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AUTHOR Fuhrman, Susan H.  
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ABSTRACT

Today local control over education seems to face the most serious challenge in its history. The movement to reform school finance raises the specter of the State assuming its formal constitutional powers and removing autonomy from the communities. Hence, it is argued, as the State takes over control of taxation and expenditures it will want to assure accountability for its dollars by becoming heavily involved in all educational decisions from curriculum to personnel to determination of snow days. This paper argues that the question of financial reform need only affect the revenue raising aspects of local control, and State inroads into fiscal support may only be partial at that. The author contends that local districts are already restricted in their options in the present financial context of heavy dependence on local taxation. The factors presently limiting autonomy are examined. (Author/JF)

NEW JERSEY EDUCATION

REFORM PROJECT

A Report Of

**The New Jersey Education Reform Project**

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**LOCAL CONTROL:**

**FEAR OR FANTASY**

by

**Susan H. Fuhrman**

**April, 1974**

For additional copies write to:  
Larry Rubin, Research Director  
New Jersey Education Reform Project  
Greater Newark Urban Coalition, Inc.  
24 Commerce Street, Suite 605  
Newark, New Jersey 07102  
(201) 624-7475

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## Introduction

The highly cherished concept of "local control" in America has its roots in the classical liberal belief in individual autonomy and the corresponding fear of government infringement. Our framers believed "that government should ordinarily leave decision-making and administration to the smallest unit competent to handle them."<sup>1</sup> Hence, the federal constitution does not mention education. Formal power over education is reserved for the states, and the states have chosen to vest a large measure of control in localities. Over the centuries, the practice of local control in education acquired a set of justifying doctrines. It is argued that local autonomy maintains and stimulates the interest of parents and the community-at-large in the education of the children, that only local control can permit flexibility in educational programs so as to meet the needs of a particular community, and that local control is a necessity for experimentation and innovation.

Today local control over education seems to face the most serious challenge in its history. The movement to reform school finance--to assure that every child has the education he needs while at the same time spreading the tax burden for this education more equitably--raises the specter of the state assuming its formal constitutional powers and removing autonomy from the communities. Hence, it is argued, the state will take over control of taxation and expenditures. In accordance with the old adage that "He who pays the piper calls the tune," the state will presumably want to assure accountability for its dollars by becoming heavily involved in all educational decisions from curriculum to personnel to determination of snow days. With the state so immersed in day-to-

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<sup>1</sup>John E. Coons, William H. Clune III, Stephen D. Sugarman, Private Wealth and Public Education (Cambridge: Harvard University Press, 1970, 14). The authors term this concept "Subsidiarity."

day operations, the community will lose all its influence, we are told. The end of flexibility, adaptability to local needs, innovation, experimentation and parental interest in education is foreseen.

Is such a scenario an accurate description of what is likely to occur following reform of the financial structure of education? What is really at stake in the wake of Robinson vs. Cahill? This paper will argue that the question of financial reform need only affect the revenue raising aspects of local control and state inroads into fiscal support may only be partial at that. Furthermore, it must be kept in mind that local districts are already restricted in their options in the present financial context of heavy dependence on local taxation. The factors presently limiting autonomy will be examined. Finally, it will be shown that, from all existing evidence, there is no inevitability about the dreaded relationship between centralized fiscal responsibility and decentralized decision-making. He who pays the piper does not necessarily call the tune.

#### Financial Reform and Fiscal Autonomy

It cannot be disputed that any reform which meets the twin goals of assuring adequate expenditure for every pupil and equalizing the tax burden among localities will require that the state bear a larger proportion of total educational expenditure than most states do now. State funds will be needed to bring poorer districts up to an expenditure par with districts more favored in property valuation and to assure that poorer districts do not have to tax themselves disproportionately as they do presently. However, an increase--even a doubling or tripling--in the proportion of educational revenues coming from the state does not mean an end to all fiscal autonomy. Some distinctions must be made:

1. Many plans for state equalization of expenditure and tax burden would allow local districts to maintain some leeway in determining the total expenditure level for pupils in their schools. Such plans call for a local district add-on beyond the state mandated level of expenditure. This add-on might be power-equalized; a district poor in property valuation could, with state assistance, raise as many dollars per mill of taxation as the district highest in property valuation. Whatever the particulars of the add-on scheme, it leaves the final determination of total expenditure level to the district.

2. Even full state assumption of educational spending does not threaten all aspects of local fiscal control. Under full state assumption, the state raises all educational funds and distributes the dollars to the districts on the basis of enrollment or with weightings according to need and special programs. The level of expenditures and the source of revenue would be determined by the state. There is no question that localities would lose the "right of taxation." Some proponents of local control perceive this "right of taxation" as the cornerstone of local autonomy. However, this right is limited under the present fiscal system, as this paper will demonstrate, and the loss of the "right of taxation" does not mean the loss of all fiscal autonomy. Districts could quite feasibly receive state funds in a lump sum to apportion between schools, programs and line items as they saw fit. Revenue control would be lost but control over the use of expenditures could remain.<sup>2</sup>

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<sup>2</sup>An experiment in the separation of revenue control from control over allocation of expenditures is going on at present in Oakland, California, with the monitoring of the Childhood and Governance Project, University of California, Berkeley. The school district is presenting schools with lump sums--the budgeting of the money into programs, etc. is done at the school site. The literature on metropolitan government and decentralization also explores the separation of financing and policy-making. See Committee for Economic Development, Reshaping Government in Metropolitan Areas (New York, Committee for Economic Development, 1970).

### Fiscal Autonomy and Non-Fiscal Control

The remainder of this paper will examine the relationship between loss of fiscal autonomy and district control over other educational matters--personnel, salaries, curriculum, etc. It is wise to keep in mind that just as fiscal control is not an indivisible entity--we have seen that a distinction can be made between types of fiscal autonomy--so too can fiscal control be separated from district decision-making over other areas of educational policy.

### Limitations on Local Autonomy

Before proceeding to our discussion of the relationship between fiscal and non-fiscal control, it is useful to point out that under the present system of heavy reliance upon locally raised revenue and local determination of expenditures, local districts are severely restricted in their autonomy both fiscally and non-fiscally. An examination of these limitations will further refine the concept of local control and indicate that what is at stake in future restructuring is really only a small--and constantly decreasing--margin of decision still left to the local districts. Some observers claim that local control is so restricted now that it is foolish to speak of it as if it had any measure of real meaning. Jesse Burkhead, an expert in the economics and politics of public school finance, says:

"But the term 'local control'--powerful as it is as a political shibboleth--flies in the face of constitutional doctrine, a variety of legislative enactments, and the fiscal and administrative realities of state aid and federal grants-in-aid. This struggle between shibboleth and reality is one of the political anomalies of educational finance. In a highly interdependent, technological world, the myth of local control of educational policy is increasingly a vast anachronism."<sup>3</sup>

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<sup>3</sup>Jesse Burkhead, Public School Finance: Economics and Politics, (Syracuse: Syracuse University Press, 1964), p. 100.

One can identify at least four groups of factors limiting district school boards in their decisions:

1. Intergovernmental aid and non-educational expenditures;
2. State statutes and administrative restrictions;
3. Professionalization and unions; and
4. Court decisions.

1. The primary method of financing education in most states today is local taxation. However, federal and state aid, limited as they are, do affect the local "right of taxation" in the present financial context. Districts take intergovernmental aid into account in planning and budgeting; often districts must put up matching funds to get programmatic aid. Furthermore, district revenue policy is influenced by non-educational expenditures the taxpayers must bear. Districts are clearly aware that residents pay municipal, county and other special district property taxes as well as school taxes. Boards consider the total tax burden when they propose school tax increases; residents consider the total tax burden when they vote. School tax decisions are not made in a vacuum.

2. States typically legislate such factors as the program scope of school districts (for example, grades 1-12 or K-12), certain specific courses (such as U.S. or state history), promotion and graduation requirements, teacher certification requirements, tenure rules and procedures, minimum salary scales, limits on local taxation, and limits on bonded indebtedness. Some states adopt standard courses of study or curricula which are supplemented by detailed program guidelines prepared by the state department of education. Some states also adopt a textbook list from which districts may choose.<sup>4</sup>

3. The growth of professionalization also sets limits to a board's discretion. The board members, the representatives of the community, are typically laymen who serve in part-time, voluntary capacities. Lacking

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<sup>4</sup>For a sample of some of the restrictions in the New Jersey School Code, see Appendix A.

the time to closely supervise all the details of every aspect of policy, boards customarily defer to the professional expertise vested in the superintendent and the school bureaucracy. Such deference is particularly visible in personnel matters (such as hiring and assignment) and curriculum development.<sup>5</sup> At least one observer feels that the board's role has become the pro forma one of ratifying decisions initiated, made and subsequently implemented by professionals.<sup>6</sup> As Frederick Wirt and Michael Kirst, political scientists interested in school governance, point out: "Thus it is that the enemy of local control has not been Washington but the professional within the bosom of the community."<sup>7</sup>

The school bureaucracy in the community is not the only professional threat to local autonomy. Professionals organize at the state and federal levels to influence legislation; they work in State Departments of Education to form and enforce regulations; they advise textbook firms, foundations and companies which prepare curricular materials; and they are university professors who disseminate research and influence educational policy at many levels. No wonder there is a striking uniformity to American education throughout the nation despite our system of local control.

Finally, professionals--teachers and administrators--also organize into unions which severely curb the discretion of the local school board. Typically 80% of the local school budget is frozen into teacher's salaries which are fixed by union-negotiated contracts.<sup>8</sup> The board is not at liberty to independently change the salary scale. As teacher bargaining power grows, issues

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<sup>5</sup>Frederick Wirt and Michael Kirst, The Political Web of American Schools (Boston: Little Brown and Co., 1972).

<sup>6</sup>Roscoe C. Martin, Government and the Suburban School, (Syracuse: Syracuse U. Press, 1962), p. 100.

<sup>7</sup>Ibid., Wirt and Kirst, p. 47.

<sup>8</sup>Ibid., Wirt and Kirst, p. 81.



such as class size and pupil-teacher ratios, which might properly be considered by the board to be subjects for its policy-making discretion, are becoming items to be settled at the negotiating table, although in New Jersey at least, recent Supreme Court decisions may have reduced this trend.

3. Court decisions also place restrictions on local boards. Practically every state statute related to education has been tested and interpreted in numerous court procedures. Court decisions mandate action or restrict boards on such issues as the regulation of student conduct and discipline, personnel compensation and dismissal, types of examinations which can be given, racial desegregation, and sexual discrimination.<sup>9</sup>

The purpose of this recitation of limitations on local boards has not been to criticize the state statutes, unions or court decisions. It would be most surprising if a function as fundamental as education escaped the competition and multiplicity of influences evident in other arenas of American life. The only intention here is to demonstrate that what remains of local discretion is a very limited arena of decision-making. If the restructuring of school finance poses a threat--and the argument here is that it does not--then the system threatened is not a system of independent local boards making and implementing policy solely in accordance with the wishes of the community. The local school board and the community are just two actors in an increasingly larger set of factions and constraints which influence school policy.<sup>10</sup>

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<sup>9</sup> James W. Guthrie and Frederick Wirt, Proposal for a National School Governance Project, Fall 1973.

<sup>10</sup> Wirt and Kirst study forces involved in making curriculum policy. The local community and the school board are only two minimal actors on a list that includes national accrediting and testing agencies, state law, textbook publishers, the federal government which spends money on curriculum development, foundations, professional associations of scientists, for example, businesses which produce curriculum materials, professors, school bureaucracies, superintendents and teachers. Wirt and Kirst, Chapter 10.

The Relationship Between State Fiscal Responsibility  
and Local Autonomy

Unfortunately, there has been very little empirical research on the relationship between a government's control over any intergovernmental function, including education, and the proportion of total funding that government provides. What evidence we do have, however, supports what state and federal legislators and bureaucrats have been bemoaning for years: the funding government often has very little control over the use of the money by the recipient governmental unit. In the case of welfare, for example, in 1967, the federal government bore 54.4% of total public assistance outlays. Yet, at that time, interstate variation in administering the program was so great that a student of the system could write, "In effect, there are fifty distinct PA programs in operation within the United States."<sup>11</sup> And, despite the fact that federal and state expenditures together totalled 87.3% of total costs, leaving localities only a 12.7% share of the burden, tremendous local variations occurred in implementing federal and state formulas.<sup>12</sup> Studies of federal aid to education have shown that detailed federal formulas for allocation of funds have been so modified at the state and local levels that considerable variety in the distribution of the aid results.<sup>13</sup>

To date there has been only one multistate study specifically addressed to the relationship between state funding of education and state control. An Urban Institute team studied state laws and regulations in ten states with different levels of state funding. Curricular requirements, budgetary and taxing restrictions, state regulation of federal programs, regulations affecting

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<sup>11</sup>Astrid E. Merget, "Implications of Welfare Reform for State and Local Government," p. 10.

<sup>12</sup>Ibid.

<sup>13</sup>See Joel S. Berke and Michael W. Kirst, Federal Aid to Education Who Benefits? Who Governs? (Lexington, Mass.: D.C. Heath & Co., 1972).

personnel and regulations affecting the jurisdictional boundaries of districts were examined in the ten states. While the study is limited, as its authors admit, because no measure was made of the implementation of these regulations, the findings are so clear-cut that they are worth quoting here:

"1. State statutes and regulations sharply limit the degree of local board autonomy--although this varies widely between states and within the...dimensions surveyed--in the majority of states examined.

2. There is little direct relationship between the percentage of state aid provided and the degree of state restrictions on the operation of local school boards.

3. While state restrictions in some dimensions, such as budgetary controls, may increase as the state percentage of funding for local education increases, there is not a uniform pattern which can be identified across the dimensions studied."<sup>14</sup>

As the authors state, "These findings...challenge the belief that increased state funding inevitably brings increased state controls."<sup>15</sup>

The team also studied the relationship between innovative practices adopted by local districts and state aid. They found that innovative practices--curricular, technological and organizational--are "not stifled by higher percentages of state funding and may indeed be increased by it."<sup>16</sup> Hence, a much prized feature of our system of local control, local-level innovation, is not threatened by higher levels of state funding.

Hopefully, there will be other studies which will further explore the relationship, if any, between state funding and locus of control. One such

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<sup>14</sup> Betsy Levin, Thomas Muller, William J. Scanlon and Michael Cohen, Public School Finance: Present Disparities and Fiscal Alternatives. A Report to the President's Commission on School Finance (Wash., D.C.: The Urban Institute, July, 1972), 248. More detailed findings from the Levin study are presented in Appendix B.

<sup>15</sup> Ibid.

<sup>16</sup> Ibid., p. 264.

proposed study, the National School Governance Project,<sup>17</sup> will be a fifty-state research effort which examines not only regulations and statutes as printed, but the actual implementation and enforcement of those regulations. In addition, the study will ask: If the proportion of total educational expenditures from state sources does not explain the amount of control a state exerts, what does? One interesting hypothesis is that the political culture of a state--its history, political traditions and beliefs--ultimately determines the locus of power between the state and the locality. It is possible that states with strong histories of localism, such as the New England states, will maintain their systems of local autonomy in education even with the advent of full-state funding. If such a hypothesis is supported by empirical evidence, it will lend credence to a belief strongly expressed by proponents of school finance reform: State legislators can write laws which preserve local autonomy, if that is their constituents' desire, while still restructuring school finance.

#### States Which Have Undergone Changes in School Finance

The experiences of two states, Hawaii and Florida, which have changed their systems of school finance in the direction of increased state funding, supplement the evidence previously described--there is no inevitability about the loss of local autonomy with an increase in state funding.

In 1965, Hawaii instituted a new system of education. The state became one single, fiscally dependent school district with seven administratively decentralized districts. Total fiscal power was vested in the state. By 1971-72, the local contributions to total educational expenditure was only 2.9%, and that amount was raised only to pay off debts incurred under the previous system.

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<sup>17</sup>Guthrie and Wirt, op cit.

Funds are allocated by the state to districts based on a personnel classroom unit which ultimately depends on enrollment. The Urban Institute held extensive interviews with Hawaiian legislators, state education department officials, district officials and staff, principals, teachers, parents and private individuals. They found that "While the state maintains fiscal centrality, it decentralizes some authority in non-fiscal matters, and the trend seems to be an increase in this kind of decentralization."<sup>18</sup> For example, districts and schools can fill teachers slots allotted to them with whatever kind of teachers they choose. They can utilize part-time instead of full-time teachers, hire more teachers in one subject area than in another, etc. The school principal receives a lump sum budget for non-instructional expenditures; he can decide to purchase texts or audiovisual equipment, or to spend more money on science than on history. The state curriculum guidelines were found to be fairly general. A 1968 survey found 300 pilot or innovative programs under way in the state's 216 schools.<sup>19</sup>

In sum, say the authors of the Urban Institute Report:

"The general feeling conveyed among most of those who were interviewed is that there is enough flexibility under the centralized system to insure that programs may be adapted to the needs of a particular community."<sup>20</sup>

One should be wary about generalizing from the Hawaiian case. It is a small, rural state with a unique history. However, it is instructive that a state with a long tradition of centralized governance in many functions should experience such local flexibility despite full-state funding of education.

In 1973, the Florida Governor's Citizen's Committee on Education recommended that the state share of educational funding be increased so as to

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<sup>18</sup>Levin, op cit, p. 234.

<sup>19</sup>Ibid., pp. 235-7.

<sup>20</sup>Ibid., p. 240.

equalize disparities in expenditures and tax burden. The legislature adopted the recommendations which set a dollar value for per pupil expenditure, weighted for different grades and special needs of pupils. The state provides each district with that dollar value minus eight mills of required local effort. A local district is permitted to add-on up to two additional mills which are power equalized by the state. At the same time that it was proposing such a significant overhaul in the fiscal structure of education, the Governor's Committee made its belief in local control quite evident. The very first recommendation in the report reads: "The legislature should not pass statutes which unduly restrict the power of the local district."<sup>21</sup> The report goes on to propose that the legislature repeal unduly restrictive statutes and that the State Board of Education should review its regulations and remove those similarly too restrictive. Both the legislature and State Board were advised to "Specify only what is to be accomplished, not the way in which the local district is to implement the board's objective."<sup>22</sup> Also recommended and adopted by the Florida legislature was the creation of a Parent Advisory Council at every school building site. While it is too soon after the adoption of these recommendations to judge the extent and faithfulness of their implementation, we do know that Parent Advisory Councils are being created; and that these councils may take an active part in the budgetary process. Because funds are distributed to districts based upon pupil characteristics aggregated at the school building level, each school has a clear "entitlement." It is anticipated then that budgeting will increasingly become a school-by-school process rather than purely a district process.

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<sup>21</sup>Improving Education in Florida: A Report by the Governor's Citizen's Committee on Education (Tallahassee, Florida, March 15, 1973) p. 5.

<sup>22</sup>Ibid.

What is most notable about the Florida situation is that both the Governor's Committee and the legislature were clearly cognizant of the need to maintain and even enhance local flexibility. They believed that it is possible to increase the proportion of state funding without the loss of local autonomy; in fact through innovations such as parent councils and school-site budgeting, local autonomy may be more meaningful than ever before.

#### Summary and Conclusions

This paper has attempted to counter the fear that state equalization of school expenditures and taxation inevitably leads to a loss in local control. The argument was made that only certain aspects of fiscal control are threatened by even the most far-reaching proposals for school finance reform. Non-fiscal local control is not necessarily threatened at all. Local discretion is limited under the present system of reliance on local property taxes, and there is no evidence to support the claim that such discretion decreases as the proportion of state aid increases. States which have increased the amount of state contribution relative to local contributions have not experienced drastic reductions in local autonomy. In fact, the whole effort of taking an intensive look at the structure of education in a state may bring an increased awareness of present limitations of local discretion and a new dedication to preserve community flexibility. As in Florida, legislators can consciously seek to preserve and even heighten local autonomy.

Finally, it is appropriate to conclude with the thought that local control may actually be enhanced when districts are relieved from constant worries about revenue. Consider the plight of a central city or poor rural school district which just cannot raise enough revenue to provide what its citizens consider a good education. Does that district really have control



over the type and quality of education its students receive? The Fleischmann Commission on the financing of education in New York State, which recommended full-state funding for that state, made an extremely useful observation which is a fitting conclusion for this paper:

"We believe that the freeing of the talents of local school board members...from onerous revenue-raising...should enable them to play a more appropriate role in educational policy planning and direction at the local level."<sup>23</sup>

<sup>23</sup>The Fleischman Report on the Quality, Cost and Financing of Elementary and Secondary Education in New York State (New York: Viking Press, 1972) III, 5.



Appendix A

Some restrictions imposed on local districts by the State of New Jersey:

Fiscal (New Jersey Statutes Annotated, 18A: 22 and 24)

The budget must be prepared in such detail and on such forms as prescribed by the Commissioner.

In Type II districts (districts fiscally independent from general government), defeated school budgets go to the governing body of the municipality for certification of the amounts necessary to be appropriated for each item in the budget "to provide a thorough and efficient system of school in the district." If the governing body fails to certify any amount, the Commissioner of Education will so certify.

Limits are set on bonded indebtedness for capital projects (e.g. no more than 4% of the average property valuation of a k-12 district in a city of under 100,000).

Voter overrides on the limit are permitted withthe consent of the Commissioner.

Personnel (New Jersey Statutes Annotated, 18A: 26-30).

All teachers must be certified by the state.

All teachers and school officials must receive tenure within a period of employment not exceeding 3 years.

A minimum salary scale is established.

Curriculum (New Jersey Statutes Annotated, Title 18A: 35).

A two-year course in United States history must be given in the last two years of high school--specific guidelines for the course content are set out.

Other mandated courses:

The civics, geography and history of New Jersey;

The nature and effect of alcoholic drinks and narcotics;

Physical education; and

Career development.

Appendix B

Details and Findings of the Urban Institute's Study of Local Autonomy

<u>States:<sup>1</sup></u>	<u>State Aid as Proportion of Total State-Local Funding, From 1969-70</u>
<u>High Aid States:</u>	
North Carolina	79.5%
Delaware	76.4
Washington	62.5
<u>Moderate State Aid:</u>	
New York	47.1
Michigan	46.9
California	36.9
<u>Low State Aid:</u>	
Kansas	28.1
Colorado	27.1
South Dakota	15.3
New Hampshire	8.9

Dimensions of Possible State Control Over Local Education<sup>2</sup>  
(as studied through state laws and regulations)

- I. Curricular Requirements
  1. Textbook controls
  2. Course requirements
- II. Budgetary and Taxing Restrictions
  1. Budget controls
  2. Tax limitations
  3. Bonded indebtedness
- III. State Regulation of Federal Programs
  1. Title I regulations
- IV. Regulations Affecting Personnel
  1. Salary regulations
  2. Teachers certification
  3. Teachers tenure
  4. Collective bargaining
- V. Jurisdictional Boundaries
  1. District formation, annexation and consolidation

Procedure

Each state's laws and regulations in the above dimensions were rated as strongly, moderately or weakly restrictive of local districts. A composite restriction score was computed for each state:

Percent State Aid Compared with State Controls<sup>3</sup>

<u>State</u>	<u>State Aid 1969-70</u>	<u>Restriction Scores</u>	<u>Ranking (High State Controls)</u>	<u>Ranking (High State Aid)</u>
New York	47.1	32	1	4
California	36.9	30	2	6
Kansas	28.1	25	3	7
Delaware	76.4	23	4	2
Michigan	46.9	22	5	5
Colorado	27.1	21	6	8
South Dakota	15.3	21	6	9
North Carolina	79.5	20	7	1
Washington	62.5	19	8	3
New Hampshire	8.9	17	9	10

Only a very slight positive correlation was found between percent state aid and restriction scores ( $r=.06$ ).<sup>4</sup>

<sup>1</sup> Betsey Levin, Thomas Muller, William J. Scanlon, Michael Cohen, Public School Finance: Present Disparities and Fiscal Alternatives, Wash., D.C.: The Urban Institute, July, 1972, Table V-I, 247.

<sup>2</sup> Ibid, 245.

<sup>3</sup> Ibid, Table V-3, 261

<sup>4</sup> Ibid, 259.

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The New Jersey Education Reform Project  
Greater Newark Urban Coalition  
24 Commerce Street  
Newark, N. J. 07102 (201) 624-7475

Richard W. Roper - *Director*  
Larry Rubin - *Research Director*