

Law Notes

D-DAY FOR DECISION-MAKERS: CONSIDERATIONS FOR A NEW PUBLIC SCHOOL FINANCING SYSTEM IN CALIFORNIA

The principle of educational equality contrasts with the principle of educational freedom: children and youth have the right to choose for themselves what education they shall receive.*

I. INTRODUCTION

Sixteen years have passed since the United States Supreme Court concluded, in *Brown v. Board of Education*,¹ that the fourteenth amendment required equality in education for all. Although that historical decision confined itself to abolishing segregation in the public schools, the fourteenth amendment does not so confine itself.² Equality is not the province of the blacks. Equality must be practiced wherever inequality looms large, regardless of race, creed, or cause.

In August, 1971, the Supreme Court of California found that unequal wealth distribution in California has resulted in unequal ed-

* J. McCLELLAN, TOWARD AN EFFECTIVE CRITIQUE OF AMERICAN EDUCATION 311 (1968).

1. 347 U.S. 483 (1954).

2. U.S. CONST. amend. XIV, § 1 states that no state shall ". . . deprive any person of life, liberty, or property, without due process of law; nor deny to any person within its jurisdiction the equal protection of the laws."

ucation in the public schools. The court in *Serrano v. Priest*³ held that the California public school financing system violates the equal protection clause of the fourteenth amendment. This system “. . . invidiously discriminates against the poor because it makes the quality of a child’s education a function of the wealth of his parents and neighbors.”⁴

II. STATEMENT OF THE CASE

A class action was brought by certain Los Angeles County public school pupils and their parents on behalf of all public school children in California—except those whose educational opportunity is superior. Plaintiff parents represented those parents whose children attend the school system attacked and who pay real property taxes in their county of residence. The defendants were state and county officials charged with the administration of the California system for financing public schools.⁵

Three causes of action were pleaded:⁶ (1) that California’s public educational system creates substantial disparities in the educational opportunities available to students in various school districts. Thus the requirements of the equal protection clause of the fourteenth amendment are not met; (2) that the parents pay a higher tax rate than parents in many other school districts, while obtaining comparable or inadequate education for their children; (3) that an actual controversy exists regarding the constitutionality of the financing scheme.

Plaintiffs’ prayer included:⁷ (a) a declaration that the financing scheme is unconstitutional; (b) an order that defendants reallocate school funds to remedy the situation; (c) a permit to the trial court to retain jurisdiction and restructure the system if the state legislature failed to do so.

In the trial court, defendants filed general demurrers which were sustained upon plaintiffs’ failure to amend. On appeal, the

3. *Serrano v. Priest*, 5 Cal. 3d 584, 96 Cal. Rptr. 601, 487 P.2d 1241 (1971) [hereinafter cited as *Serrano*].

4. *Id.* at 589, 96 Cal. Rptr. at 604, 487 P.2d at 1244.

5. *Id.*

6. *Id.* at 590-91, 96 Cal. Rptr. at 604, 487 P.2d at 1244.

7. *Id.* at 591, 96 Cal. Rptr. at 604, 487 P.2d at 1244.

California Supreme Court overruled the demurrers and remanded the cause back to the trial court.⁸

The right to a public education is a legal right, protected and entitled to equal protection and a guarantee of due process, just as other legal rights are protected and secured.⁹ The California Legislature concluded “. . . (1) that young people who have dropped out of high school, thereby failing to receive a minimum of education, are faced with limited opportunities and employment barriers because of their lack of training and skills; (2) that such young people comprise a disproportionately large segment of the unemployed or unemployables in this State; (3) that such young people are disproportionately involved in juvenile delinquency and youth offenses; (4) that such young people comprise a disproportionate share of those on the welfare roles. . . .”¹⁰ Thus, the California Constitution provides in article IX:

A general diffusion of knowledge and intelligence being essential to the preservation of the rights and liberties of the people, the Legislature shall encourage by all suitable means the promotion of intellectual, scientific, moral, and agricultural improvement.¹¹

Article IX goes on to state the following, in providing for a system of common schools:

The Legislature shall provide for a system of common schools by which a free school shall be kept up and supported in each district at least six months in every year. . . .¹²

In California, not only does society have the right to require full-time attendance of children in public or private schools, but the law of California grants the qualified student the correlative right to attend full-time school.¹³

Education has been found to be of unquestioned need—for the individual students and for the betterment of society. The educational institution has been found to be unique, as well:

While many of our institutions have a tendency to divide us—religious institutions, social institutions, economic institutions, political institutions—the public school institution, as I see it, is the

8. *Id.*

9. *Miller v. Dailey*, 136 Cal. 212, 68 P. 1029 (1902); *Wysinger v. Crookshank*, 82 Cal. 588, 23 P. 54 (1890).

10. CAL. ED. CODE § 6720 (West 1969) [hereinafter, all code sections are to the EDUCATION CODE unless otherwise indicated]; see *San Francisco Unified School District v. Johnson*, 3 Cal. 3d 937, 950, 92 Cal. Rptr. 309, 316, 479 P.2d 669, 676 (1971) (court considered the validity of an anti-bussing statute).

11. CAL. CONST. art. IX, § 1.

12. CAL. CONST. art. IX, § 5.

13. 39 Ops. Cal. Atty. Gen. 149, Op. No. 61-237 Mar. 9, 1962.

one unique institution which has the capacity to unite this nation and to unite this diverse and pluralistic society that we have.¹⁴

No court has more succinctly stated that the right to education is fundamental than the court in *Brown v. Board of Education*.¹⁵ Similarly, the California Supreme Court in *Jackson v. Pasadena City School District* held that education is extremely important and therefore must be dispensed equally to all.¹⁶ And *Alexander v. Holmes County Board of Education* has held that the right to an equal educational opportunity is of "paramount importance," because it involves a "denial of fundamental rights" to schoolchildren.¹⁷

In *Harper v. Virginia Board of Education*,¹⁸ where a state poll tax was found to be unconstitutional, the rational basis test was cast aside, because both the classification was inherently suspect (it was based on wealth) and a fundamental right (the right to vote) was infringed upon. Close scrutiny was required, because the legislative classifications based on wealth or property were deemed "traditionally disfavored."¹⁹

In *Serrano*, also, there was a compounding of inequities. The right

14. *Cisneros v. Corpus Christi Independent School District*, 324 F. Supp. 599, 627 (S.D. Tex. 1970) (court held unconstitutional, under the fourteenth amendment, the school segregation of Mexican-Americans, as well as Negroes).

15. 347 U.S. 483 (1954). The court declared at 493:

Today, education is perhaps the most important function of state and local governments. Compulsory school attendance laws and the great expenditures for education both demonstrate our recognition of the importance of education to our democratic society. It is required in the performance of our most basic public responsibilities, even service in the armed forces. It is the very foundation of good citizenship. Today it is a principal instrument in awakening the child to cultural values, in preparing him for later professional training, and in helping him to adjust normally to his environment. In these days, it is doubtful that any child may reasonably be expected to succeed in life if he is denied the opportunity of an education. Such an opportunity, where the state has undertaken to provide it, is a right which must be made available to all on equal terms.

16. 59 Cal. 2d 876, 31 Cal. Rptr. 606, 382 P.2d 878 (1963); *accord*, *Spangler v. Pasadena City Board of Education*, 311 F. Supp. 501 (C.D. Cal. 1970), *intervention denied* 427 F.2d 352 (9th Cir. 1970), *cert. den.* 402 U.S. 943 (1971); *Soria v. Oxnard School District Board of Trustees*, 328 F. Supp. 155 (C.D. Cal. 1971).

17. 396 U.S. 19, 20 (1969):

18. 383 U.S. 663 (1966).

19. 383 U.S. at 668.

to equal education was infringed upon, because the quality of education was dependent upon the wealth of the individual property owners—a suspect classification. The close scrutiny demanded by the Supreme Court requires that California provide proof that the inequality engendered by its system of public education furthers a compelling state interest. Such proof was not shown. *Serrano* concluded that California's public school financing system denies the plaintiffs and others similarly situated the equal protection of the laws.

[S]o long as the assessed valuation within a district's boundaries is a major determinant of how much it can spend for its schools, only a district with a large tax base will be truly able to decide how much it really cares about education. The poor district cannot freely choose to tax itself into an excellence which its tax rolls cannot provide. Far from being necessary to provide local fiscal choice, the present financing system actually deprives the less wealthy districts of that option.²⁰

Serrano determined the California's financing system is unconstitutional, because interdistrict variations arose from improper classifications upon district assessed valuation—or wealth. However, the court did not reach what may be considered a more crucial determination—the constitutionality of basing the financing of schools on the property tax. This ultimate classification is based on old and outmoded premises. The overburdened, taxpaying property owners are no longer able to subsidize the non-property owners' educational needs.

However, it is important to note that the plaintiffs in *Serrano* have not yet won. Since the appeal to the supreme court was based upon the sustaining of the defendants' demurrers by the trial court,²¹ the cause was remanded to the trial court with orders to overrule the demurrers.²² It will be up to plaintiffs once more to do battle in the court. Yet, if at the next proceedings, the allegations of their complaint are sustained, the financial system of the public schools in California must fall as unconstitutional.²³

Undoubtedly, the trial court will find that the California financing system must give way to a more equitable one. It would, therefore, behoove the California Legislature to begin planning ahead and replace the foundation program before the court utters its final order. Not only will such speed prepare the state for the impending verdict, but it will more quickly provide equal educational opportunity for California's students.

20. *Serrano* at 611.

21. *Id.* at 591.

22. *Id.* at 619.

23. *Id.* at 615.

Yet, the supreme court, in its divine recognition of state legislatures' tortoise-like speed in complying with court orders,²⁴ and in its desire to avoid chaos in the public schools for the next millennium, modified its opinion of *Serrano* on October 21, 1971, by an addendum. The modification provided that upon a finding by the trial court that the existing system of public school financing is unconstitutional, the court may make such provision as to insure ". . . an orderly transition from an unconstitutional to a constitutional system."²⁵ In effect, then, California's present public school children may some day see their children being instructed in a constitutional educational system.

Slowness in complying with court orders to eradicate educational inequality is no longer acceptable. With regard to racial segregation's denying equal educational opportunity, a California court has set the following procedure in correcting it:

In each case seeking relief from such imbalance [in racial mixture] the court must determine whether the imbalance is of such a degree it affects the educational opportunities of the minority group; whether, under the circumstances, the minority group, in fact, is denied equal educational opportunities; and whether available steps to alleviate the imbalance are reasonably feasible in light of the degree of the imbalance and the practical necessities of governmental operation.²⁶

The present constitutional obligation of school authorities who have caused and intensified racial segregation in a school system, in violation of the fourteenth amendment ". . . is to come forward with a plan (of desegregation) that promises realistically to work now."²⁷ Thus, integration must proceed immediately, because ". . .

24. Since *Brown v. Board of Education*, *supra* note 1, was modified, at a rehearing, 349 U.S. 294 (1955), to allow the affected states to integrate their schools "with all deliberate speed," they have been deliberately slow in their compliance. See McKay, "With All Deliberate Speed: Legislative Reaction and Judicial Development 1956-1957," 43 VA. L. REV. 1205 (1957); *Kelley v. Metropolitan County Board of Education*, 436 F.2d 856, 858-9 (6th Cir. 1970).

25. *Serrano* insert at 618 from Modification of Opinion filed October 21, 1971, L.A. 29820 (Super. Ct. No. 938254).

26. *People v. San Diego Unified School District*, 19 Cal. App. 3d 252, 265-66, 96 Cal. Rptr. 658, 666 (1971) held that since racial imbalance denies minority students equal educational opportunities and thwarts their ability to learn, the school district must alleviate the imbalance.

27. *Green v. County School Board of New Kent County*, 391 U.S. 430, 439 (1968) (emphasis in original).

continued operation of segregation is *no longer* constitutionally permissible."²⁸

Ostensibly, then, *Serrano* has not precisely followed the procedure indicated by the United States Supreme Court, *i.e.* to immediately correct the educational inequality. Arguably, the requirement of immediate compliance may be applicable only to school segregation cases. However, equality through integration is no less compelling than equality through expenditure for learning. Whereas the argument may be made that school integration must be immediate since the states have had an adequate opportunity to perfect it, this rationale appears specious in view of the availability of viable financing alternatives.²⁹

Perhaps in anticipating that the trial court, on remand, will overturn the demurrers, the California Assembly voted to change the state's current method of state aid apportionment. This measure, authored by John Collier (R-Los Angeles) eliminates distribution of basic aid and substitutes instead an apportionment based on local district needs, as determined partially by the local tax base.³⁰ This piecemeal approach to revision will not likely meet the constitutional requirements put forward by *Serrano*. However, Assembly Education Committee Chairman Leroy Greene (D-Sacramento) introduced a countermeasure on January 25, 1972. His bill calls for a statewide property tax to replace the present system of local financing.³¹

With what must be a dire anticipation of havoc in the California Legislature while it attempts to arrive at a constructive and constitutional system of state aid to education, California Attorney General Thomas Lynch said that, as yet, he is not considering appealing the *Serrano* decision. It is speculative to state his possible motives for not appealing. A valid reason might be that Mr. Lynch is convinced that California, being the progressive state

28. *Alexander v. Holmes County Board of Education*, 396 U.S. 19, 20 (1969) (emphasis added); *accord*, *Carter v. West Feliciana Parish School Board*, 396 U.S. 290 (1970).

29. Alternative methods to California's system of school finance are discussed *infra*, beginning with section IV.

30. The measure, AB 836 (1971), died in the senate along with a proposed constitutional amendment, ACA 37 (1971). Assemblyman Collier has introduced another bill in 1972 (AB 186) which again attempts to eliminate basic aid.

31. This proposed legislation, AB 212 (1972), would increase the amount of state aid by \$584 million and guarantee an adequate support level behind each student. The proposed tax would be \$2.53 per \$100 assessed valuation, increasing to \$3.50 in three years. The amount of new aid would reach \$1.7 billion in 1974-75.

that it is, would be in a preferable educational position—noting with disdain that California schoolchildren have recently been performing below the national scholastic average.

Another possible reason could be that, considering the recent decisions in other courts following *Serrano*, the trend is to equal education.³² Therefore, it is likely that the United States Supreme Court would affirm *Serrano*—except possibly for the modification.

Thirdly, Mr. Lynch could be hoping for a victory in the new trial. Though this author doubts that such a wild hope has found its way to his heart, in law, as in economics, the future is uncertain.

Since the California Supreme Court has decided that the present financing system is unconstitutional, it is necessary to examine the California system in detail and consider possible alternatives to it.

III. THE CALIFORNIA PUBLIC SCHOOL FINANCING SYSTEM AND ITS PROBLEMS

Pursuant to the provisions of article IX of the California Constitution,³³ a complete system of public schools has been established along with the means for financing it.³⁴ The California system is of a type known as a “foundation program.”³⁵ Through the foundation program—a financial plan between the state and local agencies—provision is to be made for adequate financing of all educational services. The state, having a broader tax base, is to contribute to financially weak school districts and equalize the educational opportunity of the students therein. The state’s contribution is to be utilized to provide “. . . a minimum amount of guaranteed support to all districts.”³⁶ This, then, was the espoused legislative intent with regard to supporting California’s public education.

32. See *Van Dusartz v. Hatfield*, 334 F. Supp. 870 (D. Minn. 1971); *Rodriguez v. San Antonio Independent School District*, 337 F. Supp. 280 (W.D. Tex. 1972); but see *Spano v. Board of Education*, 40 U.S.L.W. 2475 (N.Y. Jan. 21, 1972) following *McInnis v. Ogilvie*, 394 U.S. 322 (1969) and *Burrus v. Wilkerson*, 397 U.S. 44 (1970).

33. CAL. CONST. art. IX.

34. See generally §§ 17300-18460 (West 1969).

35. § 17300 (West 1969).

36. *Id.* The system of public school support should be designed to strengthen and encourage local responsibility for control of public education. . . . Effective local control requires that all local administrative units contribute to the support of school budgets in proportion to their respective abilities, and that all have such

California's educational system is made up of school districts organized in each county to include grades of kindergarten or grade one through grade twelve.³⁷ Districts may also be formed to provide for grades thirteen and fourteen.³⁸ These districts may be incorporated by the legislature and function as ordinary corporate bodies.³⁹ Elementary, high school, and community college districts have been established,⁴⁰ and their consolidation into unified school districts is urged in order to insure adequate financial ability and substantial community identity.⁴¹ Every city constitutes a separate school district.⁴²

The two principle sources of revenue for California school districts are local property tax levies⁴³ and apportionments from the State School Fund.⁴⁴ Only seven times since the 1930-31 school year did the State of California contribute fifty percent or more of the total cost of education.⁴⁵ In 1969-70, the state contributed only 35.2 percent of the total educational expenditures from the State School Fund.⁴⁶ However, the state, through categorical aid such as compensatory education, contributions to teachers' retirement, and free text books—in addition to its school fund apportionments—increased its actual share of total educational expenditures to 40.2

flexibility in their taxing programs as will readily permit of progress in the improvement of the educational program. *Effective local control requires a local taxing power, and a local tax base which is not unduly restricted or overburdened.* (emphasis added).

The italicized portion indicates the basic fallacy of the system which will become evident in subsequent discussions.

37. § 3003 (West 1969).

38. *Id.*

39. CAL. CONST. art. IX, § 14.

40. Elementary school districts comprise the kindergartens and grades one to eight. High school districts are deemed to comprise all grades nine to twelve. Community college districts are those maintaining grades thirteen and fourteen. A high school district maintaining grades thirteen and fourteen is deemed a community college district. § 17601 (Supp. 1971).

41. § 3100 (Supp. 1971). A unified district must maintain classes in at least grades one through twelve. § 5013 (West 1969).

42. § 1974 (West 1969).

43. *See generally* §§ 20701-06, 20751, 20800-16.

44. Provision for a State School Fund to support the system of common schools is found in CAL. CONST. art. IX, § 4; *see generally* §§ 17300-18460.

45. ANALYSIS OF THE BUDGET BILL OF THE STATE OF CALIFORNIA, Report of the Legislative Analyst to the Joint Legislative Budget Committee at 722 [hereinafter cited as ANALYSIS].

46. *Id.* In 1968-69, while state aid comprised 35.5 percent of total educational revenues, local property taxes' share of the total was 55.7 percent, federal aid accounted for 6.1 percent, and miscellaneous sources made up 2.7 percent. Legislative Analyst, State of California, Public School Finance, Part I at 5 (1970) [hereinafter cited as Legislative Analyst].

percent.⁴⁷ Yet, whether the state's share of educational support funds is 35.2 or 40.2 percent, it does not assuage the burden relegated to local school districts in maintaining adequate educational programs for their youngsters.

Presently, there appears to be an excessive number of individual elementary, secondary, and community college districts in California. In 1969-70, there were 1144 such districts. Only four other states have a greater number of operating units.⁴⁸ These districts vary widely in their relative wealth—their assessed valuation per average daily attendance (ADA).⁴⁹ The disparity in elementary

47. ANALYSIS at 723-24.

Revenue for Public School Support
From State and Local Sources
(in thousands)

<i>State Subventions for Public Schools</i>	1966—67	1967—68	1968—69	1969—70
State School Fund Apportionments				
Regular Apportionments	\$1,049,793	\$1,271,933	\$1,315,158	\$1,420,023
Miller-Unruh Reading Program School Fund Apportionment	—	—	—	7,974
Educational Improvement Act State School Fund Apportionment	—	—	—	5,000
Subtotal State School Fund Apportionments	<u>\$1,094,793</u>	<u>\$1,271,933</u>	<u>\$1,315,158</u>	<u>\$1,432,997</u>
Total Other Local Assistance ..	170,627	169,579	189,810	201,851
Total State Subventions	1,220,420	1,441,512	1,504,968	1,634,848
Total General Fund Revenue of School Districts from Local Sources ¹	1,753,286	1,961,488	2,194,592	2,432,842
Total School Districts' Revenue (State Subventions plus Local Sources)	2,973,706	3,403,000	3,699,560	4,067,690
Percent of Total State Subventions to Total School Districts' Revenue (State Subvention plus Local Sources) ..	41.04%	42.36%	40.69%	40.19%

¹ Includes income from local and county sources (Controller's Report).

PERCENT OF SCHOOL FUND TO TOTAL DISTRICTS' REVENUE	1966—67	1967—68	1968—69	1969—70
	35.3%	37.4%	35.5%	35.2%

In 1969-70, California apportioned approximately \$202 million in categorical aid.

48. *Id.* at 725.

49. In California, the total assessed valuation of property in each dis-

districts ranges from a low of \$103 to a high of \$952,156 per student.⁵⁰ These wide variations indicate similar variations in district ability to support educational programs.⁵¹ As a result of the tax base disparities, a significant variation among districts exists in the tax rate which property owners are required to bear. The range of tax rates for elementary school districts is from \$0.15 to \$5.50.⁵²

Property taxes have soared to such heights, largely as a result of increases in school district levies,⁵³ that a crisis in the state's public education may be approaching. School financing—aside from its constitutional aspects—is in trouble.⁵⁴ A property tax rebellion

trict is the tax base. Such assessed valuation is equalized throughout the state for purposes of school support. The average daily attendance (ADA) is used as a basis for state aid determination instead of total student enrollment. In practice, ADA approximates ninety-eight percent of actual total enrollment. Legislative Analyst, *supra* note 46, Part IV at 2. Average daily attendance is determined by dividing the total number of days of attendance in all full school months by the number of days such schools are actually taught. § 17601.1 (Supp. 1971). Hereinafter, when figures are quoted as "per student" or "per pupil", the reference is to per unit of ADA.

50. ANALYSIS at 726.

Assessed Valuation Per Average Daily Attendance
1969-70

	Elementary	High school	Community college
Low _____	\$103	\$11,959	\$45,285
Median _____	19,600	41,300	133,600
High _____	952,156	349,093	371,432

51. See S. WEISS, EXISTING DISPARITIES IN PUBLIC SCHOOL FINANCE AND PROPOSALS FOR REFORM 12-23 (1970) [hereinafter cited as WEISS].

52. ANALYSIS, *supra* note 47 at 726.

Range of Total Tax Rates for Public School Districts 1969-70

District level	Low	Median	High
Elementary _____	\$0.15	\$2.25	\$5.50
High school _____	0.89	2.08	3.54
Unified _____	1.00	4.33	6.97
Community college _____	0.41	0.65	0.99

53. ANALYSIS, *supra* note 47 at 725.

Changes in Property Tax Levies
1959-60 through 1969-70

	1959-60		1969-70 ¹		Change	
	Revenue (in millions)	Percent of Total	Revenue (in millions)	Percent of Total	Revenue (in millions)	Percent of Increase
School districts -	\$954.9	48.0%	\$2,672.4	54.1%	\$1,717.5	179.9%
Counties _____	653.5	32.8	1,424.2	28.9	770.7	117.9
Cities _____	271.1	13.6	534.6	10.8	263.5	97.2
Special districts -	111.0	5.6	304.3	6.2	193.3	174.1
Total _____	\$1,990.5	100.0%	\$4,935.5	100.0%	\$2,945.0	147.9%

¹ Exclusive of homeowners exemption and inventory exemption.

54. Cf. BIG CITY SCHOOLS IN AMERICA: THE VIEWS OF SUPERINTENDENTS AND SCHOOL BOARD PRESIDENTS, President's Commission on School Finance (1972).

has struck numerous communities throughout Southern California as an angry public, bewildered by increased school expenditures, strikes back at higher taxes through the ballot box.⁵⁵

Despite widespread support by civic, professional, and political groups, bond issues and school tax override measures are viewed by most taxpayers as a grab for more money. Consequently, the rate of passage of local school bond issues has declined tremendously since 1959, with the lowest acceptance in several years recorded in the 1966 elections.⁵⁶

Noting with concern the taxpayers' reluctance to pay higher taxes and the increasing enrollments and cost of education,⁵⁷ the

55. Los Angeles Times Educational Writer Dick Turpin pointed out, in a post-election analysis, that the defeat of school bond propositions F and G continues the trend of taxpayer resistance. He estimated that \$8 million would have to be trimmed from the Los Angeles school budget, affecting athletic programs, kindergartens, bus transportation, and summer schools. Turpin, *Schools Faced by Cutbacks as Result of Vote*, Los Angeles Times, Nov. 10, 1966, § 1, at 1, col. 1.

56. Wall Street Journal, Nov. 10, 1966, at 3, col. 2.

57. Public school enrollment in Southern California increased 177 percent between 1950 and 1965, from 922,000 to 2,558,000. CRISIS IN SCHOOL FINANCE: THE NEXT TEN YEARS IN SOUTHERN CALIFORNIA, Southern California Research Council, Report No. 14 at 18 (1966) [hereinafter cited as SCRC]. Total expenditures increased from approximately \$265 million in 1950 to \$1,180 million in 1963—an astounding 345 percent. *Id.* at 28. It is apparent that the per student cost of education has increased. A significant portion of the increase in cost of education can be attributed to inflation. The table below shows that the California Consumer Price Index increased by 5.68 percent in 1969-70. ANALYSIS, *supra* note 47 at 730.

Comparison of Increases in School District General Fund Current Expense to Increases in the California Consumer Price Index and National Productivity

	(1) Annual change in current expense of education	(2) Annual change in consumer price index	(3) ¹ Annual change in productivity	(4) Program improvement 1—(2+3)
1964-65	6.34%	2.20%	3.36%	0.78%
1965-66	7.51	1.61	3.24	2.66
1966-67	8.62	2.91	2.52	3.19
1967-68	7.43	3.17	2.20	2.06
1968-69	11.85	3.90	1.61	6.34
1969-70 (est.)	8.58	5.68	0.93	1.97

¹ 1970 Economic Report of the President, page 216, and the December 1970 issue of the Monthly Labor Review, by the U.S. Department of Labor, page 96. This index refers to private nonfarm employees and the increases are annual changes.

Southern California Research Council has recommended certain guidelines for acceptable school expenditures.⁵⁸ The council has also recommended certain changes in California's public school system.⁵⁹

The various levels of districts' assessed valuations, and the great disparities in inter-district effort (effort is the tax rate necessary to raise a desired revenue) working independently, produce wide variations in district per pupil expenditure.⁶⁰ Per pupil expenditure disparities were calculated for selected school districts by the President's Commission on School Finance in 1972.⁶¹ For 1078 districts, the following results were derived for the 1969-70 school year:

<i>Statewide average per pupil expenditure</i> ⁶²	\$922
<i>District average per pupil expenditure</i> ⁶³	\$782
<i>District minimum per pupil expenditure</i>	\$402
<i>District maximum per pupil expenditure</i>	\$3,187
<i>Ratio of maximum to minimum</i>	7.9 to 1 ⁶⁴

For the school year 1968-69, per pupil disparities in property valuation was also calculated:⁶⁵

<i>District average per pupil equalized assessed valuation</i>	\$52,271
<i>District minimum per pupil equalized assessed valuation</i>	\$8,416
<i>District maximum per pupil equalized assessed valuation</i>	\$206,804
<i>Ratio of maximum to minimum</i>	24.6 to 1 ⁶⁶

Thus, it is understandable that revenues, upon which districts rely for more than half of their expenditures, are widely varied.

In another part of the same study, seventeen districts were selected, ranging from poorest to wealthiest, in determining per

58. See generally SCRC, *supra* note 57.

59. These recommendations are discussed *infra*.

60. Elementary districts' expenditures range from \$407 to \$2,586. ANALYSIS, *supra* note 47 at 726.

61. REVIEW OF EXISTING STATE SCHOOL FINANCE PROGRAMS, DOCUMENTATION OF DISPARITIES IN THE FINANCING OF PUBLIC ELEMENTARY AND SECONDARY SCHOOL SYSTEMS—BY STATE, Staff Report of the President's Commission on School Finance, Vol. II at 35 (1972) [hereinafter cited as DOCUMENTED DISPARITIES].

62. Statewide average per pupil expenditure is derived by dividing total state enrollments by total expenditures. *Id.* at 7.

63. District average per pupil expenditure is derived by adding all the district per pupil expenditures and dividing by the number of districts. *Id.*

64. The ratio within the 5th to 95th percentiles was 2.5 to 1, while that for the range between the 10th and 90th percentiles was 2.0 to 1. *Id.* at 35. At these percentiles, the extreme districts (high and low) are eliminated, thereby affording a better measure of existing disparities.

65. Calculations were made for 168 districts. *Id.* at 36.

66. The ratio within the 5th to 95th percentiles was 5.9 to 1, and that for the 10th to 90th percentiles was 3.5 to 1. *Id.*

pupil revenue disparities for the year 1968-69.⁶⁷ In California, a tax of ten mills would yield Beverly Hills, the wealthiest, about \$472 per pupil; while Travis, the poorest, would receive only about \$19.⁶⁸ This difference in wealth is extremely important in explaining why Beverly Hills' average expenditure per student is \$1,283 while Travis' is only \$767.⁶⁹

In order to equalize per pupil expenditure, calculations were attempted to approximate the level of funding required to do so at various percentile levels. The additional equalizing cost at the 95th percentile would be \$1,382.2 million, while at the 50th percentile level, the additional cost would be \$141.7 million.⁷⁰

Revenues are attained with little effort in some districts, while others experience more difficulty. Whereas some districts with low expenditure levels have correspondingly low tax rates, many more districts with unusually low expenditures have unusually high tax rates. The latter group are attempting to compensate for their limited tax base. In Los Angeles County, for example, Beverly Hills, at a rate of \$2.38 per \$100 of assessed valuation, is able to expend \$1,232 per student. Baldwin Park, however, can spend only \$577 per pupil at a rate of \$5.48.⁷¹

67. *Id.* at 37.

68. See Table 1, reproduced from *id.* at 37.

69. *Id.* Column 8 shows the tax rate that would be necessary if the property tax were the only source of income. Since most districts receive aid from other sources, these rates are not necessarily the actual rates levied. However, the purpose of the column is to show the magnitude of actual disparities among the districts.

70. See Table 2, reproduced from *id.* at 38.

71. ANALYSIS, *supra* note 47 at 727.

Comparison of Selected Tax Rates and Expenditure Levels
In Selected Counties
1968-69

County	ADA	Assessed value per ADA	Tax rate	Expenditure per ADA
Alameda				
Emery Unified _____	586	\$100,187	\$2.57	\$2,223
Newark Unified _____	8,638	6,048	5.65	616
Fresno				
Coalinga Unified _____	2,640	\$33,244	\$2.17	\$963
Clovis Unified _____	8,144	6,480	4.28	565
Kern				
Rio Bravo Elementary	121	\$136,271	\$1.05	\$1,545
Lamont Elementary _____	1,847	5,971	3.06	533
Los Angeles				
Beverly Hills Unified	5,542	\$50,885	\$2.38	\$1,232
Baldwin Park Unified	13,108	3,706	5.48	577

A. THE FOUNDATION PROGRAM

Partial administration of the foundation program has befallen the counties. School districts must submit tentative budgets to the county superintendent of schools.⁷² He must then approve these budgets and file several copies with the proper administrators, together with a statement showing the amount of school district taxes required by each district of the county.⁷³ The superintendent determines the amount of school district tax by deducting from the total estimated needs of the district its total estimated income from all sources other than school district tax.⁷⁴ The board of supervisors then determines the tax rate necessary to be levied and collects such tax along with the city and county taxes.⁷⁵

The maximum tax rates of school district taxes which may be levied, exclusive of bond interest and redemption, in any school year on each \$100 of assessed valuation are as follows: \$.80 for elementary school purposes in any separate elementary school district;⁷⁶ \$.75 for high school purposes in any separate high school district;⁷⁷ and \$2.00 for combined kindergarten, elementary school, high school and community college purposes in any unified school district.⁷⁸ The maximum tax rates established by §20751 may be increased and subsequently decreased by a majority vote of the qualified voters of the school district.⁷⁹

72. § 20607 (West 1969).

73. *Id.*; § 20701 (West 1969).

74. § 20702 (West 1969).

75. §§ 20404, 20705 (West 1969).

76. In any separate elementary school district whose current expenses of education for the 1963-64 or 1964-65 fiscal year were less than twice the amount of the foundation program applicable to the district, . . . \$1.25 for elementary school purposes, or . . . \$1.35 for combined kindergarten and elementary school purposes.
§ 20751(1) (b) (Supp. 1971).

77. In any separate high school district whose current expenses of education for the high school purposes for the 1963-64 fiscal year were less than twice the amount of the foundation program computed for high school purposes, . . . \$.85 for high school purposes and . . . \$.10 for adult education purposes.
§ 20751(1) (d) (Supp. 1971).

78. Any unified school district whose current expenses of education per unit of average daily attendance for the 1963-64 fiscal year were less than . . . \$600, . . . \$2.55 for combined kindergarten, elementary school, high school, and junior college purposes, and . . . \$10 for adult education purposes.
§ 20751(1) (g) (Supp. 1971).

79. Any decrease in the increased maximum rate pursuant to this section shall not be in an amount which will reduce the tax rate for the district below the maximum specified in § 20751.
§ 20803 (Supp. 1971). The original intent of the maximum tax rate system was to provide control of the revenues and expenditure levels of school districts. ANALYSIS, *supra* note 47, at 729. However, as discernable from the following table, the existing rates are unrealistic, inasmuch as

With a few exceptions,⁸⁰ the foundation program provides that each elementary school pupil in a school district receive, during the fiscal year, \$355 of state aid, while each high school student will receive \$488.⁸¹ Except in unnecessarily small school districts,⁸² districts which are more efficiently organized are eligible for increased foundation program aid.⁸³ Moreover, an additional grant of \$30 per pupil may be allocated to school districts for grades one through three, inclusive.⁸⁴

The major components of the foundation program, which attempt to equalize educational opportunity, are *basic aid*, *district aid*, *equalization aid*, and *supplemental aid*.

Basic Aid

Basic aid is the state's guarantee of a minimum amount of state funds for each unit of ADA.⁸⁵ Basic state aid consists of a \$125 flat grant to each school district for every student therein, regardless of the wealth of the district—but not less than \$2400 per district.⁸⁶

through local option and permissive override measures (see generally §§ 20800-16) all but a few districts are above the maximum. And, of course, the wealthier districts need not raise taxes as much as poorer ones in order to raise sufficient revenues for needed expenditures. ANALYSIS, *supra* note 47 at 728.

Comparison of Districts Exceeding the Statutory
Maximum Tax Rate
1968-69

General Purpose tax rate	Elementary	High school	Unified	Community college
At or below statutory maximum _____	8	2	1	45
Above statutory maximum ___	730	119	234	17

80. §§ 17654.5-17667 specify that under certain conditions, unnecessarily small schools will receive \$10 per child less in foundation funds. § 17688 (Supp. 1971) provides for increases in the foundation program because of increased costs due to inflation.

81. §§ 17655.5-17660, 17664-17665.5 (Supp. 1971).

82. § 17675 (West 1969).

83. More efficiently organized districts may receive a bonus of \$20 per pupil. §§ 17671-73 (West 1969).

84. § 17674 (West 1969).

85. See note 49 *supra* for explanation and derivation of ADA.

86. § 17751 (West 1969) deals with basic aid to elementary school districts; § 17801 (West 1969) provides for such aid to high school districts; and § 17851 (West 1969) deals with aid to junior college districts. cf. CAL. CONST. art. IX, § 6, para. 4.

Basic aid, which constitutes about half of the state educational funds,⁸⁷ actually widens the gap between the rich and poor school districts.⁸⁸ Such aid is distributed uniformly throughout the state. Beverly Hills, as well as Travis, receives \$125 per student. The flat grant procedure, however, may result in *some* lessening in the disparity of local tax effort, compared to a system of local support only.⁸⁹ But to a poor district such as Travis, basic aid is essentially meaningless. Under the foundation program, the state must make up the difference between the foundation level and the amount of revenue per child which Travis can raise by levying a tax of \$1 per \$100 of assessed valuation.⁹⁰ Although under the present law that difference is composed partly of basic aid and partly of equalization aid, if basic aid were unavailable, the district's revenue could still be supplemented up to the foundation minimum—all in equalizing funds. To a wealthy district, the \$125 is surplusage. Such aid may either increase the district's expenditure level or lower its property tax rate.

District Aid

District aid is the local district contribution to the foundation program. In each district, a computational tax is used to determine such local contribution.⁹¹ In cases where the district is located within an area which voted down a unification proposal, a system of "areawide aid" is used in lieu of district aid. To determine the areawide aid, the computational tax used in figuring the district aid is actually levied on the districts in the area⁹² by the county board of supervisors. The funds are then distributed among the separate districts in the area on the basis of the ratio of each district's foundation program to the areawide program.⁹³ This results in a shifting of local funds from the wealthy to the poor districts in the area, and to a degree, reduces the variations in per pupil assessed valuation.

Equalization Aid

At this time the district's foundation support program is com-

87. Legislative Analyst, *supra* note 46, Part II at 9.

88. See WEISS, *supra* note 51 at 29.

89. *Id.* at 30, n.33.

90. See Table 1, notes 94, 95 *infra*.

91. This tax is hypothetical; it is \$1 in elementary school districts; \$.80 in high school districts; \$.25 in junior college districts. § 17702 (West 1969). See text accompanying notes 100 and 101 *infra* to see how such aid is determined and distributed.

92. § 17680 (Supp. 1971), § 17702.2 (West 1969).

93. § 17706 (West 1969).

puted. Equalization aid is determined by subtracting from the foundation level (\$355 or \$488) (a) basic aid, and (b) district aid, as measured by the computational tax rate or the areawide tax.⁹⁴ The difference is contributed by the state as equalization aid.⁹⁵ Thus, poorer districts receive additional revenue which is not given to more wealthy districts. Further increases are authorized to provide financial incentives to districts to institute certain organizational or program changes. These increments, too, are considered equalization aid.⁹⁶

However, since most districts' expenditures far exceed the minimum foundational support level, equalization aid does not quite approximate its name. Also, since a ceiling is placed on the amount the state will donate in support funds, the theory behind the program is destroyed, unless the ceiling is set close to the actual level of expenditures of most districts.

Supplemental Support Program

In addition to the regular foundation program, the state also maintains a supplemental support program. Supplemental aid is available to those relatively poor school districts⁹⁷ whose tax rates exceed certain prescribed minimums. An elementary district may receive an additional (maximum) \$125 per student, while the maximum amount per child in a high school district is \$72.⁹⁸

B. THE FOUNDATION PROGRAM AND EQUAL EDUCATIONAL OPPORTUNITY

As shown previously, the level of property tax support of education is not sufficiently equalized to permit comparable educational programs from district to district. The wide variance in district assessed valuations,⁹⁹ the great number of districts throughout the

94. See note 91 *supra*.

95. §§ 17901, 17902 (West 1969).

96. See notes 83 and 84 *supra* and their accompanying texts.

97. To qualify, an elementary school district's assessed valuation per student (AV/ADA) must be \$12,500 or less. A high school district's AV/ADA may not exceed \$24,000. § 17920 (Supp. 1971).

98. In an elementary school district, the tax rate must be in excess of \$1. In a high school district, the rate must exceed \$.80. In a unified district, the tax may exceed either \$1.80 or \$2.15, the latter being true for a community college district under § 17601. §§ 17921-23, 17924-26 (Supp. 1971).

99. See text accompanying notes 49-51, 65, 66 *supra*.

state,¹⁰⁰ the variations in district property tax rates and its resultant crisis,¹⁰¹ the extreme ranges of districts' revenues,¹⁰² and the wide differences in district per pupil expenditures,¹⁰³ have caused the foundation program to fail. Whereas the program was established to achieve a minimum level of school support, its failure was forthcoming because of its internal inconsistencies, as well as the political fear which prevented legislators from renovating the system according to constitutional standards.

The main reason for the foundation program's lack of success, however, is its heavy reliance on funds raised through local property taxes without sufficient equalization of expenditures between the wealthy and poor districts.¹⁰⁴ This resulting inequality has been experienced by most of the other states, because most of them have been popularly maintaining various systems closely related to California's.¹⁰⁵ California is ranked thirteenth nationally in terms of estimated average expenditures per pupil for 1968-69.¹⁰⁶ However, most of these states require their districts to levy a certain minimum tax rate in order to be eligible for any state aid.¹⁰⁷ Yet, as in California, most school district organizations throughout the country are extremely fragmented. Six states contain more than 1000 districts each (including California), while five others are divided into more than 500 districts.¹⁰⁸

IV. OTHER METHODS OF FINANCING PUBLIC SCHOOLS

State aid to public education began for two reasons: to assist schools in getting started, and to improve public education.¹⁰⁹ Flat grants based on enrollment or school census figures served as the original vehicle for funding the schools.¹¹⁰

100. See text accompanying note 48 *supra*.

101. See text accompanying notes 52-55, 71 *supra*.

102. See text accompanying notes 67-70 *supra*.

103. See text accompanying notes 60-64 *supra*.

104. This reliance on local wealth as the basis for determining a district's ability to offer its students sufficient educational opportunity has been found to be unconstitutional; see notes 9-20 *supra* and accompanying text.

105. STATE AID TO LOCAL GOVERNMENT, Advisory Commission on Intergovernmental Relations (ACIR), 42 (1969) [hereinafter cited as ACIR].

106. See Table 3, reproduced from Legislative Analyst, *supra* note 46, Part I at 11.

107. ACIR, *supra* note 105 at 42; WEISS, *supra* note 51 at 30.

108. ACIR, *supra* note 105 at 35.

109. The national average of contribution of aid by the states has been consistently below fifty percent, see Table 8. As for dollar amount allocations per ADA by the states, see Table 9. Tables 8 and 9 are reproduced from SCRC, *supra* note 57 at 46 and 45 respectively.

110. ACIR, *supra* note 105 at 39.

Today state aid is distributed either by flat grant or by equalizing grants, determined on the basis of a district's relative wealth. Throughout the country, more than eighty percent of state aid is provided without specific expenditure strings; it is in the nature of *functional* support. The other twenty percent is termed *categorical aid* and is restricted—to textbooks, transportation, etc.¹¹¹

The differences in state-local sharing of financial support for schools can be seen when comparing the methods of state aid distribution—flat grant versus equalizing aid.¹¹² Approximately seventy percent of state aid is distributed through equalizing grants. Delaware, New Mexico, and North Carolina provide flat grants to cover per pupil expenditures regardless of where the student resides. Thereupon, the local districts may supplement this basic aid by levying a property tax.¹¹³ These states offer no equalization aid. Only thirteen states used the flat grant method to distribute at least fifty percent of state aid in 1966-67.¹¹⁴ Only six states have school financing systems which are not based on a state-local partnership.¹¹⁵

The bulk of states, obviously, dispense their aid on an equalizing basis. Rhode Island's aid equalizes one hundred percent. The following states' aid is over ninety percent equalizing: Georgia, Idaho, Kentucky, Maine, Michigan, Nevada, New York, Ohio, Tennessee, and Utah.¹¹⁶

111. *Id.* at 41.

112. See Table 4, reproduced from ACIR, *supra* note 105 at 57.

113. See, e.g., N.C. GEN. STAT. § 115-80 (Cum. Supp. 1971). This supplemental tax must be approved by the board of county commissioners upon request by the county and city boards of education.

114. See Table 4.

115. Cf. COONS, CLUNE AND SUGARMAN, PRIVATE WEALTH AND PUBLIC EDUCATION 148 (1970) [hereinafter cited as COONS]. Three states are centralized, i.e. they receive mostly state aid: Delaware, Hawaii, North Carolina. Hawaii is fully centralized, with only one school district. The other two states finance the local districts by aid to each. Three states are decentralized, i.e. they receive little state aid: Nebraska, New Hampshire, South Dakota. See for example NEB. REV. STATS. of 1943 §§ 79-470 through 79-477 (1966). COONS includes Iowa in the latter group, but Iowa seems to have increased its involvement in supporting public education. see IOWA CODE ANN. §§ 286 A.3, A.4, A.8, A.9, 302.1 (Supp. 1971).

116. Michigan is unique in its equalization technique. Districts whose tax rates on state equalized valuations are 125 percent or more above the levies in other districts have their state equalized valuations—for foundation program purposes—reduced proportionately. ACIR, *supra* note 105 at 42.

In classifying state grants as either general purpose or special purpose, only Indiana and South Carolina require expenditures to follow certain guidelines. South Carolina specifies the budget categories for all of its school aid.¹¹⁷ In Virginia, ninety percent of state aid is budgeted for such categories as instructional salaries, administrative, supervisory, guidance, and auxiliary services, transportation, building fund, and debt service.¹¹⁸ In contrast, Idaho, New York, Ohio, and Wyoming delegate more than ninety-nine percent of budgetary decisions to the local school district.¹¹⁹

Flat grants: A flat grant system of aid to local districts partially recognizes need. Based on teacher salary schedules and per unit measures, the state increases its aid funds whenever additional students in the district create greater financial needs.¹²⁰ Delaware, which utilizes this system, bases its determination of need on a finer classification of students—elementary, secondary, and handicapped.¹²¹ Delaware requires no minimum effort and ignores any disparity in local resource wealth. Although such a system would ordinarily create tremendous inequality in educational expenditures, it does not create such wide disparities in Delaware, because (1) Delaware relies heavily on the income tax, and (2) its flat grant represents a high proportion of total cost—65.8 percent in 1966, and (3) it has relatively few districts—fifty-one—which are not widely disparate in wealth.¹²²

Flat grants plus categorical aid: Connecticut and North Carolina utilize this method. North Carolina pays the total calculated amount of salaries, transportation, and associated school costs.¹²³ This system is similar to Delaware's, except that categorical aid tends to support wealthy districts where they are more able to support themselves. Thus, large disparities in local effort and spending are inevitable.

The spectre of these disparities is more significant in Connecticut for two reasons: (1) the state spends less in support of local schools—only thirty-one percent; therefore equalization is more es-

117. S.C. CODE OF LAWS tit. 21, §§ 258, 260, 261, 272, 293 (Cum. Supp. 1971).

118. ACIR, *supra* note 105 at 41.

119. *Id.*

120. WEISS, *supra* note 51 at 29; ACIR, *supra* note 105 at 42; see COONS, *supra* note 115 at 52-61.

121. ACIR, *supra* note 105 at 42; DEL. CODE ANN. tit. 14, §§ 1702-3 (Cum. Supp. 1970).

122. *Id.*; see COONS, *supra* note 115 at 150.

123. N.C. GEN. STAT. §§ 115-78, 115-79 (Cum. Supp. 1971). Categorical aid includes vocational education, driver training, school lunches, professional improvement, and educational T.V.

sential; and (2) the number of categories—twenty—makes local administration difficult, if not impossible.¹²⁴

State grants with matching local funds: This method of aid is generally utilized to stimulate local effort in meeting a specified need identified as a categorical aid program, such as school building construction. The state distributes funds in accordance with a fixed formula.¹²⁵ While there is an incentive for local districts to spend more money, wealthier districts are at an advantage and may easily surpass the construction ideals of poorer districts.

*Percentage Equalizing Grant Systems*¹²⁶

The percentage equalizing system of grants does not utilize a unit cost method of measuring educational needs. The system requires that the state pay part of the school district's budget. The grant is equalizing, because the amount of the grant is inversely proportional to the district's wealth. Thus the term "percentage equalizing" is derived, meaning that portion of the local district's budget which is paid by the state as the equalizing factor of the poor district.¹²⁷

Percentage equalizing eliminates variations in district wealth as a means of determining the amounts of aid distributed. The effort of a district in taxing itself is the determining factor. Thus the higher a district's property tax rate, the greater its students' educational opportunity. By taxing itself at \$3 per \$100 of assessed valuation, the poor district will be able to spend the same amount of money per pupil as a rich district.¹²⁸ However, a rich district will have less money allocable per student if it exerts a lessor effort than a poor district. The system of equalization may be insti-

124. ACIR, *supra* note 105 at 42.

125. Delaware contributes sixty percent, while its districts put up forty percent. Florida splits its share with its districts fifty-fifty. *Id.*; DEL. CODE ANN. tit. 14, § 2304 (Cum. Supp. 1970).

126. See generally COONS, *supra* note 115 at 163-97; WEISS, *supra* note 51 at 33-47; McLoone, *Modernizing State School Finance Programs: Six Selected Areas*, INTERDEPENDENCE IN SCHOOL FINANCES: THE CITY, THE STATE, THE NATION, Proceedings of the Eleventh National Conference on School Finance, Dallas, Texas 23-9 (1968) [hereinafter cited as McLoone].

127. The budget may include debt service, expenditures like transportation, as well as current operational expenditures.

128. It is assumed that all districts in the state have the same tax rate (effort).

tuted such that the individual districts have a greater or lessor power in deciding the level of effort they will exert.

The philosophy of percentage equalizing is that local people should support and run their own schools.¹²⁹ The objective of the system is to make such a philosophy more meaningful to the districts by equalizing wealth disparities. The state would pay a share of the district's budget, but the state would not insist that the district spend only a certain amount of money for a certain level of education. Costs among the districts vary, and the state will support the districts to the percentage set by the state. In order to do so, the state will necessarily determine the districts' relative wealth. Such determination would require the establishment, by the state, of criteria for determining educational needs and numbers of students.¹³⁰

Arithmetically, percentage equalizing is rather simple. The object is to provide districts which tax at the same rate an equal number of dollars per task unit. Disparities in local wealth will be meaningless. Thus a ratio is determined between a "key" district (herein it is the richest district) and another district. Assume a poor district has an assessed valuation of \$10,000 per ADA, while the key district's valuation is \$100,000 per ADA. The formula used to determine the amount of aid going to the poor district is the following:

$$(1) \text{ State aid ratio (R)} = 1 - \frac{\text{local wealth (Wl)}}{\text{key district wealth (Wk)}}$$

$$(2) \text{ R} = 1 - \frac{\text{Wl}}{\text{Wk}} \quad \text{and upon substitution of numbers,}$$

$$\text{R} = 1 - \frac{10,000}{100,000} = .9 \text{ or ninety percent. The formula for determining the amount of state aid is}$$

$$(3) \text{ Dollar aid (D)} = \frac{(\text{R}) (\text{Local share raised})}{1-\text{R}} \text{ which is the same as aid ratio times local budget. At a hypothetical tax rate of one percent, the state would pay the poor district \$900:}$$

$$\text{D} = \frac{.9 (\$100)}{1 - .9} = \$900.$$

129. COONS, *supra* note 115 at 14-16.

130. COONS, *supra* note 115, refers to the numbers of students as "task." Task is used to determine the total educational job assigned to a district, from which the cost of education is derived. However, task may also take into consideration the variation among districts of educational cost factors. COONS does not favor one of the following methods of tallying students over the others: enrollment (first day registration), average membership

Thus both poor and rich districts alike will spend \$1000 per student.¹³¹

For reasons which will be delved into shortly, the state may wish to make the average district the key district.¹³² When such is the case at a certain level (rate) of taxation, the average district would receive no state aid, because all other districts (richer or poorer) will be equalized (down or up) to it.¹³³ For example, if Districts A, B, and C have respective assessed valuations per student of \$10,000, \$25,000, and \$50,000, and B's valuation is determined to be equal to the state average, the following ratios would result: applying formula (1), the aid ratios of A, B, and C would be .6, 0, and -1, respectively. Thereupon, A would receive sixty percent of its school budget from the state, while B would get nothing. C, on the other hand, will be required to donate to the state an amount equal to one hundred percent of the average district's budget.¹³⁴ District C has thus been equalized down, and its wealth advantage disappears.

Thus, if each district decides to spend \$500 per child, a two percent tax is required;¹³⁵ whereupon A receives \$300 in state aid, B receives no aid, and C gives the state \$500.¹³⁶ Now all the districts are equalized.

(year-round registration), or average attendance (year-round filled seats). Coons 40-2. Henceforth, when reference to task is made, Coons' definition is meant.

131. The key district's aid ration (R) is zero. But at a one percent effort, it raised \$1,000 per pupil. The poor district raised \$100 but received \$900 in aid, thus being equalized.

132. An average district would be that district whose assessed valuation has been determined to be the state's average, *i.e.* it is the district of average wealth.

133. This system of state aid is the type utilized in Utah. Utah requires its local districts to levy a tax of sixteen mills. UTAH CODE ANN. § 53-7-18 (Smith 1970).

134. In Utah, districts which earn revenues that exceed \$9,120 per distribution unit (twenty-seven pupils) plus the amount allowed for student transportation expenses must turn them over to the state. These state collections are used to finance those districts which were unable to raise \$9,120 (at the sixteen mill rate). UTAH CODE ANN. § 53-7-16 (Supp. 1971), § 53-7-21 (Smith 1970).

135. Since the average district's (B) wealth is \$20,000, a two percent tax would yield \$500. At this rate, A could raise \$200 per child, and C could raise \$1,000.

136. Using the aid ratios derived above, $.6(\$500) = \300 , $0(\$500) = 0$, $-1(\$500) = -\500 .

Equalizing to an average-wealth (key) district has the effect of spreading local wealth around the state evenly, thereby rendering the wealth of all the districts as equal. The wealthier the key district, the more state funds would be required to supplement the system. This is true, because there will be fewer districts which will be required to donate money to the state. At the same time, however, there will exist a greater number of poorer districts which will require equalizing funds. When the key district is the wealthiest, the state would, in effect, be financing all school districts. Therefore, the state will tend to prefer a system where the key district is the average one. The choice is with the state. By choosing a certain key district, the state can determine whether, at varying levels of taxation, the system will require more or less state funds.

If the state decides to use the average district as key, rather than the wealthiest one, thereby effectively redistributing the wealth, the state may also choose to assist the districts further. The state could award the districts supplemental aid—either a flat grant or a percent of the budget. This decision may serve some legislative purpose, such as greater state aid.

The formula for calculating the amount of supplemental state aid is (4) $R = 1 - [(W)(1-S)]$ where R = state aid ratio, W = wealth ratio¹³⁷, and S = percent aid to average district.¹³⁸ The state would subsidize each district up to its R factor, and state aid would be determined as in formula (3). However, a fifty percent subsidy would equalize the three districts without necessitating a \$500 payment by C to the state.¹³⁹ Thus, local districts would be able to achieve the same expenditure per student by halving their tax efforts. If the state maintains this extra support program, its aid will double with every doubling of the average district tax rate.

However, just as in the basic plan, wealth inequality may create problems. If the district's wealth ratio (W) is sufficiently large—greater than two when $S=.5$ —its state aid ratio (R) would be negative, thereby requiring the district to donate money to the state. Raising the amount of aid to seventy-five percent would require a district with a W factor greater than four to pay the state and equalize. Thus, it seems that in California, where some wealth ratios are over twenty to one, a percentage grant to all districts

137. See formula (1) *supra* where the wealth ratio is $\frac{W_i}{W_k}$.

138. If the state wishes to provide fifty percent of the budget in aid, the formula is $R = 1 - [W(1-.5)]$.

139. For C , R would be zero: applying formula (4), $R = 1 - [2(1-.5)] = 0$.

could not replace the need for the wealthier districts to pay the state for excesses of wealth.

Several other states have switched over to the percentage equalizing grant system. Yet, unlike Utah, they do not require redistribution. These states are New York, Rhode Island, Maine,¹⁴⁰ and Wisconsin.¹⁴¹ Rhode Island and Wisconsin are the only states which have "open-ended" systems, *i.e.* they place no dollar ceiling on state aid. However, the systems' equalizing theory is destroyed in Rhode Island, because the state will pay every district thirty percent of its expenditures—regardless of the district's wealth.¹⁴² Since the state's participation level is just over twenty-one percent (for the average district), over half the students in the state may fall under the special thirty percent rule. Thus, a district must have wealth less than eighty-eight percent of the average district to qualify for aid greater than thirty percent.¹⁴³

New York's system does not incorporate the "open-ended" concept. New York, however, will support the average district at a level of forty-nine percent of its total spending; in formula (1) below, it is $1 - .51 = .49$. This can be observed in the state's formula for calculating the state aid ratio (R):¹⁴⁴

$$(1) \quad R = 1 - \left(\frac{AV/WADAd}{AV/WADAs} \right) \quad (51)$$

where AV=assessed valuation, and WADA is the weighted ADA,¹⁴⁵ while d and s indicate district and state. Apportionment to any district for operating expenses is based on the district's total expenditures and other financial data. The apportionment (A) is determined below:

(2) $A = \$860 [(\sum WADA) (R)]$ or $A = E(R)$,
whichever is smaller; where E = total district expenditures,
 $\sum WADA$ = total base year weighted ADA (base year is the school

140. See ME. STATS. ANN. tit. 20, §§ 3721, 3722, 3723, 3457 (1964).

141. See WISC. STATS. ANN. §§ 121.02, 121.07-121.13.

142. R.I. GEN. LAWS § 16-7-20 (Bobbs-Merrill 1970).

143. COONS, *supra* note 115 at 190-91.

144. N.Y. ED. LAW § 3602(3) (McKinney 1970).

145. Weighted ADA is determined by assigning weight units of one to grades kindergarten through six, and $1\frac{1}{4}$ to grades seven through twelve and then adding all such units. N.Y. ED. LAW § 3602(2) (McKinney 1970).

year immediately preceding the current year), and R = state aid ratio as determined in formula (1) above.

New York, however, places certain limitations on the apportionment formula. The state will not support a district beyond \$860 per student and not less than \$310 per student in any district.¹⁴⁶ The state aid ratio (R) may not exceed .9.¹⁴⁷ The \$310 minimum is very similar and compares closely with the flat grant theory. As noted earlier, such flat grants benefit the wealthy districts and eliminate such benefit to poor districts, which would be compensated under an appropriate equalization program.

By setting a maximum of \$860 per student, beyond which the state will not aid the local district, New York has, in effect, set up a (new) foundation level. This is the second anti-equalizing factor in its system; wealthy districts can take advantage of their superior fiscal position and raise money beyond the \$860 ceiling. In fact, such undermining of the system has been noticed in the years subsequent to New York's implementation of the percentage equalizing scheme. The following chart¹⁴⁸ compares New York's mean and median expenditures with the state's expenditure ceiling for state aid.

YEAR	MEDIAN	MEAN	CEILING ON	
			STATE	PARTICIPATION
1962-63	\$537	\$590		\$500
1963-64	563	621		500
1964-65	593	669		500
1965-66	635	716		600
1966-67	680 (est.)	760 (est.)		660
1967-68	725 (est.)	800 (est.)		660

Obviously, New York is hedging in its desire for full (or at least adequate) equalization of educational opportunity. Whether unwilling or unable to participate wholeheartedly in its system of financing, New York has defeated the purpose behind the plan. Unless the state participation ceiling is above or equal to the expenditure of the wealthiest district, the incentive exists for rich districts to expend more on their schoolchildren than the poorer districts. To combat this probability, New York could impose a ceiling on tax rates, thus inhibiting excessive disparities—yet not eliminating them. Another possibility would be to raise the participation ceiling, such that it would greatly exceed the median level of ex-

146. N.Y. ED. LAW § 3602(5) (McKinney 1970).

147. N.Y. ED. LAW § 3602(3)(d) (McKinney 1970). This limitation detrimentally affects poor districts which cannot even raise ten percent of their budget, thereby not fully equalizing.

148. The chart is reproduced from COONS, *supra* note 115 at 187.

penditures. At this new, high level, more—yet far from all—districts will be equalized.

A significant element in the system's failure is the omission of the negative aid ratio, required to fully equalize expenditures. This omission makes it possible for the wealthy districts to take advantage of their wealth by raising and spending more money on their students than poor districts. The state could somewhat offset this development by increasing its aid ratio. However, this would entail a much greater monetary participation by New York.

New York's apportionment program, in addition to aid received through formula (1) and formula (2), includes apportionment for capital outlays of local districts.¹⁴⁹ Extra apportionments are also applied to aid building on Indian reservations¹⁵⁰ and for pupil transportation.¹⁵¹ Temporary apportionments are also available to overburdened districts.¹⁵²

The minimum apportionment to any school district, except for certain limitations, is \$304 per weighted ADA.¹⁵³ The limitations impose certain conditions on districts subject to reorganization and provide them with additional apportionments.¹⁵⁴ Districts which cannot raise sufficient revenue, including property tax receipts, may have their apportionments reduced. This would occur if the amount which the district could raise by a tax of eleven dollars per thousand of assessed valuation is greater than its actual revenue.¹⁵⁵

149. Approved expenditures would be for new construction, reconstruction, site purchase and improvement, etc. N.Y. ED. LAW § 3602(6) (Supp. 1971-72).

150. Apportionment is the actual cost per pupil in the reservations. N.Y. ED. LAW § 3602(6) (a) (Supp. 1971-72).

151. The state pays ninety percent of the district's transportation expense. N.Y. ED. LAW § 3602(7) (Supp. 1971-72).

152. Urban school districts having a heavy concentration of pupils with special needs associated with poverty may receive a maximum of \$90,000, and districts with high tax rates may receive extra aid also. Eligible districts must levy a tax of at least \$24 per \$1,000 and have a weighted ADA of at least 2000. N.Y. ED. LAW §§ 3602(11)(12) (Supp. 1971-72). The California legislative analyst has recommended similar measures for California districts. However, this new state aid to low-income areas will not be temporary or based upon an "urban factor." Rather, each target school will be approached individually and categorically. ANALYSIS, *supra* note 47 at 735-37.

153. N.Y. ED. LAW § 3602(9) (McKinney 1970).

154. N.Y. ED. LAW § 3602(10)(a)(c) e) (McKinney 1970), § 3602(10)(d) (Supp. 1971-72).

155. N.Y. ED. LAW § 3602(10)(b)(2) (McKinney 1970).

Whether or not local New York school districts have gained appreciably from the new system imposed in 1960 can be seen from the following chart of comparative percentages of state aid:¹⁵⁶

1960-61 (foundation plan)	42.7 percent
1961-62	41.8 percent
1962-63	44.4
1963-64	43.6
1964-65	42.6
1965-66	44.9
1966-67	46.2 (est.)

It is obvious that the new system has not caused a great increase in state aid to local school districts.

In 1968, the Advisory Commission on Intergovernmental Relations prescribed legislation which would enact a system of public school financing similar to New York's. The proposed system would involve four phases: (1) A "basic program" supported by a county-wide property tax and equalizing state aid. The basic program requires an adequate level of expenditure per pupil of \$500. (2) An "educational improvement program" which envisions a state-local partnership to supplement the basic program according to the local community's relative need—up to a maximum of twice the basic program level (\$1,000). (3) A "special needs program" to identify and support those pupils in the state who require extraordinary funds. (4) A "state program" to provide funds to districts for federal programs which necessitate local matching funds. The total proposed system is based on the provision of state aid to the local districts according to an inverse relationship with the districts' need.¹⁵⁷

While studies showed that a state's switch to a percentage equalizing system would not increase its educational funds much beyond that experienced in other states during the same period, nevertheless, in Rhode Island, state aid did increase faster than in other states. That is, state funds were substituted for local district funds without substantial increases in total school funds. Thus one might claim that the state treasury was raided.¹⁵⁸

While many states distribute equalization aid to their school dis-

156. The figures were compiled by the University of the State of New York, in *STATE AID TO NEW YORK SCHOOL DISTRICTS 1965-66* at 2 (Albany 1967) as provided by COONS, *supra* note 115 at 184.

157. 1968 *STATE LEGISLATIVE PROGRAM*, Advisory Commission on Intergovernmental Relations 248-58 (1967); cf. *ANALYSIS*, *supra* note 47 at 732-33; SCRC, *supra* note 57 at 48-9.

158. McLoone, *supra* note 126 at 24.

tricts, equalization is generally not reached.¹⁵⁹ This circumstance arises in some states chiefly because equalization aid makes up a relatively small portion of total state aid.¹⁶⁰ Thus, although such aid is equalizing insofar as it is received by the districts, it has a relatively small impact on their total expenditures—especially if the other, larger portion of state aid tends to unequalize.

Even where state equalization is proportionately a large part of a state's total assistance, it may not be equalizing either. This phenomenon occurs where the state bases its equalization formula upon unequalizing factors. For instance, Massachusetts' distribution formula is dependent on a district's "reimbursable expenditures" which, with some exceptions, are local expenditures from its own sources.¹⁶¹

Another instance where the equalization objective may be bypassed are state guarantees that, regardless of the equalization

159. See Tables 5 and 6, reproduced from DOCUMENTED DISPARITIES, *supra* note 61 at 14, 13. They depict state disparities in property valuation and per pupil expenditure. It should be noted that states differ widely in their administrative and accounting practices. For example, states assess property at various ratios to market value. Some states utilize equalized valuation, while others use locally assessed valuation. And states may define per pupil expenditure on a different basis. For instance, teacher retirement costs may be charged back to per pupil expenditure. While unified school districts are common, many states have a large number of non-unified districts. Typically, secondary school districts have higher per pupil costs than do elementary districts. Also, disparities among districts exist because of unequal percentages of exceptional children who need special educational programs. DOCUMENTED DISPARITIES 6. Thus, if the extra costs involved in maintaining these higher cost programs (*i.e.* secondary schools and programs for special children) are deemed appropriate, then *some* degree of interdistrict disparity in expenditure would be desirable.

In deriving Table 5, only unified districts with enrollments in excess of 1,500 students were included in the analysis in order to eliminate the extremes in school district wealth.

160. See Table 4. With respect to Tables 5 and 6, at each disparity level, the difference among school districts in assessed valuation per pupil far exceeds the difference in expenditure per pupil. Aside from state allocations of equalization aid, another reason for this fact is that many poor districts tax themselves at higher rates than wealthy ones.

161. "Reimbursable expenditures" are total educational expenditures less certain categorical costs. The formula for deriving a district's aid is the school aid percentage (where ability is reflected) times the reimbursable expenditures (where wealthy districts have an unequal advantage, because they can more easily afford to raise money). ACIR, *supra* note 105 at 47.

formula, a district will not receive fewer funds than it did under a previous distribution formula in past years.¹⁶²

Coefficients of equalization were calculated by the ACIR in 1969 to determine the degree to which state equalization did actually achieve its objective. Such coefficients were derived for ten selected states for a recent year. If the state's distributions completely equalized district per pupil expenditures, a -1 coefficient was found. The table below indicates a wide diversity in the states' actual equalization accomplishments. New York and Indiana have nearly succeeded in perfecting their educational expenditure equalizing.¹⁶³

EQUALIZATION TENDENCY OF STATE AID TO EDUCATION—SELECTED STATES

State	Correlation coefficient	Governmental unit analyzed	Year
Colorado	-.213	County	1963-64
Florida	-.633	County	1965-66
Indiana	-.946	County	1966-67
Kentucky	-.811	District	1964-65
Maryland	-.744	County	1964-65
Massachusetts	+.024	Cities & Towns	1965-66
New York	-.918	County	1964-65
North Dakota	-.344	County	1964-65
Oregon	-.776	County	1962-63
Utah	-.398	District	1965-66

The cost of equalizing per pupil expenditures within each state, up to various percentile levels, has been calculated as well. At all percentile levels over eighty percent, California would have to contribute the most amount of money, while Nevada and Hawaii would be required to contribute comparatively little.¹⁶⁴

School District Consolidation

Small school districts are well known for their inefficiency. In Michigan, it was found that such districts offer fewer courses than large districts and tend to lack provision for educating special children. Their teachers tend to have lower qualifications, less experience, and are more frequently responsible for teaching courses outside their sphere of competency. Small districts are also more likely to lack provision for in-service training of personnel and funds for research.¹⁶⁵

162. *Id.*

163. The table was compiled by ACIR, *supra* note 105 at 48.

164. See Table 7, reproduced from DOCUMENTED DISPARITIES, *supra* note 61 at 15.

165. Thomas, *Modernizing State School Finance Programs: A State System to Equalize the Distribution of Education*, INTERDEPENDENCE IN SCHOOL FINANCE: THE CITY, THE STATE, THE NATION, Proceedings of the

The relative size of the small school districts may not permit them to take advantage of economies of scale which may preclude them from saving costs associated with such economies. Therefore, while the total over-all educational program costs may not vary between small and large districts, the large districts, with their wider product mix¹⁶⁶ may be able to take advantage of economies of scale in certain areas and thus achieve lower unit costs (e.g., per student day costs) in those areas.¹⁶⁷

Methods of bringing about a reorganization and consolidation of school districts will vary with the amount of information utilized in decision-making.¹⁶⁸ States may encourage small districts to combine by offering fiscal incentives.¹⁶⁹ Though several states have sought such inducement, few claim success.¹⁷⁰ Mandatory consolidation may also be required.¹⁷¹

The best reason for consolidating the scattered school districts is that by so doing wealth disparities between the districts will be relatively insignificant. The expansion of a district's geographical area as a basis of local tax support has been recommended by states as well as individuals.¹⁷² The form of consolidation most often espoused is the regional or areawide district.¹⁷³

Generally, the possibilities of correcting inequalities through

Eleventh National Conference on School Finance, Dallas, Texas 34, 39 (1968) [hereinafter cited as Thomas]. The optimum size of a school system is disputed, but 2000 is often mentioned as a minimum requirement. ACIR, *supra* note 105 at 35.

166. A wider product mix in a district's educational scheme means that such district offers a greater variety of programs and services.

167. Thomas, *supra* note 165 at 39; ACIR, *supra* note 105 at 35.

168. *Id.*; cf. SCRC, *supra* note 57 at 7.

169. See, e.g., N.Y. ED. LAW § 3602(10) (McKinney 1970) and text accompanying note 41 *supra*.

170. ACIR, *supra* note 105 at 35.

171. See, e.g., N.H. REV. STATS. ANN. §§ 195-A:1, 195-A:2 (Equity 1964). John Gardner has advocated a policy of forced consolidation. ACIR, *supra* note 105 at 35.

172. See notes 170-71 *supra* and their accompanying texts. The Ohio Legislative Service Commission has also advocated an expanded tax base. See ACIR, *supra* note 105 at 49. Aside from economies of scale and equality of opportunity, unification can provide more intensive use of specialized equipment and greater compatibility between the levels of education in the system. SCRC, *supra* note 57 at 47.

173. Bronder, *Detroit Metropolitan School Finances—The Revenue Problem*, 19 NAT. TAX J. 399 (1966) [hereinafter cited as Bronder]; ACIR, *supra* note 105 at 49.

school district consolidation of adjacent districts is not likely.¹⁷⁴ Even consolidation of adjacent counties may not bring equality, because in a metropolitan area consisting of several counties, wealth may be located in few of them. This is true of the Detroit area. Therefore, where county wealth is unequal, organization of districts should be on a metropolitan-wide basis for the purpose of a general school program. Then, an areawide tax can be imposed, based on the metropolitan region's assessed valuation, supplemented by the local districts. This system is designed to work under a foundation program.¹⁷⁵ However, this reorganization was foreseen as providing only a foundation level of \$300 per pupil. This relatively low amount of equalization means that the separate districts will once again be required to raise a great deal of funds, thereby destroying the relative lack of interdistrict wealth disparity foreseen at the outset.

However, in most cases, consolidating districts on a county-wide basis will not result in problems such as exist in Detroit. Therefore, county-wide consolidation would be practical and more easily achieved. Here, too, an areawide tax would be levied. Maryland and Nevada are presently organized into county-wide districts. Under this type of organization, interdistrict disparities are more easily eliminated, because counties have access to incomes other than property taxes, such as personal income taxes (Maryland) or a state-mandated sales tax supplement (Nevada).¹⁷⁶ The California legislative analyst has recently proposed the consolidation of all elementary districts of 100 ADA or less and all high school districts of 500 ADA or less.¹⁷⁷

However, there exists opposition to wholesale consolidation of school districts. A study of the St. Louis City-County area, considered typical for urban America, has concluded that no significant economies of scale are to be found, and that consolidation is unlikely to solve the fiscal problems of urban schools.¹⁷⁸ Such gigantic districts would be unmanageable and unresponsive to student needs and would cause the people to lose interest in their schools. Thus their tax needs can become negative.¹⁷⁹ In any case, the real prob-

174. Cf. McLoone, *supra* note 126 at 29.

175. Bronder, *supra* note 173 at 410.

176. ACIR, *supra* note 105 at 49; see R.I. GEN. LAWS §§ 16-3-1 through 16-3-25 (Bobbs-Merrill 1970).

177. ANALYSIS, *supra* note 47 at 730-31.

178. Hirsch, *Determinants of Public Education Expenditures*, 13 NAT. TAX J. 29 (1960) [hereinafter cited as Hirsch]. Hirsch's conclusions are based on his findings that the income elasticities of public education and instruction are quite low. *Id.* at 39.

179. *Id.* at 40; ACIR, *supra* note 105 at 49.

lem seems to be that wealthy districts are fearful of losing their advantageous tax base and would oppose any such consolidation. Consolidation may not even be required if high-yield taxes were enacted to supplement the overinflated property tax in support of education.¹⁸⁰

Once consolidation is achieved, mathematical models, including linear programming, may then be used in developing an educational organization oriented toward equalized educational opportunity in the state. Results from a pilot study applying linear programming techniques to California's junior college system indicate that with the same commitment of state funds, over \$2.5 million of property tax relief could be realized.¹⁸¹ This realization would not require a reduction in the state foundational level and would equalize expenditures throughout the state's districts.

Statewide Property Tax

In 1902, the states obtained 52.6 percent of their revenue from state property taxes. As other sources of revenue became available to them, they delegated this tax to local governments, so that by 1964, property taxes provided only 3.0 percent of the total tax collections of state governments. [citation.] In delegating this power, states authorized local tax which benefited school districts and municipalities unequally. Districts with high property values per head of population or person served received a much greater benefit from this authorization than did districts with low assessment. The state therefore created a system of taxation which resulted in vastly differing tax rates, as well as in differing levels of benefit from governmental services.¹⁸²

Thus, some feel that state administration of the property tax is almost a *sine qua non* for proper derivation of local district wealth in state aid formulas and for adequate distribution of the tax burden between corporations and individuals.¹⁸³ The tax could be raised as in the following system.

180. Bronder, *supra* note 173 at 410. These taxes may be per capita, general sales, or selective sales.

181. Bruno, *Achieving Property Tax Relief with a Minimum Disruption of State Programs*, 22 NAT. TAX J. 379 (1969).

182. Thomas, *Educational Opportunity in Michigan*, SCHOOL FINANCE AND EDUCATIONAL OPPORTUNITY IN MICHIGAN 7 (1968), as quoted in Thomas, *supra* note 165 at 41.

183. McLoone, *supra* note 126 at 31. In California, statewide collection of property tax would result in the elimination of basic aid and is advocated by the legislative analyst. ANALYSIS, *supra* note 47 at 731.

A statewide property tax system could be established to finance school expenditures by setting a uniform tax rate at a level required to meet a specified, per pupil level of expenditure.¹⁸⁴ The system would not vary from the present method of raising the revenues locally, through local taxation. The uniform tax rate would vary directly with the target level of expenditure as determined by the state. This particular plan envisions that those districts which collect funds in excess of the target level of expenditure (at the uniform tax rate) must pay such excess to the state. Such payments would later be redistributed by the state to those districts which failed to accumulate sufficient funds at the uniform rate.

Since this proposed system is entirely locally financed, large increases in the tax rate would be necessary to compensate for the absence of any state aid—where high spending levels are desired. Of course, the increases will make the greatest positive impact on wealthy districts, which currently have lower tax rates. The poorer districts, which currently exert tremendous effort in their taxing schemes, will likely enjoy a decrease in their property taxes.

*Statewide Property Tax Plus Fixed State Aid*¹⁸⁵

A more realistic financing system would incorporate supplemental state aid to ease the burden on property owners. This system would essentially operate in the same manner as the previous one, except that the state would supplant its excess local tax collections used for redistributions. The state could then set a target in terms of either tax rates or spending levels; where one is known, the other would be determined.

A study was made of this system's effect on Massachusetts' educational system. Expenditures were equalized at the state's present 80th percentile level, and results were compared for changes in district spending and tax rates at two levels of state funding—at the existing level (\$130 million) and at double that level (\$260 million). The figures show that when the state doubles its aid, most districts would realize a higher level of equalized expenditure per student at a lower tax effort.

If the state—for political reasons—decides to eliminate the redistribution requirement of the system, it can do so by setting a uniform tax rate at such a low level, that the richest district will have raised sufficient funds to finance its own program at the target expenditure level. At this low tax rate, the richest district will

184. See generally WEISS, *supra* note 51 at 47-9 and n.53 at 47.

185. *Id.* at 50-5.

not have any excess funds and will have none to pay the state. Yet, at this low rate, local district contribution will be similarly low. Thus, the state will necessarily be required to contribute a tremendous amount of funds as compensation. At a tax rate of two mills, the state would have to increase its aid factor by 5.8 to amass a sum of \$755.7 million.¹⁸⁶ Such an increase in state contribution would most likely be prohibitive on many states.¹⁸⁷

Yet a study of the equalization objective of current state-support programs has concluded that the assumptions implicit in the measures of need and ability may not be quite accurate.

A state support plan which guarantees to local school districts a specified sum of money allocated on the basis of pupil or classroom units does not, *per se*, insure equality of educational opportunity. Whether equality of educational opportunity is achieved depends upon the nature of the educational program which is provided, not on the amount of money expended.¹⁸⁸

Therefore, the state's allocations to the local districts must reflect both varying educational needs and the varying educational costs of the programs fulfilling those needs.

As the major source of school support, the local property tax has been criticized for two major reasons. First, because it is allegedly a poor measure of either ability to pay or of benefits received.¹⁸⁹ Therefore, income and sales taxes should be looked to for school support. Secondly, the disparity in real property assessments indicates the inadequacy in administration of the property tax in many states. In a majority of states, at least half of the local

186. *Id.* at 52.

187. For other New England states, the ratio of state costs in a similar program (where the target expenditure level is set at the 80th percentile level, and the uniform tax rate is set so low as to avoid redistribution) to costs in a system that permits redistribution are as follows: Connecticut—2.3, Rhode Island—2.7, Vermont—2.9, Maine—4.4, and New Hampshire—12.4. *Id.* at 53.

188. Rossmiller, *The Equalization Objective in State Support Programs: An Analysis of Measures Needs and Ability*, 18 NAT. TAX J. 362, 368 (1965) [hereinafter cited as Rossmiller].

189. A uniform property tax does not guarantee equal treatment to individual taxpayers—especially if it is true that all taxes are paid from income. This is so because the relationship between income and property varies with the types of property involved. *Id.* at 368-69; see Tables 10 and 11, which show who pays what part of his income as property tax to support education. The tables are reproduced from COONS, *supra* note 115 at 499.

assessing areas covered in the latest census (before 1969) had a dispersion index of over twenty percent for one-family house assessments.¹⁹⁰ Yet, equality in property taxation must be equalized if the property tax is to remain a major source of school funds. A third criticism of the property tax is that it results in tax overburdens on some property owners and other individuals, particularly the aged and low income groups. Minnesota and Wisconsin pioneered a "circuit breaker" technique in protecting people from extreme property tax burdens; they utilize an income tax credit-tax rebate.¹⁹¹

In support of the property tax, two reasons are generally offered: (1) it has been the mainstay of local government for a long time, being a highly productive tax, (2) it is highly visible and provides many citizens a direct link between the government service provided and its cost.

The inequality on the payment of property taxes has been more noticeable through the pressure placed on central cities by what is generally referred to as "municipal overburden." Municipal overburden arises because of the central cities' greater demand for "custodial type" requirements. These are requirements for police and fire departments, etc. Such overburden tends to reduce the amount of funds available to central city school districts from real and personal property taxes.¹⁹² For example, a 1964 study by the Fels Institute revealed that only thirty percent of local funds raised from taxation in Philadelphia and Pittsburgh went to their school districts, while seventy percent of suburban townships' local funds were spent on suburban public schools.¹⁹³

Centralization of Educational Responsibility

New York State should be responsible for the full funding of public elementary and secondary education in order to assure that each student is provided equal educational opportunity and that the quality of his education does not depend upon the property values in the area where he happens to live.¹⁹⁴

190. ACIR, *supra* note 105 at 35.

191. FISCAL BALANCE IN THE AMERICAN FEDERAL SYSTEM, Advisory Commission on Intergovernmental Relations, Vol. 1, A-31 at 22 (1967). The New York State Commission on the Quality, Cost, and Financing of Elementary and Secondary Education, note 194 *infra*, urges at 6 that families which pay more than ten percent of their incomes in property taxes should receive tax credits. The property taxes in excess of ten percent of their incomes would be credited against the families' state income tax.

192. See McLoone, *supra* note 126 at 31-2.

193. Special Education and Fiscal Requirements of Urban School Districts in Pennsylvania, Fels Institute, University of Pennsylvania 22 (1964) as reported in ACIR, *supra* note 105 at 36.

194. Press Summary, New York State Commission on the Quality, Cost

This was the conclusion of the New York State Commission on the Quality, Cost and Financing of Elementary and Secondary Education which has recently published its findings of a two-year study of the public schools. The commission recommended that the state discontinue its heavy reliance on local property taxes as the major supporter of school finances, and instead utilize various other tax methods, such as income tax, sales tax, or any combination of the two along with the property tax. The commission also urged that substantial increases in federal funding be provided for New York to prevent the growing gap between state revenues and expenditures.

The Advisory Commission on Intergovernmental Relations has also advocated state assumption of primary responsibility for financing public schools, contrary to its earlier espousal in 1968 of an equalization program.¹⁹⁵ The advisory commission, however, differs in its proposed legislation from that of the New York State commission in that the former would restrict the amount of local property tax supplementation to not more than ten percent of the state outlay for local schools. This limitation would make more of the property tax base available to finance the general functions of local government, aside from creating an environment more conducive to equal educational opportunity. Yet, the advisory commission is adamant in requiring that local districts retain policy-making authority.

Full state funding would permit more effective controls over expenditures; it would allow local school boards to spend a greater amount of time on improving educational programs; it would permit a commensurate growth of school quality with the state's economy; and it would eliminate the competition now in existence among the wealthy districts for more elaborate school facilities.

The New York plan would provide for bringing all low-expenditure districts up to the 65th percentile expenditure level. At the same time, those districts currently spending at a higher level would still be fully funded by the state. However, they would not be permitted to increase their expenditures until the expenditures in

and Financing of Elementary and Secondary Education 1, Jan. 30, 1972 [hereinafter cited as New York Commission].

195. Compare ACIR STATE LEGISLATIVE PROGRAM, Advisory Commission on Intergovernmental Relations 16-12-00 (1969) with note 157 *supra* and its accompanying text.

the rest of the states' schools had risen to meet them. Of course, by not requiring those districts spending above the 65th percentile to decrease their expenditures and pay their extra funds to the state, the system would be politically palatable. Distribution of funds would depend upon enrollment rather than on weighted ADA—except for aid to students with learning problems. This change, however, does not take into account the tendency for secondary schools to be more expensive to operate.

The President's Commission on School Finance announced its recommendations on March 6, 1972. It agreed that state governments should assume the major cost of public education, and that the federal government should substantially increase its aid to education. The commission would also restrict supplemental financing by districts to ten percent of state allocations. The commission also recommended increased local, state, and federal aid to private schools.¹⁹⁶

Hawaii is the only state which has heretofore taken over fiscal responsibility of its schools. Hawaii maintains only one school district, so that no interdistrict inequalities could exist.^{196a} Yet, Hawaii has retained functional responsibility of its schools, which eliminates most of the local districts' decision-making authority.

While the commissions aforementioned insist upon local decision-making, others are not so insistent. They reason that the necessity of local control is based on the faulty notion that local control is a necessary consequence of local financing and vice versa. It is proposed that state control of the function of the schools would be a simple and more efficient system—as in Hawaii.¹⁹⁷

Compensatory Educational Financing

Another alternative to the public schools' financial dependence on their districts' tax base is a tuition grant by the state directly to the students' parents. This tuition grant scheme could require that governments finance a “. . . minimum level of schooling . . . by giving parents vouchers redeemable for a specified maximum sum per

196. San Diego Union, Mar. 6, 1972, § 1, at 1, col. 8.

196a. See HAW. REV. STATS. ch. 37 (1968). Chapter 37 deals with preparation of the budgets for all of Hawaii's executive departments. According to a March 29, 1972 letter from John A. Burns, governor of Hawaii, there are no special laws relating to the financing of Hawaii's single statewide public school system. Thus, since the department of education is part of the executive branch, its budgeting, appropriation, and allocation processes are determined by chapter 37.

197. ACIR, *supra* note 105 at 49.

child per year if spent on 'approved' educational services."¹⁹⁸ This method of financial aid would promote a healthy competition between schools that would meet consumer demand for education.¹⁹⁹ This competition would increase the rate of innovation and would cause schools and administrators to ". . . be less arbitrary and more responsive to the desires and needs of their customers, the parents and children."²⁰⁰

Such a proposal, by giving poor people the power to choose their own schools, may permit a real freedom of choice to those who may never have possessed it. However, poor people would not be the only ones imbued with the urge to seek new and better schools for their children. In fact, the poor would probably be less able to afford to send their children to "better" schools more distant from their homes. The wealthier the parents, then, the greater would be their capability to send their children to their favorite school, funded by the state. If the state imposes limitations with respect to the area wherein the students must attend school, the restraint might be self-defeating.

Another problem associated with a tuition grant system is the likelihood of constant transferring from school to school in search of a more suitable one. Beyond a lesson in geography, this quest may do no more than negate the probability of the schools' offering the students a learning experience. In any case, if the state were also to impose restraints on the number of inter-school transfers, the restriction may be self-defeating as well.

Aside from the psychological detriment which may be experienced by the constantly migrating students, the system makes no restrictions as to the possibility of wealthier families' supplanting the government subsidy and "purchasing" better schooling. This type of program is very similar to the familiar flat grant or basic aid system, where inequality thrives. Thus, in order for this proposed system to function equitably, no supplementary funding should be permitted as an addendum to the state vouchers.²⁰¹

198. M. FRIEDMAN, *CAPITALISM AND FREEDOM* 89 (1962).

199. *Id.* at 91; cf. Bickel, *Desegregation: Where Do We Go from Here?*, *NEW REPUBLIC*, Feb. 7, 1970, at 20, 22 (tuition grants to private schools should be encouraged).

200. Kerr, *et al.*, *Major Revision of Education System Urged*, *Pittsburgh Post-Gazette*, Mar. 21, 1968, § 1, at 8, col. 3.

201. COONS, *supra* note 115 at 260-61.

A tuition grant scheme, however, may be open to attack under the equal protection clause²⁰² and under the first amendment's establishment clause, as that provision is incorporated into the fourteenth amendment's due process guarantee.²⁰³ Of course, such attacks would be dependent upon the scheme's provisions and upon the character of the schools it benefits.

*Power Equalizing Grant System*²⁰⁴

The merit of a "percentage equalizing" system is that local districts are aided according to a share of their budgets instead of unit costs.²⁰⁵ However, that system would equalize educational wealth only at each level of effort and spending. To be fully equalizing, the grant system must equalize at *all* levels of effort simultaneously. This additional requirement has been incorporated into the percentage equalizing grant system, and a new system was developed—"power equalizing." This new system, while retaining the virtues of simplicity, flexibility, and a complete elimination of wealth connected disparities in local tax effort and spending, has preserved local decision-making and control. A power equalizing system operates by making dollars per student a function of effort alone.

Power equalizing is a commitment by the state to the principle that the relationship between effort and offering of every district will be the same irrespective of wealth and that the district is to determine the effort (within appropriate limits if the state so desires). . . . Like the present system, power equalizing contemplates that districts will value education differently and, therefore, that the offerings throughout the state will differ. Local incentive is stressed to the exclusion of the incompatible value of statewide equality of offering.²⁰⁶

Power equalizing could be implemented in various ways. For instance, the state may specify a schedule relating school spending levels to local tax effort. Thereupon, if a district's revenues, at a given tax rate, do not match the corresponding expenditure level in the schedule, the state has two alternatives: if the difference is one where the district experienced a deficit, the state would make

202. For a good discussion of the consequential unequal effects of using tuition grants at discriminatory private schools, see King, *Rebuilding the "Fallen House"—State Tuition Grants for Elementary and Secondary Education*, 84 HARV. L. REV. 1057 (1971).

203. See *Illinois ex rel. McCollum v. Board of Education*, 333 U.S. 203 (1948) (utilization of the state's tax supported public school system to enable sectarian groups to give religious instruction to public school pupils in public school buildings was prohibited).

204. See generally COONS, *supra* note 115 at ch. 6.

205. See notes 126-31 *supra* and their accompanying texts.

206. COONS, *supra* note 115 at 202. "Offering", as used by COONS, means money offering by the state to the districts.

up the difference; if the district had earned a surplus, the state would require such excess to be paid to the state. Thus, no deviations from the prescribed tax rate-expenditure schedule is possible. All districts, regardless of their wealth, would be free to decide their level of effort (and consequently their level of spending). Districts with low valuation will not be at a disadvantage at any given tax effort. In addition, in order to induce greater expenditures and higher levels of education, the state could prepare a tax effort-expenditure schedule which would reward spending up to a certain level, with extra rewards beyond.

Whether or not such a system is likely to be preferred by the different states is difficult to tell. It is probable that states which currently provide aid through a percentage equalizing system will modify them into power equalizing models. Politically speaking, however, the redistributive aspects of the system may not be too appealing to many states. At this point in time, only Utah has instituted a system which encompasses redistribution of funds from wealthy to the poor.

V. CONCLUSION

California's decision-makers, or legislators, will eventually be compelled to extricate themselves from their sedate thrones of distinction and institute a workable, constitutional, school financing program. Politicians will, however, tread softly and cautiously before committing themselves to any meaningful piece of legislation—if not to legislation in general. Upcoming elections must be considered; wealthy supporters must be heeded. Politics plays a considerable role in current decision-making. Therefore, any new financing program for the public schools will perforce require thorough deliberation of its political ramifications.

The political ramifications of any financing system's requiring a redistribution of funds from wealthy to poor districts are beyond the layman. It is highly probable, though, that the political financiers who reside in the advantageous wealthy communities will regard with disfavor such a "hasty" choice. Yet, this author believes that such a system, if not bespoiled by dollar ceilings or minimum levels of support, would equalize educational opportunity very well. However, since redistribution systems rely heavily upon the property tax, overburdened taxpayers will remain unfairly and inequitably in their positions.

A centralized system of school support would resolve the politicians' dilemma and the property owners' plight. Full state funding will eliminate the burden of the property tax and will spread the cost of education to the public in general. Such a system will strike hardest at those who are most able by utilizing taxes on incomes and sales as the basis for school support. Redistribution will not be necessary, and no district's wealthy tax base will aid it. It is amusing to note that Hawaii, the last state to join the union, has already embarked upon such a system.

ALLAN A. NADIR

—TABLE 1—

STATE OF CALIFORNIA
REVENUES OF SELECTED SCHOOL DISTRICTS, 1968-69
REVENUES PER PUPIL

SCHOOL DISTRICT	TOTAL \$	FEDERAL AMOUNT \$	FEDERAL PERCENT	STATE AMOUNT \$	STATE PERCENT	LOCAL AMOUNT \$	LOCAL PERCENT	RATE NECESSARY FOR LOCAL REVENUE IN MILLS	POTENTIAL YIELD AT 10 MILL RATE \$
BEVERLY HILLS	1283	25	2.0	145	11.4	1112	86.7	23.55	472
LAKE TAHOE	968	26	2.8	174	18.0	766	79.2	31.45	243
DIXON	731	32	4.4	157	21.6	541	74.0	31.67	170
MARTINEZ	964	39	4.1	173	18.0	751	77.9	49.26	152
ESCALON	695	29	4.2	238	34.3	427	61.5	30.97	138
LOS ANGELES	724	49	6.9	223	30.8	451	62.3	36.97	122
HOLTVILLE	847	46	5.5	237	28.0	563	66.5	46.34	121
FONTANA	794	44	5.6	267	33.6	482	60.8	43.97	109
PAJARO VALLEY	686	23	3.4	279	40.7	383	55.9	38.43	99
CHICO	713	22	3.2	277	38.9	412	57.9	44.73	92
SAN DIEGO	798	89	11.2	337	42.3	370	46.5	41.79	88
RIVERSIDE	655	33	5.2	278	42.5	343	52.3	40.54	84
ABC	737	37	5.1	329	44.7	369	50.1	49.18	75
NOVATO	739	89	12.0	332	45.0	317	43.0	47.27	67
COVINA VALLEY	658	8	1.2	326	49.5	324	49.2	52.00	62
CERES	747	142	19.1	400	53.6	204	27.4	38.52	53
TRAVIS	767	332	43.4	368	48.0	66	8.6	33.21	19

—TABLE 2—

STATE OF CALIFORNIA

NUMBER OF SCHOOL DISTRICTS=	1078	
TOTAL ENROLLMENT=	4682946	
TOTAL EXPENDITURE=		\$3552.4 MILLION
COST OF RAISING PER PUPIL EXPENDITURE IN THE 5TH TO 95TH PERCENTILES TO THE FOLLOWING LEVELS:		
PER PUPIL EXPENDITURE=	\$1075 (95TH PERCENTILE)	
NUMBER OF PUPILS=	4214307	
ADDITIONAL COST=		\$1382.2 MILLION
PER PUPIL EXPENDITURE=	\$ 918 (90TH PERCENTILE)	
NUMBER OF PUPILS=	3971888	
ADDITIONAL COST=		\$ 731.2 MILLION
PER PUPIL EXPENDITURE=	\$ 828 (80TH PERCENTILE)	
NUMBER OF PUPILS=	3511113	
ADDITIONAL COST=		\$ 392.0 MILLION
PER PUPIL EXPENDITURE=	\$ 776 (70TH PERCENTILE)	
NUMBER OF PUPILS=	3041321	
ADDITIONAL COST=		\$ 216.4 MILLION
PER PUPIL EXPENDITURE=	\$ 761 (60TH PERCENTILE)	
NUMBER OF PUPILS=	2226224	
ADDITIONAL COST=		\$ 174.0 MILLION
PER PUPIL EXPENDITURE=	\$ 747 (50TH PERCENTILE)	
NUMBER OF PUPILS=	2105758	
ADDITIONAL COST=		\$ 141.7 MILLION

—TABLE 3—

TOTAL PUBLIC SCHOOL REVENUE PER PUPIL IN ADA
1968-69

1. New York	\$1,500
2. New Jersey	1,115
3. Maryland	1,105
4. Delaware	1,099
5. Connecticut	1,086
6. Oregon	1,070
7. Alaska ¹	1,066
8. Vermont	1,015
9. Michigan	991
10. Nevada	981
11. Wisconsin	976
12. Illinois	973
13. California	959
14. Hawaii	943
15. Kansas	929
16. Minnesota	918
17. Massachusetts	914
18. Pennsylvania	908
19. Rhode Island	899
20. Washington	897
<i>United States average</i>	895
21. Wyoming	892
22. Indiana	865
23. New Hampshire	861
24. Montana	856
25. Arizona	851
26. Louisiana	844
27. Iowa	834
28. Colorado	823
29. Florida	804
30. New Mexico	796
31. Virginia	794
32. Ohio	785
33. Missouri	783
34. North Dakota	752
35. Texas	717
36. Kentucky	699
37. Nebraska	695
(Utah	695
39. South Dakota	678
40. Oklahoma	677
41. Maine	670
42. Idaho	642
43. North Carolina	631
44. Georgia	625
45. West Virginia	613
46. Tennessee	611
47. Arkansas	603
48. Mississippi	588
49. South Carolina	583
50. Alabama	484

¹ Dollar amount for Alaska reduced by one-fourth (\$1,421 to \$1,066) to make purchasing power generally comparable.

—TABLE 4—

ESTIMATED AMOUNT AND PERCENT OF FLAT AND EQUALIZING
EDUCATIONAL GRANTS, BY STATE, 1966-67

State	Total State grants	Flat grants		Equalizing grants	
	Amount (in millions)	Amount (in millions)	Percent of total	Amount (in millions)	Percent of total
United States	9,645.2	2,970.2	30.8	6,675.0	69.2
Alabama	185.3	20.8	11.2	164.5	88.8
Alaska	34.5	16.1	46.7	18.4	53.3
Arizona	80.7	69.0	85.5	11.7	14.5
Arkansas	75.8	11.8	15.5	64.0	84.5
California	1,019.7	680.7	66.8	339.0	33.2
Colorado	83.8	32.7	39.1	51.1	60.9
Connecticut	106.3	102.3	96.3	4.0	3.7
Delaware	58.2	58.2	100.0	0.0	0.0
Dist of Columbia	—	—	—	—	—
Florida	339.0	86.8	25.6	252.2	74.4
Georgia	287.0	14.3	5.0	272.7	95.0
Hawaii	—	—	—	—	—
Idaho	31.7	.1	0.3	31.6	99.7
Illinois	273.6	131.0	47.9	142.6	52.1
Indiana	238.5	57.8	24.2	180.7	75.8
Iowa	51.0	46.7	91.7	4.3	8.3
Kansas	98.1	12.1	12.3	86.0	87.7
Kentucky	149.3	2.4	1.6	146.9	98.4
Louisiana	276.6	53.9	19.5	222.7	80.5
Maine	29.9	1.6	5.5	28.3	94.5
Maryland	144.7	27.5	19.0	117.2	81.0
Massachusetts	155.8	23.8	15.2	132.0	84.8
Michigan	507.1	31.2	6.2	475.9	93.8
Minnesota	205.7	48.5	23.6	157.2	76.4
Mississippi	112.9	25.9	23.0	87.0	77.0
Missouri	156.4	135.9	36.9	20.5	13.1
Montana	30.0	7.0	23.3	23.0	76.7
Nebraska	6.2	6.2	100.0	0.0	0.0
Nevada	31.1	.2	0.8	30.9	98.2
New Hampshire	8.1	4.6	56.2	3.5	43.8
New Jersey	222.1	126.7	57.0	95.4	43.0
New Mexico	106.6	106.4	93.3	0.2	0.2
New York	1,462.0	12.5	0.9	1,449.5	99.1
North Carolina	280.3	280.3	100.0	0.0	0.0
North Dakota	20.5	2.5	12.3	18.0	87.7
Ohio	327.7	.3	0.1	327.4	99.9
Oklahoma	74.6	22.7	30.5	51.9	69.5
Oregon	86.4	72.8	84.3	13.6	15.7
Pennsylvania	583.7	62.4	10.7	521.3	89.3
Rhode Island	20.4	0.0	0.0	20.4	100.0
South Carolina	143.5	143.5	100.0	0.0	0.0
South Dakota	10.3	2.8	27.1	7.5	72.9
Tennessee	170.1	6.9	4.0	163.2	96.0
Texas	554.9	225.5	40.6	329.4	59.4
Utah	86.9	5.4	6.3	81.5	93.7
Vermont	15.2	3.7	24.3	11.5	75.7
Virginia	152.7	29.5	19.3	123.2	80.7
Washington	284.9	51.2	18.0	233.7	82.0
West Virginia	93.3	41.0	43.9	52.3	56.1
Wisconsin	141.3	61.2	43.3	80.1	56.7
Wyoming	21.7	3.7	17.1	18.0	82.9

Source: U.S. Department of Health, Education and Welfare, Office of Education *Public School Finance Program 1966-67, By State.*

—TABLE 5—

SCHOOL DISTRICT PER-PUPIL PROPERTY VALUATION
DISPARITIES, BY STATE

1968/69 Assessed Valuation	Ratio of Max/Min.	Ratio of Max/Min. W/In 5th-95th Percentile	Ratio of Max/Min. W/In 10th-90th Percentile
*Alabama	4.5/1	3.3/1	2.7/1
Alaska	3.9/1	3.9/1	3.9/1
*Arizona	22.2/1	8.1/1	5.3/1
Arkansas	10.7/1	2.3/1	2.1/1
California	24.6/1	5.9/1	3.5/1
*Colorado	11.4/1	4.9/1	2.8/1
*Connecticut	5.7/1	2.9/1	2.3/1
Delaware	5.5/1	2.9/1	2.1/1
Florida	9.3/1	4.2/1	3.3/1
Georgia	4.7/1	2.4/1	1.8/1
*Hawaii	(Property tax revenues not used to support education)		
*Idaho	3.0/1	2.0/1	1.8/1
*Illinois	20.1/1	2.4/1	2.1/1
Indiana	17.4/1	2.7/1	2.1/1
Iowa	5.2/1	2.2/1	1.9/1
Kansas	182.8/1	4.8/1	2.6/1
Kentucky	8.6/1	4.4/1	3.1/1
*Louisiana	13.5/1	3.5/1	2.4/1
Maine	11.2/1	4.2/1	2.4/1
Maryland	2.8/1	2.2/1	1.9/1
Massachusetts	10.4/1	2.7/1	2.2/1
Michigan	30.0/1	3.4/1	2.6/1
Minnesota	5.2/1	2.9/1	2.4/1
Mississippi	5.2/1	2.5/1	2.1/1
*Missouri	29.6/1	4.4/1	2.9/1
Montana	3.1/1	2.6/1	2.0/1
Nebraska	19.0/1	3.8/1	3.3/1
*Nevada	4.0/1	4.0/1	4.0/1
New Hampshire	4.5/1	2.0/1	1.6/1
New Jersey	10.5/1	4.0/1	2.9/1
New Mexico	21.4/1	9.6/1	5.9/1
New York	84.2/1	4.7/1	3.7/1
North Carolina	3.2/1	2.4/1	2.1/1
*North Dakota	1.7/1	1.6/1	1.6/1
Ohio	10.7/1	3.8/1	2.6/1
Oklahoma	22.4/1	4.4/1	2.7/1
Oregon	5.3/1	2.8/1	2.0/1
Pennsylvania	10.5/1	3.8/1	2.6/1
Rhode Island	2.2/1	1.7/1	1.6/1
South Carolina	8.8/1	3.5/1	2.6/1
South Dakota	9.7/1	8.3/1	1.7/1
Tennessee	9.5/1	6.2/1	3.7/1
*Texas	45.1/1	7.4/1	4.6/1
Utah	8.6/1	3.1/1	2.9/1
Vermont	3.3/1	2.3/1	1.8/1
Virginia	6.8/1	2.9/1	2.3/1
Washington	12.5/1	3.6/1	2.2/1
West Virginia	3.6/1	3.0/1	2.3/1
Wisconsin	77.9/1	2.2/1	2.0/1
*Wyoming	6.1/1	4.2/1	2.9/1

* Locally assessed valuation is used for these states. Otherwise, equalized assessed valuation is used.

—TABLE 6—

**SCHOOL DISTRICT PER-PUPIL EXPENDITURE
DISPARITIES, BY STATE**

<i>1969/70 Expenditures</i>	<i>Ratio of Max/Min.</i>	<i>Ratio of Max/Min. W/In 5th-95th Percentile</i>	<i>Ratio of Max/Min. W/In 10th-90th Percentile</i>
Alabama _____	2.0/1	1.4/1	1.3/1
Alaska _____	3.8/1	1.7/1	1.6/1
Arizona _____	7.1/1	3.0/1	2.3/1
Arkansas _____	3.4/1	1.9/1	1.6/1
California _____	7.9/1	2.5/1	2.0/1
Colorado _____	6.3/1	2.4/1	2.1/1
Connecticut _____	6.3/1	2.4/1	2.1/1
Delaware _____	1.7/1	1.2/1	1.2/1
Florida _____	1.8/1	1.5/1	1.4/1
Georgia _____	2.0/1	1.4/1	1.3/1
Hawaii _____	1.3/1	1.3/1	1.2/1
Idaho _____	6.6/1	2.1/1	1.8/1
Illinois _____	5.9/1	2.2/1	1.8/1
Indiana _____	2.6/1	1.6/1	1.5/1
Iowa _____	2.0/1	1.6/1	1.4/1
Kansas _____	3.2/1	2.1/1	1.7/1
Kentucky _____	2.6/1	1.4/1	1.3/1
Louisiana _____	1.8/1	1.7/1	1.3/1
Maine _____	9.1/1	1.9/1	1.7/1
Maryland _____	1.6/1	1.2/1	1.2/1
Massachusetts _____	9.3/1	2.3/1	2.0/1
Michigan _____	3.1/1	1.7/1	1.4/1
Minnesota _____	4.0/1	1.6/1	1.4/1
Mississippi _____	2.6/1	1.8/1	1.5/1
Missouri _____	9.1/1	2.2/1	1.8/1
Montana _____	18.2/1	4.1/1	3.0/1
Nebraska _____	12.4/1	3.5/1	2.6/1
Nevada _____	2.2/1	2.2/1	1.4/1
New Hampshire _____	4.8/1	2.2/1	1.8/1
New Jersey _____	5.9/1	1.9/1	1.7/1
New Mexico _____	2.5/1	1.9/1	1.7/1
New York _____	11.4/1	1.9/1	1.6/1
North Carolina _____	1.6/1	1.4/1	1.3/1
North Dakota _____	24.0/1	2.1/1	1.7/1
Ohio _____	4.1/1	1.7/1	1.5/1
Oklahoma _____	29.7/1	2.5/1	2.0/1
Oregon _____	11.4/1	2.7/1	2.1/1
Pennsylvania _____	7.9/1	2.1/1	1.5/1
Rhode Island _____	2.3/1	1.7/1	1.5/1
South Carolina _____	1.5/1	1.3/1	1.3/1
South Dakota _____	34.2/1	3.6/1	2.6/1
Tennessee _____	2.5/1	1.6/1	1.4/1
Texas _____	56.2/1	2.8/1	2.1/1
Utah _____	2.8/1	1.9/1	1.6/1
Vermont _____	4.2/1	2.2/1	1.9/1
Virginia _____	2.6/1	1.5/1	1.4/1
Washington _____	9.2/1	2.6/1	1.8/1
West Virginia _____	1.4/1	1.3/1	1.2/1
Wisconsin _____	3.4/1	1.7/1	1.4/1
Wyoming _____	26.2/1	5.6/1	4.4/1

—TABLE 7—

**COST OF EQUALIZING EXPENDITURES TO VARIOUS
PUPIL PERCENTILE LEVELS, BY STATE**

	95th per- centile	90th per- centile	80th per- centile	70th per- centile	60th per- centile	50th per- centile
	(millions)	(millions)	(millions)	(millions)	(millions)	(millions)
Alabama _____	\$ 50.5	\$ 40.2	\$ 22.2	\$ 17.5	\$ 12.6	\$ 5.4
Alaska _____	10.2	10.2	9.1	4.0	0.2	0.2
Arizona _____	89.9	79.6	55.5	37.3	13.8	10.3
Arkansas _____	49.0	37.1	19.5	15.5	12.3	7.3
California _____	1382.2	731.2	392.0	216.4	174.0	141.7
Colorado _____	65.0	65.0	65.0	43.6	16.9	14.6
Connecticut _____	179.6	126.8	83.5	62.1	35.3	22.9
Delaware _____	32.3	32.3	7.7	5.7	3.0	1.6
District of Columbia _____	—	—	—	—	—	—
Florida _____	185.1	117.2	117.2	83.5	45.2	35.8
Georgia _____	188.9	162.6	57.9	25.5	23.5	16.0
Hawaii _____	10.5	8.7	2.9	2.9	2.9	2.4
Idaho _____	56.9	33.6	14.4	14.4	9.6	5.1
Illinois _____	680.6	401.6	294.4	294.4	194.1	96.8
Indiana _____	161.9	112.9	76.9	71.3	47.9	33.0
Iowa _____	112.0	85.4	42.1	30.9	24.8	12.6
Kansas _____	101.7	69.6	26.6	16.9	11.8	11.8
Kentucky _____	109.6	57.1	57.1	31.9	14.6	9.8
Louisiana _____	66.4	53.6	27.8	17.6	12.1	11.3
Maine _____	23.1	23.1	16.7	10.3	7.3	5.2
Maryland _____	175.2	175.2	28.1	28.1	24.2	14.3
Massachusetts _____	344.6	236.0	121.9	68.4	51.1	42.4
Michigan _____	473.1	326.6	186.5	125.5	109.9	87.3
Minnesota _____	107.2	107.2	76.0	57.4	33.6	22.5
Mississippi _____	56.5	40.6	35.0	21.5	16.1	10.8
Missouri _____	143.0	107.1	105.8	61.6	46.2	28.7
Montana _____	127.0	62.5	34.8	19.6	17.2	9.5
Nebraska _____	79.0	48.3	19.2	11.5	10.5	7.7
Nevada _____	15.7	8.1	1.3	1.3	0.0	0.0
New Hampshire _____	20.3	16.9	11.1	7.5	3.6	2.3
New Jersey _____	372.2	285.6	164.5	106.5	69.6	42.4
New Mexico _____	33.1	25.3	14.4	5.2	2.9	0.9
New York _____	998.9	537.7	275.8	275.8	275.8	244.5
North Carolina _____	84.9	84.9	42.5	36.0	28.7	19.5
North Dakota _____	24.1	17.7	14.4	8.2	5.5	4.9
Ohio _____	530.8	471.8	256.9	182.7	136.8	79.5
Oklahoma _____	111.2	55.4	36.0	23.5	13.4	13.2
Oregon _____	70.4	54.6	31.8	17.7	13.8	13.8
Pennsylvania _____	456.8	456.8	351.7	180.3	113.9	62.7
Rhode Island _____	45.3	45.3	18.1	13.9	8.1	5.3
South Carolina _____	28.2	28.2	19.4	14.5	6.7	6.4
South Dakota _____	30.8	20.1	10.8	5.7	2.6	2.6
Tennessee _____	88.9	88.9	64.4	54.0	33.7	14.9
Texas _____	394.7	263.4	144.1	92.5	55.7	40.9
Utah _____	33.5	13.1	9.4	7.0	1.7	1.4
Vermont _____	26.9	21.4	13.7	11.9	8.2	4.8
Virginia _____	140.3	130.8	130.8	68.8	43.3	21.7
Washington _____	107.2	107.2	79.3	55.9	43.3	28.0
West Virginia _____	31.4	30.8	16.8	12.3	11.3	4.9
Wisconsin _____	13.4	9.0	5.8	3.5	2.1	2.1
Wyoming _____	38.8	27.1	16.1	8.5	4.0	1.3
Totals _____	\$8758.8	\$6151.4	\$3724.9	\$2588.5	\$1855.4	\$1285.0
	mil- lion	mil- lion	mil- lion	mil- lion	mil- lion	mil- lion

—TABLE 8—

PER CENT OF THE TOTAL PUBLIC SCHOOL REVENUE
CONTRIBUTED BY THE STATES

California Compared to the National Average and the Next
Four Largest States Based on Average Daily Attendance

Year	Calif.	National				
		Avg.	N.Y.	Texas	Ohio	Penn.
1965/66	38.5	39.1	44.2	52.0	27.4	41.7
1964/65	39.5	39.7	43.0	53.4	26.8	43.6
1963/64	38.6	40.0	44.1	52.4	25.8	45.4
1962/63	39.8	39.3	44.4	52.2	22.7	42.1
1961/62	40.0	39.2	41.6	52.6	22.6	42.7
1960/61	40.4	40.1	42.4	50.0	29.1	51.1
1959/60	42.7	39.5	39.3	49.9	30.3	50.2
1958/59	44.2	39.5	37.1	48.1	28.6	49.1
1957/58	44.6	39.9	37.9	48.5	33.3	49.5
1956/57	43.9	39.8	38.2	54.2	35.2	44.8
1955/56	43.8	37.7	35.5	53.0	28.0	39.1

Source: Research Division—National Education Association,
Estimate of School Statistics, 1955/56-1965/66.

—TABLE 9—

REVENUE SPENT ON PUBLIC EDUCATION
CONTRIBUTED BY THE STATES—PER PUPIL
IN AVERAGE DAILY ATTENDANCE

California Compared to the National Average
and the Next Four Largest States

Year	Calif. \$/ADA	National				
		Avg. \$/ADA	N.Y. \$/ADA	Texas \$/ADA	Ohio \$/ADA	Penn. \$/ADA
1965/66	\$292	\$247	\$440	\$283	\$157	\$282
1964/65	285	227	381	260	143	265
1963/64	267	216	375	240	127	254
1962/63	275	205	351	235	130	228
1961/62	269	197	308	234	130	232
1960/61	215	117	297	174	135	227
1959/60	215	169	261	177	141	219
1958/59	205	158	246	168	120	211
1957/58	193	148	224	167	117	198
1956/57	200	139	208	162	117	165
1955/56	191	128	174	153	94	145

Sources:

1. Average daily attendance for the years 1958/59-1965/66 from: Research Division—National Education Association, *Estimate of School Statistics 1958/59-1965/66.*
2. Average daily attendance for the years 1955/56-1957/58 from: U.S. Department of Commerce, Bureau of the Census, *Statistical Abstract of the U.S., 1958-1961.*
3. Estimated revenue from: Research Division—National Education Association, *Estimate of School Statistics, 1955/55-1965/66.*

—TABLE 10—

Percent of all educational spending raised locally and by state via property tax: selected states

State	Total raised locally (all taxes)	Raised by local district via 1959-60 property tax	Raised by state via 1959-60 property tax
Arizona	53.4	53.4	6.8
Delaware	9.8	9.8	0.
Illinois	67.1	67.1	0.
Nevada	33.2	30.8	3.7
New Hampshire	85.1	80.0	.5
New York	54.2	54.2	0.
North Carolina	27.8	18.9	0.
Ohio	69.4	63.9	0.
Rhode Island	72.8	72.8	0.
Utah	50.4	45.5	8.2
United States	53.0	50.3	.6

Source: U.S. Department of Health, Education and Welfare, *Revenue Programs for the Public Schools in the United States, 1959-60* (Washington, D.C., 1960), p.7.

—TABLE 11—

Property tax as a percent of income by income level

Households by income	Approximate range of income quartile (dollars)	Resident property tax as percent of income
Lowest quartile	Under 3,000	3.5
Second quartile	3,000-5,000	1.6
Third quartile	5,000-7,000	1.3
Highest quartile	7,000 and over	1.0
All households		1.3

Source: J.A. Thomas, *School Finance and Educational Opportunity in Michigan* (Lansing: Michigan Department of Education, 1968), p.183.