DOCUMENT RESUME

ED 164 513 SP 013 649

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TITLE Federal and State School Finance Reform. A Special Report to the AFT Task Force on Educational Issues.
INSTITUTION American Federation of Teachers, Washington, D.C.
PUB DATE 76
NOTE 16p.
AVAILABLE FROM American Federation of Teachers/AFL-CIO, 11 Dupont Circle, Washington, D.C. 20036 (Item Number 594, single copy free, $25 per 100).

EDRS PRICE MF-$0.83 HC-$1.67 Plus Postage.
DESCRIPTORS *Educational Finance; Educational Needs; Equalization Aid; *Federal Aid; Federal Programs; *Finance Reform; Financial Needs; Financial Policy; Financial Support; *Public Schools; *School Support; School Taxes; *State Aid

ABSTRACT

The justifications for substantial additional federal funding which were persuasive toward the passage of the Elementary and Secondary Education Act (ESEA) are even more compelling today as cutbacks in educational services occur across the nation. Since 1971 there have been widespread changes in state systems of school finance as a result of pressures for property tax relief and more equality in educational expenditures. The categorical approach of federal financial assistance provided primarily through ESEA has permitted relative concentration of federal expenditures where the need is greatest; it has provided for a greater equalization of intrastate per pupil expenditures directly and also indirectly by stimulating reform at the state level; and finally, it has helped to stimulate the identification of specific educational needs. The complexities of school finance, however, and the variability of local conditions suggest there is no one best way to channel funds to all school districts. (DS)

FEDERAL AND STATE SCHOOL FINANCE REFORM

BY JOHN OLIVER AND GERALD MORRIS

A SPECIAL REPORT TO THE AFT TASK FORCE ON EDUCATIONAL ISSUES

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FEDERAL AND STATE SCHOOL FINANCE REFORM

The goal of educational excellence continues to elude the grasp of the American people during this Bicentennial year.

A review of recent statistics shows just how shocking the educational deficit is today:

☐ There are 44 million adults (over 25 years old) who have never completed high school, of which only a tiny number—154,000—have gone back to school.

☐ Eighty percent of the emotionally disturbed children in the U.S. are not getting an adequate education, according to a U.S. Office of Education report.

☐ While all the experts agree on the importance of early childhood education, only a small percentage of youngsters below school age have the opportunity to enroll in preschool programs.

☐ Nearly a quarter of a million inmates of prisons are denied adequate rehabilitation/training programs. At best, they reach only one in five prisoners.

These deficiencies in the nation's educational program point to the need for a vast injection of funds to give the schools the tools they need to do their job.

As long ago as 1968, delegates to the 52nd national convention of the American Federation of Teachers, recognizing this fact, adopted a comprehensive proposal to finance the nation's schools with the aim of achieving educational excellence. ("Achieving Nationwide Educational Excellence . . . A Ten-Year Plan, 1966-67, to Save the Schools," by Leon H. Keyserling, Conference on Economic Progress, Dec., 1968.)

Since that convention action judicial and legislative actions have complicated the issue of providing the most critical of all public services. Although the U.S. more than doubled expenditures for education in the decade from 1966 to 1975, the problem of financing our schools actually has worsened since that long-ago

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John Oliver and Gerald Morris, director and assistant director, AFT Dept. of Collective-Bargaining Services.

AFT convention.

In fact, many of the country's 16,400 school districts are in desperate straits as a result of precipitous declines in funds. Accounts of teacher and paraprofessional layoffs, cutbacks, the outright elimination of special-need programs, and increasing class sizes have become the rule, not the exception. A survey of education budgets proposed by governors across the country—budgets which provide local districts with an average of 44 percent of their monies—projects a year of deterioration in our schools unparalleled since the 1930s.

The sad state of affairs in education is further reflected in and accentuated by the failure of the Nixon-Ford Administrations to provide increased federal support.

The Federal Role

These grim facts underscore the AFT's commitment to adequate, equitable funding of the public schools through a substantial increase of federal funds for new and existing programs.

The history of the federal government's role in promoting and financing public education dates back almost to the founding years. Members of the Continental Congress in 1785 approved legislation granting public lands for the building of schools. Since the Ordinance of 1785, which included this kind of aid to education, the federal government has passed almost 200 laws involving education funding.

However, the passage by Congress of the Elementary and Secondary Education Act (1965) marked a significant turning point in the historic debate of the role of the federal government in education. As a major component of the "war on poverty," the ESEA committed the federal government to provide a substantial share of total education expenditures. The fact that actual expenditures—$1.4

EXPENDITURES OF REGULAR EDUCATIONAL INSTITUTIONS, 1966-1976
(In billions of dollars)

Fiscal Year	K-12 and Higher Education (Public and Nonpublic)	Total Federal Educational Expenditures	Federal Expenditures (K-12)	Expenditures in 1966 Dollars	
				Total	*Federal (K-12)*
1967	$ 49.4	$ 5.1	$2.0	$49.4	$2.0
1968	56.9	7.2	3.0	55.8	2.9
1969	61.6	7.6	2.8	57.6	2.7
1970	69.9	8.7	3.2	61.8	2.8
1971	76.4	10.6	3.7	64.2	3.1
1972	82.7	11.4	3.9	67.1	3.1
1973	88.9	12.3	4.1	69.3	3.2
1974	98.0	12.7	4.2	70.1	3.0
1975	108.4	16.2	5.0	69.8	3.2
1976	119.0	15.6	4.9	71.7	2.9

(Source: Computed from U.S. Dept. of Health, Education, and Welfare, "Projections of Education Statistics to 1984-85, 1976.)

billion to $2.3 billion (appropriations)—under the original four titles have not been great enough to compensate for inflationary costs over the period since 1965 does not detract substantially from the importance of an emerging bipartisan support for such funds. That Congress with the support of the AFL-CIO, including the AFT, and a broad-based coalition of education-interested groups, has been successful in overriding repeated vetoes by Nixon and now Ford's education bills is good reason to believe that a stronger federal commitment can be achieved. A federal administration that would provide leadership for this coalition is the most critically needed ingredient for a successful campaign to make education a major participant in the federal budget.

The justifications for substantial additional federal funding which were persuasive in 1965 are even more compelling today as cutbacks in educational services occur across the nation.

☐ The continued need for compensatory-education programs is indicated by reading-achievement gains resulting from Title I programs. Failure to increase funding for these programs will destroy this momentum.

☐ The mobility of the workforce and the degree of interdependence among states and among regions have increased significantly. The costs to society of educational deficiencies and inadequacies are not confined to the locality where schooling takes place. They spill over into the general society and economy.

☐ There is a continued demonstration that educational investment yields high returns both to the individual and society. After reviewing the debate over the value of an education, Kern Alexander, a school-finance specialist, states that the studies consistently show "that returns from early childhood through college education are of such magnitude as to justify free public education through the bachelor's degree even if we do not add to the return estimate the many non-quantifiable societal benefits."

☐ The goal of equalizing educational opportunity requires the federal government to play a greater role in its joint effort with the states. Studies show that federal aid, though very inadequate, has stimulated the reform of state education finance both by promoting greater equalization of expenditures and identifying the realities of specific need areas requiring greater than average expenditures.

☐ Finally, the federal tax structure as a means of collecting revenues for education is much more equitable than state and local tax systems. State and local collections derive from sales tax and property tax which fall hardest on low-income groups. Also, the possibility of significant tax reform to affect a much fairer and more progressive structure will be more likely at the federal level than at state and local levels.

SPECIAL PROBLEMS OF URBAN AREAS

As we assess the need for greater federal funding, it is crucial that we keep in mind the special problems of urban areas. The near collapse of the largest American city in the fall of 1975 may foreshadow what awaits many large central cities. This is the conclusion reached by Thomas Muller in "Growing and Declining Urban Areas: A Fiscal Comparison," published by the Urban Institute (1975). In analyzing the factors affecting the financial health of the 27 large cities with 500,000 or more population, Muller finds the following forces at work:

- The older industrial cities of the Northeast and Midwest are being drained by migration of middle-income families while the cities of the South and West are gaining;
- The costs of running municipal services are much higher in the declining cities;
- In order to support these higher costs, taxes tend to be higher in the declining cities;
- Federal employment and contracts are flowing predominantly into growing areas, and
- Older cities have not enjoyed the ability of annexing or incorporating large areas as part of the inner city.

The recessionary policies of the Nixon-Ford Administration have accelerated the deteriorating conditions of the declining cities to the point where recently a number of cities were on the verge of bankruptcy. In many cases, federal funds are necessary if these school districts are to maintain education at an adequate level. Since there currently is no legislative mechanism that could deal with this crisis, the AFT is supporting the Emergency Education Revenue Act of 1976. The bill has been introduced by Reps. Carl Perkins (D-Ky.) and Peter Peyser (R-N.Y.). Districts around the country that have found it impossible to obtain enough local and state funds to maintain their schools at an adequate level and where the local tax effort is great would be able to apply directly to the Dept. of Health, Education, and Welfare for emergency grants.

THE POTENTIAL FOR EXPANSION

With a federal leadership committed to education funding and reform, the federal role could be expanded in a number of ways. First, if current programs were funded at their fully authorized levels, an additional $4-$5 billion would be going to our schools. In addition, there remains a number of substantial areas of educational need which require a type of categorical approach with new funding.

A major new area requiring federal funding is that of early childhood education. The AFT is supporting a federally funded program with presumed prime sponsorship in the public schools.

The need for a comprehensive program stems from the growing number of working women and an ever-increasing body of knowledge on the importance of an educational program during the early years to children's growth and development.

Furthermore, declining enrollments at the elementary level have resulted in staff surplus and underutilized space in the public schools which provide additional reasons for a public-school program.

There are a number of other specific need areas which should be explored as additions to categorical-aid programs. For instance, there is a growing recognition of the need for an adequate educational program for emotionally disturbed students. Like the Education for the Handicapped Act, a bill to provide assistance to states and local school districts in this area of educational need is justified.

Another area of educational neglect is found among adults who have not completed high school. Increasing enrollments of adults in education programs indicate that with adequate funding a dramatic return of these persons to the schools could be achieved. The basis for this projection is contained in a report released by the U.S. Census Bureau, "School Enrollment—Social and Economic Characteristics of Students, October 1974." The report reveals that:

"The most dramatic increase in college enrollment in the 1970s has been among older students. Although half of the college students were still 18 to 21 years old, students 25 years old and over comprised one-third of all students in 1974. Of the 9.9 million persons in college in 1974, one million were 35 years old and over. The older students (25 and over) made up about two-thirds of all part-time students and one-sixth of the full-time students. *In addition to older persons in college, there were about 154,000 persons 25 years old and over enrolled in school below the college level.*" (Emphasis added.)

This encouraging statistic is deflated when we compare 154,000 persons enrolled to more than 44 million persons aged 25 years or older who have not gone back to school in order to complete high school.

Rural and migrant education has been so ignored that hundreds of thousands of young people do not have adequate educational opportunities.

Another specific educational need is found among the more than 225,000 persons in federal and state prisons, of whom only 20 percent of released inmates think training in prison helped them get outside work. More than 65 percent of these prisoners do not have high-school diplomas or almost twice the percentage for civilian males.

In addition to the need to fully fund existing federal education programs and establish new categorical programs, the federal government should enact a foundation program of general aid to education. Such a program would provide the necessary support to states as they remove major inequities in their school finance systems. Mandating equalization without providing new additional funds may ultimately cause funding cuts if local coalitions pull apart.

State School Finance Reform

Since 1971 there have been widespread changes in state systems of school finance. Major reforms have been introduced in at least 18 states with the aim of producing greater equality of expenditures per pupil and of reducing the burden of local property taxes. In part, the changes were made in response to a growing concern about the inequality of educational opportunity which resulted from differences in the funds available to school districts. The changes were also a response to mounting pressure for property tax relief and greater equity of property tax rates between school districts. The late 1960s and early 1970s brought a "taxpayers revolt." Demands were made to state legislatures for property tax relief, and the proportion of school bond issues rejected by voters greatly increased. But the most important stimulus for change in school finance systems was a series of court decisions which found existing school finance laws unconstitutional.

In 1971, in the case of *Serrano v. Priest*, the California Supreme Court decided that the California state system of school finance violated both the Fourteenth Amendment of the U.S. Constitution and a similar provision of the California state constitution. Contrary to the constitutional requirement of equal protection (and equal treatment) under the law, the quality of a child's education was arbitrarily based upon the property wealth of his school district. Wide variations in the property wealth of school districts meant there were wide variations in the local revenues for education. Expressing what became known as the "fiscal neutrality" principle, the court stated that only the wealth of the state as a whole, not the wealth of a particular school district, could determine the money available for a child's education. During the following year, similar decisions were handed down by courts in other states. State legislatures, under court order, or perhaps anticipating challenges in court, began remodeling their school finance laws.

Court impelled changes in school finance based on the Fourteenth Amendment of the U.S. Constitution were brought to a halt in 1973 by the U.S. Supreme Court decision in *San Antonio v. Rodriguez*. The U.S. Supreme Court reversed the decision of a Texas District Court which had invalidated that state's school finance system. The Rodriguez case, like the Serrano case, was based on the fiscal neutrality principle. But the U.S. Supreme Court ruled that the Texas school finance system did not discriminate against poor people as a "class," only against people living in poor school districts. It also ruled that education is not a fundamental right protected by the U.S. Constitution. However, the Supreme Court affirmed that education is a state responsibility and that legal challenges to school finance systems can be based on state constitutions.

Less than two weeks after the Rodriguez decision, the New Jersey system of school finance was invalidated on the basis of the state constitution. In *Robinson v. Cahill*, the Supreme Court of New Jersey decided that the school finance system violated a clause of the state constitution which guarantees "a thorough and efficient system of free public schools." At fault was the wide variation in funds available to school districts as a result of the heavy reliance upon local property taxes. The court ordered the state legislature to fashion a new system of school finance, which, after repeated cajoling by the court, emerged in the form of the Public Education Act of 1975. Following another year of strife and a court-ordered closing of the public schools, the state legislature passed in July, 1976, a state income tax to fund the new finance system. While the New Jersey struggle has gone on, other states have experienced similar challenges to their school finance systems on the basis of state constitutional provisions.

THE NEED FOR REFORM

The main target of the widespread attacks on school finance systems is the heavy dependence upon local property taxes to support public schools. In general, public schools receive about one-half of their funds from local sources, and nearly all of this comes from taxes on property. The great differences between school districts in their property wealth produces corresponding differences in their tax revenues for education. It also results in proportionately greater tax burdens on the residents of poor districts. It is not uncommon for a school district to have ten times the taxable wealth per pupil as another school district in the same state. In addition to the fact that it produces unequal revenues and tax burdens, heavy reliance upon the property tax has other serious drawbacks. The property tax is administratively costly, it is often based on inaccurate assessments, and it is generally agreed to be a regressive tax. As a regressive tax, it places a proportionately greater burden on low income taxpayers. Nevertheless, the property tax has some positive aspects. It is a stable and productive source of income for schools, and it is not easily avoided by the taxpayer.

In 1974, state governments provided an average of about 40 percent of public school revenues. However, there was great variation among the states. In Hawaii, nearly 90 percent of public school funds were provided by the state, but in New Hampshire the figure was less than 10 percent. Up until the recent period of reform, two different systems have commonly been used by states to distribute aid to local school districts. One of the earliest forms of state aid to schools was a "flat grant" for each pupil. The state provided school districts with a set amount of money for each pupil, regardless of the needs of the pupil or the wealth of the district. The flat grant was in some cases supplemented by "equalization aid" or "supplemental aid" when a district clearly had inadequate resources.

The other system, developed by Strayer and Haig, was the "foundation program." This system has been the most widely used means of distributing state aid to schools. Under the foundation program, the state establishes a minimum expenditure or foundation level for each pupil. Deducted from this level is the amount the local district can raise with the minimum property tax rate that qualifies for state aid. The difference between the foundation level and the amount raised locally is provided from state funds.

Both the flat grant and the foundation program can function to equalize the differences in property wealth between school districts. If the flat grant or the foundation level is set high enough, it will have an equalizing effect. But in practice even the foundation program, which was designed to have an equalizing impact, has not been notably successful. The equalizing provisions have been undermined by inadequate state funding, by "floors" to assure even wealthy districts some state aid, and by "local leeway" which allows wealthy districts to spend above the foundation level. In addition, the foundation program does not usually recognize differences between districts as [illegible] 'ucational need or the cost of educa-

ALTERNATIVE SYSTEMS OF FINANCE

Efforts to achieve greater equality of funding for education have brought forward a number of proposals. Three of these proposals have received the greatest amount of attention. They are "district power equalizing," "percentage equalizing," and "full state funding." Under *district power equalizing*, the state guarantees the amount of revenue a school district will receive for a given tax rate (tax effort). If the district generates less revenue because it has insufficient property wealth, the state makes up the difference. Therefore, districts with greater wealth receive proportionately less state aid, but districts making a greater tax effort are assured of greater revenue. Among the states using district power equalizing formulas are Colorado, Connecticut, Kansas, Michigan, and Ohio. Illinois offers district power equalizing as one of two optional formulas of state aid to education.

Percentage equalizing, as an idea, is about as old as the foundation program. Prior to the recent reform movement in school finance, several states adopted percentage equalizing as a means of correcting deficiencies of their foundation programs. With percentage equalizing the state reimburses each school district for a percentage of its approved expenditures. The percentage which is reimbursed varies inversely with the total property wealth of the district. Thus, a district with low property wealth receives a higher percentage of its funds from the state. Of course, the state typically places limits on the percentage and the amount of expenditures that are reimbursable. Among the states using percentage equalizing are Alaska, Delaware, Massachusetts, Pennsylvania, Rhode Island, and Vermont.

Full state funding means simply the full assumption by the state of all educational expenditures. Revenues for education may be provided by a state-wide property tax, administered by state or local government, or from other sources of state revenue. Supporters of full state funding point out that the U.S. Constitution delegates to state, not local, government the responsibility for education. Furthermore, the benefits of education, or the burden of a lack of it, affects the whole state (and the nation), not simply the school district in which an individual resides. Full state funding is probably the surest way to achieve equal educational opportunity within a single state, but a number of criticisms are raised against the proposal. The most commonly heard criticism is that full state funding would diminish local control of schools. A question that is closely related to the issue of local control is what are the consequences of full state funding for collective bargaining by teachers. Very likely full state funding would provide more money for education, but perhaps it would also increase the budgetary constraints on local school boards. At the present time only Hawaii has a full state funding system of school finance.

NECESSARY ADJUSTMENTS TO STATE FORMULAS

In their simple form, none of the proposals to improve school financing necessarily produce greater equity in taxation or greater equality of expenditures per pupil. This is apparent from a simulation of the effect each of the three proposals would have upon major U.S. cities, areas which generally have the most acute problems in school finance. A simulation prepared for the National Urban Coalition shows that for most large cities district power equalizing would either lower expenditures or raise taxes, percentage equalizing would barely change either taxes or expenditures, and full state funding would raise tax rates and leave expenditure levels about the same. Each plan in its simple form fails to consider important differences between school districts in educational need, the costs of education, tax capacity (wealth), and tax effort (tax rates). Adjustments for need, cost, capacity, and effort are necessary if the reform proposals are to provide tax equity and greater equality of educational opportunity.

New wealth measures have been suggested as a means of more equitably determining the *capacity* of a school district to support education. The traditional practice of defining capacity in terms of district property values per pupil overstates the wealth of many areas. For example, large cities typically have high property values per pupil, but they do not have equally high per capita income to pay the property taxes. Measuring capacity in terms of a combination of per capita income and property wealth, and adjusting state aid accordingly, is generally a more equitable procedure. But the actual impact of including income in the measure of wealth will depend upon the type of income measure which is used and the distribution of income within a state.

In Rhode Island, Maryland, and Connecticut the use of a combined income and property wealth measure generally works to the advantage of urban areas, but in Virginia and Kansas it favors rural over the urban areas. Another means of adjusting taxes to the ability to pay is through "circuit breakers." Approximately one half of the states have provisions for rebating to elderly or low-income homeowners all or part of their local property taxes. Circuit breakers, by which the state assumes the burden of property taxes which exceed a set proportion of personal income, are specifically designed to reduce the regressivity of property taxes. They also may have the advantage of reducing the tendency of elderly citizens to vote against increases in school funding.

Municipal overburden is a term which refers to the overall heavy tax *effort* required of many large cities. Although many cities appear to have low tax rates, for the support of education, they nevertheless have heavy overall tax burdens. Adding together all of the taxes paid by their inhabitants, most large cities make greater per capita tax efforts than the states in which they are located. These higher tax efforts are required to support necessary services in large cities. Major cities have a heavier demand for such services as police and fire protection, refuse disposal, street maintenance, and traffic control. In comparison to the per capita expenditures for their respective states, expenditures in large cities run 53 percent higher for police, 91 percent higher for fire protection, and 87 percent higher for refuse disposal. This greater burden on city revenues means there is proportionately less money available to support education. Whereas on the average more than one-half of public expenditures in the suburbs go to education, in large cities less than one-third of public funds are available for education.

In its school finance reform Michigan adopted a municipal overburden adjustment for distributing state aid. Areas which have tax rates that are 25 percent above the state average, not counting the taxes to support education, receive extra aid from the state. However, the municipal overburden adjustment has only been funded at approximately one-fourth of its authorized level. Even so, it has apparently been of considerable benefit to the city of Detroit.

Categorical programs of state aid, which target money on special *needs*, have been of increasing importance in specific states. California has a substantial program which focuses on the needs of disadvantaged students. Four states—Illinois, Massachusetts, Colorado, and Louisiana—have made strong efforts in the area of bilingual education. In Illinois the bilingual program is an important source of aid to Chicago, for nearly two-thirds of the children served by the program live in the Chicago area. But in most states, adjustments for pupil need that are applied to general aid formulas are of much greater importance than categorical programs. Prior to the recent wave of school finance reform many states adjusted their aid formulas to provide greater funds for higher grade levels, for school districts very large or small in size, and for districts with very dense or sparse populations. All of these conditions reflected needs for additional school funds.

In the aftermath of the Serrano court decision, a number of states have added more comprehensive adjustments to address the special needs of students. Typically this is done through pupil weighting schemes. Formulas for distributing state aid to schools are adjusted by weights which are assigned to individual pupils. Some of the common adjustments are for students enrolled in vocational education, special education, or compensatory education. A pupil who is weighted more heavily entitles his school district to correspondingly greater state aid. The relative weights for categories of pupils may be determined by a survey of existing differences in program costs, by costing out exemplary programs, or simply by legislative judgment. Comprehensive weighting systems have been adopted by such states as New York, Florida, Utah, and

New Mexico. New York is unique in that it bases its adjustments for disadvantaged students on low pupil achievement test scores, rather than on a measure of low family income. The use of pupil weighting based on measures of need tends to provide greater state aid to low wealth districts, both urban and rural. High wealth urban districts have also gained from adjustments for disadvantaged students.

Differences between school districts in the *costs* of providing education may be adjusted by the use of cost indices. Actually, no true cost of education index has been developed, only cost-of-living indices have been used. The State of Florida has used a cost-of-living index, based on a market basket survey, but use of the index is now being challenged in court. There is some evidence that the use of cost indices are especially helpful to urban school systems. Although urban school systems do not necessarily spend the greatest amounts of money per pupil, the costs of services and supplies are typically higher in urban areas. However, there is opposition to the use of cost adjustments from individuals who believe they will add to the power of unionized teachers to win improved salaries and benefits.

THE AFTERMATH OF REFORM

In general the school finance reforms of the past five years have provided additional funds for education and have more equitably distributed funds among high and low wealth school districts. The source of revenue for schools has also shifted somewhat from local property taxes to a greater reliance on state revenues. Among the eighteen reform states, the percentage of school funds provided by state government has risen from 39 to over 50 percent. However, while the reforms have reduced the effects of property wealth inequalities among school districts, they have not adequately addressed the broader problems of capacity, tax effort, cost, and educational need. A study by the National Urban Coalition shows that when these additional factors are taken into consideration it is evident that many needy school districts have not benefited from the recent redistributions of state aid.

An adequate response to the fiscal problems of school districts will require a greater commitment of state and federal funds, as well as changes in the formulas used to distribute these funds to school districts. There is danger in the idea that a satisfactory equality of educational opportunity can be achieved by simply redistributing inadequate resources. In this light some of the recent reforms in school finance have contained provisions which may threaten the existence of quality education. Several of the reform states have imposed restrictive expenditure or tax rate limits on local school districts. Although ostensibly designed to promote equality of resources among districts, and to restrain tax increases, such limits may function to deny necessary and reasonable increases in education funding. In the recent period of school finance reform, the states with more restrictive tax or expenditure controls have generally experienced below average increases in teacher salaries.

Another means of restricting the increase of funds for education is through "recapture" provisions in state aid formulas. Four states—Maine, Montana, Utah, and Wisconsin—have enacted recapture laws which will take from wealthier districts certain local revenues that are above state imposed maximums. While the use of recapture will certainly limit the differences in funding between school districts, it may also serve as a break upon improvements in educational funding. Instead of low-wealth districts being brought up to the level of high wealth districts, by state and federal aid, all school districts may simply be held to a lower level of quality.

The complexities of school finance and the variability of local conditions suggests there is no one best way to channel funds to all school districts. Moreover, many of the reforms in school finance have been so recently adopted that their consequences are as yet unclear. In particular, the full impact of the new systems of school finance upon collective bargaining by teachers is yet to be realized. Some of the new procedures appear to hold promise of improved funding of public education. However, some of the proposals have been advanced specifically with the intent of curtailing the bargaining rights of teachers. Therefore, organized teachers must participate in the political process which will shape the new school finance systems and ensure that quality education and teacher rights are adequately protected.

Summary

The justifications for substantial additional federal funding which were persuasive toward the passage of the Elementary and Secondary Education Act (1965) are even more compelling today as cutbacks in educational services occur across the nation.

Federal financial assistance provided primarily through the ESEA has had a variety of positive impacts on education. The categorical approach has permitted relative concentration of federal expenditures where the need is greatest; it has provided for a greater equalization of intrastate per pupil expenditures directly, and also indirectly by stimulating reform at the state level; and, finally, it has helped to stimulate the identification of specific educational needs.

Identifying special educational needs which cut across economic and social levels can generate recognition and support for an expanded federal role. This was demonstrated by the support given the handicapped act.

A similar strategy explains in part the AFT's position on early childhood education. Although temporarily controversial, the position of presumed public school prime sponsorship is essential for developing a broad base of support for a comprehensive program.

Since 1971 we have witnessed widespread change in state systems of school finance as a result of pressures for property tax relief and more equality in educational expenditures. A variety of proposals have been offered to improve the financing of public schools, but the full consequences of these proposals are not yet clear. However, it is clear that organized teachers must play a role in shaping the new finance systems in order to insure quality education and to protect teacher rights.

As states reform their school finance systems, the federal government can play a supportive role in assuring these changes are achieved at higher levels of total expenditures.

Finally, solutions to the school-funding crisis must be arrived at within the context of overall programs for general economic recovery. To generate dollars for new school funding, the AFT places strong emphasis on enactment of the AFL/CIO's program for economic recovery which includes: federalization of welfare, public-service jobs and public works, countercyclical aid to localities with severe unemployment problems, federal guarantees for tax-exempt bonds, tax reform, and other similar reforms.

	Equalization Approach		State Aid Program Compensates For								
	Foundation Program	Guaranteed Tax Base	Grade Level Differences	Exceptional Education	Compensatory Education	Bilingual Education	Geographic Cost Differences	Density/Sparsity or Small Schools	Declining Enrollment	Capital Outlay and/or Debt Service	State Mandates Restricting Revenue or Expenditure Increase
Alabama	□			□						□	
Alaska		□		□		□	□	□		□	
Arizona	□		□	□		□			□	□	□
Arkansas		□	□	□				□			
California	□		□	□	□	□		□	□	□	□
Colorado		□		□		□		□	□		□
Connecticut		□		□	□					□	
Delaware		□	□	□						□	
Florida	□		□	□	□		□	□		□	□
Georgia	□	□		□				□		□	
Hawaii											
Idaho	□		□	□				□			
Illinois	□	□	□	□	□	□			□	□	□
Indiana	□			□	□				□	□	□
Iowa	□			□					□		□
Kansas		□		□				□	□		□
Kentucky	□		□	□					□	□	□
Louisiana	□		□	□		□		□			
Maine	□	□	□	□				□		□	□
Maryland	□			□				□		□	
Massachusetts		□		□		□				□	
Michigan		□		□	□	□					
Minnesota	□		□	□	□				□		□
Mississippi	□			□						□	
Missouri	□			□	□						
Montana	□	□	□	□				□			□
Nebraska	□		□	□	□			□			□
Nevada	□	□	□	□				□			□
New Hampshire	□		□	□						□	
New Jersey		□		□	□	□				□	□
New Mexico	□		□	□		□		□		□	
New York	□		□	□	□	□				□	
North Carolina	□		□	□							
North Dakota	□		□					□	□	□	
Ohio		□		□	□				□		
Oklahoma	□	□	□	□							
Oregon	□		□	□				□	□		
Pennsylvania		□	□	□	□			□		□	
Rhode Island		□		□	□	□		□		□	
South Carolina	□			□						□	
South Dakota	□		□	□				□			
Tennessee	□			□				□		□	
Texas	□	□	□	□	□	□		□			
Utah	□			□	□	□		□		□	
Vermont		□		□					□		
Virginia	□			□	□						
Washington	□			□	□	□		□		□	
West Virginia	□			□						□	□
Wisconsin		□		□	□					□	□
Wyoming	□	□		□				□		□	

Property Assessment Ratios Used to Adjust Valuations for School Funding Purposes	Property Tax Relief: State-Financed Circuit Breaker	Court Cases[2]	Estimated 1975-76 Expenditures Per Pupil in Average Daily Attendance[3]	
No			$1090	Alabama
Yes			2136	Alaska
Yes	□	□	1415	Arizona
Yes	□		881	Arkansas
Yes	□	□	1324	California
No	□		1422	Colorado
Yes	□	□	N/A	Connecticut
No	□		1606	Delaware
No		□	1381	Florida
Yes		□	N/A	Georgia
			1545	Hawaii[4]
Yes	□	□	1112	Idaho
Yes	□	□	1452	Illinois
Yes	□		1160	Indiana
No	□		1455	Iowa
Yes	□	□	1468	Kansas
Yes		□	986	Kentucky
No			1082	Louisiana
Yes	□	□	1197	Maine
Yes	□		1516	Maryland
Yes			N/A	Massachusetts
Yes	□		1366	Michigan
Yes	□		1513	Minnesota
No			997	Mississippi
Yes	□	□	1186	Missouri
No		□	1554	Montana
No			1296	Nebraska
No	□		1261	Nevada
Yes			1175	New Hampshire
Yes		□	1892	New Jersey
No		□	1261	New Mexico
Yes		□	2179	New York
No			N/A	North Carolina
Yes	□		1207	North Dakota
Yes	□		1264	Ohio
No	□	□	1130	Oklahoma
Yes	□	□	1501	Oregon
Yes	□		1660	Pennsylvania
Yes			1481	Rhode Island
No			1030	South Carolina
Yes			1094	South Dakota
No			969	Tennessee
Yes			1094	Texas
No			1084	Utah
Yes	□	□	1398	Vermont
Yes			1197	Virginia
Yes	□	□	1443	Washington
Yes	□	□	1071	West Virginia
Yes	□	□	1618	Wisconsin
No	□		886	Wyoming

School Finance at a Glance

"Minichart"

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Some elements Marked "□" may indicate an existing law that is unfunded or partially funded. Three of the columns in the original chart are not included: measure of local ability to support schools, legal standards for property assessment and comments.

Footnotes

1. Extent of equalization is not necessarily indicated.
2. Court cases: state court challenges of school finance programs or some aspect thereof.
3. Excludes capital outlay, interest on school debt, summer school, community services, adult programs and libraries. Source: Fall 1975, Statistics of Public Elementary and Secondary Day Schools, Advance Report, National Center for Education Statistics, U.S. Department of Health, Education and Welfare.
4. Full state funding.