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Since establishing educational systems in the 1800s, most states have experienced problems in trying to equalize education funding from school to school and district to district. Wide-spread dependence on local property-tax revenues has "meant that students living in school districts with high-priced residential or commercial property continued to have substantial-ly greater resources available to support their education" than students residing in poorer districts (Rebell 1998).

WHAT IS THE EXTENT OF FINANCIAL DISPARITY?

Twentieth-century efforts to offset inequities via taxation-equalization measures (foundation plans, legislative caps, and redistribution schemes) have been only partly successful, benefiting taxpayers more than students. During the 1960s, "affluent districts routinely spent twice what nearby poorer ones did, and sometimes four or five times as much" (Miller 1999). Moreover, wealthier communities can afford to spend more per pupil while taxing themselves at lower rates.

Today, after nearly three decades of litigation (beginning with California's famous 1971 "Serrano" decision), financial disparities among districts and among states remain high. In New Jersey, 1995-96 per-pupil expenditures ranged from a low of $5,900 to a high of $11,950. The range for the same year in Illinois ($3,000 to $15,000) was even more inequitable (National Conference of State Legislatures 1996). In 1998-99, per-pupil spending varied from $10,140 in New Jersey to $3,632 in Utah (National Center for Education Statistics 1999).

IS THERE HOPE FOR REMEDYING FISCAL EQUITY PROBLEMS?

The 1990s have witnessed some promising developments building on several decades of educational initiatives and a landmark Kentucky Supreme Court case.

The first involves a policy shift from horizontal equity (equal distribution of resources in an absolute sense) to vertical equity (distribution of revenue in pursuit of equality while considering differences among types of districts) and equal opportunity/fiscal neutrality (elimination of unjust differences among expenditures) (Arnold 1998). These latter two conceptualizations of equity are manifested in the first and second "waves" of fiscal equity litigation (1971-73 and 1973-89), which considered interpretations of equal-protection clauses in state constitutions (Rebell).

Second, a movement focused on school- and student-level equity rather than district-level equity is occurring, thanks to administrative decentralization and school-based management reforms. This movement's success hinges on drastic improvements in school-level data collection and fiscal oversight at all levels.

However, the most promising development is the shift from equity to educational adequacy, which is the attainment of sufficient funding levels, in absolute terms, to produce the likelihood that students will achieve at acceptable, specified levels. Adequacy has played a key role in court litigation deciding the constitutionality of state school-finance systems, beginning with Kentucky in 1989. Instead of focusing solely on monetary inputs, courts and policy-makers are stressing attainment of high minimum outputs as a primary goal in school finance (Clune 1994). Suddenly, an equal share of too little is becoming unacceptable in many states.

According to Allan Odden (1999), the shift to educational adequacy requires development of a new finance system linked to strategies for improving both average and special-needs students' performance. The adequacy movement offers educators and policy-makers an unprecedented opportunity to blend equality concerns with ongoing school-improvement efforts stressing quality, accountability, and higher academic standards.

HAS GENUINE PROGRESS BEEN MADE IN THE COURTS?

Although some experts believe school-finance litigation's overall scorecard has been mediocre, others see a more positive trend during the 1990s. According to Rebell, "Since 1989, plaintiffs have won 15 of 22 major court decisions." Terry Whitney predicts an unending number of future lawsuits, noting that Delaware, Hawaii, Iowa, Mississippi, and Nevada are the only states that have not been sued.
A few noteworthy cases suggest that progress is being made. In Kentucky, Massachusetts, Tennessee, and New Hampshire, "school finance litigation prompted wholesale review of the way the state provides public education to its citizens" (DeMitchell 1999).

Longstanding adequacy suits in New Jersey, Texas, and Louisiana have been resolved in favor of plaintiffs. Vermont's Equal Opportunity Act of 1997 (Act 60) will transform the state's entire tax system via a statewide property tax (Whitney 1998). In July 1998, the Arizona Supreme Court upheld lawmakers' latest school-facilities finance plan, ending a seven-year lawsuit (Schnaiberg 1998).

Despite political and economic complexities, litigation has been effective in many states (Reed 1998, Ward 1998). Reed notes that five states with winning litigants achieved an average equity gain of 29 percent; three with losing plaintiffs experienced an average equity decline of 9.2 percent.

WHAT ARE SOME PERSISTENT CHALLENGES TO FISCAL EQUITY/ADEQUACY?

One issue is whether education is a fundamental right. Because state constitutions vary widely, not all courts will view education as a fundamental right (Ward). A federal precedent was set by the 1973 "Rodriguez" decision, in which "the U.S. Supreme Court held that education was not a fundamental right under the U.S. Constitution" (Ward). Another set of problems plague state-aid funding formulas. Two experts view such formulas as "fatally flawed" unless they include several components: an equitable, student-centered cost-accounting system; efficiency and performance incentives; facilities maintenance provisions; a strong accountability provision; and a committed community tax effort (Solomon and Fox 1998).

Determining the correct mix of tax revenues is equally challenging. A blend of targeted funds, higher state aid, and adjustments of taxes may be needed in most states to reduce disparities. Factoring in external (fund-raising) revenues and cost differences for educating groups of special-needs children adds to these complexities (Arnold).

Districts' inefficiencies in allocating additional funds and maintaining the same spending patterns regardless of monies allocated are two interrelated obstacles to garnering public support from skeptical taxpayers (Solomon and Fox).

Disrepair of school facilities is a pressing problem. Arizona, New Mexico, and Colorado won lawsuits based on inadequate funding for facilities (Whitney).

State differences (population density, stability, poverty, minority composition, and other demographic factors) also affect equity considerations and make interstate comparisons difficult (Hodgkinson 1999).

Finally, legislatures' provision of "adequate" amounts for a decent education may be based more on politics and available funds than on what is required to achieve targeted student outcomes (Picus 1999). Recent budget surpluses in many states may mitigate this problem. However, court-mandated schemes are no substitute for political will. Defining and achieving educational adequacy for all students remains an elusive goal for states.

WHICH FINANCE POLICIES AND PRACTICES FAVOR EQUITY AND ADEQUACY?

District and state policy-makers can rely on several strategies in their pursuit of greater equity in school finance. Augenblick and associates (1997) cite a U.S. General Accounting Office report that concluded "the most important factor contributing to

district-to-district equity" was poor districts' willingness to tax themselves at over "twice the rate of wealthier districts." State policies also matter. The larger a state's contribution to K-12 funding, the greater the equity among districts. Targeting state funds to poorer districts also increases equity.
Augenblick and associates identify four options for converting adequacy to a funding formula: historical-spending (based on a district's actual expenditures in a prior year), expert-design (based on anticipated needs and prices for a model district), econometric (based on the spending/pupil-performance relationship), and successful-schools approaches. The last method may be preferable, they say, since it is based on examining actual expenditures in several demographically "typical," but highly successful, districts.

For Clune, implementing true adequacy would require each district to adopt a set of high minimum goals, identify needed resources for achieving them, and devise a long-range investment plan for deploying resources and developing instructional programs. The price tag would be $5,000 per disadvantaged pupil, or $25 billion nationwide.

Odden wants nothing less than a new structure that aligns school finance with proficiency-based policy system goals. There would be five elements: a base spending level considered "adequate" for the average child; an extra $1,000 for each child from a low-income background; an extra 130 percent for each disabled student; an (undetermined) extra amount for each English-as-a-Second-Language student; and a price adjustment ensuring comparable spending power.

A report by the National Conference of State Legislatures identifies three building blocks of an adequate school-finance system: articulating educational objectives for students; identifying and acknowledging the educational capacity needed to accomplish these objectives; and supporting that capacity with sufficient funding.

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