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SCHOOL FINANCE REFORM

The State's constitutional duty . . . embraces broad educational opportunities . . . to equip our children for their role as citizens and as potential competitors in today's market as well as in the marketplace of ideas. Education . . . must prepare our children to participate intelligently and effectively in our open political system to ensure that system's survival, . . . and it must prepare them to be able to inquire, to study, to evaluate and to gain maturity and understanding. . . . The mandate of the Constitution . . . is addressed to the State and requires, as a first priority, fully sufficient funds.

—*Seattle v. State of Washington*, 1978

If the educational fare of the seriously disadvantaged student is the same as the "regular education" given to the advantaged student, . . . the students in the poor urban districts will simply not be able to compete. A thorough and efficient education requires such level of education as will enable all students to function as citizens and workers in the same society, and that necessarily means that in poor urban districts something more must be added.

—*Abbott v. Burke (New Jersey)*, 1990

We've never aspired to be average here. If our costs are a little high, it reflects the fact that we want our children to be able to compete.

—*Parent from a wealthy school district*, 1999¹

IN A WEALTHY NORTHEASTERN STATE, two schools are near each other geographically but far apart in every other way. The school in the city sits beside an abandoned lot in a community that has lost most of its industrial jobs. "The physical appearance of the school is bleak, depressing. The hall is dark and dingy. . . . The playground outside is all brown wood and it is completely surrounded by hard pavement." The library has not been used for 13 years; even the faculty bathrooms have no toilet paper or soap. The gym leaks. There is one computer for every 35 students, and none of the classrooms is wired for the Internet. The principal has trouble attracting qualified teachers in many fields and has none trained in computer instruction; according to the

scholar who looked at these schools, teachers mainly use the computers to keep the students busy playing games when they have completed their worksheets. In this school 98 percent of the students are non-Anglo, more than two-thirds are eligible for free or reduced-price school lunches, almost three in ten are in special education. The residents of the district have a per capita income of \$17,000 a year.

In the suburb nearby, the school is “housed in a modern building and surrounded by large, well-maintained athletic fields. [It] boasts such amenities as a spacious school library furnished with rows upon rows of book stacks, and a high-ceilinged auditorium with theater-style seating and a grand piano on stage. Not only does the school have computers in every classroom, it also has a fully equipped computer lab, staffed by an instructor.” There is one computer for every four students, all wired for Internet use. Teachers have aides as well as access to “resource teachers” who specialize in various academic fields, help with curricula, and give “guest lectures” in classrooms. Most students participate in the orchestra, chorus, or specialized bands (or perhaps all three). One fourth-grade teacher, a graduate of Vassar College, was chosen over more than 200 competitors for her job, and along with the others in the school is paid considerably more than the state average. In this school 95 percent of the students are Anglo, fewer than one percent are eligible for free or reduced-price lunches, and only 5 percent are in special education. Residents of the district have a per capita income of \$70,000.

Despite the fact that it receives much less financial aid from the state, the suburban school spends \$1,200 a year more on each of its students than the one in the city. The urban students receive 10 percent less instructional time each year, including less time for science, social studies, and language arts, and no time for computer instruction. Test scores in the city school, especially in reading, are dramatically lower than in the suburban school, and many more city students repeat a grade. In most years *none* of the fourth-graders in the city school pass all three components (reading, writing, and mathematics) on the state standardized test; typically, more than half of the students in the suburban school pass all three.

These are not extreme examples. This urban school is not at the bottom of its state in achievement scores, and the suburban school is not at the top; these schools are in neither the lowest-spending city district nor the highest-spending suburb.² More money is not the only thing that urban students need to be able to compete, but it is surely one thing. Money pays for the people who educate, it pays for the things they need to do their job, and it pays for decent, safe facilities in which they can do it. For every child, more money can buy things that really matter, like better teaching. For poor children it can pay for preschool programs, smaller classes, and tutoring that can improve their performance. Poor children need money, and it cannot come from the poor residents of the community.

Inequalities in funding result from a school district arrangement with a longer history even than residential racial separation. Because education in this country is delivered through school districts based on residence, and residence is based largely on wealth, the structure of schooling in America is inseparable from the structure of class. Local taxes fund almost half of school district expenditures. Districts with expensive houses and correspondingly high rates of return from taxation can raise money relatively easily, while property-poor districts, with children who need more help, have trouble raising the money to provide it. As a result, children in affluent (predominantly white) districts receive a better education than do children in poor (disproportionately minority) districts, and children in this country do not approach adulthood with anything like an equal chance to pursue their dreams.

In this way, the egalitarian side of the American dream is betrayed. Class, often closely connected with race, matters at the beginning, in the middle, and at the end of primary and secondary education. Average SAT scores exactly track income, and well-off children are seven times more likely to complete four years of college than are their poor peers.³ For class to affect so strongly both the quality and quantity of education, despite the promise of the American dream, is not acceptable.

At the same time that the Supreme Court in *Milliken I* was upholding the boundaries between districts segregated by race, reform-minded lawyers therefore began another round of litigation to make districts that were to remain racially separate at least equal in resources. They took a financial rather than a racial approach to securing the equality of opportunity promised by the American dream, giving up, at least for a while, the collective goals of integration and training for democratic citizenship. This reform movement continues. "This is like the South in the 1950s," says one advocate. "This is our desegregation battle. Economic issues are the race issues of the 1990s"⁴—and of today.

The Politics of School Funding

The stakes on this issue are high, as are the costs. Americans spend about \$390 billion a year on public primary and secondary education, up from about half that amount 30 years ago. Aside from social security, education is the highest budget priority for most people in the country. In every survey since 1980, a majority of Americans have reported willingness to spend more on education, even when told that their taxes would increase as a result or when the survey question set education against other possible priorities such as defense spending. In some surveys a plurality or majority of respondents endorse the view that “the best way to improve the local public schools” is “to give them more money,” rather than doing such things as raising standards or tightening discipline.¹⁸

Sensibly, Americans prefer expenditures for specific programs over undifferentiated spending increases, and a majority—sometimes large majorities—of Americans report a sense of obligation to invest in them. When asked to set

priorities, clear majorities support reductions in class size, improvements in school buildings, more preschools, increases in salaries for all or for meritorious teachers, and enhancements of technology. Blacks and whites, rich and poor, north and south, east and west, everyone agrees. A majority, sometimes large majorities, of Americans also agree that the nation should invest in preschool programs for the poor, programs for students with physical, emotional, or learning disabilities, or programs for English language learners. When asked to set priorities for reduced expenditures, majorities are unwilling even to consider actions to add more children to classes, freeze salaries, eliminate extracurricular activities, reduce special services, or do anything else except reduce the number of administrators and sometimes the support staff.¹⁹

Americans also consistently agree that students should be treated fairly, whoever they are and wherever they reside. Large majorities endorse an equal allocation of funds to all students “even if it means taking funding from some wealthy school districts and giving it to poor districts,” as one question put it. As one resident of Vermont put it, “The point . . . is that all of us are responsible for educating all the students in the state. Not just for educating the students in Stowe or Manchester, but everywhere.” Large majorities also endorse extra funding for poor or predominantly black schools; majorities even claim that they would pay more taxes to improve inner-city schools. Occasionally African Americans and Hispanics are more likely to favor redistribution, but most surveys find no variation across race, class, or region in this support. Residents of high-spending states are just as likely as those in low-spending states to endorse general increases in school funding or particular means of securing equity. Over half of American adults even claimed in the fall of 2000 that “how to reduce the gap between rich and poor school districts in a fair way” is a “very important” policy issue on which they would like to hear the views of presidential candidates.²⁰ They heard little, if anything, on this subject.

Despite this high level of apparent consensus, the underlying issues in school funding have proved to be too difficult politically for national candidates to touch, and the federal government has avoided them for years. State officials, who have the responsibility for providing education, also rarely take on equity issues unless forced to by the courts. None of this is surprising. On this issue, in the same way but not to the same extent as desegregation, Americans’ powerful support for the principle of higher and more equal funding becomes weaker when it comes time to pay and other concerns take priority. In one survey half or more of the respondents identified uninvolved parents, drug use, and lack of discipline as “major problems” facing public schools; barely a third chose “inequality in school funding” (it came in just above last place, which was held by “inadequate academic standards”). In another survey only a quarter of respondents chose unequal opportunity as one of their deepest concerns about schooling, and only four in ten saw unequal opportunity as a serious problem at all.²¹

This discrepancy between principle and practice is not simply hypocrisy or confusion; it is evidence of the potential conflict between the individual and collective values implicit in the American dream. School finance policy raises two central political issues: the quality of education to which each student is entitled, and the level of obligation of each citizen to pay for it. At almost any acceptable standard of educational quality, students in poor districts require some support from taxpayers outside their district. If the collective goals are given priority, reformers succeed in getting more affluent citizens to use their resources for broader purposes than securing an advantage for their own children. "We have to talk about the rights of children in this state to equal access to educational opportunity instead of the claims of some towns to advantages to which they've become accustomed," insisted one Vermonter in the throes of that state's funding controversy. If, however, the individual goals of education swamp the collective goals, or if individual success is defined competitively, then citizens resist contributing more. Like the mother quoted at the beginning of this chapter, wealthier parents are tempted to focus on their own children, and that can submerge the promise of the American dream of equal opportunity from one generation to the next. And no parents, wealthy or not, want their children to lose ground so others may gain. Even a political activist who worked for Jesse Jackson's presidential campaigns finds that "when someone tells me, 'Now it's your turn to feel the pain'—these are my kids! . . . I *do* sympathize with parents of kids in other towns. But I don't think we should ruin the school system in the process."²²

School finance reform has rarely been achieved by punishing one district in order to reward another. Because the problems of poor children are so deep, reform also does not really threaten the continued competitive advantage of the well-off, although it will narrow the gap. Nevertheless, this issue can easily be transformed into a fear that the progress of other children will come at the expense of one's own, and when it does, it becomes extremely volatile.

Issues of class in school finance are also not sharply distinguishable from those of race and ethnicity. As we have seen, African American and Latino students disproportionately reside in the poorest, mostly urban, school districts; in all of the school districts in which three-quarters of the students are poor, at least three-quarters of the students are African American, and many of the rest are Hispanic.²³ The resources, in contrast, are disproportionately available in the suburbs, where most residents are white. Thus for a community of interest to develop on matters of education funding, not only class and district lines, but often racial or ethnic lines as well, have to be crossed. Politically that can be hard to do.

But even without complications of race and class, arguments against increased taxation for schools, or any other purpose, can be politically powerful. Beyond general resistance to increased taxes, a majority of adults do not have children in the public schools and often do not share parents' urgency for

increased funding. (As one supporter of reform put it, sharply and not altogether accurately, “The opponents are almost all rich people without kids who are upset because they face tax increases on seven-zillion-dollar houses.”) Seniors are also a growing share of the American population, they vote more than young people, and they can get angry. A 73-year-old Democratic Party chair in one community facing reform decided to vote Republican for the first time in his life because of his fear that “we’re getting taxed out” of town.²⁴ With other factors held constant, the higher the proportion of elderly voters in a district, the less that district spends on public schools.²⁵ Young people support expenditures for schools more than senior citizens: on surveys the youngest respondents are most likely to endorse spending budgetary surpluses on education, whereas older respondents most support spending on Social Security. Similarly, parents of children in public schools are more likely, and parents of children in private or parochial schools less likely, than the median voter to support tax increases or bond issues for education.²⁶

Raising property taxes to support schools within a district often proves very difficult, and raising state sales or income taxes to support schools across the state spurs even fiercer debates. These problems are compounded if a sizable portion of the state funds is intended for poor urban districts; controlling for a state’s wealth and age structure, the greater the proportion of its population that lives in urban areas, the less it spends on public education per child.²⁷ Management and bureaucratic problems that have plagued urban districts, family and neighborhood problems that burden urban children, and public assertions that money will not matter for them, all make people in wealthier districts question the value of increased educational spending for others. When explicit or implicit messages about racial inferiority are added, they create a volatile mix. Although problems of bad or corrupt management have to be addressed at any level of funding (and are not limited to cities), despite the fact that theories of racial inferiority are nonsense, and even though poor children need and can benefit from the money, school finance reform remains a tough sell.

Raising state income or sales taxes and spending the new funds for poor or urban children has therefore proven to be politically very difficult. In the course of heated debate, redistribution of public revenues can sound like the loss of local control of the schools, an unpopular idea to say the least, and can lead otherwise sensible citizens to call school finance reform laws “horrendous” or “a great rape.” Americans remain deeply committed to localism as a political principle. Even more than a citizen’s race, class, or residence in a city or a suburb, the (often mistaken) belief that local control will be threatened is usually the best predictor of opposition to school finance reform. As the governor of Maine pointed out, “We’re the land of the town meeting and direct democracy. People in Brunswick don’t want people in Topsham telling them how to run their schools.”²⁸

In short, debates over school finance reform are difficult. They involve class differentiation and racial or ethnic divisions; they become entangled with issues of local control and state prerogatives; they are concerned with tax burdens and effective use of resources; they raise the specter of generational conflict; and they revolve around ideological tensions between the pursuit of individual success and the collective goals of equal opportunity and social justice. It is not surprising, therefore, that in the middle of school funding controversies the governor of New Jersey was pictured on the cover of the *New York Times Magazine* as Robin Hood or that the state commissioner of education in Vermont was labeled a “Communist Dictator.”²⁹ These debates involve all citizens and affect the distribution of billions of dollars. There are good reasons why they have dominated the political life of many state capitals for years.

The Educational Context for Reform

School finance, like most educational policy issues, is fundamentally a matter for states to decide. They are responsible for choosing the form of taxation, setting the process to determine budgets, and allocating responsibilities between the capital and the districts. More generally, states set most education policy, raise the necessary state revenue, determine the powers of school boards, draw district boundaries, create statewide standards, and do statewide assessments. They have, however, turned much of the authority for actually providing and administering education over to local districts and have given them the right and responsibility to raise property taxes to support their schools. Local districts therefore hire and fire, set budget figures, determine curricular details, and most importantly for school finance, secure local revenue.

There are almost 15,000 school districts in this country, with no consistent relationship between the size of a state and the number of its districts. California has almost a thousand districts, but the even larger state of Alaska has only 53. Some small states have 75 or fewer districts, and Hawaii has only one, but New Jersey, a small state, has 608. Nationwide, districts pay about 44 percent of the total cost of primary and secondary education, most commonly through property taxes. States currently pay another 48 percent, a share that has risen about ten percentage points over the past three decades. The federal government contributes most of the remaining 8 percent (down from a high of almost 12 percent two decades ago), with the largest amounts of federal money going for special education (almost nine billion dollars in 2002) and aid to low-income schools (over 12 billion dollars).³⁰ The mix between local and state taxes differs considerably from state to state, and surprisingly few states mirror the national percentage. State revenues pay 73 percent of the costs of education in New Mexico, 69 percent in North Carolina, and 64 percent in Delaware, but less than 10 percent in New Hampshire.³¹

Local districts, of course, vary greatly in their ability to pay their required share. In Connecticut, for example, the town with the most taxable property per student has nearly 15 times as much as the town with the least. As a result property-poor districts must tax themselves at a higher rate than property-rich districts to provide anything like a comparable level of per-pupil funding; in Connecticut the highest effective tax rate for education (in very poor towns) is three times greater than the lowest (in wealthy towns). Similarly, of the 238 municipalities in the Philadelphia metropolitan area, 25 (including Philadelphia) had a tax base per household of under \$78,000 in 1995. But 39 enjoyed a household tax base of over \$230,000; in three of them the base was \$350,000 or more. (Not surprisingly the tax base map can be overlaid almost perfectly on a map showing the proportion of non-Anglo students in these districts.)³²

The need for *noneducational* services can also vary greatly across districts. Urban areas, in particular, face an especially high municipal overburden; that is, they have a high demand for police and fire services, sanitation, and emergency health facilities typically funded from the same insufficient property tax essential to fund the schools. The highest effective tax rate for noneducational services in poor Connecticut towns is almost 19 times greater than the lowest rate for the same kinds of services in wealthy towns. The level of municipal overburden is highly correlated with scores on the Connecticut Mastery Test and with dropout rates.³³

Like the city and suburb described at the beginning of this chapter, districts within the same state can spend very different amounts on education. Variation around average-spending districts is sometimes low (less than 8 percent in Delaware, West Virginia, Florida, and North Carolina) but sometimes very high (close to 20 percent in Illinois, Missouri, and New York). The nation as a whole spent an average of \$7,080 per student in 2001, controlling for regional cost differences, but some districts spent much more and some much less; between the highest-spending 5 percent of the districts and the lowest-spending 5 percent, there can be a variation of \$5,000.³⁴

These disparities occur within absolute funding levels that themselves can vary enormously from state to state. Again controlling for regional cost differences, the average amount spent on each child in 2001 ranged from \$9,360 in New Jersey and \$8,860 in New York to \$4,580 in Utah and \$5,600 in California.³⁵ These differences reflect variations in wealth and population, but also in local political traditions and policy decisions.

Many central city school districts have substantially lower expenditures per student than in most surrounding suburbs, although average expenditures across the nation are slightly higher in urban districts than in suburban ones, and much higher than in rural districts. These averages can present a misleading picture, however, for several reasons. Poor urban areas usually have a higher percentage of children with disabilities; their education is more costly. Operating costs are also higher in many cities, and not just for schools. Finally, poor

urban districts have higher maintenance costs because their buildings are older and their equipment is replaced less frequently.³⁶ Thus spending for regular education programs in many poor cities ends up substantially lower than such spending in surrounding suburbs.

Districts with large poor populations have a great need for services to overcome educational disadvantage, social trauma, or health-related disabilities. Districts in California and New York, with huge populations of recent immigrants, must fund almost half of the English language instruction of the whole nation. Transportation costs can be very high in large rural districts, as one beleaguered school board member points out: “West Virginia allocates most resources based on the number of students. . . . [But] it costs more money . . . to bus students on mountain roads where the population density is one student per square mile.”³⁷

This great variation in the range of educational needs and resources to meet them provides the context for school funding reform. State and local policymakers are not responsible for differences in demography or wealth—but they do determine the amount and distribution of money to be spent on schooling. Citizens claim to support the public schools and to believe in equality of opportunity, but funding decisions take place within a structure of education based on residence and largely dependent on local taxation. This structure inhibits reform and makes it hard to create funding policies that fairly promote either the individual or collective goals of the American dream for all Americans.