation-revenue relationships. Together with recommendations from a Study Commission on School District Organization and Collaboration, these projects will provide the General Court and the State Board of Education with much of the data needed for designing reform actions. With strong and united support from the Massachusetts Educational Conference Board and municipal officials, our legislative and executive leaders could achieve truly major reform during a future session of the General Court. Let us resolve to give these leaders that support.

Ronald J. Fitzgerald
Director of Research
Massachusetts Advisory Council on Education

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FORWARD

The Massachusetts Educational Conference Board has sponsored two major conferences on the problems related to the financing of public schools in Massachusetts during the past two years. The purpose of the conferences has been to focus the attention of educators, legislators, and interested citizens on the inadequacies of present methods used to finance public elementary and secondary schools in the Commonwealth.

Fundamental to the need to reform the financing of education is the need to reform the present tax structure that supports public education. The property tax base is no longer adequate to serve as a source of seventy percent of the funds for education. The inordinate reliance on the local property tax as a major source of support of education in Massachusetts creates inequities in funding and inequality of educational opportunities for the youth of Massachusetts.

The papers presented at the May 9, 1974 conference give a good overview of the present problems and give direction for the actions required to develop a more equitable tax system. Concerted action by those interested in education and those interested in tax reform is now needed to provide the leadership required to accomplish what must be done.

The Massachusetts Educational Conference Board is willing to collaborate with interested organizations and interested citizens in the reform of educational financing and the improvement of educational opportunity. We invite you to join with us in a most worthy endeavor.

Robert G. O'Donnell
Chairman

Massachusetts Educational Conference Board

OPENING ADDRESS

Massachusetts Lieutenant Governor Donald R. Dwight

Two years ago state and local officials all over this country sat nervously shuffling their feet and looking at the clock—awaiting a Supreme Court decision that would revolutionize the financing of public schools. At last, we thought, all the inequities of reliance on the property tax will soon be over.

Well, the revolution fizzled. Instead, the court ruled, each state must resolve its own inequities. It is now up to the people of Massachusetts to pick up the pieces—to decide how much reform, and how fast.

I am not here to wave a magic wand—to give the easy answer. There is no easy answer.

Instead, I am here to underline some realities and propose some ground rules for the debate that must begin.

First, the existing tax structure in Massachusetts, and existing state obligations, stand in the way of immediate relief to local school systems. The Governor and the Legislature have been working hard to free additional funds for education. But Massachusetts still shoulders a social services burden amounting to one and one third billion dollars—half the state budget. *That is a reality.*

And before you say the state should provide a bigger piece of the pie for education, consider what we provide now:

Thirty cents of every tax dollar raised in this state *already* goes to education. That is another reality.

The administration's budget proposal for fiscal 1975 calls for \$955 million for public education, two thirds of that

Prepare to sacrifice some of the less defensible formulas if you expect major breakthroughs on others. Current school construction formulas were designed to help economically depressed cities, but they also encourage nearby cities and towns to propose hockey rinks, olympic-sized pools and new fieldhouses, since the state will funnel money into "depressed areas."

Regional aid incentives, we discovered, gave one city a million dollars even before the new regional school opened its doors.

And those same incentives make a town eligible for 15% additional aid if only 10 students from that town attend a regional school. Be prepared to abandon such expensive flourishes.

Finally, I urge you to show a little humility. As enrollments dip—and a dip of 20-30% in the lower grades is projected—there will be opportunities for financial savings. Don't pass them by.

Some school systems will discover excess space that can be used by civic groups, the elderly—even by other city and town agencies. Therein lies another opportunity to stretch the education dollar.

The Constitution of the United States guarantees the citizens of this country equal protection under the law—and that means equal educational opportunity.

When one community in Massachusetts can allocate \$500 a year to educate a student, and another can allocate \$1,500, that is not equal educational opportunity. Although some of the realities I have pointed out will make reform difficult, another reality rises above them all: one conclusion is inescapable—reform in the financing of education is essential.

The administration is committed to that end. Governor Sargent and I want to work with the Legislature, with selectmen, with mayors, with school committees and with others who share our ideal.

May your debate be productive of ideas and provocative of action.

THE NEEDS OF EDUCATION

Representative Michael J. Daly
Chairman, Joint Committee on Education
Massachusetts General Court

I have been asked to speak to you this morning on the needs of education. Were I to show you a transcript (expletives deleted) of all the testimony heard by the Education Committee this spring on what the public perceives as the needs of education, it would be as long as the Encyclopedia Americana and as controversial and contradictory as the White House tapes!

There is no question in my mind, however, that the most important and all-encompassing problem facing education today is that of school finance in the narrow sense and unequal education opportunities in the larger sense.

I would like to run through several problem areas by way of demonstration. Perhaps the most interesting and controversial indicator of financial difficulties has been the Special Education Act, Chapter 766. As the September 1, 1974 target date approaches, the cries of financial doom increase. Chapter 766 has, in many ways, pulled the problem together in a very dramatic way.

For years the Commonwealth has been shortchanging the cities and towns of their Chapter 70 entitlement. We are all aware of the unequalizing effect of an underfunded Chapter 70. While there have been municipal grumblings in the past, nothing compares with the outburst created this past winter around Chapter 766.

The cities and towns simply do not have faith in the state. When we tell them they are guaranteed full reimburse-

ment for the cost of special education, they are quick to point out that the dollars will be subtracted from Chapter 70. Their argument is a valid one.

At least as a short term solution, I filed legislation which would increase the Local Aid Fund by the cost of 766. It was reported out favorably by the Education Committee and is now being studied by the House Committee on Ways and Means.

I feel that this legislation is important for two reasons. First of all, it prevents special education from becoming the scapegoat for lack of money for regular education. Secondly, it focuses attention in the right direction towards the inherent inequities in the NESDEC formula.

Interestingly enough, Chapter 766 has dramatized the weaknesses of the formula. On April 9, the House Ways and Means Committee made public the distribution of the \$26 million dollars of start-up money for Chapter 766. The distribution, the Committee explained, was based on the NESDEC formula. Attached to the budget was a complete breakdown on the amount of money each city and town would receive. Let me cite just one example of what the budget showed.

Cambridge with a net average membership of 9,800 kids received \$95,000. Yet Holbrook with 2,700 kids and Middleborough with 3,000 kids each received virtually the same amount of money as the City of Cambridge.

The annual battle to repeal the law providing fiscal autonomy for school committees is another symptom of our financial difficulties. It is clearly the result of the acute financial pressures which exist at the local level. It is, however, a symbolic battle because over 80 percent of the school budget is fixed. Unfortunately, it is the vehicle which is being used to protest increased burdens on the local taxpayer. Just as special education tends to be downgraded for the sake of regular education, so does all of education become threatened because of fiscal problems at the local level.

Special education and fiscal autonomy perhaps most dramatically point up the problems of school finance. But

the problem is seen in several other areas as well.

I would like to explore with you for a few minutes, the issue of school finance in terms of equal educational opportunity. It is no longer adequate to talk only about school finance in terms of equal dollars for equal education from one town to the next.

In several pieces of legislation, we have acknowledged that certain categories require more dollars. In fact we have a system of weighted students to one degree or another, in the areas of vocational education, special and bilingual education. All of these special categories have special formulas for dollar distribution. They are not necessarily based on the needs of the community as much as they are based on the needs of particular children or groups of children.

The state pays 100 percent of the excess cost for bilingual education over and above the cost of regular education, 100 percent of the excess cost of special education up to 110 percent of the state-wide average for particular programs. Fifty percent of the cost of vocational education is picked up by the Commonwealth.

But all of these programs are based, to a degree, on the ability of municipalities to start programs in the first place. Except for the up-front money for special education, the state has always taken the attitude, "You pay the bill and next year we'll pay you back."

I think we need to find a single method of state aid that takes into consideration both the fiscal capabilities of a school district *and* the special needs of the resident youngsters. Categorical grants by their very nature, are unable to do this. Let me sight just one example.

We have some very fine vocational schools throughout the state. Recognizing the importance of vocational education, the state has chosen to pay 50 percent of the bill.

But I go back to the thousands of youngsters who never get to go to their regional vocational schools. The comprehensive high schools with their courses in cosmetology and woodwork are not meeting the needs of youngsters in the general

course today or in the job market tomorrow.

The City of Boston receives 58 percent reimbursement for regular education, but only 50 percent for vocational education. Assuming that Chapter 70 is fully funded, communities like Boston would actually be penalized for instituting programs of vocational education. These are the kinds of problems which must be solved.

The newly established special Legislative Commission on Unequal Educational Opportunities will become, I hope, the vehicle for changing the way we finance education. The Education Committee has recommended that nearly 40 pieces of legislation filed this year be referred to this special Commission.

Included are bills amending the NESDEC formula, bills calling for a state take-over of the cost of education, bills recommending changes in the School Building Assistance Law, and bills amending the method of state aid for vocational education. The M.T.A.'s legislation providing for a gradual increase in state aid to 90 percent and distribution on the basis of pupil weighting will be referred to the special Commission. The two controversial bills on vocational education, S. 15 and H. 2904, will also be studied. House 2904, I might note, transfers vocational reimbursements from Chapter 74 to Chapter 70. In addition, it makes vocational education a priority right after special education.

The scope of the Commission, however, is much broader than financing. I am hopeful that the Commission can attack some of the more subtle barriers to equal educational opportunities for all kids. The members of the Commission have been selected. They include such people as the Commissioner of Education, a member of the Massachusetts Association of School Committees, the Executive Director of METCO, the Chairman of the Boston School Committee, and the Executive Director of the Education Collaborative for Greater Boston.

The Senate this week approved an appropriation of \$75,000 to provide that Commission with the expert staff we will need to do the job properly. It is my hope that the spe-

cial Commission will be able to pull together all of the people who have been working for reform of school finance over the years. We must start working now to create a political climate that will necessitate dramatic change in the very near future. I would like to see school finance become a major issue in the 1974 gubernatorial election. The resulting debate and public awareness in 1974 would then be high enough to insure major reform in 1975.

All of you in this room are in a unique position to become strong advocates for school reform. I urge you to join together to insure ultimate success. Thank you.

REVENUE NEEDS, REVENUE RESOURCES AND THE POSSIBILITIES OF CHANGE

Senator Frederic W. Schlosstein, Jr.
Chairman, Joint Committee on Taxation

It is a distinct pleasure for me to be here this morning to discuss with you the topic which I have been assigned, that of the general revenue needs of the Commonwealth, revenue resources and the possibilities for some change. I was interested to hear the Lieutenant Governor talk about the reforms in this Commonwealth. As Mike Daly pointed out the need is there. Tax reform in the abstract is nice, it's nice to talk about because we're all for it. However, tax reform in the concrete gets to be a little bit sticky and a little bit harder to affect.

Now as to our present financial situation. I know that it comes as no surprise to anyone here that our present state budget, which is currently in a Conference Committee between the two branches of the Legislature, calls for state expenditures of \$2.7 billion. As Lieutenant Governor Dwight pointed out, half of that is for social service, welfare particularly. In this \$2.7 billion budget, however, there are approximately \$765 million that will be funneled back one way or another to the cities and towns in various forms of state reimbursements or state aid.

Now, this \$2.7 billion budget is precariously in balance. As a matter of fact, it is the opinion of some close observers of the budget situation on Beacon Hill that the Senate version of the budget is approximately \$5 million in the red. I don't doubt for one minute that the budget as it comes out of the Conference Committee will be balanced, at least on paper,

which means that there are going to be further cuts in the budget as is presently in the Conference Committee. The unanticipated deficits that will result from these and other budget cuts will surface somewhere along the line a few months from now.

Inflation, normal growth, built in costs of living will, for all practical purposes, insure the fact that we will have a major tax proposal before us at the beginning of 1975—notwithstanding the remarks of the Chief Executive that there will be no need for new taxes next year, and the silence of others who are campaigning for the position of Governor of this Commonwealth. The estimate of what these revenue needs are, for state purposes alone, is in the vicinity of \$200 million.

Now if this is so, and I have to agree that it is, and we want to add any new significant forms of aid to the cities and towns by way of educational aid, or tax relief to the cities and towns, this is going to have to be in addition to the \$200 million for state purposes. So, what we really are talking about is a program of \$300 or \$400 million. That is the amount of money that we really should be talking about if we are going to do all the things that you would like to see done, the Secretary of Education would like to see done, and Mike Daly would like to see done. Which brings me around to the point, "What are the revenue sources of the Commonwealth?" Where can we turn to raise—let's start with \$200 million? Where can we start to raise this amount of money?

Well, there are really only two sources in the Commonwealth that you can look to for that amount of income; namely, the state income tax and the present limited 3% sales tax. I don't think that I am telling tales out of school when I say that our manufacturing base here in the Commonwealth of Massachusetts has run into some hard times. We have experienced a very high unemployment rate in the Commonwealth. The corporate income tax, of course, has been blamed for some of these problems, but we have done, I think, quite a job in the area of corporation taxes—to make them more competitive with the other states in the United States, in

order to hold our manufacturing industry here in this Commonwealth so that we can hold some of our employment. There is a possibility of not increasing the rate of that tax tremendously, but of increasing the yield from that tax in perhaps a small way, by stopping the certain roll back provisions which lower the rate on the property tax measure of the corporate excise. That will raise some few millions of dollars, but not a significant amount.

The insurance company taxes. (You know, the ones you have been seeing ads about, on television or hearing them on the radio. The ads that tell you how state taxes are driving the domestic insurance companies right out of the Commonwealth of Massachusetts.) I don't want to make any guesses as to the amount of money that might be added to the present insurance company taxes. Any amount will be hard, whatever it is.

Gasoline taxes go to the highway fund so they will be of no help. The cigarette tax yields about \$117 million. Seventy-three million of that goes to the debt service reserve, and about \$29 million to mass transportation, and about \$15 million to the general fund. With the publicity on to stop smoking, the daily ads on television and radio of the Heart Association and the Cancer Association, I do not know how much more we can add to the cigarette tax as a practical matter, and still prevent more bootlegging into the Commonwealth of cigarettes than we actually have.

Let's get right back down to the practical reality of this business. The limited 3% sales tax and the personal income tax are probably the only places we are going to go, and how can we do it? Well, we have a 5% tax on earned income, or for wages, savings bank interest, pensions, and a 9% tax rate on capital gains, and other interest and dividends, but it is still the old classified type income tax. It hits the hardest on the lowest wage earners and particularly hard on those who are elderly and retired because the flat rate starts at the lowest level and there are only the specific exemptions of \$2,000 for the taxpayer and \$600 for dependents and a little bit of an exemption for social security or retirement contributions.

There is a floor, of course, of \$3,000 or \$5,000, below which no person or couple will be taxed in this Commonwealth. And \$3,000 or \$5,000 is not an awful lot of money—it is poverty level. But, unfortunately, there are a lot of people in this Commonwealth that are in that poverty level. What can happen is that we can raise the rate on the 5% earned income to 6%. And we can raise the tax on the other income from 9% to 10%. That will bring in approximately \$150 million. It is a substantial amount of money, but raising those rates will be difficult to do.

We can go to the limited 3% sales tax also; increase that 3% sales tax to a 4% sales tax which will bring in about \$90 million. We can also look at the sales tax a little bit closer and look at those exemptions, and exclude things that are presently exempt in the existing tax. We can broaden the base of the sales tax. But when we broaden the base of the sales tax or when we even discuss it, we are bound to get into political trouble.

I can recall very vividly what happened when the Joint Committee on Taxation reported out favorably some years ago a bill to tax services in the Commonwealth of Massachusetts, and I happened to be carrying the debate in the House of Representatives at that time—broadening the base of the sales tax to include services. Well, I don't have to tell you the debate that went on in the House of Representatives over taxing haircuts! I am sure that every member of the House of Representatives could see his barber or his wife's beautician damning every member of the Legislature from here on in. As a result we could not sustain the tax on haircuts and beauty services. And, this is typical of the fights you get into in the Legislature over broadening the base of a tax.

But broadening that base, of course, has other problems. You know that presently there are exemptions for manufacturing machinery. There are exemptions for commercial fishing and, now, there are exemptions in there for common carriers who have DPU runs in various sections of the Commonwealth. This is a result of last year's legislation to subsidize further the MBTA deficit. Attempts to remove any of those exemptions are going to be met with very, very severe resis-

tance, particularly in the manufacturing sector which is suffering. Certainly the commercial fishing area is in trouble, and it is no secret that mass transportation has a problem. So when we are talking about broadening the base we get down to the concrete. These methods of broadening that base will be met with severe political resistance, so they will come hard.

Now, if we get into the area of food and clothing, we are looking at possibly \$300 million more. But I hesitate to even mention the possibility of bringing food and clothing into the limited 3% sales tax while still enduring, in this Commonwealth, a classified type of income tax, which makes credits under the income tax very, very difficult to legislate, let alone administer. The point I wish to make is that to raise \$200 million, or \$300 million, or \$400 million will require very significant increases in both the sales tax and in the income tax.

Now, the Master Tax Plan Commission is in the process of being revived and continued for the purpose of issuing a final report. I expect that we will recommend ways and means to raise the amount of revenue needed to accomplish the other proposals of the Committee which have already been set forth. These include establishing a model revenue structure with the mechanics for keeping that structure in line and to reducing the present overdependence on the property tax.

Also, we have to look at the other proposed uses of our available resources. Since it is going to be difficult to raise the initial revenues, especially for the purpose of providing meaningful and lasting property tax relief, I am concerned that such revenues, even if raised, would be used for other purposes. I know that there are many areas that cry for our attention and for additional appropriations, but I sincerely feel that we should start by getting our tax structure in line and then deciding what other changes are required. This business of politics, you know, is the business of the possible.

It bothers me, for example, that many people from organizations taking part in this particular conference here this morning are supporting the so-called "circuit breaker" ap-

proach for property tax relief for low income people. Well, I too would like to help the people in the low income bracket who have this property tax problem, but I have to recognize the cost of these programs. And depending on which "circuit breaker" program we are talking about, the cost can range anywhere from \$100 million to \$250 million. As a matter of fact, an unfavorable report from the Joint Committee on Taxation on the "circuit breaker" was overturned in the House of Representatives and referred to the Committee on Ways and Means. The cost of that particular proposal is about \$250 million a year. So very obviously if we intend to lower the property tax by giving more state aid, we cannot at the same time relieve the lower income people by giving property tax relief. We just haven't got that kind of revenue. Eventually, perhaps, we may be able to do both, but I think we should know what our priorities are and what our situation is at the present time.

What are the possibilities for the future? I think that we should start this year by getting our house in order, so to speak. We should correct as many as possible of the present state aid formulas that have glaring inequities in them, and there are many, so that by the time we start next year looking at a new tax program we can build on this corrected base. The Taxation Committee is presently working on such a bill that would revise several distribution formulas to correct some of these existing inequities. I am happy to say that we have had input from the Commissioner of Education, the Taxpayers Foundation, and, yes, we are even going to listen to the League of Women Voters (which is a bit of a switch from someone in the Legislature).

During the recess, the Legislature (as Mike Daly pointed out) will have several groups, commissioners, as well as legislative staffs, looking into the total state aid picture. Perhaps then, along with the new tax bill, there will be a new state aid system. Personally, I hope we move a little cautiously in this area. We are in danger of throwing out the baby with the bath water, so to speak. I would like to see the so-called NESDEC formula fully funded once again. Before we get into too drastic a change in the state aid formula, I think the present for-

mula, with the new equalized valuations and some reforms in the assessing practices should be given at least a chance to work.

There is a real hope this year for making these initial changes. I think that before the next week is out most of you will have a good chance to take a look at the proposals that the Committee on Taxation will suggest to the Massachusetts Legislature. I think it is a beginning and I think there is some real hope in spite of all the black talk. In spite of all the gloomy forecasts, I think that we can make some real progress in this session of the Legislature and, hopefully, build on it in the next session.

Thank you very much.

EXECUTIVE POLICY AND THE FINANCING OF PUBLIC SCHOOLS

Joseph M. Cronin
Secretary of Educational Affairs

Does the Executive Branch have a clearly defined policy on educational finance? What guidelines for action have been presented?

First, the Sargent administration has strongly supported the movement to extend equal opportunity to minorities, to bilingual populations and to handicapped children. Governor Sargent filed bills in support of the bilingual and special education programs and later directed his staff to give their budgets and implementation the highest priority.

Second, the Executive has fought for the principle of "equalization" whenever a formula has been changed, for example the 1971 Chapter 1010 statute to add more funds for school construction to "depressed areas." Although this formula has helped cities from Fall River to North Adams build new high schools, it has also encouraged expensive extra items in some suburban proposals. The Governor's formula would have tied construction aid to the same general formula as Chapter 70, one based on equalized property values.

Third, the Executive wants to make sure the property tax is properly assessed and collected. Lieutenant Governor Dwight has filed legislation to improve the professional qualifications and education of local assessors. The Department of Corporations and Taxations has improved the collection of information on real estate sales so as to compute equalized valuations in a fair and up-to-date fashion.

Fourth, the Governor joined with legislative leaders in seeking voter approval of a measure to make use of a graduated income tax to raise revenue for the State. Educators and their allies also joined this campaign to develop a more equitable and less regressive tax system.

Fifth, the Governor filed legislation to implement the recommendations of the School Business Management Task Force and achieve savings which could make local school budgets more realistic and every dollar productive.

Also, the Secretary of Administration promoted several changes in local aid formulas:

1. A regional aid bonus only for the number of students actually in regional programs.
2. Transportation aid on a cost-sharing basis to inspire local economies in routing and expenditures.

These did not prevail in the 1973 session, but the logic behind them compels continued attention.

Several of us also favor the so-called "circuit-breaker" feature adopted in other states to relieve the property tax burden on those on fixed incomes, the elderly and those temporarily unemployed. At the same time, we must point out estimates that this feature deducts a minimum of from \$50 to \$250 million per year from property tax revenues. The objective makes sense, but other revenue must make up the difference for the local community.

Commissioner Anrig has urged consideration of a formula which would replace the "reimbursement" funding (a year later) with current appropriations. This makes good sense along with the idea of assigning weights to the number of pupils enrolled—extra weighting to pupils in special education and vocational programs.

Which communities have the greatest need? The Executive Branch insists on an overall approach to local aid that will help urban property-owners who want to stay in the city rather than migrate to the country and consume more energy. If we increased school aid substantially we might stabilize

rural tax rates while hardly slowing the rise of municipal tax rates. Some states recognize a "municipal overburden" factor, while other states make allowances for low incomes of AFDC families (Minnesota gives such pupils an added weighting). Since cities serve as the ports of entry for so many migrants and disadvantaged populations, any new formula must respond to their needs.

The Executive does not confuse "equalization" for "equal expenditures." School systems ought to be able to spend more than the State average for special services. They should not expect equal funding of extra expenditures, nor should they be precluded from raising funds from their own resources.

Our objective is not to make every community spend the same amount, but to give every child an equal opportunity to learn and to have a choice of programs and services. Equality is an objective, and the road to Equality is as long as the highway to Perfection. Both are full of obstacles which make the journey as exciting as the objective is worthwhile and noble.

POLITICAL REALISM AND THE FINANCING OF PUBLIC EDUCATION

Honorable Joseph J. C. DiCarlo
Senate Majority Leader
Massachusetts General Court

I should warn you that there is a certain amount of irony in a great deal of what I am about to say.

When I first entered politics, I was convinced that only cynics and self-serving office holders could possibly agree with the old saying that government or politics "is the art of the possible."

In fact, in my first campaign for office I ran pretty much directly against that idea. My argument, and my belief, was that people in public life should not settle for what is immediately possible. They should decide first what is right and then see to it that what is right becomes possible. They should ask first, "What should be done?" and then see to it that it is possible to do what is right.

Actually, I have not changed on that basic point. I still believe that it is a mistake for a person in public life to ask himself first what is "possible." Starting out with that question makes it too easy—and too tempting—to settle for partial solutions and postponed decisions.

But, one thing I have most definitely learned from my years in government is that it is not just common sense but true wisdom to be completely realistic about both the possibilities and the problems facing you at any given moment.

I understand that there is an old Chinese saying—not one of “Chairman Mao’s” modern instructions on how you should live your life—but an ancient saying credited originally to Confucius. Confucius’s advice to all philosophers and dreamers was summed up in his saying: “A person who would jump high in the air must have his feet firmly planted on the ground at the start”—a good piece of advice which Chairman Mao himself would have done well to have listened to before he launched some of his less successful or more disastrous programs and plans.

So, with that old Chinese saying in mind, let me be completely frank and honest. Quite simply, all the talk about “What should be” or “What could be” means very little unless it can be translated into positive results and, quite frankly, unless a good many people are more realistic than they have been to date about the changes that have taken place in Massachusetts in the last few years. A great many good ideas and valuable programs and reforms are going to be lost by the wayside.

This particular conference—which, by the way, is a very real credit to its organizers and planners—is concerned with the problems of financing public schools in Massachusetts. And behind the question of finances lies the even more basic issue of the relationship of the various levels of government to our educational system.

On the elementary and secondary school level, one key question is how to protect local control and direction of the local school systems while transferring much or all of the financial cost to the state government.

On the post-secondary level, the currently critical question is exactly how much public money should be allocated, directly or indirectly, to the aid of the financially hard-pressed private schools.

The key factor is money.

And the truth of the matter is that, as far as money is concerned, the period we are in now is as different from the period of the 1960’s as night is from day.

In the 1960's, all levels of government in Massachusetts operated on the expectation of continually rising revenues. In that affluent period, we optimistically believed that the main problem was to decide what we wanted to do. Our expectation was, once we decided what we wanted to do or should do, that the money would be there.

In education, our schools based their projections on more pupils, or more teachers, more classrooms, and higher salaries.

In other areas, we committed ourselves to campaigns against pollution, and for extensive social and racial reform programs.

The record of the 1960's is an impressive one.

Massachusetts proved itself the progressive leader of the whole country in key areas of reform and change. It was, and is, a proud period in the history of our State.

But times have changed. And, unless we change with them, there is a real danger that much of the accomplishments of the 1960's will be undone.

In an affluent period, decisions are easier, and questions or priorities are less urgent.

In a tight-money period, hard decisions must be made, and the problem of establishing the right priorities becomes all important.

And no one here needs to be told that we are in a tight-money period now.

Let me be specific.

Every day in the State House now I am contacted by one agency or one group trying desparately to obtain adequate funds to maintain its programs or existence.

The more relaxed and cooperative attitudes of these groups and acencies that existed when money was more plentiful, now is increasingly replaced by a sometimes bitter competition.

In short, there simply is not enough money for everyone or every worthy program or cause—and hard decisions

have become an absolute necessity.

On the question of financing public education, for example, a key factor is tax reform. Simply to shift the tax burden around, without *reforming* the tax system in basic ways, may provide temporary relief for local property taxpayers, but in the long run does little else.

Tax reform, however, is something everyone talks about, but few people are willing to make the hard decisions that would make tax reform possible.

It is not popular in some areas, with some people, and some interests, but for myself I believe firmly and absolutely that no real reform of our tax system will be possible until we have a *graduated income tax system in Massachusetts*.

But three times the effort to make such tax reform possible in Massachusetts has failed through public apathy or opposition.

As a taxpayer, I am no more happy than anyone else with the whole idea of taxes. But, anyone interested in public finances, should be interested as well in tax reform. And at least for me personally, the key to tax reform lies in the graduated income tax—so I am committed to it, in spite of my individual feelings as a taxpayer, and in spite of the political opposition it stirs up in many quarters.

Tax reform is *the* basic issue and problem, but it is not the only one. Other problems are urgent, too. And they need to be approached as realistically as the tax problem itself.

At the risk of getting myself into the middle of a current major controversy, the Special Education Act is a good example of what I have in mind.

The basic purpose and intention of the Act is beyond question.

The problems have arisen *simply because no one*—including myself—when the bill was in progress, seriously asked the “hard” question about its *cost*.

When the bill went through the Legislature we were told it would cost a *maximum* of \$10 million dollars.

Now estimates range up to ten times that amount or more.

The result is that a valuable program has become *unintentionally* the center of controversy. Even now arguments for and against full implementation of the program this fall are being made in and outside the State House, and the outcome is in doubt.

At the risk of sounding a bit like Confucius myself, there are some morals or lessons for me in both the realities of our tax problems and our experiences with the Special Education Act.

Tax reform is still in the "talking" stage in Massachusetts because not enough people are willing to make the necessary hard choices or decisions.

And the special education program has become the subject of controversy because too few people asked the right questions along the way.

For myself, the problem is simply that we have not made the necessary adjustments to the changed situation we now face in Massachusetts.

In the affluent "60's" the only question we really asked was, "What do we really want to do?" That is the question we are still asking about taxes—and that we asked about the Special Education Act.

Now, I would suggest that for our own benefit—and, more importantly, for the good of the programs we are interested in or the goals we are all working for—we had better learn to add *two* more questions to that original one.

We should learn to ask not simply what we want but also *how what we want affects other people and other programs.*

And we should learn also to ask *what exactly is the best way to get what we want done.*

At a time when groups and agencies are competing for relatively less and less money, any group that doesn't take

into account the needs and interests of other groups is asking for trouble.

More important, any group that thinks only of itself simply makes our already difficult problems more difficult still.

It is not by accident that Madison's Tenth Federalist paper is perhaps the best known commentary on our political system. In the Tenth Federalist, Madison talks of interest groups and of the problems of balancing their needs and their desires out against the needs of other groups—all in the interest of the long-range public good.

Specifically in relation to education and the purpose of this conference, Madison's thoughts are particularly relevant.

Local school systems, and the cities and towns, too, want and need relief from their oppressive property tax increases. But they want also to maintain *local* control over their local educational systems.

In higher education, the private colleges and universities want and need state aid, but they also want to preserve their independence of public supervision. In turn, the public institutions are fearful of losing the support which only recently has allowed them to upgrade their schools to a comparable level with other major states.

In short, my message is simple. Right now we are in a time of competition, and sometimes confrontation, between competing groups and interests for public financial support.

Competition can be constructive. It can also be destructive.

Which it is—constructive or destructive—depends *in part* on the understanding and ability of those in government to make the hard decisions and to balance the needs of one group against those of others.

But it *also* depends on the understanding and willingness of *all* groups, *all* levels of government, and *all* individuals, to understand that—in making their plans and pursuing their goals—they should remember that they are not alone in their needs or in the importance of their goals.

Voluntary cooperation is the key to our successful adjustment to the changed realities we now face in Massachusetts.

There are times in the State House these days when I am frankly somewhat frightened. Too many groups, and too many individuals, seem to be able to think only of themselves.

Even the different levels of government seem more inclined to compete with and blame one another than to work together seriously.

All of which makes a conference such as this—and the people who are represented here—*that much more important.*

In the sessions this morning, and in those coming up this afternoon, you heard and will hear informed, expert opinions on our problems—and on various possibilities for solutions.

Along with any specific ideas you carry away from this conference, I hope very much that you will also carry away an increased understanding of the importance of working together—of cooperating voluntarily for the interests of all concerned.

It is a good time, as the Chinese saying pointed out, to have our feet firmly planted on the ground.

There is no single area in which the problems are more real, or the need for cooperation more essential, than in that of public financing of education.

If we can't work out realistic and effective solutions to the pressing problems facing us in educational financing, there is not much hope for success in other areas or with other problems.

I hope, very much and very sincerely, that this conference will lead to what I know its planners and organizers hoped it would—a serious and cooperative effort on the part of all concerned to come to terms, realistically and effectively, with the currently critical problems associated with the financing of public schools in Massachusetts

ISSUES IN THE FINANCING OF SCHOOLS IN MASSACHUSETTS

Charlotte Ryan
President

Massachusetts Parent-Teacher-Student Association

There were those who thought school finance reform came to a halt with the *Rodriguez* decision, and that things were going to stay where they had been for twenty years. On the contrary, so much happened this past year that what we have been pasturing for years as sacred cows are turning into real live issues: namely, what is that legal state responsibility we have talked about so much? And what, actually, is local control? And, where does school finance tie into the education of individual boys and girls?

In Massachusetts we tend to think of state responsibility for schools as a legal support for the fiscal autonomy of school committees, even though in fact both the Legislature and the Executive Department have taken a great deal of educational leadership. Across the country this past year ten states enacted school finance reform bills—all in the direction of major state funding and state determination of school expenditure.

One large difference between Massachusetts and those ten states is that they all had money in hand to fund their new programs, either from revenue surplus or from federal revenue-sharing. We in the Commonwealth must do what we did in 1966: support new taxes to go with any major changes. In my view this is a favorable position to be in, because it gives all of us opportunity to share in the decision-making.

School finance is a part of school governance, and today's major issue in both, to my mind, is where educational decisions shall be made. How close to the student, who is the object of it all, *can* decisions be made? Where will it be determined how much is spent, and how it's spent? Today in the Commonwealth this is a collective decision, partly formal, partly informal, out of state mandates and federal regulations, out of bargaining with staff, with finance boards, and sometimes with the electorate, but in the end the school committees tie it together. We call this local control.

Dr. Conant insisted, as have other advocates, that states *could fully fund local schools and still preserve local control*. In Dr. Conant's book, the basic criterion of control was who decides how money is spent. How much does the question of how much money is available affect how available money is spent? How much in truth does local control depend on the fact of largely local financing?

In the course of school finance reform, Hawaii remains the only state where education is funded and governed from state level. Oregon put a referendum for full state funding last year, which failed. Of the ten states that did enact reform plans, eight moved state funding up to 60 and 70 percent of total costs, and at the same time put limits on school expenditures. Four states mandated a uniform tax rate and an essentially uniform per pupil expenditure. Six states adopted the more flexible version of the same idea called "power equalizing."

In a way, all these plans are fancied-up versions of the old foundation plan, which Massachusetts had between 1948 and 1966, and which most other states have also been using. This may be the easiest way to explain what is happening. You recall that under the foundation plan 1) a cost figure is set for a year's schooling, and 2) a tax rate for the town's fair share of that cost, and then 3) state aid is the difference between the school cost and the yield of the specified tax rate. With us the idea was used in a nominal fashion as a means for distribution of available state funds. Because the factors in the formula were never updated it became extremely unfair.

The guaranteed tax yield plans now being enacted, however, are not nominal; they are tight. There is one mandated tax rate in Florida, Maine, Montana, and Utah. If a school district raises less than the state has guaranteed on that tax rate, the state makes up the difference; if it raises more, the excess is "recaptured" and recycled into the program. The other six states—Colorado, Illinois, Kansas, Michigan, North Dakota, and Wisconsin—adopted power equalizing programs. Under this plan the local school district can decide to spend at a higher level than the mandated minimum and levy a tax at a specified corresponding higher level, with the same tax guarantee and in some states the recapture of the excess. That choice is not without limits, however, as six states have enacted ceilings on budget increases.

Equalizing revenues is one side of the coin; the other side is control of expenditures. The four equal-expenditure states have enacted complicated "weighting" plans, because really equal expenditures result in very unequal education. That is, in multiplying the mandated per pupil expenditure by the number of students in a district to get a total cost figure, a student doesn't just count for one person; he may be 1.2 persons in a primary grade, or .9 of a person in an upper grade, or 2.5 persons in a vocational program. In another state it could be a different set of numbers. The total expenditure figure may also be multiplied by a county cost-of-living factor and a factor for low-income families in the district. Some formulas are fairly complicated; Utah has 26 weighting factors, and categorical aids besides.

The issue here is that the weightings are determined at state level, and are uniform. Florida's new law requires school-by-school assessment to provide the necessary data for the weighting system; it is specified that management objectives will be compatible at all policy levels. Student performance indicators will be comparable to national performance indicators. Each district and each school will be required to account for expenditures by reporting cost data by programs. Florida voters can approve additional taxes of \$1 to \$3 above the mandated \$7, but that money can be used only for a few purposes specified in the law. This new law is regarded by

some experts as model legislation.

One long-range issue lies in the state funding of these programs. All ten states had money in hand to start the programs; Maine has funds for the first three years. What happens after that? The Florida plan depends specifically on annual appropriations; its local aid will vary according to the number of students. When the number of students goes up, dollars per student go down, and vice versa. We know that State Legislatures generally have a problem in balancing the needs of education not only against revenues but also against the needs of other services. Already a recent issue of *Education USA* has speculated that states paying 50 to 70 percent of education costs are likely to reduce aid this year because of loss of revenue from fuel taxes. If local funding has been legally restricted, school programs may be in trouble. Thus, one issue in school finance is always how to balance the stable property tax with more volatile state taxes. Another underlying question in central funding is always whether the Legislature must control program in order to control expenditure; but added to this is the question suggested by the Florida law whether legislators must be more and more dependent on paper evidence of cost effectiveness to make their fiscal determinations, and whether educators will be more and more challenged for fiscal translation of educational needs that in schools are being addressed more and more in human terms.

When we look for similarities to Massachusetts in these ten states, only Michigan and Illinois have a similar mix of urban, suburban, and rural populations. Michigan, Illinois, and Wisconsin have similar spending levels. The other states are all spending below national average, ranging from Colorado in 20th place to Utah at 44th. There is some plausibility in using substantially equal expenditure plans to allow an even distribution of scarce funds in largely rural states. Perhaps it is time for Massachusetts to look hard at policies of scarcity, but we still have the dichotomy of urban and rural needs. The two industrial states, Michigan and Illinois, increased state aid substantially, but their use of power equalizing as a state aid method has been questioned because the

cities that particularly needed help had to raise their tax rates in order to qualify for higher guaranteed yields.

In fact, spokesmen for inner-city schools have raised serious questions about these methods, which is interesting in that city needs sparked the reform movement in the first place. A recent study published by the National Urban Coalition of 34 large cities across the country indicated that most of them would be not better but worse off under power equalizing, full state funding, or conventional percentage equalizing plans. Boston appears to be an exception in that the study shows it to benefit from percentage equalizing, which is of course the Massachusetts plan, but worse off under the others. The study's final recommendation is percentage equalizing, using as its wealth factor a composite economic index instead of valuation per child. The index would be a composite of 1) a city-state ratio of proportion of low-income families, 2) a city-state ratio of classroom teacher salary averages, 3) a city-state ratio of percentage of income paid in taxes, and 4) a state-city ratio of per capita income. Not surprisingly, Boston comes off still better on this basis.

Percentage equalizing differs from power equalizing and other foundation plans mainly in putting fiscal decision in local hands. Local districts determine how student needs should be funded instead of following a state per pupil figure or weighting system. When such a program is funded to cover all or most of the students, however, a percentage equalizing plan guarantees the same tax levy to be worth the same dollars anywhere in the state, so that the local school committee can balance its needs against whatever tax rate the district can afford, knowing the state will pick up its promised share. In the Commonwealth the necessary overall state share to cover 98 percent of the students would be 50 percent. This suggests that our solution may be joint or complementary determination of school expenditures and programs, between the Legislature and state agencies and local districts. Whether or not it is an acceptable solution depends in part on the acceptability of a supporting tax structure.

This still leaves us with a question about local control. One sometimes hears such questions as, "The 'state' is making

most of the decisions now; why shouldn't 'they' take over the entire responsibility and pay for it?" Or, "As a school committee we have very little to say about the budget; what difference does it make where the money comes from?" Others discuss whether salary negotiations are best handled at the local level, or better at regional or state level.

Such questions are often born of frustration, but they suggest a trend of thinking. The tendency to blame state mandates for school budgets raises a valid issue. While the objection that is generally raised with state direction for school expenditures is that decisions are made far away from the student, the issue between a centrist policy and local determination may well come down to the reality of local determination. Ultimate authority over the public's schools lies with the public, or at least with the electorate. But unless the interested public has means of participating in current educational decisions its only means of expression is in broad, unfocused action in elections and referenda. John Gibson suggested several years ago in his study of the Department of Education that responsibilities left unmet at any governmental level tend to be pushed up to the next level, and the lower level loses its influence. The amount of local participation in determining school program and school expenditures could well determine whether local control has any meaning.

Schools are said to be closest to the people of all government services. Now that we are beginning to utilize local participation to improve educational opportunity for boys and girls, the next question is whether our choice of school finance patterns in this era of reform will tend to inhibit or enhance local participation in educational decisions.

The outcome will bear on such relatively narrow questions as how any savings from eventual lower enrollments will be used, i.e., whether to cut costs or upgrade schools. It also has broader implications such as the significance of participation in school governance to our sense of community, to our knowledge of interdependence, and thus to the quality of our lives. Our history of school governance is perhaps a bit on the fragmented side, but it has a history of collaboration as well. In local, state, and legislative leadership there is great promise

for a productive partnership in which we could resolve these issues to the direct benefit of all our students.

Thank you very much.

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academic in the absence of decisions to seek more state revenues. The state till does not contain uncommitted money to be competed for; unlike the cup which runneth over, the state till is dry from existing commitments—most of which are unavoidable.

The timing of school finance proposals, therefore, must be keyed to proposals to increase state revenues. And these proposals, to become law, must aim at significant relief of the local property tax. We who support reform of school finance must be prepared to support no less enthusiastically those who propose increases in state revenues. Indeed, we have an obligation to work with those knowledgeable about revenue raising and to give them vigorous support. In this day and age, no political leader will propose new taxes without the confidence of considerable support from a variety of coalitions which are prepared to sell the tax raising product.

But I agree with the Massachusetts Taxpayers Foundation—and the Secretary for Administration and Finance—and the Ways and Means Committees—that new state dollars are needed in 1975. And something must be done to stabilize the overburdened property tax. Because these facts are so clear, the timing is right if we pull the proper forces together.

We in education are fooling ourselves if we believe that the educational community can really lead in school finance reform. School finance expert Joel Berke says repeatedly that when such reform has been successful in other states, it has been an "inside job." Gubernatorial leadership in some states and legislative leadership in most others has been essential to success. Our leadership as educators will come from building a coalition and reaching out to others in a manner which will encourage such political leaders to sense the chance for success.

I believe there are key leaders in the Legislature who have effectively demonstrated support for education in the past and who are ready to work for improvements in school finance in the months ahead.

In all frankness, I believe the education community must force the issue of school finance reform into the guber-

natorial campaign this fall. The candidates must be prompted to go on record not only on the substance of reform but on the question of revenue raising, for the former is impossible without the latter. If the issue of taxes and property tax relief are not discussed openly in the gubernatorial campaign of 1974, they are not likely to come into being in 1975. There is never a good time for the state to "bite the bullet."

It is not enough to tell others what they should do to bring about the reform of school finance in Massachusetts. If we in the educational community are serious about this objective, we must demonstrate it by forming a coalition strong enough to earn the respect of political figures. Such a coalition requires putting our own house in order and a reaching out to other coalitions.

With regard to the educational community itself, we must mend some fences and show a willingness to give on some points. For instance, I believe it is essential to work with the interests representing vocational education in Massachusetts. For too long, this sector and the rest of the educational community have tended to travel separate paths. This needs to end and final proposals need to address the concerns and suspicions of vocational educators. Similarly, we must see that the predictable divisions between teachers and school committees which result from collective bargaining are not permitted to divide them on issues of common interest. The advocates of special education, who have proven their political effectiveness with Chapter 766, similarly must be included in any coalition for school finance reform.

At the same time that we draw together ourselves, we must also reach out to the interests of other groups. The Taxpayers Foundation, municipal officials, corporate leaders, and realtors are seeking stabilization of the local property tax in Massachusetts. The League of Women Voters and mayors are concerned with the issue of municipal overburden. Senior citizens on fixed income, an increasingly organized lobby, are interested in property tax relief. In shaping a final proposal, I believe it is possible to attract the involvement and support of these groups if we demonstrate a willingness to be responsive to their concerns.

Finally, the political process necessary for school finance reform will require compromise. It will require compromise in the course of shaping proposals, and it will require compromise as proposals move through the legislative process. Proposals should be presented with an attitude which reflects this pragmatism. I don't advocate compromise on principle, but we should be clear about what is principle and what is preference.

Let me take the liberty of suggesting a set of criteria around which the discussions necessary for coalition building could focus:

1. The state share of education costs should be increased in a manner which decreases reliance on the local property tax.
2. The objective of increasing the state share of education costs should be elimination of disparities in educational resources between rich and poor communities through a so-called levelling up process.
3. The percentage representing the state share of education costs is negotiable and at least partially will be a product of decisions related to revenue raising.
4. State aid should shift from a reimbursement to a current funding mechanism to reduce the present premium for expenditures and to promote forward funding of new legislation affecting education.
5. State aid should continue to be directed to the extra costs of occupational, special and bilingual education in an earmarked manner with no decrease in the ratio of funds presently provided for these programs. To address the higher costs of education and other services in urban districts, consideration should be given to extra state aid for concentrations of children requiring these specialized programs.
6. Most categorical programs should be incorporated in the state aid equalization mechanism and safeguards should protect against proration which is antiequalizing when state revenues fail to meet state entitlements.

7. Concerted attention must be given to retaining significant local control in the administration of elementary and secondary education. Some provision should remain, within limits of general equalization, for additional funds for education raised locally.
8. Additional revenues required for improving school finance should be based on a mix of tax sources rather than on any one, and should be accompanied by improvements in property tax administration with special emphasis on improved assessment practices.

I submit the above criteria for the purpose of opening up the discussions which hopefully will result from today's conference. The deadline for submitting proposals for the next session of the Great and General Court is November, 1974. I urge that together we come forward at that time with agreements on proposals and, just as important, with broad support for those proposals.

Thank you.

PROGRAM
1974 INVITATIONAL CONFERENCE

- 9:00 a.m. **REGISTRATION, COFFEE AND DANISH**
- 10:00 a.m. **MORNING SESSION**
- Presiding:* Dr. Robert G. O'Donnell, Chairman
 Massachusetts Educational Conference Board
- Speakers:* Honorable Donald R. Dwight
 Lieutenant Governor of the Commonwealth
 "Opening Address"
- Representative Michael J. Daly
 Chairman, House Committee on Education
 "The Needs of Education"
- Honorable Frederic W. Schlosstein, Jr.
 Chairman, Joint Committee on Taxation
 "Revenue Needs, Revenue Resources and the
 Possibilities for change"
- Dr. Joseph M. Cronin
 Secretary of Educational Affairs
 "Executive Policy and the Financing of Public
 Schools"
- 11:15 - 11:45 a.m. **QUESTION PERIOD**
- 12:30 - 2:00 p.m. **LUNCHEON**
- Presiding:* Mrs. Margaret Jacques, President
 Mass. Association of School Committees
- Speaker:* Honorable Joseph J. C. DiCarlo
 Senate Majority Leader

2:15 - 3:15 p.m. **AFTERNOON SESSION**

Presiding: Mr. William R. Wright, President
 Mass. Association of School Superintendents

Speakers: Mrs. Charlotte Ryan, President
 Mass. Parent-Teacher-Student Association
 "Issues in the Financing of Schools in
 Massachusetts"

 Dr. Gregory R. Anrig
 Commissioner of Education
 "State Aid to Education in Massachusetts:
 The Need for Reform"

3:15 - 4:00 p.m. **QUESTION PERIOD**

4:00 p.m. **ADJOURN**

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