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ABSTRACT

The 1981 enactment of the Education Consolidation and Improvement Act Chapter 2 (ECIA-Chapter 2), which consolidated 28 separate categorical federal aid programs into a single block grant, has had policy and fiscal impacts in Michigan. Policy debate centers on the inherent tension between equity, particularly equity defined as equal treatment of equals, and the value of choice, leaving to states and local districts the decisions on where and how to spend ECIA-Chapter 2 funds. This debate establishes the frame for more specific policy issues: the funding shifts that have occurred under ECIA-Chapter 2 and the extent to which these shifts are consistent with legislative intent. As a result of ECIA-Chapter 2, funding in Michigan has shifted away from urban core areas, from public to non-public schools, and from "innovative and creative" suburban districts. Although increases in absolute dollars is small, smaller and rural Michigan school districts (451 of 529 K-12 districts are below 5,000 in enrollment) received substantial percentage increases. ECIA-Chapter 2 also caused a four-fold increase in the dollar value of services available to non-public schools. Additionally, non-public schools located in public school districts qualifying for desegregation and low achievement factors under the formula received an additional windfall. (NEC)

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EQUITY IN EDUCATIONAL FINANCE

A STUDY OF THE IMPACT OF BLOCK GRANTS IN A SELECTED STATE

FROM THE DESK OF THE DIRECTOR

Charles D. Moody, Sr.

The financial constraints of the '80s have necessitated an examination of a multidimensional model of an equity-based education (Moody 1983). The four dimensions of the model are:

- **Access**
- **Process**
- **Achievement**
- **Transfer**

As costs rise and all education budgets grow tighter, there is an increasing struggle to find resources that can be put to more efficient uses to maintain quality and innovation, while also assuming equitable access to all education (McMahon).

The primary focus of this issue of **Breakthrough** will be the access dimension of an equity-based education as it relates to the financing of education, but more particularly Educational Consolidation and Improvement Act (ECIA) (Chapter 2). The ability of school systems to finance education for the benefit of all students is very much a part of the equity formula. Wealthier districts can afford to purchase the services of teachers with more graduate training, more experience, and better verbal skills, as well as provide better staff support for children. Children born in poor neighborhoods may not receive the same educational opportunity (McMahon). This reduces the latter's chances for access to college, leads [illegible]ater inequity in the eventual di[illegible] of income, and diminishes [illegible] for these children in life (McMahon[illegible] [illegible]ourse, programs to correct this are costly, but they may also be cost effective. Inequities in the distribution of benefits among the young also have implications for the distribution of income later in life and for distributive justice in society as pointed [illegible].

Contrary to what some believe, the financing of education is not strictly an objective, value-free process; it is instead a process that is greatly influenced by values, social context, history, and goals and purposes of education.

Educational reform [illegible] of the seventies and eighties [illegible] but is merely an extension of a [illegible] plus of attempts to influence social policy. The use of education as a tool of social policy has a long and eminent history (Bowles and Gintis, 1976). Our approach to U.S. education suggests that movements for educational reform have faltered by refusing to call into question the basic structure of property and power in economic life. We are optimistic indeed concerning the feasibility of achieving a society fostering economic equality and full personal development. But we understand the prerequisite is a far-reaching economic transformation. An educational system can be egalitarian and liberating only when it prepares youth for fully democratic participation in social life and an equal claim to the fruits of economic activity (Bowles and Gintis).

The discrepancy between what schools state as their goals and policies (theoretical [illegible]es) and what they practice (operational [illegible]es) has been true throughout their history. [illegible]ucational system has rarely behaved according to traditional precepts; rarely has it promoted either social equality or full human development.

Because schools were not functioning with congruence between theory and practice, the landmark suit, Brown v. Board of Education, was brought. Its primary focus was to reform the way school systems provided access to the educational resources and economic benefits of educational achievements. The discussions of "forced busing" and other code words that surround educational reform resulting from the Brown v. Board of Education decision have caused a shift of attention from its egalitarian and liberating thrust.

The Civil Rights Commission report, **Racial Isolation in the Public Schools,** advanced the thesis that resource equality was a prerequisite for educational opportunity. It is interesting to note that at this same time in the history of school reform related to equality of educational opportunity two sets of scholars in Chicago began concentrating their analysis upon the inequality of school finance arrangements in the United States. Interestingly one group (John E. Coons and law student proteges, William H. Clune and Stephan D. Sugarman) owed their introduction to the complexities of property taxation and school aid distribution formulas to desegregation research they had conducted for the Civil Rights Commission (Guthrie, 1980). Another scholar, Arthur Wise, was focusing upon potential legal remedies for the tax rate and expenditure disparities that then characterized U.S. school financing (Guthrie, 1980).

Whatever the contributions of individual researchers and state legislative committees or executive branch commissions, the major medium of reform was the judicial system. There are numerous court cases that are related to school financial reform, however Guthrie (1980) discussed six as representing important and divergent points of view. The cases are:

Hobson v. Hansen
McInnis v. Shapiro
Serr[illegible]
Rod[illegible] Antonio
Robinson v. Cahill
Levittown v. Nyquist.

Hopefully this discussion assists us in seeing that the dominant reform value has been, or at least should be, equality of educational opportunity and its attendant economic benefits. We should strive so as not to have the following statement of Frank Freeman be the guiding precept of our schools and how we finance them. "It is the business of the school to help the child acquire such an attitude toward inequalities of life, whether in accomplishment or in reward, that he may adjust himself to its condition with the least possible friction" (Bowles and Gintis).

Historically the structure of educational finance has reinforced the function of schooling in reproducing the class structure (Grubbs and Michelson, 1974).

School Finance Equity

The first step in designing a school finance formula is defining equity. Equity must be defined both in terms of what students receive and in terms of how revenues are raised. McMahon defines equity as involving a redistribution of resources (or of costs) designed to achieve the community's philosophical and ethical standards of fairness. There have been many equity objectives associated with the numerous school finance reform laws passed in the 1970s. McMahon calls the various equity objectives, types of equity. There are two broad categories under which one might place the types of equity. They are Equity for Children and Equity for Taxpayers. The types of equity as described by McMahon are:

Vertical equity, concerned with the unequal treatment of unequals.

Horizontal equity, generally held to require equal treatment of equals.

Intergenerational equity, concerns itself with the outcomes of education; it seeks to reduce, through vertical equity, the intergenerational transmissions of inequality.

Both intergenerational equity as defined by McMahon and the transfer dimension of my equity-based model address improved life chances resulting from an increase in the quantity and quality of education received by students.

Although the public is asking for efficiency in the operation of schools, we shouldn't lose sight of the equity and equality values. Efficiency and equity are not mutually exclusive and should not be pitted against each other. Effective and equitable schooling can be provided efficiently. It is important to remember that whatever finance arrangement we might devise, it should be done so that some people are made better off, but no one is made worse.

The improvement of the **access, process, achievement,** and **transfer** dimensions of an equity-based education model should be the goal of a sound finance arrangement for schools. We cannot continue to let intergenerational inequity be transmitted from generation to generation, thus reducing children's life chances.

> "Universal education is the power, which is destined to overcome every species of hierarchy. It is destined to remove all artifical inequality and leave the natural inequalities to find their true level. With the artifical inequalities of caste, rank, title, blood, birth, race, color, sex, etc., will fall nearly all the oppression, abuse, prejudice, enmity, and injustice, that humanity is now subject to" (quoted in Bowles and Gintis).

The above was written in 1872. It is obvious that education has not accomplished these ends. We must strive to make education fill these lofty goals. We must ensure that schools have congruence between policy and practice.

Professor Kearney of the School of Education did an excellent job of examining the impact of Chapter 2 funding on Michigan school districts. He also raised some significant policy questions in his treatment of the topic. PEO is grateful to Professor Kearney for preparing such an excellent and timely article for **Breakthrough**. We hope that you will find this article helpful to you as you attempt to respond to the renewed thrust for educational reform and excellence. (See cited references in Suggest Readings at page 19.)

LOSERS AND WINNERS: THE CHAPTER 2 BLOCK GRANT IN MICHIGAN

C. Philip Kearney

Introduction

Despite its traditional junior role in public school finance, the federal government has become a significant force in American education. At the elementary and secondary levels, federal expenditures rose from $642 million in 1960 to over $14 billion in 1980, a twenty-one fold increase and a seven to eight percent slice of all public school expenditures. Not content to play the silent banker, the federal government has also directed how schools should spend the federal contribution. Thus was born one of the great educational debates of the 1970's—how much control should be maintained at the federal level and how much discretion should remain in state and local education agencies? Should there be narrow, carefully regulated categorical grants or broadly defined block grants?

On one side of the issue stand many states and local districts who argue that federal regulations are an unwarranted intrusion into local decision-making. To them, the regulations are needlessly stringent, require inordinate amounts of paperwork, and ignore diverse needs and strengths of state and local districts. Federal money, they argue, should arrive with as few strings as possible. The states and localities should decide how to allocate the money.

On the other side stands a broad array of persons who argue that the federal government should use its limited resources to achieve national goals. Representatives of special interest groups point out—with much justification—that the federal government respects the needs of the educationally and economically disadvantaged as many of the states do not. If states were free to spend federal money as they wish, these and other federal priorities would suffer. Additionally, many members of Congress believe that the federal government must maintain control over how and in what ways recipients will spend federal funds.

The 1982-83 school year saw the resolution of this debate, at least in part, in President Ronald Reagan's successful efforts to consolidate twenty-eight separate categorical aid programs into a single block grant—Chapter 2 of the Education Consolidation and Improvement Act of 1981. What has been the impact of that legislation? Were the supporters' arguments realized? Did the fears of the opponents come to pass? Are the schools and school children better off or worse off? Has it made a great difference?

This paper attempts to answer some of these questions by offering a beginning assessment of the fiscal impact of the Chapter 2 block grant on local school districts in Michigan. The assessment is tentative, for the Chapter 2 program is just beginning—it has been in operation for only one full school year. Experience with the program, both for the state and local districts, is limited.

To give order to and perhaps enable the reader to make fuller sense of our account of first year experiences with Chapter 2 in Michigan, we first set what we see as the larger context, that is, the major policy issues that surround the education block grant approach generally, and ECIA—Chapter 2 specifically. Then, drawing on our own research in Michigan, we offer our assessment of the fiscal impact of Chapter 2 on Michigan education by discussing which districts were losers and which were winners, and in what ways.

The Major Policy Issues

Education Secretary Terrell Bell reminded the nation's chief state school officers, in early 1981, that the R[illegible] [illegible]ministration's proposal would [illegible] the third [illegible] around for grants consolidation, and that "the third time is the charm."[1] [illegible] was correct; ECIA was adopted. In Oct[illegible]r of 1977, the Advisory Commission on [illegible]ergovernmental Relations foreshadowed this action when it observed that the block grant was finally coming of age; there were strong indications that a basic sorting out of the federal assistance instruments best suited to achieve particular purposes was on the horizon.[2] ACIR suggested the block grant had considerable appeal to people who were seeking to restru[illegible], rationalize and revitalize the fede[illegible] The appeal of the block grant, of co[illegible] was based on its strong decentralization thrust, and its promise of increased economies and efficiencies. In effect, ACIR was saying that the block grant approach provided opportunity for two much-needed undertakings: (1) a redefinition of the federal role, and (2) a redefinition of the style of federal intervention.

One of the basic policy problems, we believe, is that decision makers may tend to focus on the latter undertaking—because it is appealing to want to straighten out the "hodge-podge of programs," as the Secretary put it[3]—and ignore the former, which is equally if not more important. In fact, a great deal of the debate and deliberation that currently surrounds the block grant issue appears, at first glance, to be focused on the means—on the "hodge-podge of programs." In reality, we believe that the focus is not exclusively on the means or the instrumentalities for delivering federal monies, but—to a considerable degree—on the federal goals themselves. In our view then, a first order of business centers on the basic policy question: "Is the block grant prima[illegible] an attempt to streamline the de[illegible] mechanism for providing federal dolla[illegible] stated purpose or is it primarily an attem[illegible] remove federal involvement from a particular area, to demonstrate that the subject is not properly a matter of national interest?"

A related set of problems center on the inherent tension between two basic values espoused by most American[illegible] equity and choice. Is a parti[illegible]ion policy, such as Cha[illegible] [illegible]ry emphasis on equity? [illegible] how is equity to be defined? [illegible] education policy to emphasize choice? Is the Chapter 2 Block Grant intended to maximize equity simply defined, i.e., a spreading of available funds across all districts, a basic per capita grant for everyone? Or is Chapter 2 aimed also at including, if not maximizing, equity defined as equal treatment of equals, i.e., a concentration of funds on special needs groups? Because of the Chapter 2 legislation's apparent attempt to define equity both ways, tension ensues. Add to this an inherent conflict between the value of equity, particularly equity defined as equal treatment of equals, and the value of choice, leaving to states and local districts the decisions on where and how to spend Chapter 2 funds, and we have the setting for a classic public policy debate. These questions also establish the frame for a set of more specific policy issues--the funding shifts that have occurred under Chapter 2, and the extent to which these shifts are consistent with legislative intent.

Some six years ago, the Advisory Commission on Intergovernmental Relations released a report that summarized experiences with four federal block grant programs in domestic policy areas other than education.[4] Significant shifts occurred in who got the benefits and which areas were served as one moved from separate categoricals to block grants. ACIR reported a movement of funds to suburban areas and into county levels of government and—one assumes—away from urban core areas and rural areas.

Vogel, in a 1979 Rand Study for HEW, examined the fiscal and distributive impacts that block grants might have on state and local government and on particular educational pro[illegible].[5] V[illegible] also suggests that allotments [illegible] the disadvantaged would be reduced in some states, once the categorical restrictions are removed. And, as did the ACIR study, she suggests that there would be a shift in which areas would receive benefits—away from low-income (urban core and rural) jurisdictions.[6]

Funding shifts did occur in Michigan as a result of the Chapter 2 block grant—and along the lines predicted by the ACIR report and Vogel's study. There were losers and there were winners. We turn now to a discussion of which districts lost and which districts won, and in what ways.

Losers: The Twelve ESAA Districts

Without question, the biggest "losers" in Michigan, i.e., those receiving very substantial reductions as a result of the Chapter 2 Block Grant, were the twelve school districts which had been receiving federal desegregation aid funds under the Emergency School Aid Act during the 1981-82 school year.* Each of these districts was and continues to be involved in desegregation activities that are either court-ordered, called for by the Justice Department under a consent-decree arrangement, or "voluntarily" undertaken. The twelve districts are identified in Table 1 along with

TABLE 1

MICHIGAN ESAA DISTRICTS 1982-83 MEMBERSHIPS, ESAA, AND CHAPTER 2 ALLOCATIONS

SCHOOL DISTRICT	1982-83 ESTIMATED PUBLIC SCHOOL MEMBERSHIP	1981-82 ESAA TOTAL ALLOCATION	1982-83 CHAPTER 2 ALLOCATION
DETROIT	[illegible],206	$ 3,388,321	$ 3,341,582
GRAND RAPIDS	36,334	437,835	285,454
PONTIAC	17,301	409,315	210,890
LANSING	24,329	611,644	276,872
FLINT	32,967	915,241	362,333
BENTON HARBOR	8,098	309,776	163,281
FERNDALE	4,899	261,991	46,[illegible]
ECORSE	2,540	121,334	27,4[illegible]
INKSTER	3,360	270,240	34,903
YPSILANTI	4,185	120,265	87,002
COLOMA	2,522	217,813	24,125
EAU CLAIRE	911	50,356	11,179
TOTALS	364,267	$ 7,122,431	$ 4,882,926

SOURCE: U.S. Department of Education Gra[illegible] Procurement Report 881: Grant Awards by State and CFDA Program; and Michigan Department of Education Internal Reports.

*Michigan's twelve ESAA district include: Detroit, Flint, Lansing, Grand Rapids, Pontiac, Ypsilanti, Benton Harbor, Inkster, Ferndale, Ecorse, Coloma and Eau Claire. Coloma and Eau Claire are small districts contiguous to Benton Harbor and, under a Court order, are involved with Benton Harbor in a desegregation effort. Inkster, Ferndale and Ecorse are suburban districts in Wayne County. Ypsilanti is a city district in Washtenaw County. The remainder, of course, are large urban school districts.

their 1982-83 estimated public school memberships, their total 1981-82 ESAA allocations, and their 1982-83 Chapter 2 allocations. The twelve ESAA districts serve some 364,267 pupils—approximately 20 percent of Michigan's total public school membership and they realized a total of $7,122,431 in added revenues during 1981-82 under ESAA—approximately $20 per pupil ($19.55). Columns 2 and 3 offer a quick comparison of ESAA dollars received in 1981-82 versus Chapter 2 dollars allocated in 1982-83 for these same twelve districts. Without exception, the 1982-83 total Chapter 2 allocations are substantially less for each of these districts than were their 1981-82 ESAA allocations. This comparison does not recognize that these twelve districts received additional federal funding during 1981-82 under other antecedent programs, for example, IVB, IVC, Teacher Centers and so on. The addition of these revenue sources to the comparison, of course, simply exacerbates the dollar loss under Chapter 2.

That the dollar loss is not greater for these twelve school districts is due, in considerable part, to the Chapter 2 allocation formula recommended by the State Advisory Commission* and adopted by the State Board of Education. The formula provides additional pupil weightings for "desegregation" and "low achievement." A district qualifies for the "desegregation" weighting if it is one of the twelve districts which received ESAA funds in 1981-82. A weight of 1.5 is added to the calculation. A district qualifies for the "low achievement" weighting if it exceeds the state average of low achieving students as measured by the basic skills tests of the Michigan Educational Assessment Program (MEAP). The weight varies depending on how far the district exceeds the average. For example, in Detroit, the pupil weightings were as follows:

> 1.0 (membership) + 1.73 (low achievement) + 1.5 (desegregation) = 4.23

In Benton Harbor, the pupil weightings were:

> 1.0 (membership) + 2.76 (low achievement) + 1.5 (desegregation) = 5.27

Table 2 displays the distributive effects of the Michigan formula. The use of the desegregation and low achievement weightings

TABLE 2

ECIA CHAPTER 2 ALLOCATIONS: STATE TOTALS

	DESEGREGATION	SPARSITY	LOW ACHIEVEMENT	PER CAPITA MEMBERSHIP	TOTAL
ALLOCATION	$2,586,526 (17.7%)	$938,920 (6.4%)	$2,562,878 (17.6%)	$8,[illegible] (58.3%)	$[illegible],719 ([illegible])
PUBLIC	2,281,659	899,930	2,271,524	7,661,277	13,114,391 ([illegible])
NON-PUBLIC	304,866	38,990	291,354	844,117	1,479,328 (10.1%)
STUDENTS	412,939	446,169	605,588	2,036,830 (100%)	
PUBLIC	364,267	426,929	533,421	1,834,685 (90.1%)	
NON-PUBLIC	48,672	19,240	72,167	202,145 (9.9%)	
DISTRICTS	11	352	65	574	

* Under the Chapter 2 legislation, a State Advisory Commission appointed by the Governor was charged with recommending to the State Board of Education action on a number of issues including the formula to be utilized in allocating Chapter 2 monies among Michigan's local school districts.

in the formula accounted for $5,149,134, or 35.3 percent of Michigan's 1982-83 total of $14,593,719 in allocations to local districts under Chapter 2. This had the effect of channeling a considerable portion of the Chapter 2 funds to urban school districts and, of course, to the twelve ESAA districts. A superintendent of one of these twelve districts, who served on the Advisory Commission, and who also viewed Chapter 2 ". . . as a gigantic rip-off from the urban school districts," observed that the formula represented:

> . . . the best we could devise under the circumstances . . . that would deal somewhat equitably with former recipients of federal aid, particularly recipients of ESAA grants.[7]

Table 3 displays a breakdown of the Chapter 2 allocations for the twelve ESAA districts.

TABLE 3

MICHIGAN ESAA DISTRICTS 1981-82
A BREAKDOWN OF CHAPTER 2 ALLOCATIONS

DISTRICT	1981-82 ESTIMATED PUBLIC SCHOOL MEMBERSHIP	CHAPTER 2 ALLOCATION MEMBERSHIP	DESEGREGATION	ACHIEVEMENT	TOTAL
DETROIT	206,206	$ 789,839	$1,183,359	$1,368,384	$3,341,582
GRAND RAPIDS	25,114	99,924	149,887	35,643	285,454
PONTIAC	17,381	86,202	99,306	53,385	218,890
LANSING	24,320	93,008	139,590	44,322	276,872
FLINT	32,087	122,780	184,169	55,174	362,323
BENTON HARBOR	8,095	30,985	46,480	85,816	163,281
FERNDALE	4,889	18,708	28,062	0	46,770
ECORSE	2,540	9,720	14,579	3,107	27,406
INKSTER	3,302	12,881	19,337	25,734	57,952
COLOMA	2,322	9,850	14,375	-	24,125
EAU CLAIRE	911	3,486	5,229	955	11,179*
TOTALS	364,267	$1,286,151	$1,920,232	$1,681,339	$4,882,926

SOURCE: Michigan Department of Education Records

* Includes $1,309 sparsity.

The Funding Gap Created by Loss of ESAA Monies

One can argue that the twelve ESAA districts in Michigan have been put in a position of double jeopardy by Chapter 2. The non-ESAA district which suffers a funding loss at least is relieved of the obligation to conduct the program or activities previously called for by the categorical funding. It can choose to tap other sources to carry on the program, it can choose to reduce the program, or it can choose to terminate the program. It can spend its Chapter 2 funds on other priorities. Not so the ESAA district. The ESAA district loses its categorical funding but not its obligation to conduct the program—an obligation leveled by a U.S. District Court, by the U.S. Justice Department under a consent decree, or by the district's own "voluntary" action.

Detroit, which qualified for a $3,341,582 Chapter 2 allocation for 1982-83, received some $3,388,321 in ESAA funds during 1981-82, plus another $1,527,181 in funds under other antecedent programs for a total of $4,915,502. Under ordinary circumstances, even though it lost $1,573,920 in federal dollars, it could at least choose where and how to spend its remaining $3,341,582 Chapter 2 dollars. But circumstances are not ordinary for Detroit. It does not have this leeway. It must assign its full Chapter 2 allocation to the desegregation effort to cover—although not fully—the loss of ESAA funds and to meet its court-ordered obligation. For Detroit, there is no choice. It loses dollars, but does not lose its obligation to conduct the activities the dollars supported. Detroit simply has had no choice but to assign its full Chapter 2 allocation to continue to help fund the guidance and counseling and reading components of its 10-component court-ordered desegregation plan. The Chapter 2 Block Grant gives Detroit nothing—no money, no flexibility, no leverage.[8]

For Flint, the circumstances are not much different. Flint is under a U.S. Justice Department order as a result of a consent decree to continue desegregation efforts funded in part by an ESAA grant totalling $915,241, in 1981-82, and now funded almost entirely with local monies. During 1981-82, with ESAA grants and grants under other antecedent programs, Flint received $1,156,269. For 1982-83, Chapter 2 will provide $362,323, a loss of $793,946—a 68 percent reduction. Flint has incurred a 6.5 percent loss in overall revenues from 1981-82

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to 1982-83, but has kept the same level of services in its desegregation efforts. Flint administrators anticipate serious problems, either because of their inability to fund the effort at the required level or because, when they start to effect reduction in programming, they are going to lose the spirit of the desegregation effort. In the words of the chief administrator:

> ... the money is going to run out and the spirit of the thing [desegregation] is going to run out and we are going to have to reduce programmatically ... yet we are going to continue this desegregation effort with substantially less money than in the prior year and, for that matter, substantially less than in the prior five years.[9]

A different circumstance, or set of perceptions, prevails in Benton Harbor, a small urban community 250 miles west of Detroit and situated on the shores of Lake Michigan. Benton Harbor, like Detroit, is under court order to desegregate. Two small contiguous districts, Coloma and Eau Claire, also come under that same order. In 1981-82, Benton Harbor received $309,776 in ESAA funds, Coloma received $217,813, and Eau Claire $50,556.

Contrary to views held by central administrators in the two largest ESAA districts (and the two largest districts in Michigan)—Detroit and Flint—admnistrators in Benton Harbor do not view Chapter 2 as "any sort of major catastrophe."[10] If anything, they are more positive than negative about Chapter 2:

> ... it provides us much more flexibility ... we are permitted to engage in intelligent planning ... [under the antecedent programs] it was a nuisance to really attempt to utilize the money in resourceful ways when tied by the myriad of federal regulations.[11]

However, one of the administrators was quick to point out that timing was a critical factor in arriving at their view of Chapter 2:

> For the past three years, we have received a substantial amount of money [under ESAA] ... we had embarked on and been relatively successful in mounting a massive inservice training program for our staff ... as a result of that and as a result of declines in enrollment, we have a well-seasoned staff at the present time ... we have our own staff development activities underway ... we had essentially gotten past the large start-up costs that were evident in the first few years ... we would have been in serious trouble if this kind of cut had come two or three years ago when we were first getting going under this.[12]

Thus, the Benton Harbor School District views itself as able to accommodate a substantial cut in ESAA funds without major damage to its ongoing desegregation activities. In Benton Harbor, they have passed the time of "large start-up costs." They have a "stable and well-seasoned staff." They also were given approval to extend the spending authority of their two ESAA grants—the one through December 3, 1982 and the other through June, 1983—which permitted some cushion. And they did make some cuts, including not replacing the former ESAA director, whose salary and fringes approximated $40,000. They also anticipate reducing their inservice training "in the desegregation area" and are planning "to restructure that whole thing [the desegregation activity]."[13]

Chapter 2 did permit Benton Harbor to modify its spending priorities. While $34,000 of their $86,000 Chapter 2 allocation is earmarked to support desegregation activities previously supported through ESAA grants, fully $40,000 or more—approximately 50 percent—will go toward hiring three basic skill teachers to tutor pupils in kindergarten through the second grade who were held back because they failed to meet the school district's minimum competency requirements. The hiring of the three teachers "would have been unlikely if it hadn't been for Chapter 2."[14]

Benton Harbor also contends that the advent of Chapter 2 led to some intelligent planning:

> When we saw what was coming down the road, we used our final Title IVB grant to

buy 40 new micro-computers. We are providing the training for public and non-public school teachers and parents on a much broader basis under Chapter 2 and will also buy the additional software we need.[15]

Thus, we see two very different views expressed by ESAA districts. The one view—the large urban school district's—is essentially negative and holds that Chapter 2 not only is "wrongheaded philosophically," but also causing massive funding gaps for needed, and court or Justice Department-ordered, desegregation activities. The other view—held by the smaller urban school district—is essentially positive and holds that Chapter 2 is advantageous, does provide more flexibility, and the funding gap created is manageable.

Losers: The Successful IVC Applicants of Prior Years

A second category of "losers" under ECIA Chapter 2 are those Michigan school districts which in prior years practiced grantsmanship very successfully, particularly under Title IVC, which provides monies for Exemplary Programs (experimental/demonstration programs). In the four years prior to 1981-82, Michigan had available under Title IVC something on the order of $6 million annually to be awarded, on a discretionary basis, to local districts. The available funds, of course, dropped off considerably in 1981-82—only $1.1 million were available, but still additional dollars were to be had for school districts successful in the grants competition. Thus, it can be argued that those Michigan districts who successfully competed in prior years for Title IVC monies represent a second category of "losers" under Chapter 2.*

How many of these districts are there? What are their characteristics? In an attempt to answer these two questions, we examined the Michigan Department of Education's records of Title IVC awards for the five fiscal years 1977-78, 1978-79, 1979-80, 1980-82, and 1981-82. Any Michigan district which had received Title IVC funding in four of these five years was labeled a "loser"—or, if you will, a district which potentially would suffer a "very substantial reduction" under Chapter 2. Under this rubric, some 36 Michigan school districts potentially would suffer "very substantial reductions." (Another 45 districts, which were funded in three of the five years during the period, also face "substantial reductions." However, we did not include them in our analysis.) The "very substantial reduction" districts along with their public school memberships, 1982-83 Chapter 2 allocations, and Title IVC funds received, are displayed in Table 4. Note that, in many instances, the average annual amount received under Title IVC exceeds the 1982-83 Chapter 2 allocation. For example, Ann Arbor, which received a 1982-83 Chapter 2 allocation of $57,627, received over the prior five years an average of $61,059 annually from Title IVC. Again, it is well to note that Title IVC represents only <u>one</u> antecedent program, <u>one</u> source of federal revenues.

How can one characterize these thirty-six districts? First, seven of the aforementioned twelve ESAA districts are included in the group of thirty-six, specifically, Detroit, Flint, Grand Rapids, Lansing, Pontiac, Coloma and Ecorse. Of the other five ESAA districts, Ypsilanti and Inkster received Title IVC funds in two of the five years—a total of $209,945 and $18,695 respectively. Ferndale received $2,721 in Title IVC funds in one of the years during the five-year period. Neither Benton Harbor nor Eau Claire received Title IVC funds during the period.

A second useful identifying characteristic is the predominant "census-type" of the thirty-six school districts. Somewhat arbitrarily, we assigned the districts to one of four "census-types:" (1) large urban, (2) city/town, (3) suburb, and (4) small town/rural. The districts arranged by "census-type" categories are displayed in Table 5.

* There is a counter-argument i.e., Title IVC was largely phased out by the time Chapter 2 arrived and it is not valid to credit Chapter 2 with the demise of Title IVC, at least to the same extent that one credits Chapter 2 with the demise of ESAA. Additionally, Michigan has reserved $450,000 of its SEA funds for a discretionary program; however, $450,000 is still considerably less than $1.1 million and substantially less than $6 million.

TABLE 4

MICHIGAN SCHOOL DISTRICTS RECEIVING TITLE IV-C GRANTS IN FOUR OF FIVE FISCAL YEARS DURING THE PERIOD 1977-78 THROUGH 1981-82

DISTRICT	MEMBERSHIP	1982-83 CHAPTER 2 ALLOCATION	TITLE IV-C DOLLARS RECEIVED: ANNUAL AVERAGE 5 YEARS	ANNUAL AVERAGE 4 YEARS	TOTAL 5 YEARS
AIRPORT	2,644	$ 12,424	$ 8,283	$ 6,626	$ 33,131
ANN ARBOR	15,060	57,627	61,059	76,324	305,299
BERKELEY	4,800	18,367	92,208	115,260	461,[illegible]40
BRIMLEY	442	3,294	2,305	2,88[illegible]	11,526
CEDAR SPRINGS	2,372	11,824	4,482	5,602	22,411
CHIPPEWA VALLEY	6,701	25,681	81,627	102,034	408,139
COLOMA*	2,522	24,125	43,987	54,984	219,936
CROSSWELL-LEXINGTON	2,296	14,129	65,722	82,153	328,614
DEARBORN	13,169	50,390	10,105	12,631	50,527
DETROIT*	216,206	3,341,582	270,750	338,438	1,353,753
EAST LANSING	4,452	17,035	83,865	104,831	419,325
ECORSE*	2,540	27,406	6,008	7,511	30,044
FARMINGTON	11,446	43,798	36,705	45,882	183,529
FLINT*	37,087	362,323	90,783	113,479	453,918
FOREST HILLS	4,904	18,765	4,192	5,240	20,960
GODWIN HEIGHTS	1,937	7,412	78,559	89,199	392,799
GRAND RAPIDS*	26,114	215,454	201,008	251,260	1,005,043
LIVONIA	20,793	79,964	157,517	196,896	787,585
LOWELL	2,806	14,642	4,529	5,662	22,648
MANISTEE	1,969	8,528	60,844	76,055	304,221
MARQUETTE	4,464	17,[illegible]82	44,810	56,012	224,051
NORTHVILLE	3,879	14,843	51,115	63,894	255,578
PLYMOUTH-CANTON	16,453	62,957	117,797	147,246	588,984
PONTIAC*	17,301	218,890	178,303	222,878	891,515
REDFORD UNION	5,167	19,772	28,710	35,888	143,554
SAGINAW	16,674	84,786	45,634	57,042	228,170
TRAVERSE CITY	8,974	34,339	[illegible],481	6,851	27,406
WALLED LAKE	9,700	37,117	2,969	3,712	14,849
WARREN CONSOLIDATED	23,063	88,250	[illegible]	4,429	17,717
WATERFORD	14,029	[illegible]	[illegible]8,608	255,760	1,143,040
WAVERLY	3,536	13,530	60,023	75,028	300,115
WAYNE-WESTLAND	17,858	68,333	209,943	262,429	1,049,717

SOURCE OF DATA: Michigan State Board of Education, Bulletin 1041, 1980-81 Michigan K-12 Public School Districts Ranked by Selected Financial Data (Lansing: The Board, 1982.)

*ESAA districts

TABLE 5

MICHIGAN SCHOOL DISTRICTS RECEIVING TITLE IV-C GRANTS IN FOUR OF FIVE FISCAL YEARS DURING THE PERIOD 1977-78 THROUGH 1981-82 ARRANGED BY "CENSUS TYPE"

LARGE-URBAN	CITY/TOWN	SUBURB	SMALL TOWN/RURAL
DETROIT	ANN ARBOR	BERKELEY	AIRPORT
FLINT	HIGHLAND PARK	CHIPPEWA VALLEY	CEDAR SPRINGS
GRAND RAPIDS	MANISTEE	COLOMA	CROSWELL-LEXINGTON
LANSING	MARQUETTE	DEARBORN	HURON VALLEY
PONTIAC	SAGINAW	EAST LANSING	KENT
	TRAVERSE CITY	ECORSE	LOWELL
		FARMINGTON	
		FORREST HILLS	
		GODWIN HEIGHTS	
		LIVONIA	
		NORTHVILLE	
		PLYMOUTH-CANTON	
		REDFORD UNION	
		WALLED LAKE	
		WARREN CONSOLIDATED	
		WATERFORD	
		WAVERLY	
		WAYNE-WESTLAND	

An examination of Table 5 reveals that the predominant type is the suburban school district; fully 18 of the 36 districts fall in this category. The remaining 18 are almost evenly divided among the other type categories; 5 districts in large/urban, 6 districts in city/town, and 7 districts in small town/rural.

The 36 districts are again displayed in Table 6, along with information regarding their general fund revenue sources, current operating expenditures, available tax bases, and operating millages. As can be seen from an examination of Table 6, the suburban districts tend to be high-spending districts; 16 of the 18 are in the top quartile of Michigan districts in current operating expenditure per pupil. All spend above the median. All but four spend above the average. The 18 also are generally well off in terms of their available tax bases; in 1980-81, 12 of the 18 were "out-of-formula" districts, meaning their state equalized valuation per pupil was at a level that precluded their participation in state aid under the membership formula. Their state aid was limited to state categorical revenues. The 6 "in-formula" suburban districts were levying relatively high operating millages (as were the majority of "out-of-formula" suburban school districts), which indicates fairly strong community support—indeed, Wayne-Westland was at 40 mills and Berkeley at 38.25. The average millage statewide in 1980-81 was 30 mills. Thus, we find the "out-of-formula," relatively high-spending, suburban school district the predominant type "loser" among former Title IVC winners.

However, we also find the 5 largest urban school districts in the state, which also are high spenders (some would argue because of the differential costs of doing business in the cities) and high millage districts, but low in terms of available taxable wealth and, consequently, are "in-formula" districts, i.e., considerably dependent on state school aid. We also find a relatively heavy reliance on federal revenues—ranging from 10 to 13 percent.

Two of the city/town districts which are former "winners" under Title IVC—Highland Park and Saginaw—exhibit the same characteristics as the 5 large urban districts, namely, high-spending, high millage, low taxable wealth, and substantial reliance on state and federal sources. Ann Arbor and Traverse City resemble more the suburban districts—except for Traverse City's relatively low expenditure and low millage. This may be more a function of geographic location as demonstrated in the cases of Marquette and Manistee, located in northern and northwestern Michigan, respectively.

The small town/rural group present an entirely different picture—relatively low-spending, low SEV, low millage districts with the exceptions of Brimley and Huron Valley. Brimley, in the Upper Peninsula, is the beneficiary of considerable Impact Aid. Huron Valley is exurban Oakland County and might well be classified as a suburban district.

One could argue, based on the data in Table 6 that, with the exception of the 5 large urban districts and perhaps the small town/rurals, these districts perhaps are best able to turn to local sources to replace the

TABLE 6

MICHIGAN SCHOOL DISTRICTS RECEIVING TITLE IV-C GRANTS IN FOUR OF FIVE FISCAL YEARS DURING THE PERIOD 1977-78 THROUGH 1981-82 ARRANGED BY CENSUS TYPE: SELECTED FISCAL INFORMATION*

NAME OF SCHOOL DISTRICT	OUT OF FORMULA	GENERAL FUND REVENUES PERCENT BY SOURCE: LOCAL	STATE	FEDERAL	OTHER	CURRENT OPERATIONS EXPENDITURES: PER PUPIL	RANK	STATE EQUALIZED VALUATION: PER PUPIL	RANK	OPERATING MILLAGE
LARGE URBAN										
Detroit	NO	32	51	13	4	$2,486	(63)	$23,130	(517)	31.90
Flint	NO	51	31	13	5	2,665	(42)	34,748	(373)	41.00
Grand Rapids	NO	44	38	13	6	2,557	(48)	30,817	(432)	31.00
Lansing	NO	52	31	10	7	2,515	(53)	37,064	(330)	33.78
Pontiac	NO	51	31	13	5	2,686	(37)	38,593	(315)	31.29
CITY/TOWN										
Ann Arbor	YES	93	1	3	4	2,926	(21)	84,269	(47)	32.32
Highland Park	NO	26	62	9	3	2,260	(106)	16,378	(528)	36.90
Manistee	NO	76	17	7	7	1,720	(433)	52,534	(150)	24.50
Marquette	YES	82	2	5	10	2,175	(135)	66,304	(94)	26.27
Saginaw	NO	47	35	12	7	2,353	(87)	34,384	(378)	31.80
Traverse City	YES	98	3	2	2	1,814	(334)	65,503	(97)	26.42
SUBURBAN										
Berkeley	NO	75	17	7	1	2,394	(78)	46,799	(199)	38.25
Chippewa Valley	NO	76	21	1	2	2,101	(161)	45,407	(215)	34.49
Coloma	NO	56	39	4	1	1,948	(238)	35,269	(361)	29.87
Dearborn	YES	92	1	4	3	2,342	(5)	120,593	(11)	26.49
East Lansing	YES	92	1	2	2	2,671	(41)	58,554	(125)	39.60
Ecorse	YES	86	1	13	0	2,996	(15)	86,779	(38)	28.65
Farmington	YES	86	2	3	9	2,916	(24)	74,998	(67)	33.53
Forest Hills	YES	95	2	1	2	2,040	(190)	61,121	(119)	31.83
Godwin Heights	YES	85	0	5	11	2,925	(22)	83,662	(50)	29.90
Livonia	YES	93	3	1	4	2,500	(58)	62,747	(109)	34.50
Northville	YES	89	7	3	1	2,507	(54)	67,370	(90)	33.18
Plymouth	NO	80	17	3	0	2,118	(131)	47,842	(190)	35.26
Redford Union	NO	49	41	3	8	2,507	(55)	30,766	(434)	35.65
Walled Lake	YES	77	11	6	5	2,377	(97)	52,904	(148)	32.23
Warren Consolidated	NO	88	6	2	4	2,380	(81)	55,622	(1350	33.95
Waterford	NO	54	30	8	8	2,260	(107)	39,728	(287)	29.77
Waverly	YES	93	1	2	4	2,690	(36)	84,303	(46)	30.50

lost Title IVC capabilities and, hence, really are not losers under the block grant arrangement; furthermore, from an equity standpoint, it makes better sense to spread the Title IVC dollars they received in past years across all districts, particularly those which did not have the capability to compete or were not successful in competing for discretionary grants. An administrator from a district which had received no Title IVC funds during the five-year period put it thus:

> [I see] an advantage of Chapter 2 being its non-competitive nature particularly for school districts like our district which are unable to compete on an equitable or a fair basis with other school districts able to hire grantsmen and proposal writers.[16]

A somewhat contrary view was expressed by the deputy superintendent of one of the thirty-five districts which had been successful in competing for Title IVC dollars. He felt that Chapter 2 would become "old hat" fast, that:

> . . . contrary to what you got out of tight categoricals in the discretionary programs, you would not see innovative ideas coming out, you would not see creativity . . . [I fear that] creativity will be lost under the Chapter 2 approach.[17]

Losers: The Public Schools

Michigan's public schools in general may also be said to be "losers," or to suffer "very substantial reductions," under Chapter 2. We are not here talking about the overall lower levels of federal funding that, in a general sense, make all public schools "losers," but rather about a shift of substantial dollars (or, more properly, services that the dollars buy) from the public to the private sector. According to a program official in the Michigan Department of Education, the non-public sector, under the antecedent programs, received services during 1981-82 whose dollar value was estimated at $350,000.[20] Under the 1982-83 Chapter 2 allocation, the non-public sector is eligible for services whose dollar value amounts to $1,479,328. This represents a four-fold increase in the dollar value of services available for use in the public sector. These data are displayed in Table 7.

TABLE 7

DOLLAR VALUE OF SERVICES TO NON-PUBLIC SCHOOLS

1981-82	1982-83
$350,000 (Estimated)	$1,479,328

In summary, then, the "losers" under Chapter 2 are:

(1) <u>The twelve ESAA districts</u>, particularly the five "large urban" school districts—Detroit, Flint, Lansing, Grand Rapids and Pontiac—which, in addition to loss of ESAA funds, suffer "very substantial reductions" through the loss of Title IV-C funds.

(2) <u>The thirty-five districts</u>—including Detroit, Flint, Grand Rapids, Lansing and Pontiac—which in the past years, have competed very successfully for Title IV-C funds. Aside from the five "large urban" districts, these tend to be <u>suburban, "out-of-formula,"</u> and <u>relatively high-spending districts</u>

(3) <u>The public sector</u>—by virtue of a shift of substantial dollars (or services), to the non-public sector.

The Twenty-Four Sample Districts

As our exploration moves from "losers" to "winners," it might be well to introduce the "twenty-four sample districts" used by the Michigan Department of Education staff as they worked with the State Advisory Commission in the development of a funding formula. The 24 districts were chosen to represent the range and diversity of Michigan's 530 K-12 districts. The districts included large urban, city, suburban, small town and rural districts; large and small districts; Northern, Central, Southern and Southeastern districts; wealthy and less wealthy districts. The twenty-four districts, along with their public school memberships, their 1981-82 allocations under antecedent programs, and a breakdown of their 1982-83 Chapter 2 allocations are displayed in Table 8.

An examination of the data in Table 8 corroborates our previous findings on "losers." Nine of the twelve ESAA districts—and all five of the "large urban" districts—are included in Table 8 and, in each case, they receive substantially less funding under Chapter 2 than they did under the antecedent programs:

Detroit loses	$1,573,920(32%)
Flint loses	793,946(68%)
Lansing loses	684,168(71%)
Grand Rapids loses	539,689(65%)
Pontiac loses	360,135(55%)
Benton Harbor loses	338,668(68%)
Ferndale loses	277,063(85%)
Ypsilanti loses	173,086(72%)
Ecorse loses	105,914(79%)

TABLE 8

ECIA CHAPTER 2 FORMULA DISTRIBUTIONS: SELECTED DISTRICTS

ECIA CHAPTER 2 1982-83

SELECTED DISTRICTS	MEMBERSHIP MEMBERSHIP	MEMBERSHIP AMOUNT $	ACHIEVEMENT	ACHIEVEMENT AMOUNT	DESEGREGATION YES/NO	DESEGREGATION AMOUNT	SPARSITY YES/NO	SPARSITY AMOUNT	TOTAL ALLOCATION	1981-82 ALLOCATION
DETROIT CITY	206,206	789,039	29.32	1,368,984	Y	1,183,559	N	0	3,341,582	4,915,502
ANN ARBOR	15,060	57,627	8.84		N	-	N	-	57,627	696
TROY	11,424	43,713	4.96		N		N		43,713	63,224
SUTTONS BAY	760	2,909	-		N		Y	1,829	4,738	963
EAST LANSING	4,452	17,035	6.00		N		N		17,035	76,967
MONROE	7,835	29,980	15.42		N		N		29,980	16,123
EAST CHINA	4,545	17,392	10.67		N		N		17,392	13,371
EAST DETROIT	7,453	28,519	13.09		N		N		28,519	17,019
GRASS LAKE	849	3,249	10.38		N		Y	1,880	5,129	1,161
REDFORD UNION	5,167	19,772	9.83		N		N		19,772	12,357
MARQUETTE	4,464	17,082	9.97		N		N		17,082	86,179
BENTON HARBOR	8,098	30,986	37.44	85,815	Y	46,480	N		163,281	511,969
ECORSE	2,540	9,720	18.21	3,107	Y	14,579	N		27,406	133,320
TAYLOR	15,347	38,775	19.03	24,911	N		N		63,686	39,234
FERNDALE	4,889	18,708	13.63	-	Y	28,062	N		46,770	323,833
ALPENA	6,733	25,764	7.87	-	N		Y	16,881	42,645	20,256
LANSING	24,320	93,060	14.43	44,222	Y	139,590	N		276,872	961,040
YPSILANTI	6,195	23,705	18.29	7,820	Y	35,557	N		67,082	240,168
GRAND RAPIDS	26,114	99,924	18.50	35,643	Y	149,887	N		285,454	825,143
FLINT	32,087	122,780	19.24	55,374	Y		N		362,323	1,156,269
WAVERLY	3,536	13,530	7.20	-	N	-	N		13,530	75,330
LUDINGTON	2,642	10,110	7.90		N		N		10,110	3,561
SAGINAW	16,674	63,802	18.41	22,025	N		N		85,827	84,786
PONTIAC	17,301	66,202	22.03	53,385	Y	99,303	N		218,890	579,025

The data also corroborate our findings on former "winners" under Title IVC, predominantly suburban school districts, becoming "losers" under Chapter 2. The suburban districts displayed in Table 8 are: Troy, East Lansing, Redford Union, Ecorse, Ferndale and Waverly—and all are "losers." Let us now turn to Chapter 2 "winners."

Winners: The Smaller and Rural Districts

By and large, the "winners" in Michigan, i.e., those districts which received very substantial increases in funding under Chapter 2 were the smaller school districts—which we classify as small town or rural districts. These are the districts which traditionally did not compete for discretionary grants, such as Title IVC, and whose federal dollars under the programs antecedent to Chapter 2 largely had been limited to Title IVB funds. By returning to Table 8, we also can substantiate this finding. Sutton's Bay (Northern Michigan) and Grass Lake (South Central Michigan) experienced five-fold and four-fold increases as a result of Chapter 2. Sutton's Bay went from a 1981-82 allocation of $963 to a 1982-83 allocation of $4,738. Grass Lake's allocation increased from $1,161 to $5,129. It is well to note that in both cases, the allocation included additional dollars under the sparsity factor in the formula—approximately $1,800 for each district. However, four and five-fold percentage increases for very small districts do not mean huge increases in terms of absolute dollars. As the superintendent in one of these two districts put it:

> I have difficulty with the amounts of money involved, particularly for small school districts like [our district] where, at best, there would be a very small impact. Our $5,000 allocation is a small amount in terms of what we really would like to do. I am glad to sit here and take what is given to us, but really it is still peanuts.[21]

However, for the superintendent of the other small district, the $5,000 allocation was more than "peanuts" and would permit his district to initiate a computer literacy program—a program that they would not have initiated otherwise or, at least, not as quickly.[22]

Ludington, a small town school district on the shores of Lake Michigan, also is a winner—moving from $3,561 in 1981-82 to $10,110 under a 1982-83 Chapter 2 allocation. Note that Ludington did not qualify for the sparsity factor. Monroe, East China and East Detroit, while considerably larger in pupil population—4,500-7,500 range—still are essentially rural in character. All three are winners.

Taylor and Alpena are anomalies—both are winners and both are somewhat unique. Both are illustrative of the severe fiscal problems currently facing Michigan's school districts—and the reality, in both cases, of schools actually closing their doors as a result of millage failures. Chapter 2 helps out Taylor, essentially a suburban community, because of the high incidence of low-achieving pupils in the district—fully $24,911 of its total Chapter 2 allocation of $63,696 comes from the low millage failures. Alpena picks up $16,881 as a result of the sparsity factor. Alpena, located in the sparsely settled "thumb" area of Michigan, is the only county-wide school district in Michigan.

Winners: The Non-Public Schools

In a previous section, we identified the public schools in general as "losers" and the non-public schools as "winners" because of the shift of substantial dollars under Chapter 2 from the public to the non-public sector. As displayed in Table 7 on page 13, non-public schools in Michigan, during 1981-82 and under the antecedent programs, had available services estimated to cost a total of $450,000. Under Chapter 2, that figure has increased better than four-fold to $1,479,328. They are winners!

A related group of "winners" may be those public school districts that include non-public schools within their boundaries, but whose non-public schools choose not to participate. The non-public school, through its membership, generates Chapter 2 dollars at the same per pupil rate as the public school district and, if the non-public school decides not to participate, the allocation reverts to the public school. The decision not to participate, in part, may be a function of how many dollars per pupil are available. An administrator in one of the suburban school districts identified among the "twenty-four sample districts" felt that that was the reason for the lack of participation by the non-public schools in their district:

> ... the allocation was not that much. We are talking only $4.00 per pupil whereas in Benton Harbor, it is upwards of $21.00 per pupil.[29]

As a caveat, it should be noted that the non-publics to which the administrator was referring were Baptist schools and not affiliated with Michigan's three large systemic groups—Roman Catholic, Christian Reformed and Lutheran-Missouri Synod. No cases were uncovered where non-publics affiliated with these three systems chose not to participate.

Another aspect of the non-publics as "winners" under Chapter 2 relates again to how the non-public allocations are generated. The per-pupil allocation for a non-public school is identical to the per-pupil allocation of the public school district in which the former is located. "St. X School" in Ann Arbor generates $3.83 per pupil—only the membership factor in the formula comes into play. "St. X School" in Detroit generates $16.20 per pupil—in addition to the membership factor, the desegregation and low achievement factors come into play, even though there likely will not be a desegregation nor a low achievement problem in the school. [illegible], the non-public school in this circumstance becomes an additional "winner."

In su[illegible] then, the "winners" under [illegible]er 2 [illegible]:

(1) [illegible] small [illegible] rural school districts, [illegible] traditionally did not compete for discretionary grants—and this is a goodly number. Some 451 of the total of 529 K-12 districts in Michigan are below 5,000 in enrollment; 329 are below 2,500 in enrollment; and 124 are below 1,000 in enrollment. However, a caveat is in order. Even though these districts received substantial increases percentage-wise, the increases in absolute dollars were relatively small; for example, while Sutton's Bay experienced a five-fold increase the actual dollar increase amounted only to $3,775.

(2) The non-public schools—under Chapter 2, there is a four-fold increase in the dollar value of services available to the non-public schools when compared to the dollar value of services availble under the antecedent programs. Additionally, those non-public schools located in public school districts qualifying for desegregation and low achievement factors under the formula receive an additional windfall.

Thus, significant funding shifts have occurred in Michigan as a result of ECIA-Chapter 2. While this has not resulted in a radical distribution of funds, it has resulted in: (1) significant shifts of Chapter 2 dollars away from the urban core areas, (2) significant shifts of dollars from the public schools to the non-public schools, and (3) some shifting of dollars away from "innovative and creative" districts—i.e., suburban districts. Under the antecedent programs, a heavy emphasis was placed on equity defined as equal treatment of equals, i.e., accommodating special needs. Under Chapter 2, equity defined as something for everyone receives the heavier emphasis. However, Michigan, through its Chapter 2 formula, attempted to retain a relatively heavy emphasis on special needs and to prevent a more massive shift of funds away from urban core areas. And, as we have seen, Michigan was somewhat successful in this effort. As one of the legislators who served on the Advisory Committee put it:

> What you were dealing with was an historical pattern where you had money targeted in the past to particular groups, to particular target audiences and what you wanted to do was maintain that sort of historical pattern, . . . at best it was a question of how to stem the flow . . . [29]

Still, a series of important policy questions remain. Will Michigan choose to continue to include, as high cost factors under the formula, desegregation and achievement in an ongoing attempt to stem huge losses to urban school districts? Will Michigan choose to move from achievement test scores as a highly weighted factor in the formula to census data now that the 1980 results are available? If so, what will be the effects on the distribution of Chapter 2 funds in the future? Will the formula continue to result in a significant shift of dollars from the public sector to the non-public sector? Will Michigan, through its set-aside of $450,000 of its "20 percent funds" for state discretionary grants, be successful in mitigating the effects of the Chapter 2 shift of dollars away from "creative and innovative" districts?

And perhaps most important of all, will Chapter 2 continue to be funded? Or funded at a level where it is likely to have a significant impact on education and the way federal aid to education is packaged? Or does it represent a first step toward removing federal financial support from many areas previously viewed as appropriate national goals?

FOOTNOTES

1 Terrell N. Bell, "Remarks to the Council of Chief State School Officers, National Association of State Boards of Education Legislative Conference," March 9, 1981, Washington, D.C.

2 Advisory Commission on Intergovernmental Relations, Block Grants: A Comparative Analysis, the Intergovernmental Grant System: An Assessment and Proposed Policies (Washington, D.C.: The U.S. Government Printing Office, 1977).

3 Terrell N. Bell, op cit.

4 Advisory Commission on Intergovernmental Relations, op cit.

5 See Mary Vogel, "Fiscal and Distributive Impacts of Grants Consolidation," in C. Philip Kearney, ed., Grants Consolidation: A New Balance in Federal Aid to Schools? (Washington, D.C. The Institute for Educational Leadership, 1979).

6 Vogel, op cit.

7 Personal Interview.

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* **References cited in introductory remarks FROM THE DESK OF THE DIRECTOR**

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