FRACTURED GOVERNANCE OF RESOURCES AND THE NEED FOR A COHERENT AND FAIR SYSTEM OF FUNDING TO SUPPORT HIGH QUALITY PUBLIC SCHOOLS

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Abstract: The United States public education system has been long marred by inequity. History can tell us how our dysfunctional and inequitable school governance structures evolved, but to understand the current dimensions as well as its origins, one should follow the money. Indeed, public decision-makers have usually shortchanged certain groups of school children whether through formal segregation or different expectations for rural and immigrant students. But unequal financial investments in their public education have always told the tale. This chapter looks at school governance and issues of equity, primarily from a funding equity perspective. It provides background on the issue, examines current efforts at reform, and provides specific recommendations for policymakers. It notes that access to resources is about governance and concludes that the nation will not be able to solve persistent inequities among student groups until it solves the flaws of governance driving its public school funding. Consequently, it recommends a state-based system of school financing—though not necessarily state governance of school operation and design--with elimination of local funding and additional federal assistance.

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The United States public-education system has been long marred by inequity. African Americans, Hispanics, American Indians, English-language learners, students with disabilities, and low-income students historically received the brunt of inequitable treatment and many continue to do so today. On national reading and math assessments in 2009 these students scored at least two grade levels behind their more advantaged peers.[1] And in the not too distant future students of color will be a majority of US public school students.

Overt discrimination and racism aside, the evolution and development of our systems of public schools are founded on flawed governance structures that in many cases exacerbate inequities and which in turn exacerbate school governance challenges. For example, from the beginning schools were supported by landowners whose property was taxed and then eventually organized into small groups of schools, i.e. districts run by elected community leaders. Some districts were more financially advantaged than others. Indeed, decision-makers held wildly different educational expectations for separate groups of students based on their color, national origin, and poverty status and consequently invested unequal amounts of money per student in their education. They completely ignored differences in students' educational needs that might translate into extra resources for some.

While this structure has evolved with state and federal legislators adding roles for their levels of government to address such student differences with more resources, the basic pattern remains the same with far too little regard for equality in students' educational opportunities. That does not mean that a rational governance structure could by any means guarantee excellent student outcomes for historically disadvantaged students. But it could make possible the success of numerous other schooling reforms if they were implemented in an aligned and comprehensive way.

Feeding the historically different educational expectations for various groups of students is the companion historical tension over the purpose of U.S. education—education for democratic citizenship versus vocational and economic security. Inequitable schooling undermines both the opportunity for potential successful employment and economic security but also the ability to gain the tools necessary for political engagement and civic participation.

[1] "National Assessment of Educational Progress Subject Areas," Accessed from: http://nces.ed.gov/nationsreportcard/subjectareas.asp. (Last accessed September 15, 2011.)

History can tell us how our unaligned, dysfunctional, and inequitable school-governance structures evolved, but to understand the current dimensions as well as its origins, one should follow the money. Indeed, public decision-makers have usually shortchanged certain groups of school children whether through formal segregation or different expectations for rural and immigrant students. But unequal financial investments in their public education have always told the tale. For a more detailed accounting of how financial inequity within schools actually takes place, see Marguerite Roza's chapter from this volume: "The Machinery that Drives Education-Spending Decisions Inhibits Better Use of Resources."

This chapter looks at school governance and issues of equity, primarily from a funding equity perspective. It provides background on the issue, examines current efforts at reform, and provides specific recommendations for policymakers. It notes that access to resources is about governance and concludes that the nation will not be able to solve persistent inequities among student groups until it solves the flaws of a diffuse, disjointed, and fundamentally incoherent governance structure that drives its public school funding. Without such reform, directing more money through the current governance system is unlikely to result in the substantial improvements in student achievement needed to reach national performance goals. Indeed, researchers have found that throughout the world, pure resource policies that do not induce changes in behavior are unlikely to improve educational results.[2]

For this author, equitable funding does not mean equal funding per student. Student needs and school operational costs vary. And funding streams must pay attention to this as well.

Consequently, this chapter recommends a state-based system of school financing—though not necessarily state governance of school operation and design--with elimination of local funding and the continued addition of federal aid. It advocates that state legislators adopt weighted student funding schemes, built on a basic quality foundation, for districts and for schools within districts. It calls for Congress to redesign the major federal funding formula and to close a federal law loophole that permits school districts to fund their schools unequally with state and local dollars. And it advocates that state and federal legislators develop and adopt measures of school district return on education investment and productivity.

Such legislative action will take an extraordinary amount of political will from officials at various levels in the fractured governance system, will far from evident today. But if all U.S. students are to have the same opportunity for successful futures in a globally competitive society, such political will must emerge. The imperative is ours.

[2] Eric A. Hanushek, "School Resources" in *Handbook of the Economics of Education*. Eric A. Hanushek and Finis Welch (ed.) (North Holland, 2006). Accessed from: http://edpro.stanford.edu/hanushek/admin/pages/files/uploads/HESEDU2014-1.pdf.

How the U. S. Systems of Schools Came to Be Formed, Governed, and Financed

The Early Years

From their earliest days, colonial governments established schools along with laws and financial schemes to sustain them. These schools were often built upon religious traditions and supported by "the coercive force of taxes," which eventually states enshrined in compulsory taxation.[3]

The U.S. system of public schools that we know today formed throughout the nineteenth century as the American public became concerned about both the quality of the minimal education in rural areas and the fast growth of cities populated by new arrivals from farmlands and foreign countries. By then education was recognized as a major gateway to more favored positions and wealth in society. Schools began as rural village centers and city schools grew up in little communities usually populated predominantly by distinct groups identified by race or U.S. region or country of origin. Poverty was widespread, but the promise of better opportunities beckoned. One group, African Americans, when they were given access education at all, was almost always forced to attend segregated and grossly under-resourced schools.

Local village leaders governed schools. School-board trustees taxed fellow property owners, hired teachers and bought textbooks. Investments in schooling were quite uneven and there were virtually no attendance policies. This all changed quite quickly with urbanization and the growing complexity of American society and occupations. Soon control of school governance transferred from laymen to education professionals, but still usually under the direction of elected lay school boards.[4]

From the beginning of the formation of systems of schools, there were struggles between advocates for local school control and those for centralization. This was true especially in the new cities where growth was chaotic with challenges to providing basic services, including education, and with serious ethnic, class and race disharmony. As David Tyack has noted, "Convinced that there was one best system of education for urban populations, leading educators sought to discover it and implement it."[5] But one system of education never meant equality of opportunity for all who attended school.

Neighborhoods or loosely confederated wards initially operated urban schools, but any centrally collected funds were allocated unequally depending on the relative power of local leaders. In the second half of the nineteenth century, city leaders began to appoint Superintendents to oversee

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[3] The Institute for Educational Equity and Opportunity, "Education in the 50 States: A Deskbook of the history of State Constitutions and Laws About Education," (2008).
[4] David B. Tyack, *The One Best System: A History of American Urban Education* (Cambridge: Harvard University Press, 1974).
[5] Ibid.

groups of schools, slowly creating central bureaucracies. The challenges were enormous. The first Chicago Superintendent appointed in 1854 faced around two-dozen teachers with an average of 100 students in each of their classrooms.[6] But even then investments in education were unequal in city schools. According to Tyack in New York City just a few years later, "a group of black leaders told a state investigating committee about the wretched condition of…segregated schools" and "that the board of education had appropriated one cent per Negro child and sixteen dollars per white child for sites and school buildings, even though there were 25 percent more black children attending school in proportion to their total population than white."[7]

Early twentieth-century reformers were successful in bureaucratizing the provision of public education. This meant experts administered schools with an unprecedented level of centralized authority. The U.S. Congress even got involved with a federal program for vocational education in 1917.[8] Between 1930 and 1970, two-thirds of schools and nine of every ten school districts that existed in the United States were eliminated in a process of consolidation.[9] These centralizing trends were encouraged by state officials, who spearheaded initiatives to consolidate local schools as part of broader efforts to expand state control over public education. In other words, not only was local control over education weakened by the elimination of most elected school boards, but the authority of the remaining boards was also eroded as state governments gradually extended their authority over issues such as accreditation, curriculum, and teacher certification.[10]

But these more centralized local school districts and newly-involved state governments were led by elites who firmly subscribed to notions of race, ethnic, and class-based differences and learning expectations for students. These officials put in place school-tracking systems and differentiated curricula and assigned students based on their expected place ultimately in the workforce. And of course they invested fewer dollars in the education of those groups of students that they considered inferior.

For a century, a wide variety of education reformers including teacher groups and business organizations like the National Association of Manufacturers and the Chamber of Commerce as well as African American leaders and their allies decried the unfair and under-funded state of American education. The alliance was based on the confluence of concerns about civil rights and national economic development—an alliance that continues today on most K-12 education issues

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[6] Ibid.
[7] Ibid.
[8] Diane Ravitch, "Introduction to Part Two: 1900-1950" in *As American As Public School in School: The Story of American Public Education*, Sarah Mondale and Sarah B. Patton, eds., (Boston: Beacon Press, 2001).
[9] Christopher Berry, "School Consolidation and Inequality," *Brookings Papers on Education Policy: 2006-07*, Tom Loveless and Frederick Hess, eds.
[10] Ibid.

with the exception of tax revenue. Politically and in court the reformers secured victories that resulted in greater state and local investment in schooling, most especially teacher salaries and better-supported schools for black students, including sometimes, integrated schools. But as Tyack points out, as late as the mid-1950s, "The disparities in educational expenditures between states and between communities in states, and even within socioeconomic neighborhoods of the same districts, however, remained shockingly high, belying the goal of equality of opportunity revived by reformers at the close of World War II."[11] As shown below, this continues today.

Federal and State Administrative and Legislative Action

During the 1950s and 1960s opinion leaders and ultimately a significant portion of the public expressed their growing concern about the deplorable state of schools with large concentrations of low-income students and those that were racially segregated. The 1954 Supreme Court *Brown v. Board of Education* decision called for the end of legally segregated schools, though little action to desegregate actually ensued. This was because local decision-makers had virtually total control over the operation of schools and they enthusiastically chose to fund black schools at much lower levels than white schools. The federal government had no enforcement tools and state governments were unmotivated to act. The civil rights movement of the 1950s and 1960s blossomed with African Americans peacefully demanding of all levels of government the end to segregation. Finally, Congress acted with the passage of the Civil Rights Act of 1964, a far-reaching law with the most immediately visible effect on public accommodations and schooling.

At the same time, there was also growing recognition that some states and districts were much poorer than others in terms of their tax bases and their much larger populations of low-income children. Ultimately, in 1965 Congress passed the Elementary and Secondary Education Act as a part of President Lyndon Johnson's War on Poverty. While ESEA provided a federal contribution to public education, it was a modest amount. Still, it sent out funds based on each state's number of low-income-income children with a flawed adjustment for cost of living differences (see discussion below on current federal funding inequity today). (It also provided a vehicle to enforce the desegregation requirements of *Brown* and the 1964 Civil Rights Act by enabling the federal government to threaten to and actually withhold ESEA funds if desegregation did not move forward.)

When the ESEA was passed in 1965 (P.L.89-10), its Title I Section 201 set forth the categorical purpose to "provide financial assistance...to local educational agencies serving areas with concentrations of children from low-income families to expand and improve their educational programs... to meet the special educational needs of educationally deprived children." While the intentions were good, local governing arrangements that federal policy relied upon enabled many districts administrators to undercut federal goals.

[11] Tyack, 1974.

Local educators welcomed direct federal funding of public schools for the first time, but they were unaccustomed to federal directions on how to spend it and they championed local control. Consequently, rather than spending this $1 billion in funds in high poverty schools on the neediest students, they often used them for the general needs of schools and districts. Federal auditors documented the abuses, but took no action. But a new breed of federally focused civil rights advocates uncovered their reports and in 1969 produced a widely publicized report, Title I of ESEA: Is It Helping Poor Children?"[12] As Phyllis McClure has made clear, "These free-wheeling spending practices of school officials…. made the case for strong federal guidelines that would lead to curbing the abuses and establishing comparability requirements that state and local funded services for schools receiving funds under Title I be equivalent to such services for schools that do not receive Title I funds. Not only was federal money being spent on the general needs of school systems (general aid), it was also paying for goods and services that had previously been purchased with state and local funds."[13]

The documented abuses in Title I spending led Congress in 1970 to give federal overseers more power in relationship to state and local governments by enacting amendments that tightened up how school districts were allowed to spend the funds. One major change was adoption of the "comparability provision." Section 105 (a) (3), said that "state and local funds will be used in the local educational agency to provide services in project areas which, taken as a whole, are at least comparable to services being provided in areas in such district which are not receiving funds under this title." But from the beginning, because of the push from the powerful Chicago congressman Roman Pucinski, the federal Office of Education regulations established a major loophole: excluding teacher "longevity pay" from calculations of comparability. Pucinski wanted to protect the practice of urban districts to assign the weakest and poorest paid teachers to predominantly African American or Hispanic schools.[14] This was a case of a congressman subverting the intent of federal law to benefit status quo practices. It is an example of the general weakness of the federal government vis-à-vis states and localities in directing public education and the incoherence and lack of alignment of our current governance structure that works to perpetuate funding inequities.

States gradually assumed a greater share of school funding, but they added onto the patterns of inequity that already existed. By 1972 this was quite apparent in the report of the bipartisan Select Committee on Equal Educational Opportunity of the United States Senate. The Committee noted that comparison of expenditures among states did not present an accurate picture of school finance disparities. It went on to say that more important were the intrastate differences in per

[12] Ruby Martin and Phyllis McClure. *ESEA Title I: Is It Helping Poor Children?* (Washington, DC: NAACP, Legal Defense and Education Fun, 1969).
[13] Phyllis McClure. "The History of Educational Comparability in Title I of the Elementary and Secondary Education Act of 1965" (Washington: Center for American Progress, 2008).
[14] Ibid.

pupil expenditures. As the Committee's table below shows, "In nearly every state the highest spending school district spends at least twice as much as the lowest spending school district. Variations of 3-, 4-, and 5-to-1 are not uncommon and at the extreme—in Wyoming and Texas—the highest spending school district spends more than 20 times as much as the lowest."[15] No one had ever seen a table like this until the 1970s.

TABLE 10–2.—*Intrastate disparities in per-pupil expenditures, 1969–70* [1]

	High	Low	High/low index
Alabama	$581	$344	1. 7
Alaska	1, 810	480	3. 8
Arizona	2, 223	436	5. 1
Arkansas	664	343	2. 0
California	2, 414	569	4. 2
Colorado	2, 801	444	6. 3
Connecticut	1, 311	499	2. 6
Delaware	1, 081	633	1. 7
District of Columbia			
Florida	1, 036	593	1. 7
Georgia	736	365	2. 0
Hawaii			
Idaho	1, 763	474	3. 7
Illinois	2, 295	391	5. 9
Indiana	965	447	2. 2
Iowa	1, 167	592	2. 0
Kansas	1, 831	454	4. 0
Kentucky	885	358	2. 5
Louisiana	892	499	1. 8
Maine	1, 555	229	6. 8
Maryland	1, 037	635	1. 6
Massachusetts	1, 281	515	2. 5
Michigan	1, 364	491	2. 8
Minnesota [2]	903	370	2. 4
Mississippi	825	283	3. 0
Missouri	1, 699	213	4. 0
Montana average of groups	1, 716	539	3. 2
Nebraska average of groups	1, 175	623	1. 9
Nevada	1, 679	746	2. 3
New Hampshire	1, 191	311	3. 8
New Jersey, 1968–69	1, 485	400	3. 7
New Mexico	1, 183	477	2. 5
New York	1, 889	669	2. 8
North Carolina	733	467	1. 4
North Dakota county averages	1, 623	686	2. 3
Ohio	1, 685	413	4. 0
Oklahoma	2, 566	342	7. 5
Oregon	1, 432	399	3. 5
Pennsylvania	1, 401	484	2. 9
Rhode Island	1, 206	531	2. 3
South Carolina	1, 741	350	5. 0
South Dakota	610	397	1. 5
Tennessee	700	315	2. 4
Texas	5, 334	264	20. 2
Utah	1, 515	533	2. 3
Vermont	1, 517	357	
Virginia	1, 126	441	
Washington	3, 406	434	
West Virginia	722	502	
Wisconsin	1, 432	344	
Wyoming	14, 554	618	

NOTES

[1] Hearings of the U.S. Senate Select Committee on Equal Educational Opportunity, Part 16A—*Inequality in School Finance,* Sept. 22, 1971.
[2] Does not reflect subsequent reforms.

For New Jersey data are for fiscal year 1969 since fiscal year 1970 data were not yet available
For Alaska data represent revenue per pupil.
For Montana and Nebraska data are high and low of average for districts grouped by size.
For North Dakota data are averages of expenditures of all districts within a county.
Data are not fully comparable between States since they are based entirely on what data the in
State included in their expenditures-per-pupil analysis.

Source: State reports and verbal contacts with State officials.

[15] United States Senate, *Toward Equal Educational Opportunity: The Report of the Select Committee on Equal Educational Opportunity* (Government Printing Office, 1972)

As if foreshadowing today's debates (see below), the Committee went on to say that the "most immediate impact of school expenditures occurs in individual schools" and noted that few districts broke down their expenditures on a school-by-school basis. It then cited the Washington, D.C. case of *Hobson v. Hansen*. Julius Hobson, a local community activist, testified before the Committee that in 1970, three years after the court decision, the differences between "black-dominated" and "affluent white" schools had increased from a difference of $411per pupil in 1967 to $506 in 1968 and by 1970 to $1,719 between the lowest and highest funded elementary schools.[16] This was the same problem that civil rights advocates were trying to deal with in the federal Title I comparability issue.

The Senate Select Committee and civil rights advocates were not alone in their concern for inequitable financing and opportunity in U.S. public schools. Indeed, President Nixon was just as concerned issuing an Executive Order in 1970 that established a President's Commission on School Finance. The Commission issued its report and recommendations in March 1972, nine months ahead of the Senate committee. Its major finding was that "The financial problems of education derive largely from the evolving inabilities of States to create and maintain systems that provide equal educational opportunities and quality education to their children."[17] The 157-page Commission report is chock full of recommendations that eerily track today's education reform debates. But most significant for this discussion are the recommendations for "full state funding of elementary and secondary education;" that:

- "…State governments assume responsibility for financing substantially all of the non-federal outlays for elementary and secondary education with local supplements provided up to a level not to exceed 10 percent of the State allocation."
- …State budgetary and allocation criteria include differentials based on educational need, such as the increased costs of educating the handicapped and disadvantaged, and on variations in educational costs within various parts of a State."
- There be enacted "a federal purpose Federal incentive grant that would reimburse States for part of the costs of raising the State share of total State and local educational outlays above the previous year's percentage…. contingent on the submission by a state of a plan for achievement of full State funding over a reasonable period of time."[18]

Of course, these Commission recommendations had major implications for the balance of power in school governance among local, state, and federal levels. Here a federal body is recommending state control of school financing with other operational controls sure to follow. Sadly, the Commission's recommendations got little attention and gained no traction.

[16] Ibid.
[17] President's Commission on School Finance, *Schools, People, & Money: The Need for Educational Reform*, (President's Commission on School Finance, 1972), p. 10.
[18] Ibid.

And then a year later the U.S. Supreme Court ruled in *Rodriquez v. San Antonio* that there is no federal constitutional right to an equal educational opportunity thereby relieving pressure on states to take action. It is distressing that forty years after the bipartisan concerns of national leaders with regard to the inequitable financing of public education they remain largely unaddressed by state and local as well as national decision-makers.

State and Local Court Activity

Over the past forty years, lawsuits challenging state-finance systems have been brought in forty-five states with plaintiffs succeeding about half the time.[19] But success in many of these cases has been short-lived with several years of wrangling within state legislatures (e.g. Texas, New Hampshire, New York) or voter revolt through public referenda placing caps on property taxation (e.g. California Proposition 13 in 1979 after the state Supreme Court in the *Serrano v. Priest* decision of 1976). In the case of California, the governance relationships are particularly convoluted. Californians often use the initiative process, "the most democratic and purely majoritarian form of policymaking."[20] This has resulted in regular conflicts between the courts and voters. Sometimes ballot initiatives are challenged to keep them off the ballot, but usually the challenges come in state or federal courts after voter approval. Initiatives are allowed to amend the state constitution but may not fundamentally revise the constitution.[21]

The situation is even more complicated in perhaps the most famous current state-finance-equity suit, *Abbot v. Burke* in New Jersey. The Abbott case began in 1981 when the Education Law Center challenged the New Jersey public-education-finance system on behalf of four school districts: Camden, East Orange, Irvington, and Jersey City. There were many legal decisions with the state Supreme Court upholding in 1990 an administrative law judge finding of inequity on behalf of twenty-eight and eventually thirty-one "poorer urban" districts. Action shifted to the state legislature to provide a more equitable and adequate funding scheme and then back to the courts when plaintiffs concluded that the legislator's actions were insufficient. The ping-pong game among the plaintiffs, courts, legislature, and Governor continues to this day. Along the way, important remedies were adopted with perhaps the most significant being pre-school for disadvantaged children and desperately needed school construction in low wealth districts. Indeed, "New Jersey was the first state to mandate early education, starting at age 3, for children "at risk" of entering kindergarten or primary school cognitively and socially behind their more advantaged peers."[22]

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[19] Eloise Pasachoff, "How the Federal Government Can Improve School Financing Systems" Center on Children and Families" (Washington: The Brookings Institution, 2008).

[20] Craig B. Holman and Robert Stern, *Judicial Review of Ballot Initiatives: The Changing Role of State and Federal Courts,* 31 Loy. L.A. L. Rev. 1239 (1998). P. 1240

[21] Ibid. p. 1244

[22] "The History of Abbott V. Burke," available at http://staging.edlawcenter.org/cases/abbott-v-burke/abbott-history.html (Last accessed September 2011).

While the results of school-finance litigation have certainly been less than desired, the same can be said of a handful of school desegregation cases that involved state financial investments. However, the U.S. Supreme Court limited state responsibility in desegregation cases when it ruled in its 1974 decision in the Detroit, Michigan case of *Milliken v. Bradley* that there was no evidence that 53 surrounding school districts had contributed to the segregation of Detroit schools and consequently they did not need to assist in their desegregation. The Court also emphasized local control over the operation of schools.

But federal courts did at times find evidence of state complicity in the illegal segregation of schools. And they ruled that states had to make financial commitments to right these wrongs. But the results have rarely been positive. The worst example lies in the Kansas City, Missouri case. Plaintiffs filed suit in 1977 alleging Kansas City schools were illegally segregated. In 1984 a federal district court judge ruled in the plaintiffs favor, establishing that the Kansas City School District and the state of Missouri were liable for illegally segregating schools. While this complex case appears not to have reflected the true wishes of the predominant African American community, between 1985 and 2003 federal judges ordered more than $2 billion in state and local dollars for the school district to encourage desegregation. Courts "turned every high school and middle school (as well as half the elementary schools) into 'magnet schools,' each with a distinctive theme—including not merely science, performing arts, and computer studies, but also classical Greek, Asian studies, agribusiness, and environmental studies. The newly constructed classical Greek high school housed an Olympic-sized pool with an underwater observation room, an indoor track, a gymnastic center, and racquetball courts. The former coach of the Soviet Olympic fencing team was hired to teach inner-city students how to thrust and parry. The school system spent almost a million dollars a year to recruit white kids from the suburbs, and even hired door-to-door taxi service for them."[23] All of this expense went for naught. Test scores continued to decline. Schools became more racially isolated. And eventually the African American community pushed for a return to neighborhood schools.

Some school-desegregation cases have been affected by state action that changed the governance situation, but left funding inequity unaddressed. And with predictable results. Chicago, Illinois is a case in point. Most experts have concluded that Illinois today has the most inequitable state funding system in the country with no progress in correcting it despite efforts by bipartisan groups of advocates like the Center for Tax and Budget Accountability. It is likely that racial politics has played a role in the state-funding pattern, particularly with regard to Chicago.

The creation and maintenance of segregated schools in Chicago is not unique to it, but is a particularly grim story. African Americans migrated to Chicago in two waves—after World War

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[23] R. Shep Melnick, "The Two Billion Dollar Judge: a book review of *Complex Justice: The Case of Missouri v. Jenkins*, by Joshua M. Dunn," *Claremont Review of Books IX (2) (2009).*

I and during World War II. In the second wave the African American population more than tripled to over one million. Racist real-estate policies confined blacks to the South Side and eventually the West Side. Temporarily integrated schools soon became segregated. In the 1960s African Americans and biracial groups mounted substantial protests, a congressional committee held a highly publicized hearing on "de facto" segregation in the city, and the federal government attempted to intervene, ultimately unsuccessfully. Despite the maintenance of segregated schools in Chicago, the flight of the white population exploded as it did in many of the nation's cities. The Chicago school board tried a few weak attempts at voluntary integration, but mostly it engaged in active gerrymandering of school boundaries, confinement of black students to overcrowded schools next to under-enrolled predominantly white schools, and built whole schools of temporary buildings—called "Willis Wagons" and named after the Superintendent Benjamin Willis—on vacant lots. In the late 1970s, the federal government tried again to address segregated schools in Chicago. Though it held up federal funding and ultimately took Chicago officials to federal court, it was too late. There were too few white students left in the city to integrate many schools. (Indeed a new group of students, Latinos, had arrived in substantial numbers.)[24]

During the years of the Chicago desegregation struggles, the state remained mostly uninvolved in school governance except for shortchanging the system in terms of funding. But in 1979, the state had to pay attention when the Chicago school district declared bankruptcy. The white-run school system had run up a $400 million debt—or over $1.2 billion in 2011 dollars. The legislature established a School Finance Authority jointly appointed by the Governor and Chicago Mayor that bailed out the system but drastically cut funds for schools. It forced the Superintendent Joseph Hannon to resign. The Mayor and school board initiated a national search and chose Chicago's first African American Superintendent Ruth Love. She was handed an impossible job in 1981. The district did not return to financial stability until three years after she left in 1988. [25]

The state continued to short-change Chicago. For example, in the 1990s the state-school-aid formula was supposed to equalize funding throughout the state and make up for low tax bases and large numbers of low-income students. However, for Chicago state legislators arbitrarily pretended "that only 23 percent are" low-income when "at least half of the children in the Chicago public schools are poor" while "schools in the six-county suburban area [surrounding Chicago] got the full benefit of their 7 percent poverty children."[26] Finally, state officials became concerned about the quality of Chicago schools and moved to mayoral control in 1995. While

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[24] Dionne Danns, "Northern Desegregation: A Tale of Two Cities," *History of Education Quarterly* 51 (1) (2011): 77–104.
[25] Ibid.
[26] Patrick T. Reardon, "School board axes $42 million in jobs, programs" *Chicago Tribune*, September 1, 1991.

school performance has improved to some degree, the district still suffers serious financial challenges with little help from a continuing inequitable state-funding scheme.

Given the existence of the uniquely U.S. system of school organization with its approximately 15,000 school districts and the constitutional responsibility of states for providing public education, any hope of fair financial treatment must rely on state action. The 1972 reports of the Senate Select Committee and the Nixon commission concluded the same. And the 1973 *San Antonio v. Rodriguez* case in Texas, and the subsequent Supreme Court decision, locked the door on federal action pursuant to the U.S. Constitution though it affirmed that school finance cases could be successful in state courts. However, state litigation successes have been modest and many states continue to operate systems with great funding disparities among their school districts. State revenues and funding schemes often do not fully remedy and may even exacerbate inequities among districts due to their location in richer or poorer parts of a state.[27]

Today in the United States

While Americans have awakened to the fact that their country is losing ground internationally, their elected officials fight most proposals for change. A bruising fight over health care reform in 2010 moved the U.S. closer to, but still far distant from the health care systems of advanced countries. As for public education, there has been significant movement on reforms in the past decade, particularly with regard to common nationwide standards and policies enhancing the teaching workforce. As policymakers ask schools to produce many more well-prepared students who can go on to postsecondary education and training, the public and their representatives have developed, to some extent, a sense of urgency to improve the education system for all students. The documented need that two-thirds of future jobs must be filled by workers with a postsecondary degree or credential contributes to this feeling.[28]

The public has also developed a degree of concern because of better data on student learning outcomes disaggregated by subgroups of students, widely available for the first time pursuant to the current version of ESEA, the No Child Left Behind Act. Large achievement gaps between African American, Hispanic, and American Indian students versus white students and between low-income students and their more advantaged peers are well documented in every state. Demographers tell us that the workforce of tomorrow will be dominated by employees of color and those from lower income families, most of whom will be products of schools that have historically had inequitable access to resources.[29] This fact combined with the known mobility of

[27] Diana Epstein. "Measuring Inequity in School Funding," (Washington, D.C.: Center for American Progress, 2011).
[28] Anthony P. Carnevale and Stephen J. Rose, "The Undereducated American" (Washington, D.C.: Georgetown University, Center on Education and the Workforce, 2011).
[29] "An Older and More Diverse Nation by Midcentury." Available at http://www.census.gov/newsroom/releases/archives/population/cb08-123.html. (Accessed September 2011).

families and workers away from areas with low quality public schools finally convinced state leaders of the absurdity of different academic standards and grossly different methods of assessment and measures of student success across the country. Today 45 states plus the District of Columbia have committed to adopting common national standards and most are exploring the use of one of two common assessments that are now being developed.

But the move to common standards and assessments makes no sense while maintaining the same governance systems for public schools. If equal achievement outcomes, or at least much smaller gaps, are the goal then it is grossly unfair for state and local governments to invest less instead of more in minority and low-income students relative to their educational needs. But that is what is done across the country. Today's national demands for better public schooling are built upon anachronistic funding schemes at the local, state, and federal levels that work in different ways.

Before moving to this analysis, it is important to say something about whether money really matters in terms of education quality and student outcomes. A war among researchers over this question has raged for years. As more has been learned about education expenditures and with troubling, very public examples of large sums seemingly wasted or put to poor use, there seems to be somewhat of a consensus that money matters, but not alone. The biggest critic of claims that education resources lead directly to achievement outcomes, Eric Hanushek states what seems to be today's prevailing view: "providing resources without changing other aspects of schools…is unlikely to boost student performance."[30] There is now an awakening among policymakers that the public education sector must start paying attention to the return on investment in public schooling.

But "changing other aspects" of schools is essential and many of the most important strategies for turning around low performing schools cost extra money. Adopting new policies and paying for them by reallocating funds or providing new ones is an enormous challenge for governing bodies at all levels. For example, policy reform on many structural aspects of the teacher workforce including tenure, compensation, and evaluation is taking place across the country and there is increasing realization that high-poverty schools are likely to have disproportionate numbers of novice teachers for the foreseeable future. These schools will need extra financing to support strategies to retain and attract highly effective teachers and to employ mentor and master teachers to work with struggling novices, all identified through improved evaluation systems.

Another costly strategy that is being widely embraced for such schools is expanded learning time in which students not only spend more time learning academics and participating in additional enrichment experiences but their teachers also engage in common planning and site-based

[30] Eric A, Hanushek, "Science Violated: Spending Projections and the 'Costing Out' of an Adequate Education" in Eric A. Hanushek ed., *Courting Failure: How School Finance Lawsuits Exploit Judges' Good Intentions and Harm Our Children,* (Stanford: *Education Next* Books, 2006).

training. Expanded learning time also needs to include preschool so that students do not enter school with wide early literacy gaps. Temporary federal funds like the current Title I School Improvement Grants may help make high poverty schools into high performing schools, but residential patterns in most low-income neighborhoods are not likely to change. So year after year children from low-income families are likely attend high poverty schools. And these children will have more educational needs than their more advantaged peers and consequently for the foreseeable future will need extra financial investments that must be well spent.

Local Funding Inequity Today

Across the country about 40 percent of public school funding is generated at the local level, mostly by property taxes. But in any given state the local percentage can range from three percent in Hawaii and 8 percent in Vermont to over 60 percent in Illinois and Nevada.[31] Critics and advocates have decried inequitable state funding of school districts for decades, but the inequitable distribution of resources within school districts has only become well understood in the past decade. Why? Because school level budgeting or consideration of per pupil expenditures by school was never really done and certainly was not made publicly available. Instead, districts typically sent resources to schools by staff allocations (e.g. number of teachers or guidance counselors per set number of students) and specific programs (e.g. Advanced Placement, pre-Kindergarten, band, and magnet schools) or based on requests of "savvy schools." As a June 2006 Fordham Institute report noted, "A dirty secret is that schools often get a good bit of their funding by asking for it—and some schools are better than others at asking."[32]

What wasn't done was any sort of translation of staff and programs or even perks into actual dollar figures. Now that skilled researchers and experts like Marguerite Roza and Karen Hawley Miles have pored over the actual spending school-by-school in several large school districts, the gross under-investment in schools with large concentrations of low-income students and students of color has become very clear. With few exceptions, they do not receive the same per pupil allocations of non-federal funds as schools with lesser poverty and they rarely receive funding with extra weighted dollars provided on the basis of the extra needs of their students or the concentration of needy students. Of course it is virtually certain that this pattern has prevailed since school systems began; it just was not documented.

While the documentation of inequitable resources among schools is relatively recent, knowledge of the situation is not. Indeed, as discussed above, the federal government has condoned

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[31] "Total revenues and percentage distribution for public elementary and secondary schools, by revenue source and state: School year 2007-08." Accessed from: http://nces.ed.gov/programs/coe/tables/table-sft-2.asp. (Last accessed September 15, 2011).
[32] Thomas B. Fordham Institute, *Fund the Child: Tackling Inequity and Antiquity in School Finance* (Washington, D.C.: Thomas B. Fordham Institute, 2006).

inequitable spending between low and high poverty schools within school districts for decades. And this has undermined the congressionally stated goal of federal elementary and secondary school funds being supplementary in high poverty schools. As shown in the section below on current federal education financing, this problem continues but solutions have become clearer.

The primary reason for inequitable school funding is the difference in teacher salaries among schools. As Marguerite Roza has pointed out, "Inside nearly every urban school district in the country, teachers are paid more to teach middle- or upper-class students than to teach high-poverty students."[33] The reason for this is related to two factors: the single salary scale used to pay teachers and the concentration of less experienced teachers in high poverty schools because more experienced teachers often transfer to less challenging schools and are given priority in transfer requests and assignments. Under the single salary schedule prevalent in the vast majority of school districts, teacher pay increases with experience and post-graduate credit. In other words, salaries increase each year based on these two factors with other incentives sometimes layered on top. Indeed, according to the 2010 Teacher Policy Yearbook of the National Council on Teacher Quality, seventeen states impose on their districts a minimum salary schedule.[34]

What is needed is a system of differential pay for teachers built on top of a solid base level investment. In such a system teachers are paid for being successful with their students, taking on additional responsibilities like mentoring new teachers or undertaking peer evaluation assignments, and working in shortage subject areas, especially science and math. And importantly, in differential compensation systems, effective teachers are often offered incentive pay to work in more challenging schools. Differential pay is just as important for school leaders who should be compensated for their success, taking on special assignments, and leading more challenging schools.

Historically, local school boards have made decisions about teacher pay. In most of the North and West they negotiate salaries and benefits with teacher unions and enter into collective bargaining agreements. Though not a formal process in most of the South, in fact school boards usually make compensation decisions through similar processes. As noted above, states have also enacted compensation policies. However, as research over the past decade has documented the wide variations in teacher effectiveness,[35] legislators and advocates alike have questioned the

[33] Marguerite Roza, "Educational Economics: Where Do School Funds Go?" (Washington, D.C.: The Urban Institute Press, 2010).
[34] National Council on Teacher Quality, "2010 State Teacher Policy Yearbook" (Washington, D.C.: National Council on Teacher Quality, 2010).
[35] See Daniel Aaronson, Lisa Barrow, and William Sander, "Teachers and Student Achievement in the Chicago Public high Schools," *Journal of Labor Economics* 25 (1) (2007): 95-135; Robert Gordon, Thomas J. Kane, and Douglas O. Staiger, "Identifying Effective teachers using Performance on the Job" (Washington, D.C.: The Brookings Institution, 2006); Jonah E. Rockoff, "The Impact of Individual teachers on Student Achievement: Evidence from Panel Data," *American Economic Review* 94 (2) (2004): 247-252.

logic of paying teachers the same regardless of success with their students or their assumption of additional responsibilities. And courageous and innovation union leaders have responded in many places and entered into negotiations and agreements to alter compensation systems. Harrison School District 2 in Colorado and Baltimore City Public Schools in Maryland are examples of districts where elected officials, administrators, and union leaders have made bold moves to abandon long-standing premises of the single salary schedule. Additionally, the federal government--both the Bush and Obama Administrations and Congress—have also encouraged such change through the federal Teacher Incentive Fund program that has allowed numerous districts and sometimes states to develop and experiment with new pay plans and evaluation systems that reward effective teachers and improve those who are struggling.

State Funding Inequity Today

States today pick up slightly more than 50 percent of the cost of public education, on average, but the split between local and state share varies greatly among states. States mostly use sales and income taxes to finance schools and a few add lottery funding. Advocates and litigators for poor and minority students have been battling for over forty years in the courts and legislatures over unfairness in state funding that results in different investments in students based on where they live, not their educational needs or a sufficient level of spending for all. In most states, the battle has been over whether state funding should make up for inequitable wealth among local school districts where those with more property wealth could tax themselves at lower rates and still raise substantial sums. Schools in property-poor districts received less support and usually had disproportionate numbers of low-income and minority students. In other states, battles developed over whether states provided enough resources to operate schools with an adequate level of quality.

While these battles continue today, there has been some progress with many states increasing their investments in the neediest students. In a recent survey and report, Deborah Verstegen found that today thirty-four states support programs for at-risk children and thirty-seven states provide aid for English-language learners. She concludes that "this is a notable departure from the past as states are recognizing the high costs and needs of students who come to school without functional literacy in the English language, which is the language of instruction. Only four states do not provide any additional assistance for either low income/at-risk students or English Learners."[36] Still, in many states, legislators remain slow to respond to growing numbers of disadvantaged students in their states and in a few, they actually have retrenched.

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[36] Deborah A. Verstegen. "Public Education Finance Systems in the United States and Funding Policies for Populations with Special Educational Needs" Education Policy Analysis Archives, 19 (21). Accessed from http://epaa.asu.edu/ojs/article/view/769.

California is the starkest example of backsliding. While California legislators equalized funding among school districts to a large extent after the Serrano decision, the adoption of Proposition 13 began a downward spiral in statewide spending on public education and the resumption of inter-district funding inequity. Today California spends much less than the national average on per pupil expenditures and has one of the highest costs of living. In a recent paper for the Center for American Progress, Frank Adamson and Linda Darling-Hammond found that in California "the range of instructional expenditures now exceeds a 3-to-1 ratio between low- and high-spending districts, both on an adjusted and unadjusted basis. This is true even when the highest-spending districts, which are often quite small, sparsely populated, or otherwise unusual, are excluded from the analysis. Unadjusted spending per pupil ranges from about $6,000 to $18,000 (using the 95th percentile district as the top of the scale to eliminate the atypical outliers). Strikingly, adjusted spending shows an even wider gap, ranging from about $6,100 to $23,500 per pupil—a ratio of nearly 4-to-1."[37]

Adamson and Darling-Hammond go on to show that the school-district salaries of teachers with comparable education and experience varied by a ratio of more than 2-to-1 in 2009, which was a substantial increase since the year 2000. And the range of teacher salaries increased after labor market adjustments with high-salary districts spending more than twice as much as low-salary districts for beginning teachers and nearly three times more for more experienced teachers with similar experience and education levels.[38]

It is relatively easy to argue that California public-school students attend grossly underfunded schools generally and that low-income students are concentrated in school districts that receive the smallest shares of state and local funds. Results on the 2011 National Assessment of Educational Progress document that students in California are the lowest performing students outside the South on eighth-grade math and eighth-grade reading. (One state outside the South, New Mexico, scores lower on fourth-grade math and another non-South state, Alaska, scores lower on fourth-grade reading.) Indeed, California scored lower on NAEP in all these grades and courses in 2009 than Arkansas, Florida, Georgia, Kentucky, North Carolina, South Carolina, Texas, and Virginia. [39]

The New Jersey story is better. There is no question that its legislators adopted, by force of law, a needs-based approach to remedial and supplemental programs and reforms with attendant financial investments that resulted in more equitable state funding of education. And NAEP

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[37] Frank Adamson and Linda Darling-Hammond**,** *Speaking of Salaries: What It Will Take to Get Qualified, Effective Teachers in All Communities* (Washington, D.C.: Center for American Progress, 2011).
[38] Ibid.
[39] "State Education Data Profiles." Accessed from: http://nces.ed.gov/programs/stateprofiles/. (Last accessed November 2011.)

results show progress in closing achievement gaps and improving education outcomes in reading and math. For example, between 2003 and 2007, all New Jersey students improved their 4th grade reading scores on NAEP and the gap between African American and white students continued to narrow through 2011. On eighth-grade math, all students in New Jersey improved on NAEP between 2003 and 2011 and achievement gaps were narrowed for African American, but not Latino students with white students.[40]

But there is a troubling side of the New Jersey fiscal equity story. The average per pupil expenditure in school year 2008, the most recent available, in New Jersey was $16,163 while the California average was $9,706. Well-known *Abbott* districts like Newark spent $23,500 per pupil in 2008. Others like Asbury Park spent $33,225 on each student. And what do these particular districts have to show for it in terms of student-achievement gains? Very slow improvement. To be sure there are *Abbott* districts like Union City that have taken advantage of the injection of resources. The 12,000-student system, which spent $18,739 per pupil, is now the highest performing New Jersey city district.[41] For one, the district improved the alignment of goals and funds by implementing a school-based budget modeling.[42]

The fact remains, however, that many *Abbott* districts are poster children for how money alone cannot turn around low-performing schools and districts. New Jersey taxpayers are getting a low return on their investment in these districts.

Usually successful state court challenges in the past sought financial remedies with little or no attention to policies that could make a difference in school quality and thus outcomes. This has undermined the credibility of these efforts including in New Jersey. A recent study by Ulrich Boser has documented that among other things, inefficient school systems represent a significant reform opportunity. Low productivity is costing the nation's school system as much as $175 billion a year. Without clear controls on how additional school dollars are spent, more education spending will not automatically improve student outcomes.[43]

What is needed is clear, but in tough economic times the political will to correct inequity is even scarcer than the historical pattern of inaction in better times. Still given the urgent need to better prepare all students, particularly the economically disadvantaged, to become part of the future

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[40] National Center for Education Statistics, "Achievement Gaps: How Black and White Students in Public Schools Perform in Mathematics and Reading on the National Assessment of Educational Progress" (Washington, D.C.: National Center for Education Statistics, 2011).

[41] "From Failing to Model District," Accessed from: http://www.edutopia.org/media/3313_systemreform/html/uc_overview.html. (Last accessed September 2011.)

[42] Anthony N. Dragona, "Tuning the Tin Ear: In Search of Fiscal Congruency" in *School Business Affairs*, 77(1) 2011.

[43] Ulrich Boser. "Return on Educational Investment: A District-by-District Evaluation of U.S. Educational Productivity" (Washington, D.C.: Center for American Progress, 2011).

workforce that demands better preparation, state policymakers and advocates need to embrace a measure of intrastate equity to promote discussion and reform. Ultimately, they will need to tackle issues of efficiency and productivity as well but this should not be done before adopting equitable funding systems.

Diana Epstein has made key recommendations about fiscal equity: that states "should employ progressive school finance systems so districts with high percentages of low-income children receive more resources than those with fewer low-income children. Those states without progressive finance systems should therefore undertake reforms, a process that is both technically difficult and politically challenging since it is likely to create funding winners and losers as funds are distributed in new ways." She goes on to say, "a useful fiscal equity measure should express the relative level of funding inequity in a state, adjust for local cost differences and include weights for extra student needs, capture whether or not a state's school finance system is progressive or regressive (providing more or less funding to districts with a high percentage of low-income children), and be relatively simple to use and explain." She concludes by acknowledging that states may resist such reform and that the federal government should consider incentivizing states to take action to reform their school finance systems.[44] This may well be necessary because state legislators will likely have to deal with hold harmless provisions for districts slated to lose funding during a phase-in period in order to gain enough support for this kind of change. Such provisions might require extra funding but in the long-run they are really about reallocation of resources.

Rhodes Island very recently reformed its state-school-finance system, becoming the last state without a state-school-funding formula. Kenneth Wong recently detailed how this came about and notes the stimulus for action provided by the availability of federal competitive funds through the Race to the Top program. He concludes: "The reform process itself was successful because of effective leadership and mutual trust, the prominent role played by independent expert analysis, a fiscally responsible approach that focuses on students and their needs, and a data system that is transparent and publicly available."[45]

Federal Funding Inequity Today

In the U.S., in contrast to other advanced countries, the federal government supplies just a small portion of the funds used by public schools. The percentage, which fluctuates around nine percent, is for the primary purpose of providing extra funding for the students and schools with the greatest educational needs, i.e. essentially weighted student funding. Federal funds play

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[44] Ibid.

[45] Kenneth Wong. "The Design of the Rhode Island School Funding Formula Toward a Coherent System of Allocating State Aid to Public Schools." (Washington, D.C.: Center for American Progress, 2011).

virtually no role in eliminating inequity between states in educational expenditures. A much greater federal investment in education could be used to improve interstate equity, but this idea faces two obstacles. The most obvious obstacle is resource constraint, a theme put into high relief by political brinksmanship in the summer of 2011 around the idea of sovereign default. But the other obstacle stems from the same politics that shaped existing federal funding streams. In general, in order to gain majority votes, Members of Congress, have adopted formulas to distribute federal funds in ways that spread the money around to large numbers of school districts in all states.

The major federal programs, ESEA and the Individuals with Disabilities Education Act are theoretically designed to provide extra dollars for disadvantaged students. But both have shortcomings. The greatest problem is with Title I of ESEA, the largest federal funding source. Its formula—actually four formulas—is supposed to target funds, through states, to schools with the greatest need based on student poverty. But they do not do this very well. The four formulas have been cobbled together and layered on top of each other since the first enactment of ESEA in 1965. Describing the complexity of the four formulas is beyond the scope of this paper, but in brief there are three major problems.

First is that while money is directed to districts based on the number of low-income children who reside in them, to account for a variation among states in the cost of providing education, state average per pupil expenditure was originally used as a proxy and continues to be used today. Perhaps using this proxy made sense almost 50 years ago when measures of the cost of providing education were crude, but today it is ludicrous. This is a bias in favor of wealthy states. There is no need to continue the bias. Better measures of cost such as the Department of Education's Comparable Wage Index, which also captures variations within states, are now available.

A second problem is that just one of the four formulas accounts for states' fiscal effort, their expenditures for education relative to their fiscal capacity to support schools. [46] This oversight means that the federal government subsidizes wealthy states that tax themselves at relatively low rates while failing to reward low-wealth states that choose to tax themselves at relatively high rates. [47] For example, California has more children in poverty than any other state and operates large schools with an average enrollment of over 650 students. As Raegen Miller has documented, a high-poverty school in California "could easily receive more than $200,000 less than it would receive if it were in Maryland. The cumulative shortfall for California amounts to $532 million, a sum worthy of concern."[48] Clearly, the formulas producing these allocations are

[46] Raegen Miller. "Secret Recipes Revealed: Demystifying the Title I, Part A Funding Formulas" (Washington, D.C.: Center for American Progress, 2009).
[47] Ibid.
[48] Ibid.

out of sync with fairness and common sense. Much stricter attention to fiscal effort would be required to support a federal role in improving interstate equity, but in the meantime, fiscal effort, along with the cost of providing education, provide a ready framework for assessing the shortcomings of the Title I formulas.

The third major problem with the Title I formulas is their use of two alternate approaches to weighting the number of low-income children driving funds to districts. The upshot of the two approaches is that large school districts receive disproportionately larger allocations of Title I funds, on a per low-income child basis, than medium size and small, often rural districts. For example, in fiscal year 2009 each low-income child in the Flint, Michigan school district generated $1,984 in Title I funds, while those in Detroit drew $2,266. Detroit's 19 percent advantage over Flint is greater than the difference these districts' values on the Comparable Wage Index. Yet Flint and Detroit served roughly the same concentration of children in poverty—38 and 39 percent, respectively—with Flint serving 9,577 low-income children while Detroit served 80,289 low-income children.[49] The funding advantage comes purely from Detroit's size.

Clearly, what is needed is a significantly revised ESEA Title I formula. But formula fights in the U.S. Congress are raucous affairs historically pitting regions of the country and states against each other. The Center for American Progress recommends that there be one formula and that it focus on concentrations of children in low-income families not on raw numbers of children in poverty; account for fiscal effort of states, i.e. the extent to which a state leverages its own resources to finance public schools; and use the Comparable Wage Index to measure cost differences among and within states.[50] The Center's recommendations will increase the intensity of congressional-formula debates since school districts themselves will join the fray with states and battle especially based on their size and concentrations of child poverty. But such a debate would be a more genuine, honest exchange and one can hope for a fairer result. That said, however, the U.S. will never approach the equitable national funding systems of its higher performing peers until it invests more federal funds in supporting public education since at its current levels it cannot make up for the interstate differences in child poverty and taxable wealth. But alas, an increased proportion of such federal funding seems unrealistic for the next decade or two.

Another serious problem with federal action—really inaction—can be addressed. It concerns the federal Title I "comparability provision" discussed earlier in this paper. This provision in theory required that state and local fund amounts be comparable between Title I and non-Title I schools before the federal funds were added to a school's budget. While it always contained a big

[49] Ibid.
[50] Ibid.

loophole, over time it has been weakened further. As Ross Wiener has pointed out: "Today, school districts need only have a single-salary schedule for all teachers and policies that ensure equivalence among schools for teachers, administrators, and other staff, and for instructional materials. The law previously required equivalence with regard to student-staff ratios and per-pupil instructional staff expenditures, but it now allows school districts to choose between and affords them other options for determining comparability."[51]

Today most large school districts take advantage of these weak federal provisions and by no means expend their state and local dollars equitably in real dollars between high and low poverty schools. This has now been documented in many places. An especially graphic example is Jennifer Cohen and Raegan Miller's study of lack of comparability in Florida districts. (It is important to make clear that Florida school districts are not unique in funding schools inequitably. It is just easier to document in Florida because Florida is ahead of its peers in reporting actual school expenditures, including measures of actual average teacher salaries and per pupil expenditures, in total and by clusters of programs--regular, exceptional, vocational education. Regular expenditures include those funded by Title I.)[52] Using school-level data on Florida's sixty-seven school districts over seven years, Cohen and Miller found salary differences that corresponded to school poverty levels. They concluded, "…holding all else equal, a 10 percentage point increase in the student poverty rate corresponds to a $213 decrease in average teacher salary. This means teachers in a school with a 70 percent student poverty rate make, on average, $1,067 less than teachers in an otherwise identical school with a 20 percent student poverty rate. This relationship is wiped out, however, when they account for schools' average level of teacher experience. A one-year increase in average teacher experience translates to a $523 increase in average teacher salary. This pattern conforms to expectations and corroborates prior research on hidden salary gaps."[53]

Especially troubling are Cohen and Miller's findings for a couple of Florida districts where even with the addition of Title I funds—which of course are supposed to provide extra funding—the per pupil expenditures between high and low poverty schools are barely equal. Polk County exhibits the greatest inequity. Its lowest-poverty schools outspent its highest-poverty schools despite the addition of supplemental Title I funds. Osceola County was not much better. Cohen and Miller reported, "The average regular per pupil expenditure among the highest-poverty schools in Osceola was just $101 more than among the lowest-poverty schools. This difference corresponds to about a quarter of the approximately $380 per student Title I allocation the county's highest-poverty schools received during the period studied, so it is also dubious to

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[51] Ross Wiener. "Strengthening Comparability Advancing Equity in Public Education" (Washington: Center for American Progress, 2008).
[52] Jennifer Cohen and Raegen Miller. "Sunshine for the Sunshine State: Evidence of fiscal inequity within Florida's public school districts" (Washington, D.C.: Center for American Progress, 2011).
[53] Ibid.

conclude that Title I funds played a supplemental role in Osceola's Title I schools."[54]

Some observers fear that requiring the equal expenditures of state and local dollars before the addition of federal funds will have very adverse consequences. Specifically, they fear the forced transfer of more experienced and more highly paid teachers to high poverty schools where they may not want to work. Advocates for closing the comparability loophole, however, believe that forced transfers should be prohibited as a means for school districts to come into compliance with the comparability requirement and that full compliance should be phased in. Comparability is about financial resources not personnel. As noted above, extra dollars for the most challenging schools can be used to reward more effective teachers, employ master and mentor teachers to work with novice teachers and those who are struggling, expand learning time for students, and numerous other programs and activities which can support needy students.

The Obama Administration and several Members of Congress—notably Congressman Chaka Fattah and Senator Michael Bennet—have made closing the comparability loophole a priority. Indeed, as this chapter goes to press, the proposed reauthorization of ESEA from the Senate Health, Education, and Pensions Committee contains loophole-closing language.

A Different Story in High-Performing Countries

As with the U.S., European and Asian systems of public schools developed in the nineteenth century. Today, however, virtually all high-performing countries as measured on PISA and TIMMS have more centralized systems of education governance and financing than the U.S. [55] Most are national systems and a few have U. S. state-like systems, e.g. Canada, Australia, and Germany. They don't have local school districts governed by elected school boards. These high performers do many things differently than the U.S. with regard to schooling of which how they fund schools is but one element. But it is important. As Andreas Schleicher, head of the Indicators and Analysis Division for the Directorate for Education of the Organization for Economic Cooperation and Development, has pointed out, "It is noteworthy that spending patterns in many of the world's successful education systems are markedly different from the U.S. These countries invest the money where the challenges are greatest rather than making resources contingent on the economic context of the local communities in which schools are located, and they put in place incentives and support systems that attract the most talented school teachers to the most difficult classrooms."[56]

[54] Ibid.

[55] PISA stands for the OECD's Program for International Student Assessment, a test of student knowledge and skills that is administered by OECD on behalf of participating governments on a three-yearly basis in seventy countries. TIMSS stands for Trends in International Mathematics and Science Study.

[56] Andreas Schleicher, "The Importance of World-Class Schools for Economic Success," Testimony before the Senate Health, Education, Labor, and Pensions Committee, March 9, 2010.

Many of the high performing nations were not always so successful educationally or economically. Several countries in Europe and Japan were in ruins after World War II. Finland was a wood-based economy under Russia's thumb until the break-up of the Soviet Union. And South Korea and Singapore only became economic powerhouses in the past two decades. Yet many of these countries broke with their pasts, embraced the national redesign of their centrally operated school systems, and instituted fairer funding schemes. And they did this quickly over 20 and 30 years, relative short order.

Interestingly, even in European countries that are today struggling politically and socially with large immigrant populations of different racial and/or religious backgrounds, legislators continue to invest disproportionately greater resources in education of immigrant students. The Netherlands is a case in point. Despite recently adopted national policies that would be viewed as discriminatory in the U.S. and major incidents of immigrant harassment, the Dutch system of school financing remains a system of weighted student funding based on student needs. (While all schools in the Netherlands are fully publicly funded, there is also complete freedom of choice of schools, including religious and private schools.) Between 1985 and 2006 there were two major categories of weights: 0.25 for native Dutch students whose parents had little education and 0.9 for immigrant students from non-Western countries, including Morocco, Turkey, Surinam, and the Antilles. In 2006 legislators changed the weights for political not technical reasons. They eliminated both the major weights and replaced them with two new weights phased in over time: 0.3 for students whose parents have low education and 1.2 for students whose parents have *very* low education. The latter weight continued to favor immigrant students.[57]

In their recent study of weighted student funding in the Netherlands, Helen F. Ladd and Edward B. Fiske concluded from interviews that "some Dutch policymakers and researchers view closing achievement gaps, rather than equalizing school quality, as the main goal of weighted student funding."[58] Ladd and Fiske go onto point out that money alone was by no means the sole policy lever used to address achievement gaps. But importantly, they report that between 1994 and 2004, "the gaps for the immigrant groups, but not for the disadvantaged Dutch, narrowed quite substantially…."[59]

Why the Contrast between the United States and Higher Performing Countries

Radical change in the design of public education—in either the three-tiered governance structure or funding--has never taken place in the U.S. The question is why? This author's view is that

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[57] Helen F. Ladd and Edward B. Fiske, "Weighted Student Funding in the Netherlands: A Model for the U.S.?," *Journal of Policy Analysis and Management* 4 (3) (2011): 470-498.
[58] Ibid.
[59] Ibid.

progress was blocked by challenges associated with its significant racial diversity—Caucasians, African Americans, and American Indians--present in the U.S. since its most formative days, compounded later by large growth of immigrants of multiple ethnicities, and on-going class differences. Elites and decision-makers at all levels embraced education as a sorting mechanism and invested inequitably—usually in different per pupil amounts with little or no regard for the extra costs of educating disadvantaged students. Eventually U.S. decision-makers have come to see the economic need to educate well a greater proportion of U.S. students. But the successful European and Asian countries with their much more centralized governments got their first. They too once had large low-income populations and tumultuous class conflicts as they evolved, but they did not have the racial diversity of the U.S from virtually its founding. By centralizing, they coped with the educational and social needs of their less diverse populations. And today none of them have the wide gaps in distribution of wealth that the U.S. has (though their wealth gaps are now growing) and most are as economically successful.

While the extent of its racial and ethnic diversity makes this country unique, so do other aspects. Most high performing nations, with the qualified exception of Australia and Canada, were never as wide open in space and have much longer histories of developing as societies with rules of behavior and with governments that provide substantial social and educational safety nets. Americans have always believed deeply that there are limitless opportunities to succeed in their country and never looked to centralized governments at the state or federal level for adequate, sustained support. Great expanse of land, a wealth of natural resources, and a common language contribute to this belief, as do stories of successful individuals. These beliefs transcend race and national origin. Horatio Alger may have been white, but the well-known histories of Oprah Winfrey and Barak Obama are the same.

Americans believe hard work alone brings rewards and that people are entitled to keep most of what they earn. Too few question the great inequities found in their salaries and the lack of progressive taxation. They don't expect or believe government at any level should intervene. Many believe that poor people are either directly responsible for their condition or are "unlucky" and should get some, but not too much help. This belief then gets a racial twist on it, with large numbers believing that low-income minorities are either innately or culturally inferior and low-income whites are more likely to be "unlucky." Today "unlucky" seems to include the disappearance of U.S. workers' jobs overseas and the lack of adequate education and training to adjust. And the disjointed and incoherent structure of the U.S. governance system for education makes it exceedingly difficult to break these beliefs and make the progress needed in providing equal opportunities for educating its students so that they thrive in the worldwide competitive workforce of the future.

Conclusions and Recommendations

Looking at the history of U.S. inequity in providing quality education to low-income and otherwise disadvantaged students, the challenge to realizing equity seems virtually intractable. Yet there has been considerable progress. There is a substantial middle-income population of African Americans and Hispanics that grew with the elimination of previously legal discrimination in schooling and job opportunities. And there is a very large increase in elected officials of color at all levels of government. Also large numbers of students with disabilities who were historically excluded from school are now receiving an education. However, progress in narrowing achievement gaps—while rapid until two decades ago—has now slowed, with current trends indicating that large inequalities are likely to persist well into the future. This pattern cannot continue if the nation is to have a future workforce that is able to compete in a global economy and have the equitable opportunities necessary to sustain democratic institutions.

While not the sole answer, the U.S. needs to change the way it governs education finance. Making key governance changes will in turn produce policies so that those schools enrolling the children with greatest need will have the resources and power to spend wisely on personnel and programs that can result in successful school preparation for their students' continuing education and training. Without fair access to adequate resources, schools serving disadvantaged students will never reach the level of success we need and their students' need. Equitable access to resources is about governance driven by a sensible scheme and decision-making process of distribution. A three-tiered system comprised of federal and fifty-state executives and legislators and 15,000 local decision-making bodies is not a sensible, coherent system to control the distribution of financial resources for public schooling.

As Boalt Law School Dean Christopher Edley, Co-Chair of the federal Commission on Equity and Excellence recently said of school finance policy, "there is no area of public policy that better illustrates the contemporary chaos of our federalism [characterized by] federal, state, and local [governments including] 15, 000 local school districts plus 3,000 charter school entities…[We have] property taxes but also state revenues and some federal revenues…[There is] utter confusion in the minds of the public as to which level of government is responsible for particular policy choices, particular failures, particular successes….The school finance reform issue brings into high relief this conflict over roles, responsibilities, and accountability.

It's absolutely clear that resources are necessary to deliver the kind of education that our children need and particularly to deliver genuine opportunity when family circumstances [are less than] the middle class circumstances on which so many of our policies are premised. And yet our local system of finance and our continuing commitment to a nineteenth century model of local control, challenge our notion of one nation." [60]

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[60] Christopher Edley. Remarks to a Center for American Progress Audience, Washington, DC. August 3, 2011.

It is virtually inconceivable that the U.S. would ever adopt a national system to fund education like so many of its advantaged peers did over the past two centuries. But a 50-state system of school funding would be a vast improvement.

As this volume makes clear, there are numerous problems with how schools are governed in the U.S. and an interesting and encouraging number of potential improvements. But this author believes that a relatively simple system governing the distribution of education funds is the only answer for promoting real educational opportunity. What is needed is the following:

1. States should assume the entire cost of their public schools and adopt systems of weighted student funding where weights are assigned to students with extra educational needs—low-income students, English language learners, and students with disabilities. There should be extra weights for students in schools with large concentrations of low-income students. And there should be federal financial incentives to stimulate state action toward establishing such systems. Additionally, states should ensure that districts allocate resources to schools in terms of real dollars, and in amounts reflective of student needs. Each state should also develop a measure of return on investment and hold local educators accountable for the productivity of their districts through public reporting of efficiency metrics. In addition, a wide variety of governance arrangements—charter schools, districts with non-contiguous schools sharing curricula and pedagogical approaches, virtual schools, districts organized to further economic and/or racial/ethnic integration of schools, state-operated districts of low performing schools, etc.—should be responsible for the design and operation of schooling using the dollars allocated under a state funding system. The state role in these matters would vary from state-to-state.

   This is basically the recommendation of President Nixon's Commission on School Finance, "that each State assume responsibility for determining and raising on a statewide basis, the amount of funds required for education; for the allocation of these funds among the school districts of the State, and the evaluation of the effective use of these funds." The Commission also recommended a general purpose Federal incentive grant to assist in meeting additional costs of such a changed system.[61]

2. Local districts should no longer have the power to use local property tax revenue to fund schools. All revenue supporting public schools should come from states and the federal government. This too was a recommendation of the Nixon Commission. States will need to raise additional revenue. Parents and other community members should be allowed to

[61] Presidents Commission on School Finance, p. 12.

provide up to 10 percent extra financial assistance to schools for special programs beyond a basic, high quality education offered in every school.

3. Federal funds should financially assist those states with insufficient wealth to generate necessary funds for schools as long as they meet a baseline level of tax effort. In order to be politically viable, federal funds will need to reach every state and support schools with high concentrations of low-income students as does the current ESEA Title I. However, Congress should redesign the Title I formula into one formula. It should drive funds based on concentrations of children from low-income families, not on raw numbers of children in poverty, the source of inflated allocations to extremely large districts. It should also include some measure of fiscal effort and a measure of the cost of schooling.

   This recommendation does not really change the current federal role in supporting public education though it would require substantial political will from Members of Congress to support a fairer funding scheme. Many advocate that the proportion of federal funding support increase substantially. This author supports that once more federal revenue is made available. But it makes no sense for Congress to supply greater amounts of funding if it continues to do so in the inequitable way that it does today.

4. Congress should close the comparability loophole in ESEA Title I and prohibit the forced transfer of teachers to meet the comparability requirement when it reauthorizes the law. In addition, in exchange for Title I funding, the federal government, should make permanent the reporting of school-level expenditures, which was mandated as a one-time requirement under the American Recovery and Reinvestment Act of 2009.

5. The federal government should provide competitive/incentive grant funds to states and a few districts to develop and experiment with education reforms such as adopting weighted school funding systems, designing model measures of return on investment, and providing a level ground of academic content and expectations across states and districts.

These steps would result in a more coherent and improved way to govern education finance, which would produce greater funding equity in the U.S. and take us much closer to providing equal educational opportunity for all children.

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