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ABSTRACT

Using school finance reform as an example, the author argues that states are willing and able to handle redistributive education issues. The paper's first section presents 1970-81 financial data comparing federal and state governments' total aid to elementary and secondary education and their aid to categorical programs for handicapped, compensatory, and bilingual education. Section 2 gives an overview of states' school finance reforms in the 1970s. The section first discusses finance reforms as a redistributive issue and then provides descriptions of reforms in California, Connecticut, and Missouri as well as data on types of reforms in the 28 states with school finance reforms. Finally, it summarizes empirical studies on the reforms' impacts on state school finance structures. In the third section the author identifies political elements involved in state-level school finance reforms. He examines the roles of state courts in finance reform in all states, of state political leaders (especially governors and legislators) in the 28 states with reforms, and of the loose national network formed in the 1970s around school finance reform. Appendix tables provide data on state aid to public schools in all states. (RW)

WORKING PAPERS IN EDUCATION FINANCE

Working Paper No. 39

SCHOOL FINANCE REFORM: AN EXAMPLE OF REDISTRIBUTIVE EDUCATION POLICY AT THE STATE LEVEL

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CONTENTS

4

INTRODUCTION

In 1981 the Reagan Administration proposed and the Congress adopted a series of fundamental changes in federal budget and expenditure policies, including the consolidation of numerous categorical programs into block grants, or quasi block grants to state and local governments. Federal policy in education was not immune from these sweeping changes. In elementary and secondary education, 28 small categorical programs were consolidated into one block grant and Title I of ESEA was changed significantly. The resulting structure represents a very streamlined federal role: five major categorical programs including a revised Title I for educationally disadvantaged students in low income areas, a program for students with limited English speaking ability, the Education for All Handicapped Children Act (P.L. 94-142), a revised Vocational Education Act and Impact Aid Program; and the consolidated block grant which can be used for three general purposes: basic skills development, school improvement and special projects. In addition to this changed structure, federal outlays for education also were reduced substantially for fiscal year 1982 and are likely to decline further in the future.

While these major changes were being proposed and adopted, a series of questions were raised about the ability of states and local school districts to assume the new responsibilities these changes would require. One of the most strongly stated questions was whether the federal role of the past 15 years -- support for programs for special pupil populations -- also was a priority across the 50 states. A related question was whether states would be able to maintain service levels by absorbing federal cuts and increasing state and local revenues. Undergirding both concerns was skepticism over the capacity and willingness of states to handle redistributive education issues, and even if affirmative, whether it was possible to initiative political efforts in each of the 50 states in addition to maintaining a strong political role at the federal level.

Obviously the types of changes recently enacted in federal education policy alter the direction of education policy at the federal as well as at the state and local levels. Even for those who have observed the revitalized state role in education that has developed in the past 15 years, it would be difficult to argue that the current changes in the federal role will not have a major impact outside of Washington, D.C. Nevertheless, it is the contention of this paper that redistributive education policies have and will continue to be salient state issues and that in many respects states have played a more important role than or at least as important a role as the federal government in the setting of education policy and in the design of redistributive education policies in the past decade. But the political strategies that have been effective at the state level are different from those at the federal level, as well as more diverse, more costly to implement and more complicated to maintain.

Specific attention will be given in this paper to the school finance reform activities across the states in the 1970s as an example, writ large, of state initiative and innovation in redistributive education policy. Indeed, it could be argued that this massive state role in redistributing general aid dollars for education far surpasses in magnitude and significance the smaller state and federal initiatives in developing and supporting categorical programs for special, targeted student population groups. The argument of this paper, however, is more limited. The paper simply suggests that the school finance reform activities across the states refute the claim that states lack the capacity and willingness to enact redistributive education policies. A subsidiary argument, which is developed much more fully by another paper being written for the Federal School Finance Project, will show that states also have developed and funded numerous categorical programs targeted on the same student groups identified by the federal government, and that the state fiscal role in supporting programs for special pupil populations in fact surpasses the federal role.

This paper has three sections. The first section lays out some basic financial figures on general and categorical revenues supporting elementary and secondary schools by level of government, and by changes over the past decade. The objective of this section is to highlight the respective fiscal roles of the federal and state governments. The second section provides an overview of the breadth, diversity, and impact of the school finance reforms enacted in the 1970s. The objective of this section is to show, by the example of school finance reform, that redistributive education policy is a top priority across the states and that major progress in improving the equity of school financing systems has been made and will likely continue to be made. A related objective is to show that there has been significant variation among the states both in the manner in which school finance has been remedied and in the saliency of the issue. The third section of the paper will outline some of the political issues surrounding state education policies, including school finance reform. The objective will be to identify the elements of the politics of school finance redistribution at the state level, and to extract from those state experiences elements of potential new state level strategies to augment what have been federal education concerns for the past two decades.

6

I. FISCAL ROLE OF THE STATE AND FEDERAL GOVERNMENTS

Since public education services must be financed from funds appropriated by various governments, a quick overview of the federal and state fiscal roles is a beginning step in making the case that the states take education seriously and have the capacity and will to handle and improve the status of its redistributive nature. Table 1 displays some figures on state and federal revenues supporting education over the past decade, including support of the "big three" categoricals: handicapped, compensatory and bilingual education. In many respects these figures speak for themselves. For the purposes of this paper, the following points should be noted:

1. The state fiscal role far surpasses that of the federal government; total estimated state aid for 1980-81 equals $50,798 million, nearly six times that of the federal government. Although not shown in this table, the state role also exceeds that of local governments. Even the local fiscal role is nearly five times the federal role.

2. The rate of growth of the state role over the past decade also exceeds greatly that of the federal government. Over the past 10 years, state aid has risen by $33.2 billion compared to a $5.4 billion increase from Washington, D.C. Even in percentage terms, the state financial role, which began at a much higher level than the federal role, rose at a faster clip than that of the federal government. Total state aid rose by 190 percent in the past decade while federal aid rose only by 144 percent. Moreover, the state role is likely to continue rising, although at a somewhat lesser pace, while an optimistic projection of the federal level of financial aid would be that it will maintain its current level, while the realistic projection is a decrease in absolute dollars.*

3. The significance of this high level of and sharp increase in state aid is magnified when the nature of state aid is considered. The bulk of state aid for education in all states in the country is general support, non-earmarked financial assistance that is distributed in larger amounts to poor than to wealthy districts. In fact, as will be shown latter in this paper, the bulk of state aid increases during the past decade came about because of the proliferation of school finance reforms which targeted greater increases in state funds to property poor and in some cases low income school districts. In other words, the state fiscal role in education simply overshadows that of the federal government and in doing so forms the center piece of a redistributive education policy.

*Table A-1 presents data that shows this state growth is not just a California driven phenomenon. State aid has grown considerably in many states.

Table 1

STATE AND FEDERAL AID TO ELEMENTARY/SECONDARY EDUCATION
Selected Years
(Millions)

	1970-71	1974-75	1980-81
State Aid			
Total[1]	$17,371	$27,228	$50,798
Handicapped	910[2]	2,038[2]	3,600[3]
Compensatory Education	N.A.	364[4]	689[3]
Bilingual Education	N.A.	N.A.	84[3]
Federal Aid			
Total[1]	$ 3,129	$ 5,125	$ 9,158
Handicapped 94-142, Part B	300[5]	325[5]	900
Compensatory Education, Title I, Basic Grants	1,500	1,876	2,764[6]
Bilingual Education	25	33	125
Total Local Support[1]	$22,938	$30,390	$42,311

[1] National Education Association, Estimates of School Statistics, Washington, D.C.: selected years.

[2] 1972 data. William Wilken and David Porter. State Aid for Special Education: Who Benefits? Washington, D.C.: NIE, 1977.

[3] ECS estimates to be published in C. Kent McGuire, State Programs for Special Populations, Denver, Colo.: Education Finance Center, Education Commission of the States, forthcoming.

[4] 1976 data. Administration of Compensatory Education, Washington, D.C.: NIE, 1977, p. 58.

[5] 1972 data. ECS estimates of federal funds for all purposes for education services for the handicapped, from numerous programs.

[6] Basic grants only for educationally disadvantaged students in low income areas. Excludes funds for migrant, delinquent, etc.

4. Not only does total state aid exceed total federal aid, but also state categorical aid for the largest three programs for special populations also exceeds that of the federal government. This fact is particularly relevant given the recent attention received by proposed and enacted cuts in federal education aid. While there has been and continues to be a major federal role in supporting and funding programs for special student populations, and while for some specific groups the federal government has been instrumental in stimulating the provision of new and more comprehensive services, the federal role nevertheless is still subordinate to that of the states. In short, even for programs targeted for specific student groups, another type of redistributive education policy, the state presence surpasses the federal presence.

5. Although federal support for compensatory and bilingual education is greater than that of the states, state support of programs for the handicapped far surpasses that of the federal government. The dominance of state support for the handicapped is somewhat ironic since the bulk of attention has been given to P.L. 94-142, which affirmed the national commitment to programs for the handicapped. When that bill was passed in 1975, all states had enacted comprehensive programs for those students and were spending over $2 billion supporting those programs. While the number of handicapped students served rose by over 40 percent between 1975 and 1981, in part stimulated by P.L. 94-142, federal revenues rose to just under a billion dollars, about what the states were spending a decade ago, while state support for the handicapped nearly doubled, rising by $1.6 billion, to a total of $3.6 billion. Put another way, the increase in state aid for the handicapped since the passage of P.L. 94-142 exceeds the total current federal support for those students by over 60 percent.*

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*Since the core of state education aid is redistributive in nature, since state aid for the handicapped constitutes the bulk of funds from all governments allocated for these students, since state bilingual education programs exist in the states enrolling over 90 percent of students with limited English proficiency and since state compensatory education programs exist in nearly all major industrial states and in most states with large urban centers, it stretches the imagination to characterize the state approach to general education policy or to policy for special students as "trickle down" in nature. However, federal support in the past for programs for low income children has been stronger than state support, the federal government has stimulated state action in some areas, and there is significant variability across the states in all of the above policies. Even though policies as well as capacity and will differ from state to state, it is short sighted and damaging in the long run to gloss over the state role or to over estimate the efficacy even of major federal programs. The task for both federal and state governments is to

6. These national figures, moreover, obscure exemplary practices in a number of states. While the federal role in supporting services for the handicapped is just over $200 per handicapped child, the average state role is nearly $900. In fact the lowest state contribution exceeds that of the federal government. In 1979, for example and further illustration, while federal support was $206 per handicapped child, 3 states spent over $2,000 per child, 10 states spent between $1,000 and $2,000 per child, 27 states spent between $500 and $1,000, and only 9 states spent under $500 per handicapped child. These trends continue in 1981 (Odden and McGuire, 1980).

The above comments are not meant to diminish the significant role the federal government has played in education policy and fiscal support over the past decade and a half. The figures are presented, though, to show that however important the federal financial role has been, in nearly all instances it has been exceeded by the state role. The fact is that the federal government is the junior partner in providing education services in this country, including both general education programs for all students and special education programs for students with a variety of special needs.

The preeminence of the states in providing education services means that state activities and practices should be reviewed and analyzed in the first instance in determining the future stability of education services, both general and targeted. And whether education is a salient, redistributive political issue is determined primarily by state activities, decisions and policies.

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*harness the capacity (which exists) at the state and local level for managing and implementing general and special education programs, by: (1) acknowledging that the responsibility to do so is shared by all levels of government, (2) respecting local political and cultural traditions and limits, (3) strengthening the general political environment so that general government political will supports the education capacity to deliver, and (4) providing funding that is adequate for the task.

II. SCHOOL FINANCE REFORM AS REDISTRIBUTIVE POLITICS AT THE STATE LEVEL

The two fundamental state interests in education policy are redistributive in nature: (1) provision of a fair system of financing that treats low and high wealth, and low and high income local school districts fairly; and (2) provision of support mechanisms that insure that all students receive education services appropriate to their needs.* Whether states meet their basic responsibilities in education, therefore, is equivalent to whether states are capable of handling redistributive education policies.

School finance equalization, i.e., the allocation of state general education aid in an inverse relationship to local school district property wealth per pupil, has been a common state practice for many decades. In the 1970s these policies were strengthened by major reform in over half the states, the issue of school finance matured and became <u>the</u> major state education issue, and the linkage between state tax policy and redistributive policies became consciously linked. In this section, an overview of the state events related to school finance reform will be given as a means of showing that redistributive education policies, and the politics to reinforce those policies, are indeed salient and strong state issues.

This section is divided into three parts. The first part gives an overview of the school finance issue and shows why fundamentally it is a redistributive issue. The second part briefly describes state actions during the past decade on problems related to school finance policies, including more detailed descriptions of the actions in three states to show the diversity with which states have approached this issue. Part three summarizes a number of the empirical studies on the impacts of state school finance reforms in an attempt to show that the rhetoric of reform has been accompanied by real change.

School Finance: The Basic Issue

School finance inequities have been recognized for years and state policies have, at least nominally, been designed to remedy those inequities. The problems have been two fold. First, expenditures per pupil have differed substantially across school districts within a state. While these differences have been nominal in a few states, in most states the differences have been quite large. Prior to the 1970s it was not uncommon for expenditures per pupil

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*In this paper, redistributive is used in the political science sense of characterizing a policy which allocates more to some groups or individuals than others. It is broader than the narrow economic definition, but standard in the political science world. (See for example, Erwin Hargrave, "Strategies for the Implementation of Federal Education Policies," Nashville, Tenn.: Vanderbilt University, August 1981.)

for the highest spending districts to be greater by factors of two to four than the expenditures per pupil in the lowest spending districts. While some of these variations in expenditures could be explained by price differences, student need differences or other unique district characteristics, the bulk of the differences constituted differences in the level and quality of programs and services provided.

The second problem was that these expenditure disparities were not random phenomena. In nearly every state, the expenditure differences were linked to differences in local property wealth per child. Districts low in property wealth per child, even with above average school property tax rates, tended to spend at low or below average levels, while districts high in property wealth per child, sometimes with below average property tax rates, enjoyed high levels of expenditures per pupil. While the poorer districts usually received slightly greater amounts of state general aid per pupil, the difference was not enough to offset their disadvantage in being property poor. The unanticipated consequence of decentralizing the education system by financing public schools primarily from local property tax revenues was a stratifying of local school systems on a continuum of local wealth: the greater the local property wealth per child, the higher the quality of school services provided.

These two problems were recognized and acted on by states. Indeed, as mentioned above, even prior to the school finance reforms of the 1970s, state aid in most instances was allocated in greater amounts per child to property poor school districts (Coons, Clune and Sugarman, 1970). Nevertheless the differences were moderate and insufficient to offset the substantial differences in the ability to raise revenues from the local property tax.*

While the school finance reforms of the early 1970s were targeted primarily on remedying this problem of the link between expenditures per pupil and local property wealth per child, the issues of school finance equity quickly expanded during the decade to include a variety of other related issues:

1. Local property wealth was challenged as the best or only indicator of local fiscal capacity (Odden, 1976). Income also became recognized as a factor creating expenditure disparities. Thus a number of states added income factors to their equalization formulas. State aid policies assumed a dual redistributive goal: to allocate aid in greater amounts to both low wealth and low income districts.

2. Pupil need issues received new and greater attention. While the original school finance court cases were based primarily on a student

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*In this sense, all states' general aid programs have been redistributive. The point of this section is that these moderately redistributive policies were greatly enhanced during the 1970s through a series of state based (not federal) strategies and actions, which constitutes a major example of states capacity and will to handle redistributive policies.

need argument, i.e., that expenditures should be related to student need, they were unsuccessful and the court issue became one of the link between wealth and spending. But as the decade closed, the student need issue not only had received greater attention in state policies, but also a number of court decisions declared that financing systems must indeed recognize differences in the educational needs of various students and compensate districts for extra costs incurred in providing those services. Thus, the central element in the federal role in education, targeting financial support for students with special needs, became intertwined with state school finance court cases, as well as other court cases focused just on the student need issue (Augenblick, 1979). In short, general school finance policies and special need student policies became connected.

3. Price variations, sparsity and rural isolation costs, municipal overburden and other unique district situations which either drove expenditure levels up or curtailed the ability to tap local revenue sources became fixtures on the state school finance reform agenda (Odden and Augenblick, 1981).

In short, <u>the issue of school finance</u> which at the beginning of the decade was a simple redistributive issue of insufficient state aid being allocated to districts low in wealth per child, <u>became a more mature and comprehensive issue by the close of the decade including redistribution of state resources on the basis of property wealth, household income and special student needs</u>.

School Finance Reform Activities in the 1970s

Prodded by the courts (discussed below), as well as by new political leaders, state activities related to school finance reform were numerous and diverse during the past decade. Twenty-eight of the 50 states passed school finance reform laws. For all these reforms, general operating, equalization aid programs were broadened and strengthened. Districts low in property wealth, as well as low in income in some states, became eligible for more state aid than districts richer in property wealth or higher in income. Usually this occurred by "leveling up" less wealthy or lower income districts than directly by redistributing funds from rich to poor districts. Three types of specific formulas have been used in these efforts to enhance equalization goals as shown in Table 2.*

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*Details on variations in these general approaches can be found in the ECS annual "School Finance at a Glance" charts and <u>School Finance Reform in the States</u> booklets, and in the periodic reports by Esther Tron entitled <u>Public School Finance Programs</u>. These documents show that all state programs differ substantially in their detailed specifications, while reflecting a more limited number of general approaches.

Table 2

BASIC STRUCTURES OF SCHOOL FINANCE REFORM STATES

	Old Structure			New Structure		
	Foundation	Guaranteed Tax Base/ Percent Equalizating	Year of Reform	Foundation	Foundation with GTB	GTB
Arizona	X		1974, 80	X[1]		
California	X		1973, 77	X	X	X
Colorado	X		1973			X
Connecticut	Flat Grant only		1974, 76	X[1]	X[1]	
Florida	X		1973			X
Illinois	X		1973	X		
Indiana	X		1975	X[1]		
Iowa	X		1971			X
Kansas	X		1973		X	
Maine	X		1973	X		
Maryland	X		1973	X[1]		
Massachusetts	X		1979			X
Michigan	X		1973	X	X	
Minnesota	X		1971		X	
Missouri	X		1977	X	X	
Montana	X		1973			X
New Jersey		X	1976	X[1]		
New Mexico	X		1973	X		
North Dakota	X		1973			X
Ohio	X		1975	X[1]		
Oklahoma	X		1981	X[1]		
South Carolina	X		1979	X[1]		
Tennessee	X		1977		X	
Texas	X		1975, 77		X[1]	
Utah	X		1973	X		
Virginia	X		1974	Full State Assumption		
Washington	X		1977			X
Wisconsin	X		1973			

[1]Pupil Weighting System included in basic formula.

14

Some states enacted higher level foundation programs. Under these finance plans, the state guarantees a certain expenditure per pupil level with a combination of state and local revenues. Although districts may supplement the foundation level, the extent of supplementation is often restricted by state law. Arizona, California, Florida, Indiana, Iowa, Maryland, Massachusetts, Minnesota, Montana, New Mexico, North Dakota, Oklahoma, South Carolina, Tennessee and Washington took this approach in their reforms. Washington is unique in this group of states having fully state funded the basic expenditure level. In these states, the school finance structure generally reflects a political culture that recognizes a strong state role in setting education policy.

California provides a good example. Political culture in this state allows for a strong state role in nearly all government functions, including education. The constitution is long in delineating state responsibilities, the state education code is one of the largest in the country, the state has enacted nearly as many categorical programs as the federal government and the state supreme court is an active and pacesetter court. It was not unusual for the first school finance case to be filed here and to receive a sympathetic hearing.

AB65, the school finance reform enacted after the state Supreme Court decision in late 1976 and prior to Proposition 13, reflects this political tradition. It called for a high foundation level equal to expenditures per pupil of the district at the 75th percentile, targeting aid increases into the low wealth districts, power equalized and even recaptured funds from the wealthiest districts for districts choosing to spend above the foundation level and continued strong controls on annual expenditure increases, allowing low spenders to increase at a faster rate than higher spending districts. The bill included a variety of increases in and restructuring of programs for the poor, bilingual and handicapped student. It was projected to require nearly $5 billion in new state aid, which was available from the elastic tax structure of the state. Redistribution was possible in part because of a healthy public sector.

Both general government political actors -- Governor Jerry Brown, Assemblyman Leroy Greene and Senator Al Rhodda -- and the top educator -- chief state school officer Wilson Riles -- played important roles in enacting the reform. The reform represented a major new and comprehensive state education policy, with most of its elements designed to benefit the poor and disadvantaged. Wealthy and high-spending districts were significantly curtailed by expenditure controls and other elements of this new finance system.

Some nonreform states have also adopted the high foundation approach. Although low level, minimum foundation programs had caused many of the historic school finance problems, some states that are not included in the group of those that enacted reforms in the 1970s already had enacted high-level foundation programs. Alaska, Delaware, Hawaii (essentially a full-stated funded program), Nevada, North Carolina and Oklahoma are such states; in each state, moreover, the overall state-fiscal role exceeds 50 percent.

The second type of school finance formula passed by the reform states was designed to reward equal local effort with equal revenues per pupil from state and local sources; these plans were called guaranteed tax base, power equalization, guaranteed yield, resource equalizer or percentage equalizing programs. Under this type of system, Colorado, Connecticut, Illinois, Kansas, Michigan, New Jersey, Ohio and Wisconsin allocate state aid to local school districts in response to levels of expenditures selected by the local district. These structures reflect a political culture that emphasizes local control and a lesser role played by state governments.

Connecticut provides a good example. Local control is a prominent and strong political reality in this state; state intervention is severely curtailed by the power and influence of its 169 towns as well as the beliefs of its citizens in the saliency of decentralization. The reform structure enacted -- a guaranteed tax base program -- reflects this tradition. While insuring all districts the same ability to raise tax revenues at a given tax rate as the district at the 85th percentile, the law required no minimums or maximums. While the 1979 modifications imposed a minimum, it still left considerable flexibility for local districts to determine funding and spending levels.

Because the state is without an income tax or other elements that would provide it with a more elastic state tax base, it has had severe difficulties in funding the reforms. Although state aid has increased above historical levels prior to reform, it is far from sufficient to fund fully the requirements of the new structure. Connecticut remains in a squeeze between funding a court required new finance system and a populace not wanting to expand the state tax base sufficiently for the revenues needed.

Political leadership for school finance reform also is mixed. Legislative leadership has been there for a decade, earlier in Howard Klebanoff and later in Teresalee Bertinuson. The governor has never championed school finance reform nor education policy; gubernatorial opposition to a state income tax has been a major deterrent to the state's ability to fund the plan it has enacted. The state department of education, which was a low profile agency prior to the first reform in 1975 and prior to the arrival of Mark Shedd, the current chief state school officer, developed considerable expertise and leadership in the latter half of the 1970s and will continue to plan a key role in the furtherance of school finance in that state.

In terms of nonreform states, Massachusetts, New York and Rhode Island are examples of states that adopted percentage equalizing formulas prior to the 1970s, with Rhode Island's plan also including an income factor. In all three of these states, these plans were implemented as part of a school finance reform enacted during the 1960s. But the overall state role in all three states never increased to above the 50 percent level; as a result equal yield for equal effort was a fact for only the lower percentiles of spending. Nevertheless, these are examples of states which enacted reforms prior to the reform decade of the 1970s.

The third type of reform enacted by several states added guaranteed tax base programs on top of higher level foundation programs so that above the foundation expenditure level, districts were guaranteed similar revenues per pupil at similar tax rates. California (prior to Proposition 13), Florida, Maine, Minnesota, Missouri, Montana, Texas and Utah enacted this type of two-tiered equalization formula. This structure reflects a political culture that balances state involvement with local control.

Missouri shows how states have implemented this combined approach. Politics in this low per capita tax state recognizes legitimate state intervention, yet strives to keep it at a minimum while allowing some local control. For its reform, Missouri decided to maintain its minimum foundation program, but increased the expenditure level to 75 percent of the statewide average. In order to make access to spending above this level fair to all, it added a guaranteed tax base program that guaranteed the tax yield for the district at the 85th percentile (increasing this by one percentage point to the 90th percentile over a five-year time period). Simultaneously, it increased the weight for low income children in the foundation part of the formula, hiked spending for handicapped children, and added an income factor to make the structure redistributive relative to both income and property.

The state's ability to fund the reform derived from a combination of fiscal health in the public sector and clever politics. The state funds were there, an extra $50 million each year for four years rather than the historical increase of $25 million a year. But wealthy districts would receive more state aid under the old formula than under the proposed new one, at equal funding levels. Representative Wayne Goode, who had chaired the Education Committee prior to 1977 and moved to chair the Appropriation Committee in 1977, convinced the newly elected Governor, Joe Tiesdale, to propose an extra $50 million for the new formula but only $25 million if the old formula was maintained. Even under the new formula, the wealthier districts received greater state aid increases with the $50 million than the smaller amount for the old formula, and the bill was able to wind its way through the legislature. The Senate, led by Senator Norman Merrell, and dominated by rural interests from low income areas, was successful in adding the income factor.

While the basic goal of the finance structure changes in all states was to diminish the link between expenditure levels and both property wealth and household income, the approaches selected represent a variety of strategies. Those states selecting a higher level foundation program adopted the philosophy that the state should insure a minimum adequate education program across all districts, but that districts should be free to spend above that level with funds raised entirely from local sources. States selecting the two tiered combined foundation-guaranteed tax base approach adopted essentially the same philosophy but in addition made the ability to spend above the foundation level equally available to all districts regardless of local wealth. Those states selecting the guaranteed tax approach solely reflect the philosophy that the state insures equal access to raising education revenues but that decisions on actual spending levels should be made locally. Thus while the underlying rationale for all programs is to insure a greater state role in offsetting the disadvantage of the property or income poor district, the philosophy reflected by the different approaches is quite different and has different results.

Moreover, the approach to reform was predicated upon four major elements of the state context: (1) its political culture; (2) the status, health and elasticity of its tax structure; (3) the role of the governor and legislators; and (4) the expertise and leadership of its state department of education. These four state contextual elements proscribed and formed both the type of reform in each state and the nature of the reform process.

Further, as shown in part by Table 3, states differed in whether their approach to policy reform was incremental or more radical. A number of states surprisingly enacted dramatic changes, replacing old structures with fundamentally new and different structures. As noted in Table 2, moreover, a number of these states also, through a new pupil weighting system, combined their basic general aid formula with their support for students with special needs. Other states, as identified in the second column of Table 3, enacted changes that represented strengthening of their old finance structures; many of these states were those that added guaranteed tax base programs on top of old foundation programs. Only one state enacted moderate changes in an old system. Put differently, the school finance reforms of the 1970s represented more than the typical incremental movements in policy reform. Basic, fundamental, structural changes were enacted with the objective being to strengthen and enhance the redistributive impact of state school finance equalization policies.

Furthermore, a few states also enacted recapture clauses that directly took revenues from the wealthiest school districts and redistributed them to the poorer districts. California, Maine (repealed in 1977), Minnesota, Montana and Utah, the states which have attempted this direct redistribution, indicate that from east to west this type of overt redistribution policy is possible in at least some states.

Finally, as the last columns in Table 3 and Appendix Tables A-1 and A-2 show, most of these reforms were backed by fiscal commitment as well. In nearly all these school finance reform states, the reform was accompanied by major increases in total state aid, with major being defined as increases above historical levels of increases prior to reform. Missouri, for example, had been increasing state aid by about $25 million a year prior to its 1977 reform; the reform upped that figure to an annual $50 million increase. New Jersey which, prior to its reform, had done well to increase state aid by $100 million a year, hiked state aid $300 million in the year after the reform. California more than doubled its state aid between 1978 and 1981 from just under $3.4 billion to over $7.8 billion. Illinois, which had been increasing aid by $100 million a year prior to 1973, jumped the annual increase to $300 million after the reform. Texas, which had been pumping in new state aid at below $200 million more for each biennium, increased the ante to over $400 million per biennium. South Carolina which had taken four years to hike state aid by $100 million prior to the reform increased state aid by $100 million in just two years after the reform was implemented, and increased the local role as well. In short, in nearly all states, a considerable amount of fiscal resources was placed behind the reform efforts, even though the reforms were not fully funded in each state.

Table 3

TYPES AND ELEMENTS OF STATE SCHOOL FINANCE REFORMS

	Basic Structural Change	Major Strengthening Extant Structure	Change in Some Structural Elements	Recapture Elements	Eliminate Save Harmless	Keep Some Save Harmless	Aid Increases	Increase by More Than 5% Points
Arizona 1980	X					X	No?	No
California	X	X		X	X		Yes	Yes[1]
Colorado	X					X	Yes	Yes
Connecticut		X				X	No	Yes[1]
Florida	X					X	Yes	No
Illinois	X					X	Yes	Yes
Indiana		X			?		Yes	Yes[1]
Iowa		X			?		Yes	Yes[1]
Kansas	X				X		Yes	Yes[1]
Maine		X		X[2]	X		Yes	Yes[1]
Maryland 1973			X		X		No	No
Massachusetts	X					X	No	Yes
Michigan	X					X	Yes	No
Minnesota		X		X	X		Yes	Yes[1]
Missouri		X				X	Yes	No
Montana		X		X	X		Yes	Yes[1]
New Jersey		X				X	Yes	Yes[1]
New Mexico	X						Yes	Yes
North Dakota		X			X		Yes	Yes[1]
Ohio	X					X	No	No
Oklahoma	X					X	Yes	Projected
South Carolina	X				?		Yes	No
Tennessee	X					X	No	No
Texas		X			?		Yes	No
Utah	X			X	X		Yes	No
Virginia	X					X	Yes	Yes
Washington		X			?		Yes	Yes[1]
Wisconsin	X			X[3]		X	Yes	Yes

[1]State percentage role increased by more than 10 percentage points.

[2]Repealed by referendum in 1977.

[3]Overthrown by court decision in 1976.

As Table 3 also shows, moreover, the reforms increased the state percentage role in many states. The state role rose by at least 5 percentage points in 6 of the 28 reform states and rose by more than 10 percentage points in 11 of the reform states. Again, even though the cost of the reform may have not been covered in many of the reform states, the state percentage role nevertheless increased in most of the states. In nearly all of the states, the state contribution exceeded that of historical increases. In other words, school finance reform has brought forth increased state support for public schools both on an absolute and percentage basis.

While the above shows that school finance reform was a major stimulus in increasing the state financial role in reform states, the state financial role also increased substantially in some of the nonreform states. State aid in Kentucky increased in the second half of the 1970s at a higher dollar level and percentage than in the first half. New York's mini-reform in 1974 carried with it a large state aid increase and state aid in South Dakota increased by significant amounts in the latter part of the decade. State aid in New York also increased after a 1978 lower court ruling that found the system unconstitutional, and South Dakota's increases can be linked at least in part to a reform passed in the mid-1970s but never implemented. In other words, there was activity in many of those states not included in the "reform" category.

As Table A-2 shows in addition, many nonreform states already have reached a high percentage level of state support for public elementary and secondary schools. By the close of the 70s, state aid as a percent of all government revenue for K-12 education exceeded the 60 percent level in the nonreform states of Alabama, Alaska, Delaware, Kentucky, North Carolina and West Virginia.

The Impacts of Reforms

Enacting school finance reform and backing that action with increased state revenues are first steps in assuring equity in education finance structures. Whether the impact of the reforms has been to enhance the redistributive nature of the structure is an empirical question. A number of such studies have been conducted. Most have focused on two issues: whether expenditure per pupil disparities per se have been reduced by the reforms and whether the link between property wealth per pupil and expenditures per pupil have been reduced. Since the situation prior to reform in most states was a strong link between spending and wealth and since most reforms "leveled up" low wealth districts, progress on either of these fronts represents as increase in the redistributive nature of the system.

An initial study, conducted by Brown, et al. (1978), used a national data set with information for all states in the country. Analyzing data from both the 1970 and 1975 school years, the authors found, using a variety of tests of inequality, that expenditure per pupil disparities across the nation had not changed during this five year time period. However, in comparing school finance reform states to nonschool finance reform states, the authors reached a different conclusion: in reform states, expenditure disparities tended to remain constant or drop, while in the nonreform states disparities remained constant or increased. Reform, using this measure, either enhanced or left in tact the redistributive nature of the system. However, in a somewhat more direct test of redistribution, i.e., whether the link between spending and wealth was reduced, the authors found significant progress in nearly all reform states, and even progress on this goal in many nonreform states. In short, halfway through the 1970s, the first study indicated that school finance reform was enhancing the redistributive nature of state school finance systems.

In a 1979 multiple year analysis of the impacts of school finance reform in five states, Carroll (1979) came to the same conclusion. In an extensive study of California, Florida, Kansas, Michigan and New Mexico, he concluded, again using a variety of statistical measures, that significant progress had been made in each state (in some instances over a five year period after the reform) in reducing the relationship between expenditures per pupil and local district property wealth per pupil. Hickrod, et al. (1980), in a five year study of Indiana, Iowa and Illinois, came to similar conclusions. For all three states, there were significant reductions in the relationship between spending and wealth, with the most dramatic progress occurring in Iowa and Illinois. Finally, Odden, Berne and Stiefel (1979) in a comparative study of about 20 reform states, again using a variety of statistical tests, found that significant reductions occurred in the relationship between local property wealth and expenditures per pupil. In short, nearly all of the empirical studies of the impacts of school finance reforms have concluded that the new structures reduced the link between spending and local wealth, thus showing that the reformed systems enhanced the redistributive nature of state school finance structures.

Furthermore, those studies that have looked more descriptively at whether school finance reforms have increased state aid allocations to low wealth or low income districts to a greater degree than to higher wealth or income districts have reached positive conclusions. Callahan and Wilken (1976) in one of the first studies of this sort investigated the results in seven states -- Florida, Illinois, Kansas, Michigan, New Mexico, Utah and Wisconsin -- and found that the reform increased substantially the property wealth-redistributive nature of these states' reform efforts. Odden and Adams (1980) reached the same conclusion for Missouri. In addition, they found that the new income factor in that formula also increased the income redistribution nature of the new Missouri school finance structure. Goertz has reached similar conclusions for the reform enacted in New Jersey in 1976.

While the reform impacts have not been analyzed in depth in all states, the empirical results of the studies that have been conducted are consistent and document the effectiveness of state school finance reform strategies in improving the redistributive nature of state school finance structures. These findings indicate that not only have states enacted new structures designed to increase state aid to low wealth and low income school districts, but also that the <u>reforms have worked</u>: <u>state school finance structures are more redistributive today than they were a decade ago. Redistributive state education policies are possible. States indeed have the capacity to recognize, act on and implement education policies with the expressed purpose of</u>

redistributing resources from high to low wealth districts and from high to low income districts.

As another comment, it should be noted that these direct findings on the impacts of reform have longer term, indirect results in their redistributive impacts. Through land value capitalization, lower taxes and increased education spending in low wealth school districts will increase the value of the property wealth in those districts over time. Although this issue has received only recent attention in school finance circles (Wendling, 1980; Gurwitz, 1980; Newachek, 1979), this longer term and more indirect effect of school finance reform should not go unnoticed and further solidifies the redistributive impact of strengthened school finance policies.

As a final comment, many nonreform states have attained the level of equity of the reform states without a major reform. Alabama, Louisiana, North Carolina, and Oregon are all nonreform states that rank high on many equity measures (Odden and Augenblick, 1981). While the future issues for these states may be the adequacy of education revenues and enhancing programs for special populations, they do indicate that even "nonreform" states have attained a high level of redistribution of education revenues to poor school districts.

III. POLITICAL ISSUES SURROUNDING SCHOOL FINANCE REFORM

The first two sections of this paper have shown that: (1) the states are the principal financial partner in financing public education in the United States; (2) the basic education finance issue is fundamentally a redistributive issue with respect to wealth, income and student need; (3) more than half of the states have enacted reform policies during the past decade designed to enhance the redistributive impact of education finance structures; (4) analyses of the impacts of the reforms have shown that indeed the reform structures are more redistributive than the structures prior to reform, and (5) even many nonreform states have attained the level of redistributive equity as have reform states.

These results indicate clearly that redistributive education policy is a salient and successful issue at the state level and that the states do have the capacity and willingness to confront such an issue. Moreover, since the school finance reform states include most of the largest states and, combined, enroll about 75 percent of all public school students in the country, these results indicate that there is significant realized as well as new potential for tapping state energies and resources for expanding needed redistributive education policies. The purpose of this section is to outline some of the political elements that surrounded the school finance reforms of the 1970s as indicators of the political will that exists in the states, separate from the federal government, for enacting education policies designed to enhance the status of the poor and the disadvantaged.

The first element is the state court systems. A major stimulus to state legislative actions in school finance in the 1970s was either a court order mandating reform or the threat of such an order. These court orders came from state not federal courts and were based on state constitutional requirements. The second element was the involvement of state general government principals. Governors and legislators were very active in school finance reform efforts. The third element was an informal strategy on the part of a loosely coordinated group of people to develop state-based and state specific efforts to enhance the school finance reform issue.

Role of the Courts

The courts played an important role in the school finance reforms of the 1970s across the states. While school finance inequities were recognized from the beginning of the twentieth century and while state school finance structures were somewhat equalizing in their impact, the expenditure disparities that remained were substantial and strongly linked to local wealth. It was this relationship that was litigated in the school finance court cases and found, beginning in the August 1971 opinion of the California State Supreme Court, to be unconstitutional. The original cases were brought on the basis of the Fourteenth Amendment of the U.S. Constitution. This avenue of court involvement was blocked in the March 1973 U.S. Supreme Court decision in the Rodriguez case from Texas when the court ruled against the plaintiffs. Since

1973 all school finance court action has been in state courts and based on state equal protection and education clauses.

Even though the courts have played an important role, as indicated by the information in Table 4, there has been significant variation in the action of the courts. First of all, many states, including a number of school finance reform states, have not experienced a legal challenge to their school finance structures. Conversely, and secondly, all states that have been the subject of litigation have not reformed their school finance structures; indeed in some states courts found school finance systems to be inequitable but not unconstitutional, thus taking some of the steam out of reform efforts. Third, the dates given for many court cases indicate that it takes many years for a legal action to run its course. In California, for example, where the Serrano case was filed in 1969 and where the final state Supreme Court decision was rendered 7 years later in December of 1976, the case has gone back to court with the plaintiffs now arguing that the reform has been insufficient. Even in Colorado and Ohio, for example, court cases were filed after school finance reforms had been enacted, presumably on the basis that the reforms were inadequate. While it would be difficult to understate the importance that litigation or the threat of litigation has played in the school finance reform movement, Table 4 also shows the great diversity of litigation actions and final decisions.*

A brief explanation of the bases of court action and the issues litigated will help to underscore the importance of litigation, especially in its redistributive thrust. The basic issue litigated in all school finance court cases is the link between expenditure per pupil disparities and local property wealth per pupil and/or local household income. The litigation strategy has been threefold. First, plaintiffs argue that education is a fundamental interest of the state because state education clauses, which exist to some degree or other in over two-thirds of all state constitutions, give education this special status. Because of state equal protection clauses, which are similar to the U.S. equal protection clause and exist in some form in all state constitutions, the acceptance by the court of the fundamentality of education requires the state to show a compelling state interest for a finance structure that links spending levels to local wealth levels. The standard argument that a compelling state interest is local control usually fails because other types of finance structures such as guaranteed tax base systems respect local control but make access to revenues equal to all. Once the court accepts education as a fundamental interest, the financing structure is overturned. The remedy entails allocation of greater amounts of state aid to low wealth school districts.

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*The most recent update on the specifics of school finance litigation is provided in Update on State-wide School Finance Cases. Washington, D.C.: Lawyers Committee for Civil Rights Under Law. April 1980. This booklet discusses the general issues in each case, and indicates the specific bases -- equal protection, education clause, etc. -- on which the case is brought.

Table 4

THE ROLE OF THE COURTS IN SCHOOL FINANCE POLICY REFORMS

	No School Finance Court Case	Date Case Filed	No Trial, Case Pending	Trial, Decision Pending	Tried and Decision Rendered: System Overturned		System Upheld	
					Lower Court	Highest Court	Lower Court	Higher Court
Alabama	X							
Alaska	X[1]							
Arizona*		1971			1972			1973
Arkansas		1977		1980				
California*		1968			1974	1976		
Colorado*		1977			1979	On appeal		
Connecticut*		1973			1974	1977		
Delaware	X							
Florida*	X[1]							
Georgia		1974			1981			1981
Hawaii	X							
Idaho		1972			1973			1975
Illinois*	X[1]							
Indiana*	X							
Iowa*	X							
Kansas*	X[1]							
Kentucky	X							
Louisiana	X[1]							
Maine*	X[1]							
Maryland*		1979			1981	On appeal		
Massachusetts		1978	X					
Michigan*		1971			1972	Vacated cause of 1973 reform		
Minnesota*		1970			1971 Fed. Court			
Mississippi	X							
Missouri*	X[2]							
Montana*	X[1]							
Nebraska	X							
Nevada	X							
New Hampshire	X							
New Jersey*		1970			1972	1973		
New Mexico*	X							
New York		1974			1978	On appeal		
North Carolina	X							
North Dakota*	X							
Ohio*		1976			1977			1979
Oklahoma*		1980	X					
Oregon		1972					1975	1976
Pennsylvania	X[1]							
Rhode Island	X							
South Carolina*	X							
South Dakota		1977	X					
Tennessee*	X							
Texas*		1970			1971 Fed. Court			1973 U.S. Sup. Ct.
Utah*	X							
Vermont	X							
Virginia*	X							
Washington*		1972 1976			1977	1978		1974
West Virginia		1975			1981	On appeal		
Wisconsin*		1979	X					
Wyoming		1978				1980		

*School finance reform states.

[1] Case on a specific aspect of the school finance system.

[2] Court case filed and voluntarily dismissed.

Second, plaintiffs argue that linking the level of expenditures to local wealth creates a suspect classification -- property wealth per pupil -- that determines the level of a state provided service -- education. This litigation strategy most directly challenges the insufficiency of the redistributive character of the state's finance structure. When courts accept property wealth per pupil as a suspect classification and overturn the constitutionality of a school finance system, the remedy is to increase the wealth redistributive nature of the distribution of state aid.

Third, many state education clauses that require the state to provide an "ample," "thorough and uniform," "thorough and efficient," or "general and uniform" system of free public schools are used to overturn either the simple link between spending and property wealth or spending disparities in and of themselves. In either instance, the remedy entails an infusion of aid into the low wealth, low income and low spending school districts, or a strengthening of the redistributive nature of state aid distributions.

In summary, the major school finance litigation strategies have turned the redistributive nature of the basic school finance problem into a constitutional issue. As a result many state courts have made it a state constitutional imperative to enhance the redistributive nature of state education finance policies.

While these litigation strategies have not been successful in every state, they have been successful in many states. In addition, they have had two indirect impacts. First, they have been one new factor in solidifying the past inequities in state school finance structures as major policy issues. The threat of litigation in states without suits in some cases has been as influential as a court case itself. Second, as litigation has developed, a broader range of redistributive issues have become imbued with constitutional imperatives. For example, in the original school finance court cases brought in the late 1960s, before the Serrano case, the argument was that spending differences had to be related to student need differences. This argument was rejected by the courts in that decade because there was no clear standard for quantifying student need. But a number of cases in the late 1970s included the student need argument and were successful. The Levittown case in New York, the Robinson case in New Jersey, and even the newest case in Washington state have had elements requiring the financing system to be related to student needs. These newest elements of school finance court cases join in the school finance issue all three elements of redistribution mentioned at the beginning of this paper: wealth, income and student need.

To further underscore the constitutional basis for the state role in providing services for special student needs, the specialized court cases brought and won on behalf of handicapped students, bilingual students, students from illegal alien families, etc. also must be noted. In sum, the basic school finance court cases have imbued the need for wealth and income redistributive state education financing policies with a constitutional imperative, and recent school finance cases and other special court cases brought for particularly needy students have undergirded the special education needs of students with state constitutional requirements as well.

Those who saw the U.S. Supreme Court decision in Rodriguez as the death knell of school finance litigation have been proven to be incorrect. Indeed, school finance challenges in state courts have continued as well as expanded. While it undoubtedly is more difficult and more expensive to challenge inequities on a state by state basis across the 50 states, the experience of school finance has shown that this strategy is possible and can be successful. Since the basic issues litigated are redistributive in nature, it shows that state courts are able to handle redistributive constitutional issues that are state responsibilities. And given the new directions of education litigation, the breadth of state court involvement in education policy is unlikely to diminish in the foreseeable future.

Role of State Political Leaders

Although the prod of the courts was an important ingredient in the politics of the school finance reform efforts of the 1970s, the courts were not the only major new ingredient. As noted by Fuhrman (1979) in a summary of eight case studies of state school finance reforms, there were five general ingredients related to the successful politics of school finance reform:

1. Key state political leaders -- governors and legislators -- working through gubernatorial or legislative commissions which included all interests and parties, and which discussed the issues and worked out major compromises in advance of legislative action.

2. The availability of a state fiscal surplus which enabled the legislature to overcome substantive roadblocks by enacting and funding small modifications in order to obtain the votes for the major program.

3. Court pressure which included both direct litigation as well as the concern that a court suit would be filed. Key political leaders in all states were aware of litigation across the country, even if a suit had not been filed in their state.

4. Involvement of a national policy diffusion network of individuals and institutions committed to improving the equity of school finance structures. This network received much of its support from the Ford Foundation, Carnegie Corporation, Spencer Foundation and National Institute of Education although it exists in no formal sense and functions in the most loosely coupled manner.

5. Perseverence, since reform takes many years to become fully implemented. Successful reform usually followed years of prior effort and study, years during which key political leaders, staff and citizens acquired the skills and expertise necessary to carry the reform legislation through the legislature and into the implementation process.

Table 5 shows that while these elements were not present in all reform states, most of them were. The data in this table suggest that the findings from the

Table 5

ELEMENTS RELATED TO SUCCESSFUL SCHOOL FINANCE REFORMS BY STATE

	Governor/ Legislators Task Force	Governor/ Legislators Leader	Fiscal Surplus	Direct Court Pressure	National Network	School Finance Reform
Arizona 1980	Yes	Yes		No	No	Yes
California	Yes	Yes	Yes	Yes	Yes	Yes
Colorado	Yes	Yes	Yes	Not at time of reform	Not at time of reform	Yes
Connecticut	Yes	Yes	No	Yes	Yes	Yes
Florida	Yes	Yes	Yes	No	Yes	Yes
Illinois	Yes		Yes	No	No	Yes
Indiana	Yes	Yes	Yes	No	No	Yes
Iowa			?	No	Not at time of reform	Yes
Kansas	Yes	Yes	Yes	No	No	Yes
Maine	Yes	Yes	Yes	No	No	Yes
Maryland 1973	Yes	Yes	?	No	No	Yes
Massachusetts			No	Yes	No	Yes
Michigan	Yes	Yes	Yes	Yes	No	Yes
Minnesota	Yes	Yes	Yes	Yes	No	Yes
Missouri	Yes	Yes	Yes	No	Yes	Yes
Montana			Yes	No	No	Yes
New Jersey	Yes	Yes	Yes, new tax	Yes	Yes	Yes
New Mexico	Yes	Yes		No	No	Yes
North Dakota	Yes		Yes	No	No	Yes
Ohio	Yes	Yes		No	No	Yes
South Carolina	Yes	Yes	Yes	No	Yes	Yes
Tennessee	Yes	Yes	No	No	Yes	Yes
Texas	Yes	Yes	Yes	No	Yes	Yes
Utah	Yes	Yes	Yes	No	Yes	Yes
Virginia	Yes	Yes	Yes	No	No	Yes
Washington	Yes	Yes	No	No	Yes	Yes
Wisconsin			Yes	Yes	Yes	Yes

eight state case studies seem appropriate for other states as well, even though the specifics of each of these general elements differed across each state, and that the particular political process used in one state would not work if duplicated in a different state.

What is somewhat striking about the Fuhrman findings is the absence of a key role played by educators or education interest groups, the people and organizations that had made education policy prior to the 1970s, and the presence of a key role played by general governmental actors -- governors and legislators -- who were deeply involved in and the leaders of school finance reform politics.

In fact, since the issues and problems of school finance had been known and discussed within education circles for over 50 years, it could be argued that the involvement of these top general government actors provided the political will for the major new advances that were made and thus was the key to the success of the 1970s school finance reform movement. Why did these general government actors become involved in school finance reform in the 1970s?

Two major factors were probably involved. First, a number of governors and state legislators were simply committed to education. Governors Rubin Askew of Florida, Terry Sanford of North Carolina, Ken Curtis in Maine, and legislators Bennett Katz in Maine, Wayne Goode in Missouri, Ann Lindeman in Arizona, Delwyn Stromer in Iowa, Joe Harder in Kansas, Lucy Maurer in Maryland, Hunter Andrews in Virginia and Al Burstein in New Jersey are just some examples of education oriented political leaders in the school finance reform states. Former governors Tom McCall in Oregon, and Nelson Rockefeller in New York, and legislators Les Kleven in South Dakota, John Barker in Idaho, and Leonard Stavisky in New York, are examples of "education" political leaders in nonreform states. In short, some states had political leaders with strong interests in education.

Second, and perhaps more important since many of these "educator political leaders" are retiring from public life and not being replaced (Rosenthal and Fuhrman, 1981), school finance reform became linked to a broader political issue that made it more attractive for a political leader to champion. Many claim (see Callahan and Wilken, 1976, for example) that tax, especially property tax, relief and reform were the engines of school finance reform in many states. Certainly this was true in Minnesota, Wisconsin, Iowa, Arizona, Colorado, and New Jersey where the leading political leaders put the tax issue at the forefront, and school finance reform became one of the implementing mechanisms for the tax policy changes. The point here is that education policy -- a narrow issue -- became linked to tax relief and reform -- a broader, more salient issue -- which attracted the involvement of governors and legislators. Thus education and school finance policies were enhanced but as a secondary effect of a broader policy issue that garnered the attention of the leading general government actors.

It is this second explanation for the involvement of general government actors in the school finance reform activities of the 1970s that should be considered most creatively in assessing whether the political will can be generated across the states to support redistributive education policies, because the broader political issue on which education policy can ride may differ over time as well as across regions. A new general issue is the driving force behind the involvement of general government actors who are becoming the state education political leaders of the 1980s. Governors Jim Hunt of North Carolina and Fob James of Alabama are good examples. Both are strong education governors, but both have linked improved education in their state to a broader political issue -- their state's economic development. In North Carolina, the result has been new money into public K-12 education, a strong minimum competency testing program which guarantees that all high school graduates will be competent in basic word and number skills, and a comprehensive state remedial and compensatory education program for those falling below competency levels -- all in the name of economic development.

In addition to the courts, the key political factor behind the school finance reforms of the 1970s was the involvement of state governors and legislators. They provided the political will that was needed to validate school finance reform as a salient issue, and created the environment that was needed for major school finance reform to occur. Whether involved because school finance reform was good itself or because it was related to another and broader political issue, the involvement of these general government actors was a key new political ingredient in the state politics of education in the 1970s.

The School Finance Reform Strategy

In addition to the courts and the involvement of top state general government actors, school finance reform in the 1970s also was the object of a loosely organized and nurtured nationwide strategy that emerged from a coalition of state political leaders, university-based school finance experts, foundation program officers, federal officials and key staff in some state-based education and political organizations. The strategy of this loosely coupled coalition of individuals, groups and institutions had six major elements.

First, school finance reform was conceptualized as a state based effort. In the minds of the diverse actors involved in those events, there never was a question that school finance was a state issue and that the issue had to be handled on a state by state basis across the country.* While that meant the activities and specific strategies would be diverse and multifaceted, the focus on the state level nevertheless gave clarity to the general thrust of the movement.

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*Even before Rodriguez, the leaders of the new school finance reform had a state-based perspective. Rodriguez was brought to a federal court by an independent lawyer, who ignored the advice of the creators of the school finance litigation strategy, and who lost in the U.S. Supreme Court.

Second, there was a conscious attempt to target activities toward state political leaders -- governors and legislators -- and to link school finance to the broader issue of state/local tax policy. The emerging importance of political leaders in setting education policy was recognized early in the decade.

Third, was the pressure of litigation in state courts. There is no question that the impetus of the courts was a crucial element in the resurgence of state education policymaking in general, and in school finance reform in particular. And action in state courts for special populations, which to date has been litigated primarily in the federal courts, is possible on the basis of many of the same constitutional and legal handles that have been the linchpins of school finance reform.

Fourth, the school finance movement was reform oriented, which meant only that the objective was to diminish the inequities in the system. Those involved in school finance activities were not agnostic; they were for change. What type of change, what equity focus, how to bring about change, etc. all varied by person, group and state. But a reform and change orientation was a driving force.

Fifth, there was considerable investment in human talent and a multidisciplinary approach was taken to the analysis of issues. In a sense reflecting another dimension of the decreased role of educators in school finance policymaking in the 1970s, the new school finance policy analysts tended to come less from education backgrounds and more from a variety of social science backgrounds. Economists, public finance experts, sociologists, lawyers, public policy analysts, political scientists, and a host of other scholars latched onto education policy, began to look at old issues with new knowledge, and advanced the state of the art in analyzing the diverse set of issues related to school finance problems. Economists developed price indices to quantify variations in education costs, public finance experts identified the close links between education finance policy and state/local tax policy, computer experts created school finance simulations which made everyone an expert on the impact of each formulaic change, and political scientists set the politics of education within the larger context of the state policymaking process. While each of these contributions was not pivotal individually, taken as a whole they helped the issue of school finance mature in an environment that was maturing after reapportionment, the expansion of legislative staff and the emergence of a more demanding and better educated breed of state political leaders.

Sixth, there was a conscious strategy to develop a policy diffusion network and in the latter half of the 1970s to institutionalize it in organizations organized by and designed to serve state leaders. The Finance and Law Centers at ECS, the Education Program at the National Conference of State Legislators, and the key roles played by school finance reformers in other state-based organizations such as Bill Wilken, the executive director of the National Association of State Boards of Education, are some examples. Ph.D. graduates from a number of university programs across the country who now have high level jobs in state education departments and legislative research staffs are another example. And the incursion of school finance reformers into federal agencies and departments is a further example of this strategy to institutionalize efforts to enhance school finance equity. There has been no similar attempt to develop such capabilities, networks and state based institutional capabilities for other education issues, including specific networks for the variety of special student population groups.

33

IV. CONCLUSIONS AND SUGGESTIONS

The objective of this paper has been to show, through the example of school finance reform activities of the 1970s, that there is great potential for building state-based strategies for the development and strengthening of redistributive education policies, including especially school finance reform but also policies targeting attention on students with special and high cost needs. As this paper has shown, school finance reform is a policy issue that gives more to the "haves" than the "have nots" and states during the past decade have made significant progress in strengthening the redistributive nature of their education finance structures. These changes have occurred for a number of reasons including conscious attempts: (1) to develop state by state strategies for stimulating school finance reform; (2) to link education policy to other policies, such as state/local tax policy, to make the issue more attractive politically for governors and legislators; (3) to use state courts to put the issue on the policy agenda and to imbue needed change with a constitutional imperative; (4) to infuse the policy analysis networks with individuals trained in an array of social science skills beyond just education which has strengthened the substantive base of the issue, broadened the knowledge surrounding the toughest elements and opened up new policy options; and (5) to institutionalize the problem as a legitimate and priority state level policy issue. The successes of the school finance reform movement indicate that these strategies can be successful on a state by state basis and that redistributive education policies do not always need a prod from the strong arm of the federal government.

As noted throughout the paper, moreover, these school finance reform strategies have produced action and benefited from the political support of general government actors in both school finance reform and nonreform states, although there also has been little success in nearly one-third of the states. Nevertheless, the school finance reform movement demonstrates what can be done with a state-based strategy.

- State rather than, or at least in addition to, federal courts can be used to give constitutional imperative to education equity issues. And as the school finance litigation shows, what begins as a simple issue can evolve into a complex and comprehensive issue in a short time period.

- State political leaders can and will become involved in education equity issues. Some simply are education oriented; others link education to broader, more salient state problems. But state political will can be tapped and, indeed, can be created.

In short, significant progress can be made working through and with states. Indeed, other than being dampened by the economic malaise that affects the entire country, the school finance reform movement is untouched and fundamentally unaffected by the Reagan budget cuts and retrenchment in federal education policy. If programs for special populations also had the undergirding of a state-based political support mechanism (movement), they would be much less affected than they now are, since their mainstay has been federal law.

Nevertheless, a federal program certainly is a major element in focusing attention in all states on a particular issue, as the federal programs for special populations have done in the last 15 years. A federal program raises the issue in all states and provides at least some funding for the service.

The lesson of this paper, however, is that it is possible to develop a set of political strategies on a state by state basis across the country both to strengthen the political infra structure of support for redistributive education programs, including those for special populations, and to lessen the nationwide impact of a change either at the federal level or in some states. The strategies used to further school finance reform can be used as a guidepost for the development of such strategies. And the successes of school finance reform as well as current state initiatives for special student populations suggest that there is great capacity and will to tap across the states and that energies should be expended toward that end.

APPENDIX A

Table A-1

STATE REVENUES FOR PUBLIC SCHOOLS, 1970-71 TO 1980-81

	Year of Reform	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81
Alabama	X	$ 280	$ 304	$ 320	$ 409	$ 420	$ 548	$ 567	$ 644	$ 728	$ 789	$ 845
Alaska	X	94	102	105	106	130	170	205	221	258	301	325
Arizona	74, 80	176	187	198	217	329	354	360	415	435	463	495
Arkansas	X	115	133	148	175	207	249	261	298	326	392	425
California	73, 77	1,472	2,057	2,093	2,784	2,633	2,699	3,163	3,425	5,586	6,625	7,798
Colorado	73	152	155	179	254	333	350	380	418	480	556	606
Connecticut	75, 79	203	195	227	240	273	361	371	352	407	453	525
Delaware	X	109	115	130	136	145	156	168	171	181	197	210
Florida	73	694	715	806	994	1,099	1,049	1,123	1,503	1,666	1,800	2,000
Georgia	X	367	390	443	514	596	700	643	720	823	1,103	1,138
Hawaii	X	184	195	210	213	212	233	242	234	242	353	378
Idaho	X	54	58	61	74	95	114	125	130	146	201	235
Illinois	73	967	1,029	1,170	1,351	1,631	1,988	2,001	1,911	2,013	2,089	2,262
Indiana	75	372	388	390	456	523	613	866	945	1,070	1,166	1,322
Iowa	71	184	212	247	288	335	416	441	458	493	562	619
Kansas	73	140	134	141	209	228	277	307	364	379	450	504
Kentucky	X	265	283	314	332	371	436	505	652	776	849	935
Louisiana	X	400	429	447	466	520	525	671	715	750	795	851
Maine	73	61	70	75	80	123	135	158	168	197	213	233
Maryland	73	339	513	644	688	723	701	566	748	771	801	844
Massachusetts	79	300	281	335	358	464	465	815	840	997	1,079	1,263
Michigan	73	909	1,065	1,156	1,278	1,350	1,103	1,259	1,743	1,700	2,099	1,750
Minnesota	71	442	550	726	750	780	780	1,002	1,016	1,146	1,210	1,234
Mississippi	X	170	184	196	231	242	289	299	334	376	414	456
Missouri	77	252	324	360	385	415	439	465	519	569	644	678
Montana	73	35	38	41	69	71	143	155	166	177	187	198
Nebraska	X	[illegible]	44	47	67	102	97	103	99	99	110	158
Nevada	X	42	53	51	58	59	73	79	87	90	160	[illegible]
New Hampshire	X	13	10	12	13	13	20	22	23	25	23	[illegible]
New Jersey	76	462	495	577	673	798	798	1,129	1,252	1,378	1,497	1,631
New Mexico	73	137	145	163	179	204	221	260	313	359	397	453
New York	X	2,391	2,394	2,455	2,555	2,923	3,068	3,094	3,153	3,352	3,600	3,955
North Carolina	X	566	631	687	857	1,021	1,036	1,097	1,160	1,303	1,286	1,465
North Dakota	73	34	39	39	65	68	85	97	99	104	115	115
Ohio	75	554	670	783	844	1,093	1,202	1,311	1,387	1,579	1,611	1,711
Oklahoma	81	172	198	222	269	313	368	446	518	588	704	825
Oregon	X	96	102	111	144	180	211	232	283	315	450	480
Pennsylvania	X	1,101	1,317	1,534	1,597	1,819	1,920	1,952	2,120	2,195	2,385	2,531
Rhode Island	X	59	68	76	84	93	106	115	124	130	144	159
South Carolina	79	256	280	297	337	386	419	449	498	534	619	711
South Dakota	X	18	22	20	21	23	24	28	31	39	54	77
Tennessee	77	270	296	318	335	468	456	504	570	547	691	749
Texas	75, 77	1,077	1,089	1,164	1,268	1,400	1,870	1,918	2,368	2,490	2,946	3,246
Utah	73	120	130	141	167	187	211	235	272	300	340	384
Vermont	X	40	45	45	45	49	45	45	51	52	58	59
Virginia	74	317	343	378	375	414	426	540	652	821	863	954
Washington	77	410	412	451	437	565	782	821	815	942	1,277	1,407
West Virginia	X	139	176	190	207	235	261	341	371	408	448	499
Wisconsin	73	301	325	360	480	527	552	595	648	716	805	844
Wyoming	X	27	31	33	35	39	51	53	61	70	75	79

S[illegible] National Education Association. Estimates of School Statistics, 1970-71 to 1980-81. Washington, D.C.: NEA. Revised estimates for 1970-71 to 1979-80. Estimates for 1980-81.

Table A-2

STATE AID AS A PERCENT OF ALL REVENUES, 1970-71 TO 1980-81

	Year of Reform	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81
Alabama	X	60.5	62.4	64.0	63.0	59.5	63.6	62.7	66.2	64.5	69.0	70.1
Alaska	X	71.5	74.1	67.8	62.8	65.4	66.0	66.9	67.3	66.9	16.9	17.3
Arizona	74, 80	43.4	40.1	41.6	38.6	45.7	45.7	45.7	42.6	43.2	41.6	40.6
Arkansas	X	44.2	46.1	48.0	47.5	48.9	51.4	50.4	51.3	52.0	53.0	54.0
California	73, 77	35.2	36.7	34.0	40.9	40.2	35.3	37.1	62.5	38.1	71.2	75.4
Colorado	73	29.4	27.5	26.9	37.2	41.0	39.8	39.2	40.0	36.1	41.0	41.0
Connecticut	75, 79	23.3	22.4	25.3	23.8	25.2	31.0	30.7	29.9	27.1	31.5	34.4
Delaware	X	70.8	69.6	69.6	69.0	68.5	68.6	68.8	64.3	66.8	64.7	66.0
Florida	73	55.0	52.9	55.3	57.1	58.0	51.9	52.3	56.1	54.9	55.2	58.0
Georgia	X	54.7	51.8	53.0	54.5	55.3	58.2	52.9	51.7	51.6	57.6	55.3
Hawaii	X	89.4	88.7	88.5	88.8	85.1	85.1	82.4	79.7	78.5	2.4	2.6
Idaho	X	39.3	39.4	39.4	43.3	47.9	49.0	47.0	46.9	45.3	55.0	61.5
Illinois	73	34.8	37.8	36.9	41.6	42.3	48.4	47.4	41.2	40.2	41.2	40.8
Indiana	75	31.5	31.5	31.5	38.4	34.3	39.2	50.2	54.3	51.7	56.1	59.7
Iowa	71	27.9	31.3	34.6	39.0	42.9	40.3	39.4	40.1	39.9	42.2	43.1
Kansas	73	29.9	27.4	27.4	43.7	40.4	43.2	40.9	43.6	45.4	43.3	45.6
Kentucky	X	53.7	53.5	55.3	54.2	53.7	56.6	58.4	70.0	69.0	69.7	70.5
Louisiana	X	56.2	56.0	56.0	52.8	55.8	55.7	57.7	56.0	57.3	54.4	55.2
Maine	73	31.9	33.4	34.5	35.0	46.2	45.5	48.1	48.1	46.7	48.9	48.8
Maryland	73	35.3	43.3	47.8	47.1	45.1	42.7	36.7	40.5	40.9	40.2	39.7
Massachusetts	79	25.0	23.2	24.2	24.2	25.2	23.5	34.9	35.1	34.1	36.3	38.7
Michigan	73	41.3	44.5	47.6	50.0	51.3	36.2	35.6	40.0	45.0	42.7	35.8
Minnesota	71	46.0	48.4	58.0	58.1	58.2	54.7	59.2	56.3	55.0	56.6	54.7
Mississippi	X	47.6	48.2	49.0	52.5	51.9	54.4	53.6	53.1	52.9	53.1	53.1
Missouri	77	31.2	33.7	35.1	35.2	35.0	35.3	35.7	35.6	35.3	36.7	36.9
Montana	73	24.0	23.9	25.2	40.0	39.7	57.6	51.3	51.5	51.3	49.3	48.3
Nebraska	X	18.9	17.8	15.6	20.4	25.7	22.7	22.0	16.3	17.3	18.2	24.4
Nevada	X	37.5	39.4	37.8	37.4	36.2	38.8	37.4	34.0	37.9	58.5	51.7
New Hampshire	X	9.9	6.5	7.6	7.4	7.2	9.4	8.6	9.4	9.1	6.8	6.7
New Jersey	76	26.1	25.4	26.2	28.7	31.4	29.2	38.2	40.6	39.4	40.4	39.4
New Mexico	73	61.5	60.0	60.0	60.9	61.7	59.6	64.1	64.5	67.3	63.4	67.7
New York	X	47.9	42.3	40.6	38.9	40.0	39.6	39.0	39.8	38.4	40.6	42.0
North Carolina	X	66.2	62.6	64.1	65.5	66.9	65.6	65.3	64.5	66.2	62.4	65.4
North Dakota	73	28.2	29.4	28.8	42.0	41.6	45.3	47.9	46.1	44.9	46.5	45.4
Ohio	75	27.9	30.5	33.3	32.6	37.5	39.7	40.8	43.1	40.8	40.6	40.6
Oklahoma	81	41.1	44.5	42.9	47.7	48.1	51.1	53.7	55.5	55.1	57.7	59.3
Oregon	X	19.6	19.9	20.3	23.0	25.5	27.1	28.8	27.9	29.5	35.5	36.0
Pennsylvania	X	43.7	47.0	50.6	48.5	48.6	47.0	44.6	45.3	44.9	45.0	45.0
Rhode Island	X	34.4	35.3	35.8	36.2	36.3	35.9	40.4	39.9	41.5	38.8	38.7
South Carolina	79	56.3	55.0	55.7	57.5	58.3	55.6	54.5	54.4	53.2	56.8	58.8
South Dakota	X	14.3	15.1	13.5	13.0	13.1	13.2	14.3	16.1	14.3	20.8	27.0
Tennessee	77	44.5	44.4	45.1	45.1	52.9	48.3	48.5	44.8	49.1	48.3	48.3
Texas	75, 77	47.9	47.0	46.9	47.4	45.8	50.1	47.1	48.3	50.4	50.1	50.7
Utah	73	52.5	52.1	53.1	56.8	55.2	53.5	52.8	52.9	53.9	54.0	53.9
Vermont	X	32.8	33.0	33.0	33.0	31.3	28.2	26.9	27.1	27.9	28.0	27.0
Virginia	74	33.8	33.8	34.5	32.8	32.3	30.5	32.8	42.4	38.4	40.9	40.9
Washington	77	50.7	49.0	47.2	45.0	51.5	65.2	63.6	61.3	59.2	70.8	74.9
West Virginia	X	49.4	54.9	56.8	55.7	55.0	56.5	61.9	60.8	61.2	60.1	61.2
Wisconsin	73	30.6	30.4	30.6	37.6	37.0	35.5	35.4	36.2	34.9	37.6	36.8
Wyoming	X	32.9	33.8	33.8	33.1	32.9	31.6	30.7	30.3	29.7	29.6	28.6

Source: National Education Association. Estimates of School Statistics, 1970-71 to 1980-81. Washington, D.C.: NEA. Revised estimates for 1970-71 to 1979-80. Estimates for 1980-81.

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