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ABSTRACT

In the 1980s, equity concerns will come into conflict with efficiency concerns in school financing. This paper attempts to trace the changing nature of these concerns during the 1970s and to suggest trends for education financing in the 1980s. The first section discusses equity issues related to state school finance reforms and suggests that reforms are both hard to evaluate and lacking in effectiveness. Included is a discussion of school finance litigation and its substantial evolution in the 1970s from a "student needs" standard to a "suspect classification" standard back to a "student needs" standard. Section two covers current and future federal interest in equity and efficiency of education financing. The last section examines the current manifestation of efficiency concerns--minimum competency tests and tax limitation efforts. It discusses the conflicts of these efficiency concerns with equity issues, public attitudes toward them, and implications for equity and efficiency trends in school finance for the 1980s. (Author/JM)

PAPERS IN EDUCATION FINANCE

Paper No. 21

STATE AND FEDERAL PRESSURES FOR EQUITY AND EFFICIENCY IN EDUCATION FINANCING

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CONTENTS

INTRODUCTION

Equity concerns related to both students and taxpayers have been the driving forces behind the school finance reforms of the 1970s. Since the mid-1970s, however, efficiency concerns, most notably the minimal competency testing movement and the proliferation of tax and spending limitation measures, have begun to surface. The efficiency issues are generated in part by increasing inflation and rising pressures on local, state and federal government budgets. In the 1980s, these equity and efficiency issues will come into conflict.

This paper will attempt to trace the changing nature of these concerns during the 1970s and suggest likely trends for education financing in the 1980s. The first section discusses equity issues related to state school finance reforms and how effective [illegible] reforms have been in meeting the various equity goals. Included w[illegible] be a discussion of school finance litigation which has undergone perhaps the most substantial evolution during the 1970s. Section two covers the federal interest in education financing, both in its current focus and with respect to likely changes in the future. The last section examines the current manifestation of efficiency concerns -- minimum competency tests and tax and expenditure limitation efforts, their conflicts with the equity issues, public attitudes toward them and impl[illegible]ions for equity and efficiency trends in school finance for the 1980s.

I. EQUITY ISSUES IN STATE SCHOOL FINANCE REFORMS*

Many equity issues have been the targets of school finance reforms passed by the states during the 1970s. Both public school children and taxpayers have been the objects and beneficiaries of these reforms. This section discusses the relationship between state school finance reforms and numerous equity issues related to both children and taxpayers.

Equity for Children

Three general equity principles for children have guided the education finance reform programs of the 1970s: (1) equal treatment of equals; (2) unequal treatment of unequals; and (3) equal opportunity.

Equal treatment of equals. A prominent source of inequity in most school finance structures has been the large expenditure per pupil differences among school districts within a state. Differences of two- or three-to-one are common, and in many states differences between the high and low spending districts can reach a ten-to-one ratio. Even after adjusting the expenditure figures for factors that should cause differences such as pupil need differences, price variations, transportation costs and capital outlay expenditures, wide expenditure per pupil variations still exist.

These differences have been a major target of school finance reform efforts. One goal of most new school finance systems has been to reduce spending gaps. Arizona, California, Florida, Indiana,

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*For an overview of recent trends of school financing, see Allan Odden, School Finance Reform in the States: 1978 (Denver, Colo.: Education Finance Center, Education Commission of the States, 1978).

Iowa, Minnesota, New Mexico, [illegible] enacted high level foundation programs [illegible] the spending levels in low expenditure [illegible] the overall expenditure per pupil [illegible] the most dramatic [illegible] tally, local school districts will [illegible] to only 10 percent.

Special treatment [illegible] students, and school districts [illegible] differences should be recognized in [illegible] student [illegible] reforms [illegible] the 1970s. [illegible] low income students, low achieving students, and students for whom English is not the primary language [illegible] Florida, [illegible] Massachusetts, New Mexico, [illegible] enacted comprehensive pupil weighting systems [illegible] of special pupil needs. [illegible] programs for economically [illegible] students. Illinois and Minnesota, [illegible] poverty produces the most difficult [illegible] disadvantage, [illegible] dollar amounts for these students [illegible] concentration increases. And California, Colorado, Massachusetts, New Mexico and Texas [illegible] expanded programs for bilingual students.

Special district characteristics [illegible] sparsity factors [illegible] a number [illegible] and increased state participation in transportation [illegible] especially helpful for rural districts. Urban factors, [illegible] poverty student concentration [illegible] adjustments and municipal overburden adjustments have helped target additional aid to fiscally-pressed central city school districts. Small size factors, additional aid for remote, [illegible] and regional adjustments have also been added.

Equal opportunity. In addition to [illegible] differences of student [illegible] students, and districts that require special treatment, recent school finance reforms have [illegible] to reduce the role of [illegible] spending differentials. In particular, new [illegible] have sought to eliminate the links between [illegible] property and local district wealth and income. In fact, [illegible] finance programs are designed to [illegible] local property wealth and income do not determine expenditures per pupil levels. In general, all recent education finance changes have been designed to [illegible] in states [illegible] low wealth school districts in an attempt to [illegible] the link between spending per pupil and the local property wealth of local school districts.

Taxpayer Equity

Children have not been the only equity target of the education finance reforms passed during the 1970s. Taxpayers have also been of concern; indeed taxpayer concerns may have been predominant [illegible], in addition to the following equity goals, property tax relief was a major element in many education finance changes.

Equal treatment of equals. A central problem in school finance is that taxpayers in low wealth districts [illegible] less at a given tax rate than taxpayers in high wealth districts. Indeed, in many states,

Michigan, Minnesota and [illegible] of property tax relief [illegible] equalization [illegible] the property tax [illegible] property tax payment [illegible]

[illegible]

[illegible] However, [illegible]

[illegible] programs. Moreover, [illegible] meaningful, and [illegible]

[illegible]

* [illegible]

Trends in School Finance Litigation

School finance litigation began with the pupil as the target under both the equal treatment of equals and unequal treatment of unequals standards.* Both wide educational expenditure per pupil disparities and the inadequacy of additional services for special pupil populations were felt to violate the equal protection clause of the U.S. Constitution. The original cases challenged these facts, arguing that school finance systems should be tailored to "pupil needs." But in both the 1968 McInnis case in Illinois and the 1969 Burruss case in Virginia, the courts dismissed the cases claiming that because pupil needs could not be defined precisely the court had no legal standard on which to base opinions.

Shortly thereafter, a new litigation strategy was devised. The new strategy put forth a negative standard: that education expenditures could not be linked to local school district wealth, the equal opportunity standard discussed above. Litigants tried to persuade courts that school finance systems discriminated on the basis of wealth, a "suspect classification," in that high wealth districts tended to have high expenditure levels while lower wealth districts tended to have lower expenditures. It was argued that this discrimination violated the equal protection clause of the 14th Amendment of the U.S. Constitution. In August 1971, the California State Supreme Court, on a motion to dismiss the case at trial, accepted the argument and said that if the facts were as alleged the system did indeed violate the Constitution.

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*See Arthur Wise, Rich Schools, Poor Schools (Chicago, Ill.: University of Chicago Press, 1968).

Courts in Arizona, Michigan and Minnesota quickly followed the lead in California. The momentum of this legal strategy was set back by the March 1973 decision of the U.S. Supreme Court in the Rodriguez case, in which the court did not find a U.S. Constitutional violation. Litigations based on state equal protection clauses continued, however, and were successful in Connecticut in the Horton case, in California in Serrano, in Ohio in the Cincinnati case, and most recently in Colorado in the Lujan case.

The equal protection cases were important underpinnings of finance reforms in the early 1970s. Not coincidentally, the reform programs sought to remedy the issue litigated both by eliminating the link between spending and wealth (a child equal opportunity goal) and by guaranteeing equal revenues per pupil from state and local sources for equal tax rates (a taxpayer equal treatment of equals goal). While these programs helped to diminish the relationship between local wealth and education spending per pupil, they allowed large expenditure per pupil differences to remain even in the reformed school finance systems.

In addition to litigation based on equal protection grounds, the mid-1970s saw the start of litigation based on state constitutional education clauses. Some of these suits were brought in reform states where, despite changed finance structures, spending disparities equal to or greater than those before the reform persisted.

As results of the cases based on state education clauses accumulated, a noticeable change in the court decisions began to emerge. The 1973 Robinson decision by the New Jersey Supreme Court was a harbinger of things to come. That court ruled that the state's "thorough and efficient" clause required the state to guarantee an education that would equip students for their roles as citizens and competitors in the labor market. Rather than imposing only a negative standard, this court imposed an "affirmative duty" on the state and implicitly set a student needs standard, the issue thrown out in the earliest round of school finance litigation.

Currently, the pupil needs standard has been accepted by a number of state courts. Citing the Robinson decision, the Washington Supreme Court in the Seattle case ruled that a state constitutional requirement for the state to make "ample provision" for education meant that all school districts must provide a basic education that goes beyond the basics and equips students for their roles as citizens and competitors in the labor market. Similar decisions imposing an affirmative duty on the state to provide education appropriate to student needs have been accepted by courts in California, Colorado, New York and Ohio. Indeed, the New York and Ohio courts have gone beyond these general statements on the duty of the state to provide a basic education. These two courts set standards for school finance structures that must also respond to a variety of different pupil needs, account for price differences for education resources across school districts, and recognize the fiscal strains on city school districts caused by noneducation demands on the property tax dollar -- municipal overburden.

These changes in the rulings of state courts could have implications for school finance reform in the 1980s.* In spite of the tax and spending limitation measures that are being enacted, which will be discussed below, the newest court decisions have redirected the focus of school finance reform to student equity, with the New Jersey and Ohio courts specifically rejecting taxpayer equity issues in their decisions. Expenditure per pupil gaps per se are being successfully challenged and the courts are becoming increasingly specific in the requirements for additional services that must be provided to special populations such as the handicapped, poverty, low achieving and bilingual student.

These new directions should affect both equity and efficiency aspects of school finance in the eighties. Equity should be affected because the courts have focused attention on spending differences and provisions for special pupil and district [illegible]. Efficiency should be enhanced by a more precise definition of reform objectives. While there still might be multiple equity objectives (including taxpayer concerns) on the policy makers' agenda, the mandate to close spending gaps and provide for special pupil needs provides two clear objectives for a changing school finance policy in the 1980s.

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*For an expanded discussion of the changes in litigation strategies in school finance, see Betsy Levin, "Current Trends in School Finance Reform Litigation," in School Finance Reform in the States: 1979 (Denver, Colo.: Education Finance Center, Education Commission of the States, forthcoming).

II. EQUITY AND EFFICIENCY PRESSURES FROM THE FEDERAL GOVERNMENT

Beginning in 1965 with the Elementary and Secondary Education Act (ESEA) and continuing through the 1970s, the federal role in education finance has remained fairly consistent. The federal strategy has been to target aid for particular categories of programs and, except for impact aid, has ignored the arena of general purpose aid. The concern of the federal government for the past 15 years has been to increase services for special pupil populations, beginning with poverty and minority students in the mid-1960s and expanding over the years to include among others, the handicapped, bilingual, migrant and native American student. The federal programs have been developed on an individual basis, each with separate funds allocation mechanisms, fiscal accounting requirements, rules, regulations and program guidelines. To insure compliance with each of the federal programs, there are stipulations for fiscal comparability, maintenance of local effort, anti-supplanting and annual evaluations.

Effectiveness of Federal Programs

While some research in the late 1970s indicated that some federal programs may not be very effective, recent work indicates that federal programs, especially Title I of the Elementary and Secondary Education Act, have been quite effective in accomplishing their objectives as well as improving student and taxpayer equity in state school finance structures. The recently completed National Institute of Education study on Title I concluded that the funds had been allocated according to Congressional intent* and had funded programs that substantially increased student math and reading achievement levels.** In addition, the study found the program to have some income redistribution characteristics.*** In addition, both Title I and the new Education for All Handicapped Children Act reduce spending disparities among school districts within states and diminish the link between spending and local school district wealth.****

Efficiency Issues

Although the federal commitment is to enhance the equity of the education system for special pupil populations, recent trends indicate that increased attention is being given to inefficiencies inherent in the current set of federal elementary and secondary education programs, both across the federal programs themselves and between the state and federal programs designed to serve the same or similar objectives.

There are three major sources of inefficiency that have been addressed in recent federal legislation. Each has important implications for the interactions between state and federal education programs during the 1980s. The first is the proliferation and

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*National Institute of Education, Title I Funds Allocation: The Current Formulas (Washington, D.C.: NIE, 1977).

**National Institute of Education. The Effects of Services on Student Development (Washington, D.C.: NIE, 1977).

***National Institute of Education, Title I Funds Allocation: The Current Formulas (Washington, D.C.: NIE, 1977).

****Lawrence Vascera, "An Examination of the Flow of Title I and State Compensatory Education Aid and Their Effect on Equalization in Four States: Florida, New Jersey, New York and Texas," Paper No. 10 (February 1978); and Special Education Finance: The Interaction Between State and Federal Support Systems (Denver, Colo.: Education Finance Center, Education Commission of the States, forthcoming).

fragmentation of the current set of federal programs which have produced both service overlaps and service gaps at the local district level. Some students qualify for services under a variety of programs, while others with less severe problems may qualify for no particular program but nevertheless need additional services. This situation is exacerbated by guidelines that require concentration of dollars to make service levels meaningful. As a result, a "piling on" phenomenon can occur: some students become targets of large sums of categorical dollars while others receive none.

Second, the individual federal program guidelines are inconsistent and uncoordinated. Some for example, call for "pullout" programs while others mandate mainstreaming. Often the same students are served by different programs which require conflicting program delivery configurations.

Third, until recently there has been a reluctance to allow a merging of federal dollars with state dollars available for programs targeted at the same student populations and designed with similar education objectives. As a result, state and federal dollars are separated artificially and inefficient service delivery occurs.

There are several changes that might occur in the 1980s that should help reduce these inefficiencies, while maintaining the federal and state commitments to special populations. First, the federal government may cease to make law based on the most extreme case among the states. Rather, policies may be developed or changed to recognize accomplishments that have been made by many states and to provide incentives for other states to move in the desired direction. This will reflect a need to streamline the entire federal program structure and integrate it with state efforts. Second, numerous special programs may be merged into a simpler scheme, which would relax restrictions that maintain distinctions among individual special populations and replace them with a distinction between special groups as a whole and the general population. Third, there should be increased opportunities for using state and federal funds together, especially for those programs targeted on the same students and with similar objectives.

Finally, there might be an increase in matching requirements for the receipt of federal funds, rather than the current complex web of comparability, maintenance of local effort and non-supplanting provisions. This change would reflect a recognition that matching requirements are more effective than the current obsession with tracking dollars, which requires costly accounting and bookkeeping activities.

In addition, there is a growing concern in Washington, from both an equity and efficiency perspective, with the interaction between federal categorical funds and inequitable state school finance structures. Increasingly, members of Congress recognize that a dollar of federal aid in a low wealth, low spending school district may not be used as efficiently as a dollar in a medium or high spending district. In other words, the Congress is concluding that unfair state school finance structures blunt the overall impact of federal categorical dollars. The funds made available under Section 842 of the Education Amendments of 1974 reflected this concern. This issue was also a major driving force behind the bill debated during the 1977 session of Congress that was designed to provide federal incentives for states to close spending gaps among its school districts. There is also growing awareness that there are substantial wealth and spending disparities among the 50 states and that only the federal government is in a position to remedy the differences.

All of these concerns with state school financing systems were behind the establishment of the current three-year study of school finance that will be conducted by the Department of Health, Education and Welfare. One purpose of the study will be to define equity in education finance under a variety of standards, to measure the degree of equity among and within states, and to develop alternative federal policies for a general aid formula to enhance inter- and intrastate education finance equity. While a federal program of general aid is not imminent, the current study reflects renewed discussion of such a new federal initiative.

The concurrent moves to streamline and make less restrictive the current federal categorical programs and the discussions of alternative general aid programs indicate that major changes in the federal role in education finance may be on the horizon for the 1980s. In all likelihood, a federal general aid program will have incentives for states to close spending gaps for the basic education program and to expand services for special populations. Such a new federal initiative, combined with the current trends in school finance litigation and renewed state interest in refocusing reform efforts on the student, could produce major changes in the substance and politics of education financing in the 1980s.

III. CURRENT EFFICIENCY PRESSURES FROM THE PUBLIC

There are always equity and efficiency tradeoffs in public sector activity. Equity issues often dominate in times of fiscal surplus, efficiency concerns become important in times of tight money. The early 1970s, especially with the start of federal revenue sharing, produced healthy state and local budgets. Many education finance reforms with equity objectives were passed. Today, local, state and federal budgets are strained and, not surprisingly, increased interest in the efficiency side of education has emerged, the current versions being minimal competency testing and tax and expenditure limitation proposals. Each of these poses direct challenges to the equity objectives that have been the targets of state and federal education finance actions. The outcomes will have implications for new directions of education financing in the 1980s.

Minimal Competency Tests

Few "movements" have taken hold as quickly as minimal competency testing. In April 1976, only four states had enacted legislation and only four state boards of education had adopted resolutions requiring some form of minimal competency testing. By November 1977, 11 states had legislation and 20 state boards had resolutions. In January 1979, the number of states with minimal competency laws had increased to 16 and the number of state board resolutions had jumped to 20, for a total of 36 states with some type minimal competency testing required for graduation from high school or grade-to-grade promotion.

Minimal competency testing has been driven, in part, by the belief that achievement levels have been falling and that students are graduating from high school without a firm grasp of basic reading, writing and mathematical computation. This belief has been exacerbated by public difficulty in understanding why costs have been rising in the education sector while the number of students has been declining. Minimal competency testing is one manifestation of the current swing towards accountability and efficiency in the public school sector.

There are good reasons for schools to be held accountable for educating students and using resources efficiently. The problem with many minimal competency laws and regulations, however, is that they can violate the rights of many students. In addition, they conflict directly with the efforts, discussed in the first two sections, to enhance education equity for minorities, the handicapped and other special student populations.

McClung* notes six major problems with many of the current minimal competency tests, each of which is discriminatory and could serve as a basis of a legal challenge:

1. The potential for discrimination against racial, linguistically different and handicapped students.
2. Inadequate remedial instruction that creates or reinforces tracking.
3. Inadequate match between the instructional program and the test.

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*Merle McClung, "Competency Testing: Potential for Discrimination," Clearinghouse Review, September 1977, pp. 439-447.

4. Inadequate advance notice and [illegible] initial use of the test as a graduation requirement.

5. Unfair apportionment of [illegible] between students and educators for test failures.

6. Possible lack of [illegible] validity [illegible] reliability of the tests.

Indeed, suits have been [illegible] filed [illegible] on the basis of these and other flaws in the laws.

Litigation and debate over minimal competency requirements will undoubtedly continue. The courts will [illegible] those aspects of the laws that are unconstitutional and [illegible] eliminate their more egregious elements. The [illegible] of efficiency is unlikely to evaporate soon. Legally and educationally sound minimal competency standards can be implemented by a state.* Even though most programs are costly, they probably will continue during the 1980s. Such programs must be monitored though, because they potentially can hinder equity gains made by other policies directed at special student populations, narrow the scope of public education and cause strains on school district budgets.

Tax and Expenditure Limitation Measures

The other efficiency event that came sweeping across the country during the past year has been the tax and expenditure limitation phenomenon. At this time a year ago, few people felt that California's

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*Merle McClung, "Developing Proficiency Programs in California Public Schools: Some Legal Implications and a Suggested Implementation Procedure" (Sacramento, Calif.: California State Department of Education, 1978).

Proposition 13, which limited property taxes to 1 percent of market value and provided $7 billion in property tax relief, would pass in the June election. Yet on June 6, 1978, Californians voted 65 percent to 35 percent in favor of this drastic tax cut. The Proposition 13 fallout produced approximately 15 tax cut related measures on state ballots in the November elections, some of which were approved. Numerous other measures were placed on legislative agendas.

Expenditure and tax controls are not a new phenomenon for school districts. Indeed, over 30 states now impose a variety of such controls on local school districts including tax caps, expenditure increase limitations, revenue and budget constraints, and the need to obtain approval from either a vote of the people or a state budget review board to exceed the constraints. Many of these measures were passed as essential elements of school finance reform packages, with efficiency notions as rationales -- the belief that large increases in state aid had to be phased-in gradually in order to be spent efficiently. In some states, like California, the revenue constraints helped to close spending differentials. But in other states, most notably Colorado, the controls worked against this equity goal and actually prevented low spending districts from "catching up."

The types of expenditure and tax controls heralded by Proposition 13, however, constitute major changes and could have tremendous implications for school finance. These measures can place severe restrictions on local and state budgets. As a result, they make it very difficult for a state to inject substantial new funds into a school finance structure, a characteristic of nearly all the school finance reforms of the 1970s.

In this light, the current [illegible] of tax and expenditure limitations needs to be scrutinized closely. In particular, public attitudes towards these [illegible]. It is [illegible] to infer, as much of the media [illegible], that these TEL measures are indicative of the public mood. Does the public think government is doing the right? Are taxpayers [illegible]? Are taxes too high? Is the TEL movement an anti-education movement? Is there dissatisfaction with school finance? What implications for school financing does public opinion about these measures [illegible].

First, it is probably an over-statement to label the TEL phenomenon a "movement." The results of last year's elections were more mixed than generally characterized. California should be considered a unique case. The state was sitting on a $5 billion state surplus and was able to "bail out" local governments facing a loss of property tax revenues. Idaho, the only other state that passed a Proposition 13 type of measure, has no surplus and significant service cuts are likely as that measure is implemented. In no other state did voters approve a Proposition 13 type of tax cut to be implemented this year. Thus only California and Idaho have taken the drastic step of slashing property tax revenues, "a la Proposition 13."

Other states had less dramatic revenue or tax limitation measures on the November ballot, some of which were accepted and some rejected. These measures did not slash government expenditures but merely set limits on either their future growth or their percentage of the state's personal income. While such measures will slow down the growth of state and local government activities, they represent moderate measures that do not require immediate service or tax cuts.

Such overall results fall short of a Proposition 13 grassfire sweeping the country. However, they do reflect a mood to dampen increases in taxes and government spending. To term the events a revolt is to engage in hyperbole. But these attempts to control government and make it more efficient do reflect public attitudes of dissatisfaction. In an attempt to assess the nature of these dissatisfactions, the Education Commission of the States conducted public opinion surveys in five states -- California, Colorado, Idaho, Michigan and Oregon -- with tax and spending limitation measures on the ballot last year. The results of these polls, together with the results of national polls are remarkably consistent.*

Eighty percent of those polled felt there was "a lot" of government waste and that government spending was the primary cause of inflation. Seventy percent felt that government in general was trying to do too many things. But when asked specifically about education, the majority registered satisfaction with public schools (although this level of satisfaction is less than it was nationally 10 years ago). In fact, schools, police and fire protection services were among the basic services those polled felt should not be reduced if limits were placed

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*A booklet on the results of these polls and the nature of the campaigns related to the various measures will be published by the Education Commission of the States later in 1979. Preliminary results are available in two special editions of the quarterly newsletter of the Education Commission of the States, Education Finance Center, Finance Facts: "Public Opinion and Proposition 13 (February 1979) and "Public Opinion on Tax and Expenditure Limitations: Attitudes in Four States" (May 1979).

on government spending. In fact, nearly [illegible] percent of respondents felt that there should be increases in school services.

The vast majority of taxpayers in the five states felt that the level of taxes was too high: nationally, the percentage feeling this way has been increasing over the past decade. Those polled felt that federal taxes and local property taxes were the least fair, and that state income and sales taxes were the fairest taxes. Most also felt that local property taxes and federal taxes had increased the most in the past few years.

Interestingly, the majority registered satisfaction with the state school financing system, an unexpected finding since the systems, and the overall state roles, vary significantly across the five states. In California, moreover, 80 percent of those polled felt that all school districts should have equal expenditures per child and that it would be desirable to take from the wealthy districts and give to the poor districts to accomplish this goal.

When asked about the causes of the rise in the costs of education, respondents in California pointed to inflation as the primary cause, poor management as the second cause, and waste (i.e., too many and too highly paid administrators) as the third highest factor.

These results are similar to those obtained in a number of national polls. The national polls found that the nation's citizens felt the country was in a state of ill health and that things would get worse, rather than better, in the near future. When asked the causes of the ill health, economic factors were identified: inflation, unemployment and rising taxes. There was concern over the rise in government expenditures and alleged waste in government, but there was support for many individual programs, including education.

It seems that inflation is creating economic strains on taxpayer pocketbooks and that government in general is feeling the heat of dissatisfaction. The public is concerned about waste, poor management and inefficiencies in government operations. Yet, there is remarkable support for many services, especially education. What may be reflected is a concern not so much with the role or government, but its performance. Put differently, public attitudes may reflect that in the current era of inflation and tight money, efficiency issues related to government operations have become a primary concern.

The implications of these attitudes for school financing in the 1980s are not as clear. In the 1970s one consistent characteristic of school finance reforms has been an increase in the overall state role, including a substantial increase in the absolute dollar amount of state aid. If this is necessary for a reform to occur, tax and expenditure limitations on the state purse do not auger well. First, such restrictions impose tough constraints on the ability of the state to increase its role in funding. Second, they restrict the increased use of the taxes considered the fairest -- state taxes, and maintain reliance on one of the taxes considered the least fair -- the local property tax.

Those states that enact limitations on the ability of the state to raise revenue may be states that will find it most difficult to advance improved school financing systems during the 1980s. Put bluntly, the efficiency thrust of the current tax and spending limitation activities, when applied at the state level, may decrease the potential for making further equity gains in school finance in the next decade.

IV. CONCLUSIONS AND GENERAL IMPLICATIONS FOR THE FUTURE

In the times of fiscal leeway of the early 1970s, equity issues related to both students and taxpayers drove the variety of education finance reforms. While gains were made on all fronts, especially in reducing the links between spending and property wealth, fewer gains were made in closing spending gaps. In addition, the relative position of poor and minority students was not enhanced by many reforms; such students became relatively more disadvantaged as the reforms were implemented.

These results may be improved upon in the future if current trends in school finance litigation hold. Courts increasingly are holding states accountable for taking affirmative action to insure at least minimum impacts on students and to provide adequate levels of resources for special populations requiring additional and more costly educational services. This mantle of the courts should help to maintain a strong focus of school finance structures on students, especially students with special needs such as minority, poverty, handicapped and bilingual groups.

At the federal level, the concentration of policies on special ident populations should continue. But there is a high probability the inefficiencies associated with: (1) the current proliferation deral programs; (2) the obsession with tracking dollars rather ducational services; and (3) the need to coordinate federal s with state programs designed for similar purposes and targeted ame student populations, should produce a simpler, a more federal categorical program structure in the 1980s, and more rational and efficient delivery systems at the local level. In addition, there is renewed interest at the federal level in advancing the pace of school finance expenditure equalization. Federal funds were made available in the mid-1970s to assist states in developing better equalization plans. The current three-year federal study should serve as the substantive foundation of a possible federal general aid program. And one could predict that by the end of the 1980s the federal government will have at least a toe in the door of a general aid program.

At both levels, however, there are two current sets of activities that have their roots in efficiency concerns and that are in conflict with the equity goals that have dominated federal and state activities in school financing. The first is the minimal competency testing movement, which potentially can disadvantage numerous special populations which have been the affirmative targets of many state and federal programs. The second is the tax and expenditure limitation movement which may crushingly limit the ability of the state (and potentially the federal government if a balanced budget becomes required) to support education finance reforms or expanded services to special student populations. While the negative effects of the minimal competency tests could be negated through legal battles, the legality of tax and spending limitations is more difficult to challenge. If inflation is the root of the push for such limitations, the need to enact federal policies that will curtail inflation and ease the strain on the pocketbook of the country's citizens becomes a paramount concern for those who do not want current efficiency issues to impose long-term restrictions that limit future equity gains in education financing.

31