

Political Context of Education Finance in the United States

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The political landscape in school finance has undergone significant changes in the United States in recent years. It was only a generation ago that the state government assumed the primary funding responsibility in public schools, public agencies at the state and local level “monopolized” service delivery, and many reform initiatives did not consider student achievement as the key measure of accountability. In recent years, rising public demand for educational accountability has changed the political context. This paper will revisit the political underpinnings of school finance. The paper will discuss the policy tensions that are exemplified by several current issues, including the changing role of the federal government, outcome based accountability, and the emergence of adequacy in redefining funding equity in education. Discussions on these policy tensions will focus on the key actors, how decisions are made, and the issue of who gets what.

1 Introduction

The political landscape in school finance has undergone significant changes in recent years. It was only a generation ago that the state government assumed the primary funding responsibility in public schools, public agencies at the state and local level “monopolized” service delivery, and many reform initiatives did not consider student achievement as the key measure of accountability. In recent years, rising public demand for educational accountability has changed the political context. There are growing political tensions over rival ideas to improve public schools, including adequate support for students to meet proficiency standards, sanctions applied to persistently failing schools, non-public service providers to deliver instruction, and rethinking the way teachers are compensated within the collective bargaining arrangement. Indeed, there is a need to revisit the political underpinnings of school finance.

From a political perspective, school finance policy has always been shaped by the political structure and process. First, in the U.S. context, the federalist system creates a decentralized structure of educational governance. It facilitates a division of formal functions and authority among the three levels of government—namely, federal, state, and local. Although the federal government has expanded its involvement in educational policy since the 1960s, public education remains the

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primary responsibility of state and local government. Second, the schools also operate in a pluralist democracy, which maintains a process of checks and balances in education policy. Not only can competing interests gain access to decision making, institutional actors must mediate tensions in the policy system. Given the intergovernmental nature of education policy in the U.S., the President, the Congress, judges, governors, legislators, mayors, unions, business, and other organized groups can become the sources of policy tensions. In other words, governing structures and political processes are the key factors in understanding the politics of education finance.

In light of the importance of politics, this paper will discuss the differentiated formal roles that flow from a federal system and the policy tensions on school finance issues between various actors and organized interests. The nature of the policy tensions will be exemplified by several current issues, including the changing role of the federal government, outcome based accountability, and the emergence of adequacy in redefining equity in education. Discussions on these policy tensions will focus on the key actors, how decisions are made, and the issue of who gets what. The paper will conclude with a discussion of issues relating to majority rule.

2 The Changing Federal Role

In the United States, governance in elementary and secondary education is decentralized. Historically, the federal government has taken a permissive role in education that is consistent with what political scientist Morton Grodzins characterized as “layer cake” federalism. Article I, Section 8 of the U.S. Constitution specifies the “enumerated powers” that Congress enjoys and the Tenth Amendment granted state autonomy in virtually all domestic affairs, including education. Sovereignty for the states was not dependent on the federal government but instead came from the state’s citizenry.

The role of the federal government in addressing the needs of disadvantaged students occupies a prominent place in the study of educational finance. This federal responsibility has undergone major changes as American federalism evolved with the passage of time. The 1965 Elementary and Secondary Education Act, arguably the most important in regards to federal spending in public schools in the last four decades, signaled the end of layer-cake federalism and strengthened the notion of marble-cake federalism where the national and sub-national governments share responsibilities in the domestic arena. Prior to the 1965 law, there was political deadlock on the role of federal government in Congress. The states outside of the south were opposed to allocating federal funds to segregated school systems. Whereas some lawmakers refused to aid parochial schools, others wanted to preserve local autonomy from federal regulations. Political stalemates were reinforced by the authority structure of Congress—the committee system, which allowed the powerful few to effectively kill a bill behind closed doors, and the seniority system, which preserved the privileges of committee chairs at the expense of legislative involvement of the rank and file (Orfield 1978; Munger and Fenno 1962; Sundquist 1968).

The political stalemate was finally overcome in 1965. Congressional leaders overcame the contest over “separation of church and state” by agreeing to provide federal aid directly to students instead of to schools. There was a clear public mandate in support of a more “activist” federal government following passage of the 1964 Civil Rights Act. The 1964 election produced a new cohort of liberal lawmakers who formed the rank and file of a liberal majority in Congress. But above all, the legislative success was due to presidential commitment. President Lyndon Johnson, a former

teacher, was fully behind the bill and identified ESEA as a core component of his newly declared War on Poverty. The intensity of President Johnson's commitment to social and educational equality was articulated in his address at Howard University on June 4, 1965. He argued, "We seek not just freedom but opportunity. We seek not just legal equity but human ability, not just equality as a right and a theory but equality as a fact and equality as a result... To this end equal opportunity is essential, but not enough, not enough." (Johnson 1965)

The politics of ESEA led to a role reversal between the President and the Congress during the 1970s and 1980s. Whereas Congressional politics blocked legislative progress in the 1950s and early 1960s, the Democratic Congress instituted procedural safeguards to protect education and social programs from retrenchment proposals initiated by the Republican White House during the 1970s and the 1980s (Peterson, Rabe, and Wong 1986). Further, the Democratic majority of the Congress allied with the federal education agency, which came to identify with its clients' interests and became an advocate for special needs programs (Lowi 1979). Equally important was the growing bi-partisan support on education policy. Because federal school aid was available to every Congressional district, partisan conflict was generally limited during the appropriations process. Due to opposition from Congress and various education and civil rights groups, the Ronald Reagan administration failed to deliver its campaign promise of dismantling the U.S. Department of Education, which would have substantially reduced the federal role in education equity. Instead, ESEA received even more funds in the 1980s than it had in the 1970s; its focus on low-achieving students living in impoverished communities was retained, its administration remained in the hands of state and local program professionals, and its allocation practices were not replaced by a market-based voucher arrangement (Peterson, Rabe and Wong 1988).

The role of the Congress shifted again following the 1994 midterm elections that produced the first Republican majority in Congress in forty years. The new Congressional leadership contrasted sharply with the longtime liberal dominance of the House Education and Labor Committee. The committee under Democratic control was "easily the most liberal in Congress. It include[d] strong representation from radical minorities and women, and ha[d] close ties with both the Black Caucus and the Hispanic Caucus. Issues of equity... have seldom been absent from the committee." (Sroufe 1995, p. 83) Soon after the Republicans gained power, the House moved to weaken the institutional practices that gave special attention to various targeted populations. For example, the new leadership eliminated three standing committees that had long served Democratic constituencies: the Committees on the District of Columbia, Merchant Marine and Fisheries, and Post Office and Civil Service. The fiscal year 1996 spending bill for the District of Columbia failed to pass in the House because of partisan conflict over the Republican voucher proposal that would have authorized \$5 million for a program to allow 1,500 poor children to enroll in non public schools. As discussed later, the Republican Congress did enact a voucher program in Washington DC in January 2004.

Clearly, the Republican majority in 1995 wanted to reduce the level of federal funding in every major educational program, as well as reduce the overall budget for the U.S. Department of Education. For example, when compared with the Bill Clinton request, the House proposed a 19 percent cut in compensatory education, a 66 percent reduction in bilingual programs, and a 7 percent reduction in special education (Wong 1999). In the end, the public did not support the Republican plan and by 1996 the Republican leadership abandoned its attempt to significantly reduce federal involvement in education. Consequently, federal aid to redistributive education programs showed persistent growth in real dollar terms between 1970 and 2002.

3 Emerging Politics of Performance-based Accountability

As education receives steady bi-partisan support, its effectiveness is increasingly called into question in a climate of outcome-based accountability. The 1983 publication of *A Nation at Risk* (NAR) marked the beginning of a national focus on academic performance. Significantly, the recommendations of the NAR formed the basis for federal and state efforts to improve the quality and performance of public schools. In 1989 the Charlottesville Summit moved the standards-based movement with an endorsement of a set of national education goals, later referred to as the Goals 2000. This summit was the second time in the nation's history where the President convened the nation's governors to discuss a national challenge. Concerns of academic standards and performance also influenced the 1994 Improving America's Schools Act and the 2001 No Child Left Behind Act.

The Politics of No Child Left Behind

The passage of NCLB changes the terms of political engagement among key institutional actors. First, until the passage of NCLB, low-income, low performing schools that were eligible for federal supplemental aid (also known as Title I schools) were treated at the margins and were assessed with a different (often inferior) set of standards. With NCLB, Title I students and schools are required to meet Adequate Yearly Progress, which are a set of standards that are established through state-specified academic proficiency plans. All schools, including Title I schools, must test all of their students and report their test scores by racial, income, and other special needs categories. NCLB signals a new policy regime in education accountability. Instead of focusing on fiscal accountability in the traditional categorical approach, the entire system of public schools now must be held accountable for results.

Second, NCLB reflects the growing public support for accountability. Public attention to education came at a time when public confidence in the institution of public education had reached a 30 year low. In 1977, for example, 53% of the public showed a high level of confidence with public education. By May 2005, the confidence level had fallen to only 37% (Public Agenda, 2006). However, the public does not appear ready to give up reforming the existing system of public schools. According to the Gallup Poll conducted in the summer of 2003, 73% of the respondents wanted to reform the existing public school system, while only 25% preferred alternative approaches (such as school vouchers). This pattern was also found in a 2003 poll sponsored by the Pew Hispanic Center, in which 37% were in favor of government offering parents vouchers but 40% did not know enough to offer an opinion (Public Agenda 2006). Finally, two-thirds of the respondents in a June 2002 Gallup Poll favored using annual tests to track student progress (Public Agenda 2006). In other words, the accountability focus in fixing existing schools seemed to have broad public support.

The accountability-oriented, centrist approach to education has gained bipartisan support. In her analysis of legislative votes, DeBray (2006) observed that Congressional support for NCLB signaled the return to a higher level of Republican support for federal involvement in education, similar to what it had been prior to the era of the Newt Gingrich's Congress of the 1990s. Specifically, while fewer than 20% of House Republicans supported Bill Clinton's 1994 Improving America's Schools Act (a predecessor of the NCLB), 85% of House Republicans voted for Bush's NCLB Act (Jennings 1998). Similarly, while 53% of Republican Senators were in favor of the 1994 legislation, over 90% of Republican Senators voted for NCLB. As DeBray (2006, p 125–126) point-

ed out, “Bush’s particular style of leadership, enhanced by the national mood following September 11, made it possible for his party to give overwhelming support to an education bill that was far more pervasive and coercive than the one it had opposed in 1994.”

To be sure, Bush was able to bank on the one-party dominance, the political rapport that was associated with the first months of a new administration, and the widespread public confidence with the federal government in the context of an unprecedented national tragedy. Clearly, Republican lawmakers were ready to abandon the Gingrich policy platform of dismantling federal involvement and instead chose to substantially broaden federal expectations on outcome-based accountability in public education. In supporting NCLB, the Congressional Republicans gave their strong endorsement on a core concern of the Bush Presidency, namely raising student achievement.

From a broader perspective, performance-based reform may challenge existing political coalitions. On one hand, the NCLB goal of narrowing the achievement gap has galvanized the support of racial, ethnic, and other constituency groups that belong to the core of the Democratic Party. On the other hand, the core Democratic constituency was not satisfied with the level of federal funding to meet the seemingly unfunded mandate, including the extensive testing requirements. These disagreements may create new tensions within the traditional liberal coalition.

The politics of NCLB further differentiates the demand side from the supply side. The federal legislation aims at addressing the demands of the educational “consumers,” including parents, taxpayers, and employers. In contrast, NCLB is putting pressure on service providers, including the educational profession and the teachers’ union. This focus on the consumer-based coalition is in part facilitated by public opinion on issues associated with NCLB and school reform. In a January 2006 survey sponsored by Pew Research Center, the respondents ranked “improving the educational system” as the second most important priority for the President and the Congress. It was behind the defense against terrorist attacks, but ahead of such important issues as the nation’s economy, jobs, social security, Medicare, and crime reduction (Public Agenda, 2006).

Third, NCLB formally identified school choice as an option for school restructuring, an indication of using the demand side to drive school improvement. Consistent with the Republican Party’s platform, Bush advocated for greater “consumer” choice during his 2000 presidential campaign. However, his administration was willing to compromise to make sure that annual testing was adopted. Instead, a more limited set of choice arrangements were enacted as part of the corrective action provisions. When schools fail in consecutive years to meet the Adequate Yearly Progress requirement, students in those schools are granted access to supplementary tutorial services and charter schools.

It should be noted that the Bush Administration and the Republican Congress enacted a pilot federally-funded voucher program in Washington DC that was not directly linked to NCLB. In January 2004, the Congress enacted the District of Columbia School Choice Incentive Act of 2003. The legislation provides as much as five years of federal funding to students in the District of Columbia to use for private school attendance (Howell et al., 2006). Congressional approval of the scholarship program signaled the Republican Party’s intention to support the use of vouchers as a school reform strategy. The controversy over school choice would have hindered the passage of this bill, but this particular initiative was facilitated by funding politics. The legislation specifically stated that the DC public schools would be “held harmless” and that departing students (i.e. voucher users) would not result in financial loss for the district (Greene et al., 2006).

Intergovernmental Politics on Accountability Policy

The emergence of accountability-based policy has created new political dynamics in the intergovernmental system. First, the No Child Left Behind Act of 2001 grants state and local agencies substantial authority in taking corrective actions to turn around failing schools. Further, performance-based accountability is putting additional pressure on states and districts to improve “transparency” in public education, thereby further encouraging parental and community engagement. Due to NCLB, districts are now required to disseminate annual report cards on district and school performance in meeting or failing the AYP. The challenge is to make sure that parents, particularly in disenfranchised neighborhoods, receive the necessary information on educational options in a timely manner. Advocacy groups and political leaders use their many communications channels to connect parents to their schools. Many cities work with employers to enable parents to take their children to classes on the first day of the new school year.

Given the ambitious expectations of NCLB, it is not surprising that federal-state conflicts occur over federal funding support and other implementation issues (see the rich literature on the nature of implementation that began with Pressman and Wildavsky 1973). During the initial implementation phase, state efforts to meet federal expectations seemed incremental. With dozens of states suffering from budgetary shortfalls in the early 2000s, states delayed their response to seemingly costly federal mandates. According to a 50-state report card on the anniversary of the federal legislation, only five states received federal approval on their accountability plan (Education Commission of the States, 2003). Further, only half of the states were prepared to monitor performance of various subgroups and to undertake corrective actions in failing schools, and over 80% percent of the states were not ready to meet the federal expectation on placing highly qualified teachers in the classroom. It was only during the fourth year of NCLB that all the states’ accountability plans were approved by the federal government.

A good example of intergovernmental conflict is the first legal challenge against implementing the NCLB. The plaintiffs consisted of districts in Michigan, Texas, and Vermont and the National Education Association, the nation’s largest teachers’ union. The plaintiffs argued that NCLB imposed federal mandates without adequate financial support. In November 2004, a federal judge in the US District Court for the Eastern District of Michigan rejected the challenge. The ruling stated that Congress had the authority to specify policy conditions on states (Janofsky 2005, p. A14). Another suit was filed by Connecticut against the U.S. Department of Education. The state not only seeks for full financial support from the federal government to implement the NCLB, it also claims that the US agency has acted in an “arbitrary and capricious manner” in deciding on state requests for waivers and exemption (Janofsky, 2005, A22). For example, Connecticut cited that the Department of Education rejected the state’s request for testing the students every other year instead of annually. Intergovernmental conflicts over specific NCLB provisions are likely to continue in specific settings.

Facing local and state reluctance, the US Department of Education has relaxed certain requirements on a case by case basis. An example of intergovernmental accommodation is Chicago’s success in gaining federal approval to provide tutoring programs for students in schools that failed the AYP. Under the NCLB, districts that do not meet the AYP, which includes most large urban districts, are prohibited in providing supplemental instructional services after school to their students. In January 2005, the US Department of Education required that Chicago replace its own services with outside vendors. Mayor Daley stepped in and put his political capital behind the school district’s CEO’s decision to continue the district services. In a series of private meetings

between the Mayor and the US Secretary of Education Margaret Spellings, compromise was reached. In return for the district's continuation of its supplemental services, the city agreed to reduce barriers for private vendors to provide tutorial services. When the compromise was formally announced by Secretary Spellings in early September in Chicago, Mayor Daley hailed the efforts as the "beginning of a new era of cooperation" across levels of government in education (Dillon, 2005, pA12). Similar waiver was subsequently granted in New York City, Boston, Memphis, among others. Clearly, intergovernmental negotiation is likely to be intense over the implementation of NCLB in complex urban systems.

4 States Face the Challenge of Equity and Adequacy

Beginning with the *Serrano v. Priest* decision in California, state high courts have been active in addressing funding inequity due to inter-district disparity of wealth and fiscal capacity. In the last 10 years, the equity challenge has been complicated by the concern with adequacy, namely the extent to which governmental resources are sufficiently available so that all students can meet the proficiency standards as defined by the state. Dunn and Derthick (2007) observed that adequacy law suits aim at expanding the educational funding pie to deliver benefits to a broad range of stakeholders, including educators, equipment suppliers, building contractors, pension investors, and advocacy organizations. The adequacy argument extends the statutory commitment on compulsory schooling to new expectations on student achievement. This current debate also goes beyond the conventional reform of "fixing" the state formulas. Instead, adequacy opens up new dialogues on gubernatorial leadership and teacher compensation within the collective bargaining arrangement. In other words, the expansion of equity to an adequacy concern may fundamentally change the politics of school finance at the state and local level.

The Equity Challenge in Perspective

Judicial involvement in reforming the statewide school finance system started in 1967 in California when John Serrano and other parents, concerned about poor school services for their children in the Los Angeles area, brought a class action suit against the state of California. In the landmark ruling, *Serrano v. Priest*, often referred to as *Serrano I*, the California Supreme Court handed down a six-to-one decision in favor of the parents. According to this ruling, significant interdistrict disparities in school spending due to uneven distribution of taxable wealth violated the equal protection provisions of the state constitution. In this case, sharp disparity in school spending existed between the wealthy Beverly Hills district and the nearby Baldwin Park district. While the former had a tax rate that was less than half as much as the latter, it was able to come up with twice as many school dollars on a per student basis during 1968–69. As the court opinion stated, "affluent districts can have their cake and eat it too; they can provide a high quality education for their children while paying lower taxes. Poor districts, by contrast, have no cake at all" (*Serrano v. Priest* 1971). Shortly after the court decision, the California legislature adopted what became the first of several school finance reform plans during the 1970s (Levin, 1972; Kirst & Somers, 1981). At the same time, parent plaintiffs in several other states filed similar charges.

However, within two years, *Serrano I* was brought into question by a U.S. Supreme Court ruling on a case in Texas. In *San Antonio v. Rodriguez*, a five-to-four decision reversed a federal district court ruling (1973). It concluded that since education does not constitute a fundamental in-

terest under the U.S. Constitution, the state can choose to preserve local control by not interfering in interdistrict fiscal inequities.

Over the last thirty years, about half of the states either faced rulings or are in the process of dealing with major law suits that challenge the constitutionality of the state finance system in public education. State high court rulings have shifted in favor of the plaintiffs in the last three decades. The number of decisions in favor of the defendant states declined from seven in the 1970s to six in both the 1980s and the 1990s. At the same time, the number of rulings that declared state funding systems unconstitutional increased from five in both the 1970s and the 1980s to eleven in the 1990s (Wong 1999). In other words, while 58% of the decisions in the 1970s were in favor the status quo, 65% of the rulings challenged the status quo during the 1990s. In 1997 alone, for example, the courts found the funding systems in Ohio, Vermont, and New Hampshire unconstitutional. Consequently, about twenty states that violated their constitutions had to restructure their funding systems to reduce interdistrict inequity.

Political Opposition to Adequacy

While states have been involved in equity issues for decades, they are now faced with the challenge of defining the terms of engagement on adequacy issues. As standards-based reform took hold in states during the 1990s, concerns were raised on whether students in resource poor communities were given adequate learning opportunities, such as a reasonable class size, an up-to-date science curriculum, and qualified instructional staff. By 2006, 39 states were challenged to revise their funding formulas to meet educational adequacy (Guthrie and Springer 2007).

An early case that focused on adequacy concern was the *Abbott* ruling in New Jersey. In contrast to decisions in most other states, the New Jersey case paid particular attention to the concentration of social needs in inner-city schools. The New Jersey court recognized additional costs to address the needs of disadvantaged pupils in urban areas, estimating that programs to “reverse the educational disadvantage the children start out with” in urban districts would cost about \$440 million for the first year. Immediately following the court decision, the Democratic governor proposed \$2.8 billion in new and increased taxes to fund new services for the poorest schools. However, the reform and tax-increase plan was substantially compromised following key Republican wins in the gubernatorial and legislative election. After years of fiscal conservatism under Governor Christine Whitman, the Democratic administration of James McGreevey tried to address the intent of the *Abbott* decision despite an economic downturn in 2002.

Increasingly, the adequacy reform encounters taxpayers’ concerns. In New Jersey, while the 31 Abbott districts were given additional resources, the state’s remaining 585 districts saw their state aid basically unchanged. Taxpayers throughout the state were increasingly discontent when the Abbott districts, which enrolled one out of four students in the state, received almost 60% of the state’s education funds. In response to mounting public pressure, the New Jersey state legislature’s joint committee on school funding reform recommended a new school aid formula that aims at broadening the distribution of state dollars to non-Abbott districts that are higher needs and lower capacity (Gewertz 2006). Such a proposal, if adopted by the legislature and Governor Jon Corzine, would lower the amount of extra funding for the current 31 Abbott districts. These funding options will most certainly generate fierce political battles between Abbott districts and the taxpayers across the state. Ultimately, political bargaining will affect the forming of a legislative coalition on adequacy funding.

Majority Rule and Politics of Funding Redesign

Majority rule, in a broad societal sense, has dominated school funding policy at the state level. Elected institutional actors, particularly governors and state lawmakers, are instrumental in formulating state aid formulas, which often reflect the political influence of local jurisdictions throughout a state. For example, in recent years, suburban and small communities formed a majority voting bloc that tends to shift state aid away from large urban districts. As Baker and Rebell observed, legislatures can manipulate “pupil weights and other cost adjustments to perpetuate racial disparities in funding.” (2006 p. 30) Consequently, winners and losers are often defined in terms of racial and income lines.

Governors who acquired an urban focus are more likely to provide a balance to the rising dominance of suburban interests. For example, Pennsylvania Governor Edward Rendall, a former mayor of Philadelphia, successfully pushed for more state aid to districts that have a higher concentration of needs and a lower fiscal base. His effort to broaden schooling opportunities for urban students include Project 720, a state-funded initiative to raise academic quality of high school curriculum, an expanded Head Start program, and property-tax relief. In New Jersey, Governor Jon Corzine protected public education from budgetary reductions to meet a shortfall for fiscal year 2007.

The role of the judiciary is seen as an extraordinary policy mechanism to rectify the policy consequences of the majority rule in school funding allocation. Judicial intervention as a process for policy change takes a long time, often beyond the intended class of students who filed the original law suit. While the court may not support the plaintiffs’ case, favorable decisions in the lower court can be overturned by the highest state court. Even when the decisions are favorable at all levels, the remedy may be less than anticipated. The New York City case provides a good example of this complex and lengthy process. In 1993 the Campaign for Fiscal Equity filed a suit that challenged the state to provide adequate funding to New York City’s 1.1 million public school students. Ten years later in 2003, the New York Court of Appeals ruled that the state failed its constitutional responsibility to provide a sound basic education to New York City’s students. The Campaign for Fiscal Equity then led a research group to “cost out” the amount of additional state aid to meet the constitutional guarantee. The proposed \$4.7 billion was finally reviewed but rejected by the Court of Appeal in October 2006. Instead, the Court was persuaded by the \$1.93 billion recommendation that came from a state-sponsored study conducted by Standard & Poor’s. In arriving at this much lower level of funding recommendation, the Court concluded that budgetary decisions should be led by the governor and the state legislature (McNeil 2006a). This 14-year long case illuminates the complex interplay of institutional politics, experts’ influence, and the rising power of organized networks.

Judicial intervention is facilitated by “issue networks” whose primary focus is to promote and support school funding reform. The New York City-based National Access Network involves advocacy organizations in over 40 states to work toward greater funding adequacy. Policy briefs and the latest developments are rapidly disseminated through electronic channels. Experts that share the Network’s perspective are invited to provide testimonies across states. At the same time, consulting companies are also “networked” with key private attorneys to support the defending parties, namely the state boards of education and the chief state school officers (Dunn and Derthick 2007). The politics of association remains highly active in both camps of the funding debate.

In part due to growing public concerns for performance-based accountability, the issue of school-by-school spending disparities within a district has gained more attention. The most recent

debate started in the summer of 2006, when the Thomas B. Fordham Foundation called for urban districts to allocate their funds based on student needs and not based on teacher positions. The “weighted student funding” approach enables schools with a higher concentration of needy students to receive their share of the dollars, thereby diverting resources from their middle-class schools. In other words, this approach may create new “redistributive” politics within the urban district. Despite these efforts, skeptics remain generally concerned about the disparity between urban and suburban districts. To some, this focus on within district inequity is not a sufficient condition to address inadequacy of funding for the urban district as a whole. Further, some analysts observed local political constraints in reallocating resources to the disadvantaged. Baker and Rebell (2006) cited Cincinnati as an example, where the district allotted an additional 5% for students from poverty backgrounds but an additional 29% for students in the district’s gifted and talented program. In short, assigning weights to students, whether it is at the state or district level, involves conflicts and bargaining.

Clearly, school funding politics is driven by programmatic initiatives of winners in the electoral process. Newly elected governors tend to find resources to realize their campaign promises. Even when the state ran a deficit, newly elected Governor O’Malley of Maryland proposed significant increases in the state equalized spending. The new governor in Indiana wanted to implement full-day kindergarten, while his Washington state counterpart prepared to support a major new math and science initiative (McNeil 2006b).

While elected officials are entitled to shape their spending priorities, public school spending faces fundamental structural constraints in the state budget. Most importantly, public schools compete with other program areas in the state budget. According to the National Association of State Budget Officers, states, on the average, allocated 35% of their own general tax revenues to public education in fiscal year 2006. At the same time, states spent 18% on Medicaid, 11% on higher education, and 7% on corrections. With an aging population across all states and with a rising demand for post-secondary education, these other areas will continue to place increasing constraint on how much governors and state legislatures can spend on public schools.

Finally, adequacy debates generate new attention to performance-based compensation for teachers. It was sixty years ago that economist Milton Friedman first argued for the single pay schedule to be replaced with a differentiated compensation scheme for teachers that would be based on their performance. While the former would reduce unpredictability and enhance cohesion within the teaching working force, the latter would more closely match the changing supply and demand of the labor market as well as enabling the school system to be strategic in its use of financial resources. Policy discussions on these issues, however, were largely absent due to teachers’ union opposition until recently. In the late 1990s, the Milken Family Foundation started the Teacher Advancement Program (TAP) that tied financial incentives to stages of teachers’ career advancement. While the TAP was designed to support master or mentor teachers to work with less experienced teachers, the initiative was driven by measurable outcome-based performance.

With widening employment of corrective actions under NCLB, the issue of holding schools and teachers accountable seems to have gained popular support. In several states, governors and state legislatures are beginning to experiment with differential compensation. Florida and Texas, for example, provide individual cash bonuses to teachers for standardized test results. Arizona, Minnesota, and North Carolina connect part of the teachers’ salaries to student achievement. In Minneapolis and Denver, union leadership actively participated in negotiating with the management to redesign the teacher compensation package. Denver’s ProComp Agreement did not elimi-

nate collective bargaining. Instead, it gained voters' approval for new taxes to pay for the expanded salary schedule that takes into account four factors, including knowledge and skills, professional evaluation, market incentives, and student growth. As Denver Superintendent Michael Bennett observed regarding the implications of ProComp, "Our current collective bargaining agreement is not much more than the accretion of 40 years worth of incremental decisions. It is not relevant to the work our teachers will have to do in the future." (Quoted from the Presentation by Brad Jupp, 2006)

In the next few years, these experiments on differentiated compensation will provide additional insights on the design and implementation of these controversial initiatives. In reviewing these reforms, several design criteria seem to provide the basis for policy choices. Among these choices are: does the plan include the academic base salary or only the supplemental or bonus portion? Whether outcome-performance is measured in terms of student achievement or mixed with additional staffing responsibilities (such as mentoring less experienced teachers)? Does the new compensation take into consideration student needs and hard to fill positions? And whether the compensation is rewarded to individual teachers or in a collective fashion at the school level? These and other design issues will continue to be sources of divisiveness between teachers union and those who represent the interest of the parents and the public.

5 Conclusion

Education finance is integrally connected to the politics of education. I have identified several sets of political conditions that shape the way education resources are allocated. First, the federal system creates a functional division of labor whereby the federal government has the political and fiscal capacity to address the needs of the disadvantaged student populations. Second, performance-based reform has shifted the focus from inputs to outcomes and provided the basis for broader participation among federal, state, and local elected officials as well as consumer-oriented interest groups. Third, at the state level, growing concerns on adequacy remain contentious as interest-based politics intensifies.

The changing political landscape calls for a new research agenda. I would propose several themes for further investigation. First, the politics of adequacy reform is likely to involve racial/ethnic identity, income class differences, and place-based competition between low-income communities and the rest of the state. How do political leaders resolve these complex, contentious issues? What role do issue networks play in mobilizing for coalitional support on these issues? What do we know about implementation of adequacy reform? Second, the politics of redesigning teacher compensation is gaining prominence. How do governors take the lead in addressing this highly controversial issue? What are the lessons learned from reform initiatives such as Denver's ProComp? Finally, with NCLB and other accountability initiatives, states and districts are well-positioned to broaden public and parental engagement. What is the politics of transparency? Will transparency facilitate a new level of parental involvement? Will parental participation be reflective of existing social stratification at the neighborhood level? In short, an examination on these policy tensions will provide fresh perspectives on the new politics of school finance.

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