

II
REFORM THROUGH STATE LEGISLATURES
WHAT IS A "JUST" SYSTEM FOR
FINANCING SCHOOLS?
AN EVALUATION OF ALTERNATIVE REFORMS

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The last of those qualities
which make a state virtuous
must be justice, if we only
knew what that was.

—Socrates in *The
Republic* by Plato

INTRODUCTION

The word "equality" is often associated with debates about public school finance. But surely the history of public school finance by local districts is the history of determined inequality. The traditional liberal, whom we now call conservative, focuses attention on the *processes* in the economy, desirous of maintaining freedom of the individual and of his freely entered into collectives. Some of these collectives are cities, suburbs, towns, and school districts; they exist to promote and to maintain inequality in the provision of public services.¹ Modern liberals look more at the *results* of individual and collective freedom, particularly as exercised by the powerful. Since collectives designed to maintain schooling inequality are local in nature, liberals look to higher levels of government—state and federal—to promote their concept of justice, which entails preventing some individuals and collectives from maintaining inequalities.

Liberals are not sure what equality they want. They object to a race in which the winners can be predicted by their social status. However, properly viewed, the racers in schooling are children; the social status is that of their parents. The training methods differ, as do the food the different racers get, the track conditions, the coaching, equipment, and so forth. Some liberals will not be satisfied that equality exists until a proportionate number of lower class children win; for others, only the training has to be made equal (though how they will

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¹ For a more complete analysis of the school district as disequalizer, see Michelson, *The Political Economy of Public School Finance*, in *SCHOOLING IN A CORPORATE SOCIETY* (M. Carnoy ed. 1972). Note that official collectives are expected to maintain equality internally. See, e.g., *Hawkins v. Town of Shaw*, 437 F.2d 1286 (5th Cir. 1971); *Hobson v. Hansen*, 269 F. Supp. 401 (D.D.C. 1967), *aff'd sub nom. Smuck v. Hobson*, 408 F.2d 175 (D.C. Cir. 1969).

determine whether it actually is remains unclear); still others demand only that there be a reasonable effort to provide opportunities for training. It is a mess, and it makes deriving a reasonable, simple formulation for the allocation of public school funds appear more difficult than it is. Deriving a formulation to satisfy a set of principles is not the problem: agreeing on the principles is. A major task of this article is to demonstrate this proposition.

Fundamentally, what divides supporters of district power equalizing (DPE)² and those who favor full state funding, the two "reforms" with the most current support, is the question of district choice—whether deliberate funding inequality, which is what ensues from district choice, more nearly approaches a "just" system than does some imposed "equality." This debate, in turn, revolves around the extent to which the desires of parents are to be considered when discussing what is justice among children. Most of what passes as debate about finance is really debate about the relationship between children and their parents on the one hand, and children and the state on the other.³ Beneath this miasma, some excellent technical work has increased our knowledge of the mechanics of public school finance and the possibilities for alternatives.⁴ I believe that the technical points made in this article will induce little debate. The question will still be whether they form an acceptable basis upon which to finance schools.

A second task of this article, then, will be to outline principles for public school finance. But finance formulas have traditionally combined revenue raising and its distribution among districts into one statement. If one accepts the "district" as an operating fiscal and political unit, then the question is immediately raised: How much should one district finance the education in another, especially if the latter "chooses" a higher level of school support than the former? Public school finance formulations have bound revenue and expenditures together because they have accepted the principle of district choice of expenditures for education. If the legitimacy of district choice is rejected, the revenue question becomes entirely different: What is the optimal tax system to finance a set of state services for children? I shall support the no-choice scheme as "just," but since this article is of necessity limited in

² District power equalization is a plan which has as its goal discarding property wealth as a factor in determining a district's expenditure level. Under such a plan, local tax rates are the sole determinant of a district's expenditures. If the state's guaranteed expenditure level for the tax rate selected cannot be met because local property values are too low, the state must supply the difference. Conversely, if the tax levy produces more than that guaranteed by the state, the state takes the surplus. See J. COONS, W. CLUNE & S. SUGARMAN, *PRIVATE WEALTH AND PUBLIC EDUCATION* 240-42 (1970).

³ The difference between equal choice systems ("equity in political economy") and equal outcome systems ("social equity") is clearly enunciated by one author; but he cannot choose between them, claiming that experts are divided. His elaborate array of distribution tables is meaningless, however, and his dilemma unfounded, because of his failure to distinguish children from parents. Morgan, *No Wealth Discrimination*, 6 *EDUCATION & URBAN SOC'Y* 1 (1973).

⁴ See, e.g., B. LEVIN, T. MULLER, W. SCANLON, & M. COHEN, *PUBLIC SCHOOL FINANCE: PRESENT DISPARITIES AND FISCAL ALTERNATIVES* (1972), and other studies from the Urban Institute. The Urban Coalition and Syracuse University Research Corporation have supported some good work, and the Advisory Commission on Intergovernmental Relations has produced several excellent background data summaries. Definitely excluded from the list of meritorious analyses is the entire output of the National Educational Finance Project. See Grubb, *Book Review*, 42 *HARV. EDUC. REV.* 563 (1970).

scope, I shall omit any specific discussion of optimal taxation and deal only with a state formulation for distribution of school funds independent of the source of the revenues.

I

PRINCIPLES AND INSTITUTIONAL CONSTRAINTS

Although there may be reasons to isolate children somewhat at first, they eventually must interact with on-going community functions in the course of their education. If the child wants to learn welding, he finds a welder and becomes an apprentice. If he wants to learn anthropology, a course must be formed and a teacher, books, and field trips provided. It is scarcity which first distorts this picture. The welder has to make a living—what will induce him to teach a child who may not be serious (in which case it looks like a waste of time), or worse yet, who may be a potential competitor? Where does the anthropology teacher come from? From outside the community? Then there is a need for “foreign exchange,” that is, remuneration acceptable to this outsider, redeemable outside the community. One thing becomes clear: there must be a mechanism for choosing among alternative uses for community resources. Education competes with production for use and with production for exchange. There is a fixed amount of resources, which must be allocated.

We design a government and tell it to promote “justice,” understanding that this requires some nonmarket resource allocation. An education budget is thus created, indicating that portion of the community’s resources which is to be made available to children as a deliberate allocation. We can now allocate an hour a day of a welder’s time to education, or allocate some community time to the manufacture of goods to be sold outside the community to pay for an anthropology teacher.

Allocation by the government is required by scarcity. A second problem is that of desire. Different persons will desire different amounts of educational resources. The government may supply resources according to a schedule of community needs and desires, but students will demand them according to individual desires for training. An “optimal” solution which allows both community and individual preferences to interact will not necessarily appear equal. Different amounts of resources will be utilized by different students in solving this supply-demand problem. Moreover, there may not be “equality” in the opportunity to demand resources. Accordingly, I would support preferential admissions of blacks to law school not under the pretext of equal opportunity for prospective law students, but as a means of providing fundamental services to minority communities,⁵ in spite of the appearance of inequality. In some countries, rather than determining education resource allocation by the likelihood of the skills flowing to certain communities, education is provided on the condition that the recipient spend some time using his new skills in community determined ways. Such a system is used to a limited extent in the United

⁵ See, e.g., Brief for Harvard University as Amicus Curiae in *Defunis v. Odegaard*, 94 S.Ct. 1704 (1974).

States, although it may not be appealing as a general matter. Federal support of medical students on the condition that they subsequently enter the armed services is such a case.

There is no way to achieve a just system so long as private individuals compete for limited educational resources, apply them where they will (whether to the highest bidder or not), and receive a private benefit as a result of their scarcity. Similarly, allowing limited indenture as a means of financing education, while perhaps preferable to nothing, is equivalent to the equal opportunity of rich and poor alike to sleep under Paris bridges.

Moreover, it is not true that total educational resources are quantifiable in advance, and can be acquired and allocated by the state. The barn raising society lives on; it is called the town, the city, the school district, and sometimes only the family. Individual adults will provide individual children with educational resources which would not be available for state allocation. Children will receive an advantage as a result of being born into some families, and a disadvantage as a result of being born into others. The fixed resource educational budget is a fiction. Educational resources flow from love, relationship, providence, personality, community ideology, circumstance, families, friends, enemies, employers—and the state.

The question therefore becomes: What acceptable principles should govern that part of the total educational resource flow which is budgeted and allocated through the state? We must begin our analysis by examining current allocation rules to see if some obvious principle is violated. Where R represents a flow of resources, H is a vector of home characteristics, and S is a vector of school characteristics, the current system can be described:

$$(1) \quad R = f(H, S).$$

The home allocation is a function of the desires and skills of parents (P), as well as their income or wealth (Y). The school allocation is a function of the income or wealth of the adults in the school district (W), their desires to support their school system (D), and the needs of the children as perceived by the adults (N).⁶ Thus we can write:

$$(2) \quad R = f(P, W, Y, D, N).$$

I shall simply assert that a "just" allocation should be a function only of characteristics of the child (C), which may include "need" as used above, and the generalized allocation decisions of the community (A) which determine how much of the total state budget to give to education:

$$(3) \quad R = f(C, A).$$

That is, R should not be a function of any variable which reflects parental behavior toward their children (individually or in some small collective, and including nonparents identifying with a particular sub-population of children). Even A is questionable. One could discuss whether allocation decisions

⁶ The distribution of local funds is positively related to wealth or income measures in all states, though not always strongly. All studies find some characteristic of parents which is reasonably interpretable as "desire" for education (parental education, occupation, and so forth) significantly related to expenditure levels.

between present and future generations should be left to the present generation, but except to note that government is supposed somehow to represent future generations in this decision, I shall not do so. What is important is that in the current formulation, individual and state resources flow to children not on the basis of the adults' view of how resources should be allocated in general, but on the basis of their desires to provide their children with a comparative advantage, and their ability or inability to fulfill these desires.⁷

Under district power equalizing proposals, district wealth (W) is to be eliminated from the resource allocating equation, so that we would have:

$$(4) \quad R = f(P, Y, D, N).$$

This more nearly resembles (2) than it does (3). It offers a marginal change, not a different principle of justice. It does not question the concept of parental choice, only the bases on which that choice should be allowed. Yet from the state's point of view there is no reason for parental choice to affect the formal allocation of state educational resources to particular children. Once the state has the funds, adult favoritism should play no role, and only the characteristics of the child should be recognized. In theory, education should be just like the military, another state function—once the size of the military is determined, citizens are accepted, trained, assigned, and paid (in theory at least) according to their characteristics, not according to those of relatives.

What if a parent adds still more resources, privately, to a child's education? Must the state respond by compensating all other children? Obviously not. The total amount of resources flowing to education is not fixed, but the state's amount is. The state cannot, and would not want to, monitor every parent for disequalizing effects. We are constrained within a system in which the state's role is highly formalized, requiring strict accounting procedures, overt and bureaucratic allocations, and so forth. Only in the most general sense can it "compensate" children for their lack of private resources. As long as such compensation is a function of the observed resources or characteristics of the children, not of their parents' choice, then the state can differentiate among children in the only area in which the state can act—money flows.

The argument has, of necessity, been cryptic. I have differentiated school district choices to favor particular children from adult decisions about resource allocation in general. Unless we allow the state's role to be one of enforcing the rights of parents to distinguish (disequalize) their children, we should agree that the variables which enter into the state's allocation function should reflect characteristics only of the children, not of their parents or other associated adults. In the state's allocation function, the general need for skills will surely be considered. Thus, children who demonstrate the ability to develop specific skills would not be denied resources under this principle merely because they come from wealthy homes. But neither should such

⁷ One could apply Rawls' algorithm of choice—that the only just allocation decision would be that made by the adults in ignorance of which children would receive which resources. See J. RAWLS, *A THEORY OF JUSTICE* (1971). However, Rawls is concerned with justice among consenting adults; justice dispensed by adults to children will require different, and I think more easily accepted, principles than his.

children be denied resources because they live in a district which does not choose to spend the funds if a more general state decision has been made to support the acquisition of these skills.

The state can recognize in some limited way that resources flow to children differentially outside the formal allocation of funds. The state may attempt to equalize all resource flows to children, though it can never actually do so. Still, if it considers all education resources, not just those it allocates, the state can budget greater amounts of school funds for children who have less non-school educational resources. We can thus articulate two alternative principles for a just allocation of school funds. The first formulation is mandatory, the second is permissive:

- (1) The state has a school budget as part of its general determination of the amount and allocation of public funds. Its distribution procedure shall be based solely on characteristics of children, including their needs and desires, modified by the state's need for skills.
- (2) The state may observe that total educational resources flow unequally to different children, and within the scope of the above principle may attempt to compensate the disadvantaged children. In other words, it may consider that it is not enough to treat children without regard for their parents, and it may contravene the private differentiating actions of parents.

The obvious initial standard to which these principles lead is equal dollars per pupil. Possible objections to this standard include:

- (1) Prices of inputs differ, with resources flowing more or less easily to different communities. Sometimes the basis of this resource flow is a characteristic of the families (teachers might prefer high income to low income districts) and sometimes not (as with the cost of living).
- (2) Real costs of education differ. This argument takes two different forms:
 - (a) The quality of students is systematically related to characteristics of the district, whether by inheritance or acquisition.
 - (b) The productivity of school resources may be reduced by district characteristics, such as crime in schools and noise level.
- (3) There are economies of scale or of composition. Large (or perhaps, small) schools can be run more efficiently, some would argue. Elementary grades may not cost as much as high school grades.
- (4) Money does not produce education, so the fact that the wealthy waste their funds should not lead to the state wasting its public funds.

The thrust of these objections is that there is a desired equality but dollars do not measure it. I think that many of these statements assume a science which cannot operate where it is asked to—particularly in measurement of outputs and real inputs. More importantly, however, they assume equality as a goal without challenging the major obstacle to equality—district choice.

The next three sections develop the argument that equal dollars per pupil is a practical, reasonable, understandable, acceptable, and attainable *initial* basis

for school financing. I shall then ask under what circumstances violations of this principle may enhance justice. Equality in something, here in dollars per pupil, is seen as a rule, but we can break that rule if we have a standard of evaluation. If we find that we are breaking that rule because of characteristics of the children, we can debate the justness of such exceptions. If we break the rule to make real resource flows more equal, it should be unequivocally just. If we are breaking the rule because of non-resource characteristics of parents or other associated adults we can immediately reject the exception as violating the state's just role vis-à-vis its child citizens. Equality is a ridiculous place to end school finance, but it is a good place to start.

II

MEASURING EQUALIZATION

Equal dollars per pupil is the standard implicit in most studies of the equalizing impact of state and federal aid. Unfortunately, these studies confuse the notion of equalizing relative to the distribution of local funds with actually achieving equal dollars per pupil. I shall define a state or federal program to be "equalizing" if it brings the distribution of total funds closer to equal dollars per pupil than it would be if no such program existed. Whether a distribution of state or federal funds is equalizing depends upon the distribution of local funds in the absence of other funds (which we do not observe), and the behavior of districts.⁸

It is common to correlate school funds per pupil with measures of wealth, and, noting that the correlation is positive when local funds are considered, to assume a negative correlation when state or federal funds are considered to be a measure of equalization.⁹ If the standard of equal dollars per pupil were met, the correlation between wealth and school revenues would be zero. Otherwise, the correlation is the wrong measure, and many programs which are equalizing according to the definition above will not be recognized as such by this measure.

First, let us simplify the language. Wealth or income, or whatever measure we equalize on, I shall call *capacity*. These are arguments in the current allocation function $R = f(\dots)$. Expenditures per pupil I shall shorten to *expenditures*. Distribution of school funds is described by a smooth, regular relationship between capacity and expenditures. The simple correlation measure requires that this relationship be linear, and I shall draw it that way, but obviously all we care about is that it be *monotonic*—we should be able to describe the relationship as positive, negative, or zero throughout its range. Figure 1 depicts such a schedule. The relationship measure I shall loosely refer to as the *slope*. Figure 1 illustrates a positive slope, in which as capacity increases, so do expenditures.

⁸ For a thorough explanation of this kind of school district "behavior," and its implications in school finance, see W. GRUBB & S. MICHELSON, *STATES AND SCHOOLS: THE POLITICAL ECONOMY OF PUBLIC SCHOOL FINANCE* (1974) [hereinafter cited as *STATES AND SCHOOLS*].

⁹ See, e.g., R. JOHNS & K. ALEXANDER, *ALTERNATIVE PROGRAMS FOR FINANCING EDUCATION* ch. 7 (1971) (this work was a part of the National Educational Finance Project). See also J. BERKE & M. KIRST, *FEDERAL AID TO EDUCATION: WHO BENEFITS? WHO GOVERNS?* (1972).

FIGURE 1

Expenditures

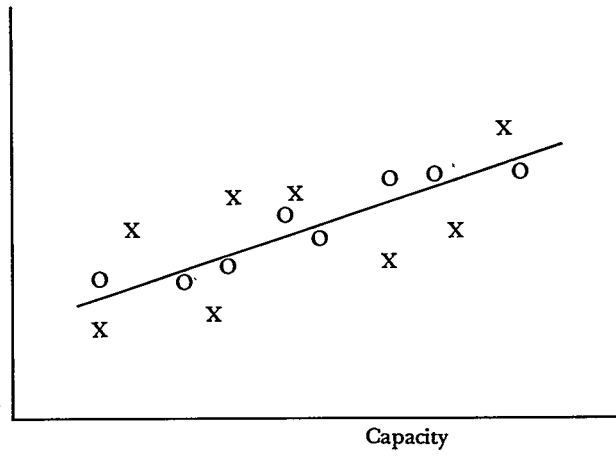
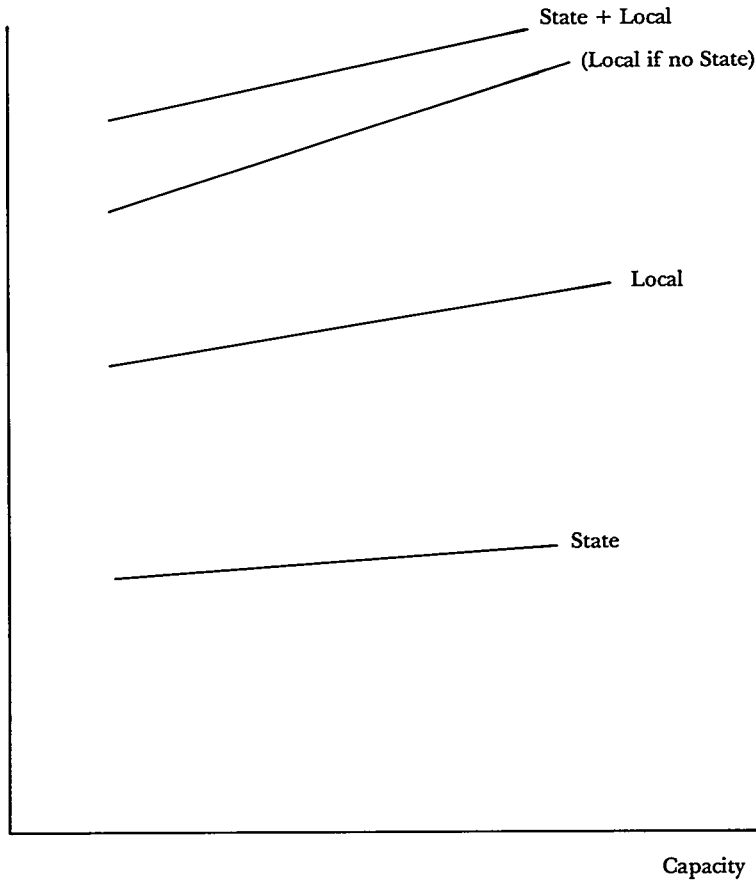


FIGURE 2

Expenditures



The correlation between capacity and expenditures does not measure this slope. It measures how well the actual observations (usually school districts) correspond to the smooth line which best describes the slope. Thus, Figure 1 contains two "states," depicted by o and x, the district expenditures/capacity relationship for each of which can best be described by the same functional relationship. The correlations, however, differ. Specifically, the correlation described by x is lower than that described by o. A description of the general relationship between capacity and expenditures should indicate that expenditures are as unequally distributed in one state as in the other, yet the correlation measure fails to provide us with that information.

By convention the correlation takes the sign of the slope. Thus, if the correlation is negative, the slope is negative, but we cannot say that a correlation of $-.6$ describes a more compensating (in the sense of providing more funds as capacity decreases) schedule than does a correlation of $-.2$. As noted above, correlation studies consider state or federal funds as equalizing only if their correlations with capacity are negative. For example, the National Educational Finance Project reports that "[w]ith regard to federal funds, most states showed correlations tending to equalize but only 13 states showed federal funds significantly equalizing at the .05 level."¹⁰ Two errors make this statement inadequate. (1) The correct measure of equalization should utilize the slope of the summary line, not the closeness of the points around it. (2) The correct comparison should be whether the slope of the total funds is closer to zero than the slope describing local expenditures in the absence of other funds.

In Figure 2, I have drawn a summary schedule of local, state, and total expenditures against capacity in an imaginary state. Total expenditures in a district are the sum of state and local expenditures (ignoring federal aid for exposition). Similarly, the slope of the total revenue schedule is the sum of the slopes of state and local revenues, independent of their levels. Only if local expenditures are assumed not to be influenced by the amount of state aid will a negative slope for state aid be required to equalize (that is, reduce the slope of) the total school formula. If that assumption were made, then if the slope of local funds were z , a state allocation according to a slope of $5z$ would perfectly equalize, regardless of the total amount of state funds involved.

Historically, as the level of state aid has increased, inequality in total expenditures has decreased, regardless of the state aid formula. If the amount of state aid, not just its slope, affects the slope of total funds, then state funds can be equalizing even if they are correlated with local funds and capacity. Therefore, the National Educational Finance Project's statement, quoted above, should indicate that in *at least* 13 states federal funds are equalizing, and that in *at least* 36 states state funds are. To demonstrate this, Figure 2 includes a broken line representing the capacity-revenue relationship in the absence of state funds. It is both lower and steeper than the observed total revenue schedule.

¹⁰ R. JOHNS & K. ALEXANDER, *supra* note 9, at 181. Statistical significance is an issue because a sample of districts was utilized in that study. It indicates that the observed scatter of points would be drawn from a state in which the true summary relation among all districts was a horizontal line only five times or less out of a hundred such cases.

culated in the legislative process so that what is actually enacted has little more equalizing effect than does the flat grant.

B. Flat Grants and District Power Equalizing Formulas: A Case Study

This last assertion can be tested directly, as a Massachusetts example will demonstrate. How different is the distribution of total school expenditures in Massachusetts (in 1968-1969) from what it would have been if the state aid formula had been a flat grant? The estimates come from a complicated econometric model which will not be discussed here.¹³ The purpose of the model is to estimate district behavior, which in the extreme means what the schedule of expenditures would have been in the absence of state aid.

There are a number of measures of overall equality of a distribution formula or approach. The ratio of two points, such as the expenditures at the 75th and 25th percentiles, though it can be criticized because it discards information from the other points, usually provides a reasonable measure. The standard deviation (a measure of individual deviations from the mean) divided by the mean is a common measure, called relative mean deviation. I have chosen the Gini coefficient, which also utilizes all data points in its formula, and which has a fixed range, in which 0 denotes perfect equality (equal expenditures per pupil among all districts) and 1 denotes the most extreme inequality possible.¹⁴ The Gini coefficient only denotes inequality, but not *who* is unequal. We could look at correlations between income and expenditures, but I have shown above that only the sign of the correlation gives us relevant information. Therefore, I shall present the ratio of the mean expenditure per poor child to the mean expenditure per non-poor child, based on 1970 census definitions and data. Needless to say, this assumes perfectly equal expenditures *within* districts.

The comparisons are based on estimating an equation for the behavior of local revenue as a function of wealth, income, education of adults, owners of property, type of commercial enterprises, and so forth, including the "price" and amount of state aid. Each district's characteristics are then inserted into this equation and local revenue is estimated as a function of the state formula. This is added to the state and federal allocations, because what concerns us is the total flow of funds. Our standard of comparison should not be statistics derived from the original data, because our equations do not explain all of the observed variation. Thus, I shall compare the results obtained from a flat grant formula and a version of district power equalizing with results obtained by inserting the original data into the estimating equation to derive estimated district expenditures where there has been no change in the level

¹³ Other results from that model have been presented in Grubb & Michelson, *Public School Finance in a Post-Serrano World*, 8 HARV. CIV. RIGHTS-CIV. LIB. L. REV. 550 (1973). The major exposition of the model (and variants) may be found in STATES AND SCHOOLS.

¹⁴ The relative mean deviation also has an equality limit of 0, but no inequality limit. Strictly speaking, the range of the Gini coefficient is (0, 1); that is, 1 can be approached, but not actually observed.

of state aid. The comparisons follow:¹⁵

	Gini coefficient	$\frac{\text{Expenditure (non-poor)}}{\text{Expenditure (poor)}}$
Current formula	.0643	1.101
Flat grant (\$114)	.0722	1.149
Flat grant (\$800)	.0458	1.094
Simple DPE, current level	.0944	0.994
Simple DPE, increased aid	.1200	0.996

Taking the mean state aid per pupil and distributing it as a flat grant would reduce total expenditures somewhat (by \$15 per pupil overall), but would result in essentially the same distribution. Both the measure of inequality and the measure of slope change only slightly. Thus, the current formulation, with its "percentage equalizing" undercut by floors, ceilings, and exceptions has no more equalizing effect than would a flat grant with the same level of state expenditures. Increasing state expenditures to \$800 per pupil and still allowing districts to add their own revenues would reduce inequality even though the "flat grant" formulation treats all districts, rich and poor, alike. This grant is so far beyond the range of observation that any behavioral estimate is problematic. The measure of the slope used here turns out not to be sensitive, because many poor people reside in high property wealth areas, even though poor people do tend to live in poorer areas.¹⁶

District power equalizing is designed to provide funds according to tax effort, which is generally interpreted to mean the rate on property, not the amount raised by applying that rate. The formula used here is the simplest possible:

$$S_i = t_i K$$

where S_i is the per pupil state aid, and K is the constant set by the state which makes all districts equal with regard to state receipts if they expend equal "effort" defined by their tax rate, t_i . For the "current level" the constant is set at \$27,066, the mean property value per pupil in 1968-1969. The increased level assumes $K = \$35,000$. Under most DPE formulations we do not know how much state aid will be expended by, or revenue raised from, districts until all the districts have set their tax rates.¹⁷ In the instant case, the average state aid per pupil is \$32 when $K = \$27,066$, and \$231 when $K = \$35,000$. The difference between these per pupil aid figures and those previously cited is

¹⁵ Based on Equation iv, in chapters 7-8 of STATES AND SCHOOLS, estimated by two-stage least squares (with nonlinear iteration) on 159 districts. This included 85 per cent of the pupils in Massachusetts. $R^2 = .721$.

¹⁶ From the original data, the weighted correlation between per cent of families which are poor and property value is $-.246$.

¹⁷ On paper, of course, it is possible to keep the districts in suspense rather than the state. This can be achieved by simply not setting K until the tax rates are determined. Then, since the

due to estimated district behavior: the t_i that districts choose under varying DPE plans.

DPE increases inequality, but it seems to reverse the slope. Slightly modifying the formula to make the tax more progressive, or to account for "municipal overburden,"¹⁸ would even show the poor communities spending more per pupil than the non-poor communities. This is a conceivable result. Without some form of penalty, a district dollar for schools costs residents one dollar. If the price of a dollar of school funds is made to rise fast enough with personal income, then even though the "desire" for education (as estimated when the price is the same for all) may be higher for these wealthier people, the prohibitive price reduces school expenditures. It is possible that our estimated price effect would not hold under such extreme circumstances, but *some* price structure would induce wealthy communities to spend less, and poor communities to spend more. District power equalizing is in no way neutral, but requires the state to express a philosophy on the value of children which is related to their district's tax characteristics. It may or may not be equalizing in result, but in form it is nothing more than price manipulation.

C. The Impact of Recent Changes in State Finance Programs

In 1973, eleven states enacted new school finance laws. Nine of these changed their state aid formulas, and two, California and North Dakota, merely increased the level of their foundation programs.¹⁹ Some of these actions were the result of court proceedings, past or prospective, and some only of legislative or executive initiative. In all cases the result will be greater equalization of school expenditures; in most cases the amount of support coming from the state was increased. Both debate and court action concerning the state formulation can surely be credited with raising legislative consciousness about the inequality in school expenditures, but from the analysis presented here I can predict that studies of the effects of the 1973 laws will indicate that it was the increases in levels of state support, more than changes in the alloca-

revenue accruing to the state is $\sum t_i V_i$ where V_i is total district property value, the budget can be balanced as follows:

$$\begin{aligned} \text{Total Revenue} &= \sum t_i V_i \\ \text{Total Expenditures} &= \sum t_i K P_i = K \sum t_i P_i \\ \text{Set Revenue} &= \text{Expenditures} \end{aligned}$$

$$\sum t_i V_i = K \sum t_i P_i \text{ or } K = \frac{\sum t_i V_i}{\sum t_i P_i}.$$

Thus, K is the total revenues divided by pupils weighted by the tax rates assigned to them by the adults in their districts. The tax revenue is seen to be the price paid by parents to weight their pupils, and this tax is progressive in that the wealthier the community, the more dollars an increase in t_i costs. It is doubtful that this *ex post* calculation of K would be acceptable, and I have not attempted to analyze such a solution.

¹⁸ The term "municipal overburden" refers to the differential tax burden for non-school municipal services. According to one theory, this is relevant to the extent that non-school taxes paid by individuals in a particular district affect the ability to pay school taxes. See J. COONS, W. CLUNE & S. SUGARMAN, PRIVATE WEALTH AND PUBLIC EDUCATION 346 (1970).

¹⁹ See Grubb, *The First Round of Legislative Reforms in the Post-Serrano World*, 38 LAW & CONTEMP. PROB. 459 (1974). See also A. Stauffer, Major School Finance Changes in 1973, June 1973 (Education Commission of the States).

tion formulas, which will have brought about increased equalization. Thus, for those interested in reform of school financing, the policy implications of this analysis are clear: emphasis should be placed on increasing state support rather than on the development of sophisticated equalization formulas.

IV

TAXES

A similar argument for increasing the state's share of total school expenditures can be made from the revenue side. If children are to be regarded as equal citizens of the state, for whom the state wishes to provide a special kind of service, that service should be financed by all the citizens of the state. Some districts have a higher proportion of children than others for a given total population. The consequence is that a given income or wealth *per capita* is a smaller income or wealth *per pupil* in the districts with proportionately more children.²⁰ Thus, for two districts with equal income or wealth per capita, a higher tax rate will be required to provide equivalent per pupil expenditures in the district with more children. This higher tax rate for equal expenditures is equivalent to a price difference—it costs a taxpayer more money to provide one dollar of schooling in the district with many children than in the district with few.²¹ We expect voters to react to the price of raising school revenue in a manner similar to that illustrated by the district power equalizing simulation above—when the price is high, the amount demanded is low. Even if adults reduce private spending rather than school spending, school taxation should not be subject to such price vagaries. District power equalizing does nullify this price effect, as would a state property tax or any scheme which raises taxes on the value of property or income regardless of the number of

²⁰ See, e.g., J. CALLAHAN, W. WILKEN & M. SILLERMAN, *URBAN SCHOOLS AND SCHOOL FINANCE REFORM: PROMISE AND REALITY* (1973), where it is argued that this effect is most detrimental to major cities.

²¹ There are two prices that are of interest: the price to a household of a dollar of district revenue, and the price to a household of a dollar of district revenue per pupil. A district raising its own revenue (R) from the property tax raises $t \cdot V$, where t is the tax rate and V is the total property valuation. This product can be disaggregated as follows:

$$t \cdot V = t \cdot \frac{V}{H} \cdot \frac{H}{P} \cdot P = t \cdot \frac{V}{H} \cdot \left(\frac{P}{H}\right)^{-1} \cdot P$$

where H represents the number of households, and P the number of pupils in the district. More school revenue is produced at a given tax rate, and hence costs less, when the community is wealthy. R costs more when the district has a high proportion of school age children, and less when it is large. To indicate the revenue per household we divide by H , and to find the revenue per pupil we divide by P :

$$\frac{R}{H} = t \cdot \frac{V}{H}$$

$$\frac{R}{P} = t \cdot \frac{V}{H} \cdot \left(\frac{P}{H}\right)^{-1}$$

Revenue per household is a function only of household wealth at a given tax rate, but revenue per pupil increases with average wealth and decreases with increases in pupils per household. Thus, the price of a dollar per pupil is higher when there are more children.

pupils, and distributes funds to pupils regardless of the amount of property wealth.²²

An argument can be made in opposition to local taxation without considering its effects on school revenues. This is part of a debate about optimal taxation, however, not public school finance, because children never enter such a discussion. While state taxes are often regressive, local taxes virtually always are. However, state taxes are progressive relative to local taxes; that is, even when state taxes are regressive they are less so than are local taxes.²³ Thus, solely on the grounds of devising a progressive tax system—if that is desired—one can argue for a shift from local to state taxes.

A district power equalizing scheme which does not balance school tax revenues with expenditures probably provides funds from general state revenues. Interestingly, if our simulations are correct and the equilibrium result of a modified DPE plan is that the price effects induce poor districts to spend more than wealthy districts, then the regressive effect of local taxes may be nullified—poor people in poor districts with relatively high tax rates and therefore much more spent in their schools than they raise locally *might* pay less in taxes than they would if they paid their “fair share” of these state expenditures through a progressive state tax. There are two relevant tax schedules, one indicating different prices of a dollar of general state revenue, the other indicating prices of a DPE dollar. One could not say in the abstract which schedule would mean a greater transfer of funds from adults in wealthy communities to children in poor ones, or which schedule would better describe the actual final tax rates. Thus it is not possible to draw a generally applicable conclusion about the progressivity of DPE as a tax scheme.

The state needs to devise some fair means of taxing if there is to be equal justice both on the payment and on the receipt side of public services. In current debates, the concept of effort has become prominent—only taxpayers who make an equivalent effort deserve equivalent services. This might make some sense

²² When district revenues are raised through a simple power equalizing formula, the district raises revenues in the manner indicated in note 21 *supra*. However, it receives $t \cdot K \cdot P$ in total revenue. The district sees its revenue/cost ratio as follows:

$$\frac{t \cdot K \cdot P}{t \cdot \frac{V}{H} \cdot \left(\frac{P}{H}\right)^{-1} \cdot P} = K \cdot \left(\frac{V}{H}\right)^{-1} \cdot \frac{P}{H}$$

The effect of the disaggregated factors on revenue are now exactly reversed: the more wealth, the greater the outflow of funds; the more children per household, the greater the inflow. From the formula, it is clear that revenue per pupil is a function only of t and K ($R/P = t \cdot K$), and hence is not affected directly by P/H . (Indirect effects occur as a result of different tax rates, but that is a quantity difference, not a price difference.) Whether there is a price effect on raising revenue, therefore, depends on whether one considers total revenue or only revenue per pupil. In either DPE or full state funding, two districts with the same tax rate and average property value per household will receive the same revenue per pupil regardless of variations in P/H . But the district with a larger P/H will receive more total revenue.

²³ Evidence of this proposition can be found in a recent study of eight states. See B. LEVIN, T. MULLER, W. SCANLON, & M. COHEN, *supra* note 4. In this report, state and local taxes as a percentage of household income are estimated for eight states (as well as Hawaii, which finances schools totally from state taxes). By dividing the state rate by the local rate for each income category, it is possible to derive rates of relative taxation, which show in each state an increasing relative rate as income increases.

if the taxpayers and the recipients were the same people. However, as argued above, it makes no sense when the taxpayers are adults and the recipients are children. The concept of equivalent effort itself is one which is virtually impenetrable. The difficulty involved in arriving at a proper notion of equivalent effort should be enough to discourage its use as a principle of taxation.

The concept has already engendered a number of arguments in the literature on the subject. The composition of property values differs, so that the residents of a city with a high proportion of commercial property wealth need tax less of their incomes to provide the same revenues as a city with the same property value in residential property. Even equivalent property values might reflect different incomes—residential property owned by elderly people usually reflects less current income than that owned by younger people. People may hold wealth in many forms; does it make sense to tax only one form?

It is reasonable to assume that in most cases taxes come partly from savings, partly from consumption. This is the dichotomy usually used in empirical studies, since the proportion that comes from consumption is important in determining the “multiplier” effects of tax changes. From the point of view of achieving justice, however, a different analytical approach may prove more helpful. Let us assume that there is some minimum standard of private consumption below which it is unacceptable to live. This is presumably some social minimum, not an actual starvation level, and it need not be the same for all people. Specifically, suppose it increases with income—the assumption being that it would be harder to be poor if once rich than if never rich—but does not increase at the same rate as income. Income is then composed of a social minimum plus a surplus, and people tend to save part of their surplus and spend part on what would have to be defined as luxuries.

All taxes must come from this surplus, regardless of whether the money would have been spent or saved. Although there is nothing magic about equal proportions from a precise welfare analysis, we might get agreement that a rule of thumb for equal tax burden for people at different income levels is that taxes take proportionate shares of surplus income, not of total income.²⁴

²⁴ Differences in composition of families are accounted for in determining the minimum. A welfare analysis would consider not the surplus, but the utility derived therefrom:

$$U_i = U_i(M, E)$$

where U_i is the i th family's utility function (however they manage to achieve one), M is the consumption minimum, and E (for extra) is the surplus. It would also require a social welfare function W which scales family utility:

$$W = W(\dots U_i, U_j, \dots).$$

Equal burden then means setting taxes such that

$$\left. \frac{\partial W}{\partial U_i} \right| = \frac{\partial W}{\partial U_j}$$

which is constrained such that

$$W(U_i(M)) = W(U_j(M))$$

and

$$\frac{\partial W}{\partial U_i} \frac{\partial U_i}{\partial M_i} = \frac{\partial W}{\partial U_j} \frac{\partial U_j}{\partial M_j} = 0.$$

Welfare change is a function of surplus only.

If equal burden is to be a criterion for receipt of government benefits, we should make some attempt to find out what a "burden" is. Consider two families with equal family structures and incomes of \$8,000 and \$16,000 respectively, each paying ten per cent of their income in taxes, and allow these minima as examples:

	Family A	Family B
Income	\$8,000	\$16,000
Minimum	\$6,000	\$ 8,000
Surplus	\$2,000	\$ 8,000
Ten per cent tax	\$ 800	\$ 1,600
Tax as percentage of surplus	40	20

Whether these particular numbers are acceptable or not, the conclusion is the same unless one allows the minimum to rise as fast as, or faster than, income. A tax which is proportionate to income takes a larger proportion of surplus from poorer families, and thus constitutes a greater "burden" on them.

This leads to the conclusion that a tax system cannot be designed to test the deservedness of a population for receipt of public expenditures without evaluating the uses to which family income is put. A more exhaustive analysis can only strengthen this conclusion, since it can only find more obstacles to measuring equal sacrifice. Thus, people who do not accept the principle that one should not distribute public services on the basis of individual contributions to the fisc might accept the argument that one cannot do so fairly, or at the very least that proportionate taxation of income (or wealth, for which an equivalent argument can be made) does not do so. Once again, this is greatly overshadowed by the understanding that the level of sacrifice of adults would determine the level of educational services their children receive, which does not seem fair from the children's point of view.

V

OBJECTIONS TO EQUAL DOLLARS

A. Tax Issues

In the discussion of surplus income, I assumed implicitly that the minimum expenditure per family was unrelated to characteristics of the local community. An argument based on municipal overburden denies this on the grounds that some cities must characteristically provide more social services than others. This might be due to characteristics of the individual households (such as age or poverty), or the entity (central city, type of business community, prevalence of crime, and so forth). Thus, according to this argument, some of the income surplus is already claimed, and the burden of taxes for schools is heavier on these people because it comes from the remaining surplus.

In the cases in which this is true, it is surely a strong argument. However, it requires the complementary argument that the residents in such a city have no options in residential location, for if they did we would have to view their

choice to live in burdened communities as the way they have chosen to expend their surplus. The combined argument needs to be considered, but it is a tax argument, not a revenue distribution argument. Municipal overburden is one example of the general analysis, outlined above, that allocating school funds on the basis of effort cannot be done fairly. If one is constrained to allocate funds to children on the basis of the tax effort of their parents, then surely municipal overburden should be considered; but then so should the differential ability of cities to export their taxes, because taxes paid by businesses in the district, passed on to customers outside the district, are not a burden on the district's residents. This kind of argumentation, which should be expected from representatives of different types of districts, leads to very complex formulations, a rule vitiated by exceptions, and a weakened ability to estimate the results before enactment. If the results are not as anticipated it means a new round of legislative discussion on the formula.

A simpler solution is to see the municipal overburden argument for what it is, a non-school finance issue. If some cities perform special functions for the state, or ordinary functions at excessive cost, an argument can be made that the state should pay for those services. They should not complicate the revenue package for school services. One way to accomplish this is for taxpayers to deduct local taxes, or those financing certain services, from the base upon which state taxes are paid. This would entail some technical problems, such as the allocation of property taxes between owners and renters. Another possibility is for the state to take over services (or payment for services) which are now the object of the "overburden" argument. Either alternative seems preferable to cluttering the financing of one particular service (schooling) with a whole apparatus, inevitably inadequate and unfair, designed to measure and indirectly to finance other services.

The proportion of total property wealth which is comprised of commercial/industrial property should also be seen as affecting tax rates, not school expenditures. Though some people live near commercial property, it is obvious that historically they have been unable to tap this wealth for the education of their children. The proportion of commercial property does not seem like a variable one can sensibly relate to the distribution of school funds to children. The issue should not be how a district can tax its businesses for school purposes, for the likely answer is that it cannot. Rather, it should be asked how, and at what level, business property should be taxed for general revenues. There is no acceptable principle I can think of which would justify rewarding children in districts with a higher proportion of taxable commercial/industrial property, thereby punishing by comparison children in districts less successful in attracting industry.

It thus becomes clear that some school finance issues concern taxes, whereas others concern distribution of revenues. All school finance formulations except full state funding have confused these two separate items. No doubt they are more easily separable in theory than in practice—one needs to raise the revenue he proposes to spend. But it is still important to conceptualize what a good distribution of funds would be apart from what a good tax structure would be.

B. Differences Among School Districts

1. *Student Characteristics*

Let us denote a count of children by C , and differentiate their relevant characteristics by a subscript, C_i . The number of children in District j is $\sum_i C_{ij}$. Applying a base equal dollars per pupil, B , to each child, would give:

$$\text{Total Revenue} = \sum_i B \cdot C_{ij} = B \sum_i C_{ij} \quad \text{for District } j.$$

If we determine that different children should have different expenditures according to their characteristics, we can apply a factor d_i , where $d_i = 0$ for the average or ordinary child. Then

$$\text{Total Revenue} = B \sum_i (1 + d_i) C_{ij}.$$

This is a familiar concept in public school finance. Some states explicitly weight by kind of handicap (blindness, deafness, and so forth); others weight according to grade ($d > 0$ for kindergarten and high school) or curriculum ($d > 0$ for vocational).

The obvious question is how do we derive d ? The tendency has been to assume that there is some scientific way to determine the resources required to equalize outcomes among different kinds of children. If d were to be based on a concept of equality, all children who enter a system differently will leave it the same according to some highly accurate but inexpensive and unobtrusive measure. I submit that this is a fruitless pursuit. Providing extra services to a blind child will not restore his sight; nor would compensatory education make all children middle or upper class. If there is no output comparison, one cannot determine what amount of inputs are equal. Even if there were equivalent outcomes, there is no known way to derive a production function which could be used to estimate the process (assuming there is but one) which would make initially different children equal. The advent of "scientific" study of educational processes has perhaps given legislators and attorneys too much hope that there might be expert, objective solutions to what are inherently political problems. Just treatment for different children is not an issue for scientific manipulation. It is a political concept in which people recognize that some children require more resources than others in order to be treated in accordance with a common sense of fairness.

2. *District Characteristics Affecting Instructional Costs*

In addition to the exception to the equal dollars per pupil formulation that derives from the factor d , one can argue that districts differ in their abilities to provide educational services. There are two components to this argument:

- (1) Real resources: it takes more real resources to provide a given service in one district than another, even if these resources cost the same amount;
- (2) Price: it costs more to provide the same level of resources to some districts than to others.

The first component concerns technology, and the second the supply price of factors of production (usually the salary at which equivalent teachers will go to different districts). As an example of real resource differentials, suppose that absenteeism is higher in some districts than in others, due to ill health produced by air pollution. As a result, more substitute teachers must be provided in these districts. This is not a characteristic of the pupils, but of the district, applied to all pupils. For District j , then, we might apply a factor F_j to the allocation formula:

$$\text{Revenue} = F_j B \sum_i (1 + d_i) C_{ij}.$$

States have recognized that some school districts seemed intrinsically more expensive than others, and have found ways of getting funds to these districts. The difficulty has been to distinguish between the inevitable expense of circumstance and the remediable expense of mismanagement. Still, the problem is amenable to technical analysis in that equivalent services are expected. A state could find that certain districts are inherently more expensive to operate than others, and build an F factor into an otherwise equal formulation, on a reasonably apolitical level. If there are economies (or diseconomies) of scale, or other technological phenomena of production, they can be dealt with here, although I know of no convincing evidence that such generalities can be made beyond the specific circumstances of particular states and districts.

One state, Florida, has incorporated into its state aid formula an adjustment for differences in the money cost of providing educational services. Florida uses its own consumer price index to calculate differential costs of living among districts. This seems to be based upon pure equity considerations; no argument is made that the teachers in high cost districts would be worse than those in low cost districts without additional compensation. It just is not fair to compensate teachers in monetary terms when real compensation varies. Although an attempt to pay teachers in real terms would be pure fancy in most states (where teachers are less likely to live in the district in which they teach), it could be considered another F factor where politics so demand.

The teacher supply problem is also political, not technical. It may be that equivalent teachers prefer some districts to others. But should the state reward teachers for their prejudices? Do districts want teachers who are basically reluctant, who will not come for equal pay? Usually "combat pay" in cities and "reservation pay" on Indian reservations are defended on teacher equity grounds, not on supply price grounds. These teachers, it is argued, "do more" or lead "worse lives." Obviously, the state can decide to reward people who sacrifice, *vis-à-vis* current norms, even though as state policy it would direct more funds to some districts than to others, on the grounds that this deviation from equality increases our sense of justice. The technical argument that some districts cannot induce equivalent real resources at equivalent rates of pay seems to me to be less tenable than the equity argument that justice for teachers requires unequal teacher pay and, hence, funding differentials. Suggesting equity differentials, however, leads directly to state salary bargaining and other issues beyond the scope of this article.

3. District Characteristics Affecting Noninstructional School Costs

An additional argument concerning district expenses involves the provision by the school system of services which are not themselves educational, but which may be required before education can occur. These include security patrols, heat, light and maintenance of buildings, and transportation. The F factor does not take expenditures for these items into account inasmuch as it considers only the cost of providing instructional services. I shall call this non-instructional factor N, and add it to the allocation formula:

$$\text{Revenue} = F_j B \sum_i (1 + d_i) C_{ij} + N_j.$$

Since N_j might be partly a function of the district size, this might be expressed as follows:

$$N_j = A_j + b \sum_i C_{ij}.$$

$$\text{Revenue} = F_j B \sum_i (1 + b + d_i) C_{ij} + A_j.$$

State legislatures seem willing to bear the cost of certain noninstructional expenditures forced upon the educational system. Historically, the largest state subsidy has been for pupil transportation, primarily to induce small districts to consolidate. Those noninstructional costs which are forced upon districts because they are central city, large, rural, and so forth may not be seen in the same way by legislatures. Yet, as with the municipal overburden factor discussed above, the fact that districts have different levels of costs that are essential to establishing and maintaining an educational system, rather than to running it, may be a powerful argument for state aid for these items. To be able to put specific items in this category would seem to be of some advantage to an advocate of justifiably different expenditure patterns.

Perhaps the most detailed list of expenditure differentials among districts has been provided by Norman Drachler, former Superintendent of the Detroit public schools.²⁵ Though he makes no attempt to categorize his items, high costs for school construction, burglar alarms, security patrols, food facilities, and transportation all can be seen as essential, noninstructional school expenses.²⁶ Replacement and repair of instructional equipment (as a result of high levels of vandalism and theft), summer programs, absenteeism and truancy costs, and higher levels of pupil migration may all be N factors—differential costs of providing services because of the characteristics of the district.²⁷

To recapitulate, the approach to school finance discussed above deserves consideration for two reasons. First, it is an allocation formulation only, categorizing exceptions to equal dollars per pupil with no regard for source of

²⁵ N. Drachler, *The Large-City School System: It Costs More to Do the Same*, in THE POTOMAC INSTITUTE, EQUITY FOR CITIES IN SCHOOL FINANCE REFORM (1973).

²⁶ Reinforcing the trend for states to absorb N_j expenses, the state of Maryland has taken responsibility for all public school construction. Just the savings in interest expense alone, since the state is able to borrow at lower rates than most individual school districts, would militate in favor of this policy.

²⁷ Pupil migration is not a d_i because it is a priori only a statistic—we do not know in advance which pupils will leave the system, and which will enter. In addition, it can be expected that high pupil turnover adversely affects those pupils who remain in the system as well as those who enter or leave. High teacher turnover, often present in those districts where there is high pupil mobility, also has an adverse effect.

revenues or parental choice as to level of expenditures. It separates tax collections from adults from state disbursements to children, which current public school finance formulas—even district power equalizing formulas—do not do. Second, it categorizes exceptions to the equal dollars per pupil rule so that any argument that a district is different can be judged to be either a political, technical, pupil, district, or noninstructional question, and can be dealt with accordingly.

The foregoing discussion relates to the distribution of school funds to the organizations which provide services—at present public schools, but the formulation could be applied to private voucher-financed schools as well—regardless of how the revenues are raised. By simple extension, this formulation could even be incorporated into a district power equalizing scheme. If a district's revenue would ordinarily be:

$$t_j k \sum_i C_{ij}$$

where K is a per-pupil constant set by the state, and t_j is the district's tax rate, it could now be:

$$t_j K F_j \sum_i (1 + b + d_i) C_{ij} + A_j.$$

That is, if the organization of the exceptions to equal dollars per pupil given above is reasonable, it should also be reasonable when not equal dollars, but equal-dollars-at-a-given-tax-effort is the standard rule. A district power equalizing scheme could also take into account the fact that children differ, the cost of providing educational services differs among districts, and the amount of noninstructional expenditures required to maintain the system differs among districts.

VI

FULL STATE FINANCING

The analysis presented in this article suggests that the appropriate policy choice for school finance reformers is enactment of full state financing of education. Justice in the allocation of school resources to children is most likely to be achieved if the distribution question is separated from questions pertaining to revenue, thus eliminating the potential for decisions based on the desires of adult taxpayers. Accordingly, the needs of the children themselves will probably be more determinative when finance decisions are made by a unit of government that is less responsive to direct parental pressure than is the school district. Control over school operations is an entirely different issue, but full state financing allows any level of school control.

The objections to full state funding are not convincing. The consequences of differences among school districts within a given state were dealt with in the last section. The complaint that state funds are not monitored as closely as are local funds²⁸ has not been supported by empirical evidence and is not compelling intuitively. There may be different amounts of parental pressure applied in different districts, but this is probably due to parental interest in

²⁸ See, e.g., D. Mattheis, *100% State Support: Boon or Bane?*, in NEA COMMITTEE ON EDUCATIONAL FINANCE, *A TIME FOR PRIORITIES: FINANCING THE SCHOOLS FOR THE 70's* (1970).

schools (especially in maintaining their inequality), not to their interest as taxpayers. To test this proposition one might ask how many taxpaying adults without children in school monitor their school bureaucracies more closely than other local or state bureaucracies. Finally, the fear that states which finance a larger share of the cost of schooling tend to exert more control over local school district decision-making also has not been documented by evidence.²⁹

Full state funding on the initial basis of equal dollars per pupil is not just an analyst's dream. It is the natural outcome of what is the trend in school finance anyway—a larger state share. Alternative schemes raise as many questions as they solve; they cater to the disequalizing tendencies of individual parents and school districts; they define "tax burden" in ways which are highly debatable and possibly perverse. Within other schemes one is always coping with probable exceptions, because other schemes include a complex tax structure along with a simple allocation formula. The tax structure is a set of prices on local activity, hence reform schemes are essentially price manipulations. The outcome of such manipulations is not known in advance. In contrast, a shift to state funding and equal allocation automatically generates compliance with court orders to disassociate school spending from district wealth, and requires taxing from state sources which are progressive compared to local sources. It removes price effects on revenue raising from the algorithm which allocates school resources to children.

School finance debates must inevitably resolve themselves into political differences about concepts of justice.³⁰ It is certainly possible that since I do not have children I am more willing to prevent state activity designed to promote inequality among children instituted by their parents than are others. More generally, the school finance debate can be seen as a part of a larger struggle over the meaning of property and class. Parents who are high in the social structure wish to pass on their class standing (or the ability to achieve it) to their children, while parents low in the social structure try not to pass on their class standing to their children. Inevitably, justice is viewed very differently by these very differently positioned parents.

²⁹ See B. LEVIN & M. COHEN, *LEVELS OF STATE AID RELATED TO STATE RESTRICTIONS ON LOCAL SCHOOL DISTRICT DECISION-MAKING* (1973).

³⁰ Despite my objections to district power equalizing proposals, my debt to J. COONS, W. CLUNE & S. SUGARMAN, *PRIVATE WEALTH AND PUBLIC EDUCATION* (1970), should be obvious. The authors understood clearly the need to argue from a principle of justice to a finance algorithm. I disagree with their principle and their result, but not with their method.