

**FINANCING SCHOOL DISTRICTS IN THE UNITED STATES:
CONTINUITY AND CHANGE**

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INTRODUCTION

Providing for the education of the approximately 49 million elementary and secondary students who attend public schools in the United States requires a tremendous amount of money. In 2006, school districts¹ across the nation spent approximately \$529 billion (U.S. Department of Education 2009). This compares to just under \$1 billion (\$970 million) that was spent in 1920 (U.S. Department of Education 2009). Nationwide, over \$9,800 was spent in 2006 per child enrolled in K-12 public education (U.S. Department of Education 2009). In addition, spending for elementary and secondary education historically has accounted for about one-third of all state and local government expenditures. In 2002, these governments allotted slightly more than 35 percent of their resources to fund K-12 public education (U.S. Bureau of the Census 2005). Yet, national averages can be quite misleading. Indeed, they can conceal as much as they disclose about the spending activity of individual states and their school districts. For the most part, states establish educational policy for the nation, and this decentralization results in significant variations from state to state. Therefore, it is only by examining the monetary activity in all fifty states pertaining to K-12 education that one can gain a full appreciation for variations in revenue and spending behavior.

This paper takes an in depth look at one aspect of elementary and secondary education finances—revenues. For most Americans, providing for adequate resources for K-12 public education is a matter of first-order importance. After all, the very survival of public education depends mightily on continually raising sufficient money in an environment increasingly characterized by citizen unrest, anti-tax sentiment, distrust of government and government officials, economic uncertainty, and the expectation that government at all levels should be leaner and more efficient and effective. Given this environment and the constraints imposed by

it, a question that continues to generate protracted and oftentimes heated debates among parents, educators, government officials, and other interested persons and groups is: “Who should foot the bill for K-12 public education?”

Therefore, this paper’s examination of elementary and secondary education revenues is dedicated to identifying patterns and trends associated with local, state, and federal governments. Do local school districts continue to bear the burden of providing the bulk of the funds or have states and the federal government been providing a larger share of K-12 education revenues? Furthermore, have states been facilitators or obstructionists when it comes to the authority granted school districts in their efforts to tap other sources of revenue in lieu of property taxes? However, before proceeding to the analysis section of the paper where we will again take up these questions, it is important to review the background that has laid the foundation for the roles played by local, state, and federal governments in financing public education.

CONTEXT FOR UNDERSTANDING PUBLIC EDUCATION FUNDING

The Tenth Amendment of the United States Constitution reserved to the states potentially all powers neither delegated to the national government nor denied to the states. To solidify their claim to exercise a variety of important powers, states have thought it prudent to mention these specific powers in their constitutions, given the imprecise language contained in this amendment. One of the first powers that all states claimed was the power to establish public schools. Day-to-day operating authority was delegated to local governments in 49 states (the exception being Hawaii, which has a centralized, state-run system). Approximately 90 percent of elementary and secondary schools in the United States are operated by independent school districts, with the remaining run by cities, counties, and townships (U.S. Bureau of the Census 2002). While local control has been the norm, the states have always retained the authority to determine important

policy matters such as duration of the school year, curriculum requirements, textbook selection, teacher certification and compensation, minimum graduation requirements, and pupil-teacher ratios (Bowman and Kearney 2008, 404). Still, local school districts continue to possess significant decision making authority when it comes to issues like the hiring and firing of teachers, certain budget decisions, and management and operating details.

In spite of early efforts by states to claim quickly the authority to provide for public education, public schools were not established immediately across the United States. Not surprisingly, New England states were some of the first to set up public schools. In fact, the tradition of public schools in that region of the country dates back to 1674 when English Calvinists in 1647 passed a law in the Massachusetts Bay Colony requiring all townships to establish public schools funded through local property taxes (Donovan, Mooney, and Smith 2009). Yet, privately-provided education remained the custom in most other parts of the country until the 1840s. By the middle of the 19th century, however, support for public education increasingly gained currency, and since then the concept of free-of-charge and universal education has become a hallmark of this country. Today, public education is seen by many Americans as a fundamental right.

Over the years, there has been a continuous debate over the appropriate role to be played by the state and local school districts in public K-12 education, as well as what, if any role the federal government should have. Local school districts, while they normally have been given a fair amount of latitude in the operation of their schools, have come under increasing fire in recent years in the wake of the perceived education crisis. There are some citizens and political officials who have lost confidence in schools' ability to provide a quality education in the face of mounting political and financial pressures. Others point to the growing number of schools that

have basically lost their independence with states having to assume full operational responsibilities.

Political pressures on public schools come from a variety of sources, but most likely from teacher and education administrators' organizations, parents, and minority groups. Teachers and their unions constantly make demands that translate into more control over what goes on in the classroom and range from curriculum to discipline to instructional to teaching philosophy matters. Minority groups want officials to address inequities and poor performance in schools that have large minority enrollments, while bilingual education is a concern in states with large concentrations of Hispanics or other non-English language populations. Moreover, religious groups and atheists battle over prayer and Bible reading, God, and Creationism in the classroom. If local school boards give in to one side or the other, then teachers, minority groups, parents, or other groups with their own education policy agendas take their demands and grievances to higher political authorities—the governor, the legislator, the courts, and the state board of education.

Financial pressures result from the tradition that public schools have been funded mostly by revenues generated by the property tax. Since school districts can levy taxes only on property within their boundaries, it stands to reason that more affluent districts with more highly-valued residential and commercial property can afford to finance public schools at more generous levels than less affluent districts. In fact, it is not uncommon for less affluent school districts to tax their property at much higher rates than more affluent districts and yet raise less money because of their lower property values. The likely result of such financial inequities is that some children receive a higher-funded, and possibly higher-quality, education than other children do, in spite of the fact that the parents of the advantaged group of children pay fewer dollars and experience

less of a financial burden in doing so. In short, it is the children of the poor and minorities who get “the short end of the stick.”

The upshot of the situation described above is that huge disparities in education funding among school districts *within* states are quite possible. Do these disparities deny students “equal protection of the laws” guaranteed by the Fourteenth Amendment of the U.S. Constitution and similar guarantees found in most state constitutions? The U.S. Supreme Court in *San Antonio Independent School District v Rodriguez* addressed that question in 1973, after a federal district court judge had ruled that the Texas school-finance system was unconstitutional under the equal protection clause. In their ruling, the Court reversed the lower court decision, holding that education is not a fundamental right under the Constitution (in fact, it is not mentioned) and there is no duty for a state to equalize educational resources within the state. This meant that the issue was shifted wholly in the constitutional sphere of the states, which would have to depend on their own constitutions—as well as the courts—to stop capricious circumstances from predetermining the quality of a child’s education (Bowman and Kearney 2008, 405).

Suffice it to say that state courts were quick to seize the initiative. In fact, the California Supreme Court did so two years before the *Rodriguez* case. In the landmark case of *Serrano v. Priest* (1971), the California high court found that inequities in school district spending resulting from variations in taxable wealth were unconstitutional. The Court reasoned that local control is a “cruel illusion;” less affluent districts simply cannot attain excellence in education because of a low tax base, regardless of how high a rate property is taxed. Simply stated, education must be regarded as a fundamental activity of the state, meaning that the state is obligated to guarantee that expenditures for education are not determined mainly by the taxable wealth of the school district.

Since the *Priest* decision, state courts have increasingly intervened in school financing to ensure equality among school districts based on their own interpretation of state constitutional provisions. More specifically, state courts have pressured their legislatures to come up with equalization plans in state school grants to overcome disparities in property tax revenues among school districts (Dye and MacManus 2009, 567). Today, all but a few state courts of last resort have heard cases on educational financing, and litigation is ongoing in about half of the states. In addition, 21 states have already determined that funding plans were unconstitutional because they did not provide an acceptable educational experience for all children or provide them with a realistic prospect to reach state educational goals, and thus, have mandated equal funding for poor districts. Studies conducted in three states where courts have ruled in this manner report that a politically liberal populace is a major motivating factor in explaining such rulings (see Wood and Theobald 2003; Swingford 1991).

In light of these circumstances, what do we know about who has and is footing the bill for K-12 public education in the United States and what difference it makes? Moreover, have states been making it easier for school districts to raise additional own source revenues other than the property tax? It is to an effort to provide answers to these questions and others posed in the introductory section that we now turn.

FUNDING PUBLIC EDUCATION IN THE UNITED STATES: AN ANALYSIS

The analysis that follows is divided into two parts. First, the role played by local, state, and federal governments in funding K-12 education from 1962-2002 will be examined at both the aggregate and state levels. The priority that states assign to K-12 education (that is, the percentage of total state funds dedicated to elementary and secondary education) will also be examined in order to assess further the role played by states, along with revenue levels and

burdens. In addition, state grant/shared revenue assistance formulas will be inspected to see the commitment to funding K-12 public schools. Second, own source revenues of local school districts over the same time frame will be dissected to determine the degree to which these governments rely on taxes versus charges for services. In addition, tax revenue will be analyzed further as this revenue source will be broken down into property taxes, sales, income, and other taxes. Again, these data will be analyzed in the aggregate and by state-by-state.

Financial Support of K-12 Public Education

The role played by local, state, and federal governments—but especially the first two—in the financing of K-12 public education has changed significantly since 1920. Public financing of schools has been completely reformed, with less dependence on local revenue sources to fund local schools. Public education has gradually become one of the largest budgetary items for state governments. Today, state governments allocate, on average, about 22.7 percent of their budgets for K-12 education (U.S. Bureau of the Census 2005). Even the federal government, in spite of accounting for the smallest proportion of the funds needed to finance K-12 education, has steadily played a more important role.

The data presented in Table 1 help to illustrate how the part played by the three levels of government in the financing of public education has changed since 1920. In 1920, local school districts accounted for 83.2 percent of the total revenue for K-12 education, with the states providing 16.5 percent and the federal government less than 1 percent. Since the 1920s the states have provided a larger percentage of the funds spent on public education. Accordingly, the proportion of funds provided by local governments (i.e., local school districts) has decreased over time. It is important to note that the percentage of total revenues accounted for by states increased in the wake of the *Serrano v. Priest* decision in California. Specifically, the state

proportion rose from 39.9 percent in 1970 (that is, just before this decision) to 46.9 percent by 1980. It is also noteworthy that the 1978 school year was the first in which state governments collectively provided more revenue than local governments for K-12 education. Since then, state governments have continued to contribute a larger proportion of funds to support K-12 education than have local governments.² By 2002, state governments accounted for 49.2 percent of total K-12 revenue, and local governments accounted for 43.9 percent. The federal government accounted for slightly less than 8 percent of total revenues for public education.³ Currently, this means that state and local governments foot most of the bill for K-12 education (that is, for every dollar spent on elementary and secondary education, roughly 92 cents are derived from state and local governments).

Table 1: Sources of Revenue for K-12 Public Schools, 1920-2002

| School Year | Total (in 1000s of dollars) | Federal (in 1000s of dollars) | State (in 1000s of dollars) | Local (in 1000s of dollars) | Federal | State | Local |
|--------------------|--|--|--|--|----------------|--------------|--------------|
| 1920 | 970,121 | 2,475 | 160,085 | 807,561 | 0.3 | 16.5 | 83.2 |
| 1930 | 2,088,557 | 7,334 | 353,670 | 1,727,553 | 0.4 | 16.9 | 82.7 |
| 1940 | 2,260,527 | 39,810 | 684,354 | 1,536,363 | 1.8 | 30.3 | 68.0 |
| 1950 | 5,437,044 | 155,848 | 2,165,689 | 3,115,507 | 2.9 | 39.8 | 57.3 |
| 1960 | 14,747,618 | 651,639 | 5,768,047 | 8,326,932 | 4.4 | 39.1 | 56.5 |
| 1970 | 40,266,923 | 3,219,557 | 16,062,776 | 20,984,589 | 8.0 | 39.9 | 52.1 |
| 1980 | 96,881,165 | 9,503,537 | 45,348,814 | 42,028,813 | 9.8 | 46.9 | 43.4 |
| 1990 | 208,547,573 | 12,700,784 | 98,238,633 | 97,608,157 | 6.1 | 47.1 | 46.8 |
| 2000 | 372,943,802 | 27,097,866 | 184,613,532 | 161,232,584 | 7.3 | 49.5 | 43.2 |
| 2002 | 419,501,976 | 33,144,633 | 206,541,793 | 179,815,551 | 7.9 | 49.2 | 42.9 |

Source: U. S. Department of Education, National Center for Educational Statistics, Common Core of Data, "CCD Data File: National Public Education Survey FY2003 Preliminary," 2005, <http://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2005358>.

However, as suggested earlier these data may mask substantial differences in funding arrangements that may exist in individual states,⁴ and especially, whether states are acting as facilitators or obstructionists in closing the gap in K-12 school system revenue disparities. Table 2 presents the proportion of total school system revenues accounted for by state governments in 2002. The state government in three states (Arkansas, New Mexico, and Vermont) accounts for over 70 percent of total school revenue. Then, there are 8 other states (Delaware, Michigan, Washington, Nevada, Minnesota, North Carolina, Idaho, and West Virginia) where the state government contributes over 60 percent of total revenues. In another twelve states, beginning with Kansas and ending with South Carolina, the state provides 50 percent or more of total revenues.

Table 2: State Proportion of Total K-12 Public School Revenues, 1962-2002

| <u>State</u> | <u>2002</u> | | <u>1962</u> | | <u>Percent Increase/Decrease, 1962-2002</u> |
|----------------|-------------|----------------|-------------|----------------|---|
| | <u>Rank</u> | <u>Percent</u> | <u>Rank</u> | <u>Percent</u> | |
| Arkansas | 1 | 74.4 | 19 | 43.6 | 30.8 |
| New Mexico | 2 | 72.2 | 3 | 68.4 | 3.8 |
| Vermont | 2 | 71.5 | 44 | 12.6 | 58.9 |
| Delaware | 4 | 66.6 | 1 | 73.3 | -6.7 |
| Michigan | 5 | 64.4 | 25 | 35.6 | 28.8 |
| Washington | 6 | 63.1 | 9 | 57.0 | 6.1 |
| Nevada | 7 | 61.2 | 11 | 52.6 | 8.6 |
| Minnesota | 8 | 61.1 | 32 | 38.0 | 23.1 |
| North Carolina | 9 | 61.1 | 7 | 59.0 | 2.0 |
| Idaho | 10 | 60.9 | 29 | 31.7 | 29.2 |
| West Virginia | 11 | 60.1 | 13 | 51.7 | 8.4 |
| Kansas | 12 | 59.8 | 40 | 20.3 | 39.5 |
| Kentucky | 13 | 59.4 | 10 | 53.0 | 6.4 |
| Alabama | 14 | 58.7 | 4 | 60.7 | -2.0 |
| Utah | 15 | 58.7 | 15 | 47.2 | 11.5 |
| California | 16 | 58.5 | 24 | 37.5 | 21.0 |
| Oregon | 17 | 56.2 | 30 | 28.8 | 27.2 |
| Wisconsin | 18 | 54.8 | 35 | 26.0 | 28.8 |
| Mississippi | 19 | 54.2 | 6 | 59.0 | -4.8 |
| Oklahoma | 20 | 53.7 | 23 | 37.9 | 15.8 |
| New Hampshire | 21 | 51.9 | 47 | 8.6 | 43.3 |
| South Carolina | 22 | 50.9 | 8 | 58.1 | -7.2 |
| Indiana | 23 | 49.2 | 34 | 26.7 | 22.5 |
| Wyoming | 24 | 48.9 | 20 | 41.3 | 7.6 |
| Georgia | 25 | 48.8 | 5 | 60.1 | -11.3 |
| New York | 26 | 48.7 | 16 | 47.0 | 1.7 |
| Louisiana | 27 | 48.5 | 2 | 73.0 | -24.5 |
| Iowa | 28 | 48.3 | 39 | 22.0 | 26.3 |
| Montana | 29 | 47.7 | 31 | 27.5 | 20.2 |
| Florida | 30 | 46.1 | 8 | 44.4 | 1.7 |
| Arizona | 31 | 45.8 | 26 | 34.1 | 11.7 |
| Missouri | 32 | 45.3 | 28 | 34.0 | 11.7 |
| Ohio | 33 | 44.8 | 37 | 22.6 | 22.2 |
| Tennessee | 34 | 44.2 | 12 | 51.9 | -7.7 |
| Maine | 35 | 43.6 | 27 | 34.1 | 9.5 |
| Colorado | 36 | 42.3 | 38 | 22.4 | 19.9 |
| Massachusetts | 37 | 42.1 | 43 | 17.3 | 24.8 |

State Proportion of Total K-12 Public School Revenues (continued)

| <u>State</u> | 2002 | | 1962 | | <u>Percent Increase/ Decrease, 1962-2002</u> |
|--------------|-------------|----------------|-------------|----------------|--|
| | <u>Rank</u> | <u>Percent</u> | <u>Rank</u> | <u>Percent</u> | |
| New Jersey | 38 | 42.0 | 12 | 17.8 | 24.2 |
| Rhode Island | 39 | 41.6 | 14 | 48.2 | -6.6 |
| Virginia | 40 | 41.0 | 33 | 27.2 | 13.8 |
| Texas | 41 | 39.6 | 17 | 46.1 | -6.5 |
| Connecticut | 42 | 38.1 | 45 | 11.6 | 26.5 |
| North Dakota | 43 | 37.6 | 32 | 27.4 | 10.2 |
| Pennsylvania | 44 | 37.4 | 21 | 38.9 | -1.5 |
| South Dakota | 45 | 37.3 | 46 | 11.1 | 26.1 |
| Maryland | 46 | 37.2 | 36 | 25.5 | 11.7 |
| Illinois | 47 | 36.7 | 41 | 19.8 | 16.9 |
| Nebraska | 48 | 35.6 | 48 | 6.4 | 29.2 |

Source: U.S. Bureau of the Census, *Public Education Finances, 1972* (Washington, D.C.: U.S. Government Printing Office, 1964), Table 5; U.S. Bureau of the Census, *Public Education Finances, 2002* (Washington, D.C.: U.S. Government Printing Office, 2005), Table 5.

In addition to being highly ranked with respect to the state government's contribution to total K-12 school revenues in 2002, most of these states also posted increases in their state proportions since 1962. This was the case for Arkansas, New Mexico, and Vermont, as well as for 7 of 8 states (Delaware being the exception) in the 60+ percent group and 8 out of 11 states (the exceptions being Alabama, Mississippi, and South Carolina) in the 50+ percent group. Increases in some states were significant—Vermont (58.9 percent), New Hampshire (43.3 percent), Vermont (40.4 percent), Kansas (39.5 percent), Arkansas (30.8 percent), Idaho (29.2 percent), Michigan and Wisconsin (28.8 percent), Oregon (27.2 percent), Minnesota (23.1 percent), and California (21.0 percent). Two other states (Oklahoma and Utah) registered notable, albeit more modest, increases in their state proportions. Moreover, the state proportion

in 8 other states (Iowa, Montana, Ohio, Massachusetts, New Jersey, Connecticut, South Dakota, and Nebraska), in spite of the fact that they were lower than the 50-state mean (49.2 percent) in 2002, represented a 20 percent increase or more when compared to 1962.

At the opposite end of the spectrum, there are 8 states (Texas, Connecticut, North Dakota, Pennsylvania, South Dakota, Maryland, Illinois, and Nebraska) that provide less than 40 percent of the total revenue for K-12 schools, with the state proportion noticeably declining in Texas and Pennsylvania. Four of these states (Connecticut, South Dakota, Illinois, and Nebraska) were near the bottom of states in 1962 with respect to the proportional contribution they made to total revenues. On a positive note, however, the state proportional contributions in these states did increase visibly over this 40-year span.

From Table 2, it also can be seen that there were several states in 1962 that accounted for a respectable proportion of total school system revenue, but their percentage had declined by 10 percent or more by 2002. This was the case for Georgia and Louisiana.

In sum, there is a clear overall pattern of greater support for K-12 public education among state governments, as more of them are accounting for a larger proportion of total school system revenues over the last 40 years. This pattern is likely to result in less disparity in the revenue made available to school systems. Nevertheless, there are still a handful of states that continue to lag behind the national average and pace set by more progressive states.

Although the proportion of total elementary and secondary school system revenues accounted for by state governments is a reasonably good indicator of efforts to reduce the revenue disparity between poor and wealthy districts, there are other good measures that can be observed. Four other such measures are the proportion of total state funds allotted to K-12 education (revenue priorities), per capita funds received from the state for K-12 education (revenue levels),

per pupil elementary and secondary funds accounted for by the state government (revenue levels), and total state funds allocated to K-12 public education per \$1,000 of personal income (revenue burdens).⁵

In the allocation of limited resources state governments inevitably must make choices. These choices and the money allotted to competing service areas can be interpreted as de facto priorities or the assignment of varying degrees of importance to a wide range of policy issues. Furthermore, the choices may have important implications for revenue disparities among a state's school districts.

The data in Table 3 assist in determining the priority that states place on K-12 public education. Two states—New Mexico and Michigan—top the list, as their state governments spend approximately \$.39 and \$.38 out of every dollar on K-12 public education. Three other states (Nevada, Kansas, and Georgia) allocate about \$.30 of every dollar to educate elementary and secondary students who attend public schools. Another 1 states (Vermont, Indiana, California, Wisconsin, Arkansas, Minnesota, New Hampshire, Idaho, Arizona, and Texas) also assign a high priority to K-12 public education, with the proportion of state funds dedicated to public schools exceeding the national average of 22.7. Furthermore, it is also instructive to note that 7 states (Arkansas, New Mexico, Vermont, Nevada, Michigan, Minnesota, and Kansas) listed in the top quartile (that is, states ranked 1-12) with regard to priorities are also ranked in the top quartile of states where the state government accounts for a larger proportion of total K-12 public school revenue.

Table 3: States Ranked According to Funds Allocated to K-12 Public Education as a Percentage of Total State Spending (Priorities), 2002

| <u>State</u> | <u>Rank</u> | <u>Percent</u> | <u>State</u> | <u>Rank</u> | <u>Percent</u> |
|----------------|-------------|----------------|----------------|-------------|----------------|
| U.S. | | 22.7 | | | |
| New Mexico | 1 | 38.7 | Ohio | 25 | 20.8 |
| Michigan | 2 | 37.2 | Iowa | 26 | 20.8 |
| Nevada | 3 | 32.2 | Oklahoma | 27 | 20.7 |
| Kansas | 4 | 29.9 | Virginia | 28 | 20.3 |
| Georgia | 5 | 29.7 | Delaware | 29 | 20.0 |
| Vermont | 6 | 29.6 | Colorado | 30 | 19.6 |
| Indiana | 7 | 28.4 | Oregon | 31 | 19.3 |
| California | 8 | 28.1 | Illinois | 32 | 18.9 |
| Wisconsin | 9 | 27.2 | Nebraska | 33 | 18.7 |
| Arkansas | 10 | 26.7 | Kentucky | 34 | 18.5 |
| Minnesota | 11 | 25.9 | West Virginia | 35 | 18.2 |
| New Hampshire | 12 | 25.9 | South Carolina | 36 | 18.1 |
| Idaho | 13 | 25.8 | Louisiana | 37 | 17.9 |
| Arizona | 14 | 25.3 | Mississippi | 38 | 17.7 |
| North Carolina | 15 | 25.0 | Massachusetts | 39 | 17.6 |
| Texas | 16 | 24.1 | Maryland | 40 | 17.3 |
| Florida | 17 | 22.6 | Montana | 41 | 16.5 |
| Wyoming | 18 | 22.5 | Tennessee | 42 | 16.4 |
| New Jersey | 19 | 22.5 | Maine | 43 | 16.2 |
| Washington | 20 | 22.0 | Pennsylvania | 44 | 15.7 |
| Alabama | 21 | 21.7 | South Dakota | 45 | 15.3 |
| New York | 22 | 21.6 | Connecticut | 46 | 15.2 |
| Missouri | 23 | 21.2 | Rhode Island | 47 | 13.5 |
| Utah | 24 | 21.2 | North Dakota | 48 | 12.5 |

Source: Calculations based on data obtained from the U.S. Bureau of the Census, *Public Education Finances, 2002* (Washington, D.C.: U.S. Government Printing Office, 2005), Table 3 and U.S. Bureau of the Census, *Compendium of Government Finances, 2002* (Washington, D.C.: U.S. Government Printing Office, 2005), Table 45.

In contrast to those states in the top quartile, state governments in the bottom quartile would appear to make funding K-12 public schools a much lower priority. Each of these states devotes a smaller proportion of their monetary resources to support elementary and secondary schools than do state governments in the other three quartiles, with the proportions ranging from 17.9 percent in Louisiana down to 12.5 percent in North Dakota. Moreover, these states' proportions are considerably lower than the nationwide average of 22.7 percent. We also find that a number of those states that place a lower priority on funding K-12 public education are some of the same states that rank at the bottom of states that account for some of the smallest proportions of total public school revenues. This list includes Massachusetts, Maryland, South Dakota, Pennsylvania, Connecticut, Rhode Island, and North Dakota.

Further inspection of Table 3 also reveals that quite a number of states located in the middle two quartiles are also the same ones that are found in the middle two quartiles of Table 2. In short, these comparisons suggest that the priority states assign to fund public elementary and secondary schools is a good predictor of the state proportion of total K-12 public education revenues.

The level at which states provide financial support to K-12 public schools can be seen from two often-reported measures—revenues provided to school systems by state governments on a per capita and per pupil basis. These measures are frequently equated with the “financial effort” that a state makes when supporting elementary and secondary public schools. However, caution must be exercised in comparing per capita figures across states due to what is known intuitively as well as can be verified empirically about the relationship between personal income and a government's revenue-generating capacity. Simply stated, more affluent states and their communities are able to provide a higher level of financial support to government programs than

less affluent areas. Nevertheless, like revenue priorities and the proportion of total K-12 public school revenues accounted for by the state government, revenue levels are likely to have the potential to affect positively or negatively revenue disparities that may exist between school districts.

Table 4 contains data on the amount of per capita state revenue provided to support K-12 public schools. Per capita amounts in Vermont and Michigan (\$1,242 and \$1,115, respectively) are considerably more than both the other states and the mean for all 48 states analyzed here, while the per capita dollars provided to local school districts in 12 other states (New Mexico, Minnesota, Delaware, New York, Wyoming, California, Arkansas, Wisconsin, Washington, New Jersey, Kansas, and West Virginia) exceeds \$800 per person. Again, it is important to note that 7 of the states in the first quartile (Vermont, Michigan, New Mexico, Minnesota, Delaware, Arkansas, and Washington) were also ones in the first quartile of states that ranked high on the proportion of total K-12 public school revenues accounted for by state government. This is hardly a coincidence and suggests that larger per capita revenue amounts received from the state is likely to result in a larger proportion of total school system revenues being derived from the state government. In addition, this positive revenue picture could mean that there is more money available to reduce revenue disparities between school districts.

Table 4: States Ranked According Funds Allocated to K-12 Public Education on a Per Capita Basis (Levels), 2002

| <u>State</u> | <u>Rank</u> | <u>Amount</u> | <u>State</u> | <u>Rank</u> | <u>Amount</u> |
|----------------|-------------|---------------|----------------|-------------|---------------|
| U.S. | | \$ 721 | | | |
| Vermont | 1 | \$1,242 | South Carolina | 25 | \$696 |
| Michigan | 2 | 1,115 | Ohio | 26 | 684 |
| New Mexico | 3 | 988 | Oklahoma | 27 | 671 |
| Minnesota | 4 | 950 | Alabama | 28 | 671 |
| Delaware | 5 | 947 | Kentucky | 29 | 670 |
| New York | 6 | 905 | Iowa | 30 | 665 |
| Wyoming | 7 | 889 | Maine | 31 | 660 |
| California | 8 | 883 | Rhode Island | 32 | 632 |
| Arkansas | 9 | 861 | Montana | 33 | 610 |
| Wisconsin | 10 | 861 | Texas | 34 | 594 |
| Washington | 11 | 856 | Missouri | 35 | 590 |
| New Jersey | 12 | 854 | Maryland | 36 | 574 |
| Kansas | 13 | 820 | Mississippi | 37 | 571 |
| West Virginia | 14 | 805 | Louisiana | 38 | 566 |
| Oregon | 15 | 756 | Virginia | 39 | 549 |
| Georgia | 16 | 743 | Colorado | 40 | 546 |
| New Hampshire | 17 | 740 | Illinois | 41 | 540 |
| Idaho | 18 | 737 | Pennsylvania | 42 | 538 |
| Nevada | 19 | 728 | Arizona | 45 | 518 |
| Massachusetts | 20 | 728 | Florida | 46 | 511 |
| Utah | 21 | 726 | Nebraska | 47 | 509 |
| Indiana | 22 | 722 | North Dakota | 48 | 478 |
| Connecticut | 23 | 719 | South Dakota | 49 | 455 |
| North Carolina | 24 | 713 | Tennessee | 50 | 439 |

Source: Calculations based on data obtained from U.S. Bureau of the Census, *Public Education Finances, 2002* (Washington, D.C.: U.S. Government Printing Office, 2005), Tables 3 and 18.

In contrast, the 12 states located in the bottom quartile provide considerably less per capita revenue for K-12 public education than do top quartile states. More specifically, their per capita amounts are around \$300 less than first quartile states and also fall well below the mean level of support (\$721). Another familiar pattern—and not likely to be just happenstance—is that a number of the states found in the bottom quartile are the same states where the state government accounts for a much smaller proportion of total revenue for K-12 public schools. These states are: Maryland, Virginia, Illinois, Pennsylvania, Nebraska, North Dakota, and South Dakota.

A review of figures on state revenue per pupil for elementary and secondary schools (see Table 5) reaffirms the significant difference that exists between the 48 state governments in their support of public schools. Per pupil state revenue ranges from a low of \$2,722 to a high of \$7,859, with a mean of \$4,396. State governments in the first quartile supply significantly more revenue for K-12 public schools than the average state. Vermont provides nearly \$8,000 per pupil, while three other states (Delaware, Michigan, and New York) provide over \$6,000 on a per pupil basis. In nine additional states (New Mexico, Minnesota, New Jersey, Wisconsin, Arkansas, Washington, West Virginia, California, and Wyoming), the state government contributes over \$5,000 per capita. Again, it is instructive to mention that 7 states (Vermont, Delaware, Michigan, New Mexico, Arkansas, Washington, and West Virginia) in the first quartile are also the same states found in the first quartile listing of states with respect to the proportion of total K-12 revenue accounted for by the state government.

Table 5: States Ranked According Funds Allocated to K-12 Public Education Per Pupil (Levels), 2002

| <u>State</u> | <u>Rank</u> | <u>Amount</u> | <u>State</u> | <u>Rank</u> | <u>Amount</u> |
|----------------|-------------|----------------|----------------|-------------|---------------|
| U.S. | | \$4,396 | | | |
| Vermont | 1 | \$7,859 | South Carolina | 25 | \$4,240 |
| Delaware | 2 | 6,866 | Kentucky | 26 | 4,193 |
| Michigan | 3 | 6,478 | Alabama | 27 | 4,145 |
| New York | 4 | 6,092 | Maine | 28 | 4,078 |
| New Mexico | 5 | 5,722 | Iowa | 29 | 4,016 |
| Minnesota | 6 | 5,677 | Idaho | 30 | 4,011 |
| New Jersey | 7 | 5,516 | Oregon | 31 | 3,774 |
| Wisconsin | 8 | 5,348 | Pennsylvania | 32 | 3,742 |
| Arkansas | 9 | 5,198 | Missouri | 33 | 3,667 |
| Washington | 10 | 5,148 | Montana | 34 | 3,653 |
| West Virginia | 11 | 5,143 | Maryland | 35 | 3,641 |
| California | 12 | 5,049 | Louisiana | 36 | 3,498 |
| Wyoming | 13 | 5,046 | Utah | 37 | 3,497 |
| Massachusetts | 14 | 4,882 | Virginia | 38 | 3,444 |
| Kansas | 15 | 4,854 | Florida | 39 | 3,417 |
| Oregon | 16 | 4,840 | Mississippi | 40 | 3,332 |
| New Hampshire | 17 | 4,647 | Colorado | 41 | 3,317 |
| North Carolina | 18 | 4,574 | Illinois | 42 | 3,316 |
| Connecticut | 19 | 4,532 | Arizona | 43 | 3,285 |
| Indiana | 20 | 4,471 | Texas | 44 | 3,144 |
| Nevada | 21 | 4,436 | Nebraska | 45 | 3,096 |
| Ohio | 22 | 4,348 | North Dakota | 46 | 2,863 |
| Georgia | 23 | 4,326 | Tennessee | 47 | 2,835 |
| Rhode Island | 24 | 4,318 | South Dakota | 48 | 2,722 |

Source: U.S. Bureau of the Census, *Public Education Finances, 2002* (Washington, D.C.: U.S. Government Printing Office, 2005), Table 11.

In examining the bottom quartile of states in Table 5, it is evident that per capita revenue coming from the state government falls below the mean and considerably below the effort demonstrated in states located in the first quartile. All but two of these states (Utah and Texas being the exceptions) are the same states ranking in the bottom quartile of per capita revenue provided by the state, thus suggesting that these two indicators are likely measuring the same phenomenon. But, perhaps most interesting about these states in the bottom quartile of per pupil revenue originating from the state government is that a number of them are the same states that are ranked near the bottom in terms of revenue priorities (e.g., Maryland, Louisiana, Mississippi, Tennessee, South Dakota, and North Dakota) and the proportion of total revenue K-12 funds accounted for by the state (e.g., Virginia, Texas, North Dakota, South Dakota, Illinois, and Nebraska).

Another statistic—revenue burdens—presents an additional and somewhat different perspective on the part that state governments play in financing of elementary and secondary public schools. Revenue burdens can be thought of as the amount of revenue provided to elementary and secondary school systems per \$1,000 of personal income of a state's citizens. This indicator is useful, in that it is a reasonable yardstick by which to measure the financial sacrifice that is made on behalf of public education. It will be especially important to consider this statistic because it can help to identify those states that are making a greater attempt to support K-12 public education even though they may have limited resources at their disposal. Indeed, it is possible that some more affluent states may account for larger proportions of total K-12 public education revenues and higher per capita and per pupil revenues and rank high on revenue priorities but do so with less sacrifice. Data on revenue burdens are shown in Table 6.

Table 6: States Ranked According to Funds Allocated to Per Pupil K-12 Public Education Per \$1,000 Personal Income (Burdens), 2002

| <u>State</u> | <u>Rank</u> | <u>Amount</u> | <u>State</u> | <u>Rank</u> | <u>Amount</u> |
|----------------|-------------|---------------|---------------|-------------|---------------|
| U.S. | | 23.90 | | | |
| Vermont | 1 | 43.70 | New York | 25 | 25.32 |
| New Mexico | 2 | 43.27 | Nevada | 26 | 25.14 |
| Arkansas | 3 | 37.89 | Maine | 27 | 24.83 |
| Michigan | 4 | 37.65 | Iowa | 28 | 24.43 |
| West Virginia | 5 | 35.19 | Ohio | 29 | 23.83 |
| Utah | 6 | 30.62 | Louisiana | 30 | 23.15 |
| Wyoming | 7 | 30.50 | New Jersey | 31 | 22.45 |
| Idaho | 8 | 30.39 | New Hampshire | 32 | 21.95 |
| Kansas | 9 | 29.65 | Texas | 33 | 21.22 |
| Wisconsin | 10 | 29.61 | Rhode Island | 34 | 21.14 |
| Delaware | 11 | 29.57 | Missouri | 35 | 21.06 |
| Minnesota | 12 | 28.99 | Arizona | 36 | 20.57 |
| South Carolina | 13 | 28.26 | Massachusetts | 37 | 18.86 |
| California | 14 | 27.48 | North Dakota | 38 | 18.45 |
| Alabama | 15 | 27.43 | Florida | 39 | 18.00 |
| Oregon | 16 | 27.22 | Nebraska | 40 | 17.78 |
| Washington | 17 | 27.09 | Pennsylvania | 41 | 17.59 |
| Kentucky | 18 | 27.08 | Virginia | 42 | 17.17 |
| Oklahoma | 19 | 27.07 | South Dakota | 43 | 17.16 |
| Georgia | 20 | 26.41 | Connecticut | 44 | 17.13 |
| Mississippi | 21 | 26.38 | Colorado | 45 | 16.64 |
| North Carolina | 22 | 26.32 | Maryland | 46 | 16.57 |
| Indiana | 23 | 26.17 | Illinois | 47 | 16.52 |
| Montana | 24 | 25.58 | Tennessee | 48 | 16.43 |

Source: U.S. Bureau of the Census, *Public Education Finances, 2002* (Washington, D.C.: U.S. Government Printing Office, 2005), Table 12.

Vermont and New Mexico rank first and second in revenue burdens, with figures above the \$40 mark. Six other states in the top quartile (Arkansas, Michigan, West Virginia, Utah, Wyoming, and Idaho) provide revenue to K-12 public schools at a rate of over \$30 per \$1,000 of a state's personal income, while the remaining four states (Wisconsin, Delaware, Minnesota, and South Carolina) contribute just under \$30. Again, it is observed that a considerable number of those states in the first quartile are also some of the same states that rank high on the other four revenue dimensions examined earlier in Tables 2-5.

Looking once again at Table 6, it can be seen that all of those states in the bottom quartile exhibit much smaller revenue burdens. Specifically, the amount of revenue they provide to fund K-12 public schools is less than \$20 per \$1,000 of personal income. Yet, most of these states are not among the nation's least affluent states. Once more, it is important to point out that a substantial number of those states in the bottom quartile are also the same ones that rank low on the other four revenue dimensions examined earlier in Tables 2-5. This is particularly so when comparing to those states located in the bottom quartile with regard to the proportion of total revenue accounted for by the state government. There are nine familiar states (Massachusetts, North Dakota, Nebraska, Pennsylvania, Virginia, South Dakota, Connecticut, Maryland, and Illinois) that end up in the bottom quartile of both Tables 2 and 5.

A final measure that sheds considerable light on the role played by state governments in helping to finance K-12 public education—but especially what they are doing to remedy revenue disparities between school districts—is the assistance formula state governments use to distribute funds to public elementary and secondary schools. The goal behind this formula is to permit state governments to purposely target or channel more money to those school systems whose total revenues fall below the statewide mean. In short, this proactive strategy is designed to

bring the amount of funding available to poor school systems up to a level that is close, if not comparable to, the statewide average. State formulas are presented in Table 7.

Table 7: States Ranked According to Assistance Formula Used to Distribute Funds to K-12 Public Education for Equalization Purposes, 2002

| <u>State</u> | <u>Rank</u> | <u>Percent</u> | <u>State</u> | <u>Rank</u> | <u>Percent</u> |
|----------------|-------------|----------------|----------------|-------------|----------------|
| U.S. | | 33.6 | | | |
| New Mexico | 1 | 63.9 | Arizona | 25 | 37.0 |
| North Carolina | 2 | 58.1 | Oklahoma | 26 | 37.0 |
| Vermont | 3 | 58.0 | Minnesota | 27 | 36.5 |
| Michigan | 4 | 55.5 | Rhode Island | 28 | 36.1 |
| Kansas | 5 | 51.6 | Ohio | 29 | 35.4 |
| Oregon | 6 | 50.9 | California | 30 | 32.2 |
| Arkansas | 7 | 49.2 | Virginia | 31 | 31.6 |
| Alabama | 8 | 48.6 | North Dakota | 32 | 31.0 |
| New Hampshire | 9 | 48.4 | Maine | 33 | 30.8 |
| Washington | 10 | 47.4 | Texas | 34 | 30.8 |
| Delaware | 11 | 47.0 | South Dakota | 35 | 30.7 |
| Wisconsin | 12 | 46.0 | New York | 36 | 30.1 |
| Louisiana | 13 | 45.6 | Utah | 37 | 29.6 |
| Iowa | 14 | 42.9 | Massachusetts | 38 | 28.9 |
| Idaho | 15 | 42.2 | Nebraska | 39 | 27.3 |
| Tennessee | 16 | 41.5 | Missouri | 40 | 26.2 |
| Indiana | 17 | 41.1 | Nevada | 41 | 22.5 |
| Georgia | 18 | 40.9 | Pennsylvania | 42 | 22.4 |
| Wyoming | 19 | 40.8 | Illinois | 43 | 20.0 |
| Mississippi | 20 | 40.7 | Maryland | 44 | 20.0 |
| Kentucky | 21 | 39.7 | New Jersey | 45 | 19.2 |
| Montana | 22 | 39.1 | Connecticut | 46 | 18.2 |
| Colorado | 23 | 38.3 | Florida | 47 | 17.3 |
| West Virginia | 24 | 38.0 | South Carolina | 48 | 12.3 |

Source: U.S. Bureau of the Census, *Public Education Finances, 2002* (Washington, D.C.: U.S. Government Printing Office, 2005), Table 5.

Interpretation of these formulas is quite simple. The larger the percentage, the more the amount of state government revenue provided to school systems is targeted for equalization purposes. For example, the formula for New Mexico means that 63.9 percent—that is, almost two-thirds—of all state funds allocated to K-12 public schools in that state is dedicated to correcting disparities between school systems. This is in sharp contrast to the equalization efforts of the state government in South Carolina that designates only 12.3 percent of its financial aid to public schools to correct for disparities between districts.

In comparing the formula assistance rankings of states with the ranking of states with respect to various revenue dimensions (see Tables 2-6), one is again struck by the persistence of the same states being found in the top and bottom quartiles. That is, New Mexico, North Carolina, Vermont, Michigan, Kansas, Arkansas, Washington, and Delaware are commonly found in the top quartile, while Massachusetts, Nebraska, Pennsylvania, Illinois, Maryland, New Jersey, and Connecticut typically end up in the bottom quartile. Furthermore, the names of states listed in the second quartile (ranks 13-24) for formula assistance usually appear in the second quartile of states ranked according to one of the revenue dimensions displayed in Tables 2-6. The same pattern tends to be true for the third quartile (state rankings 25-36).

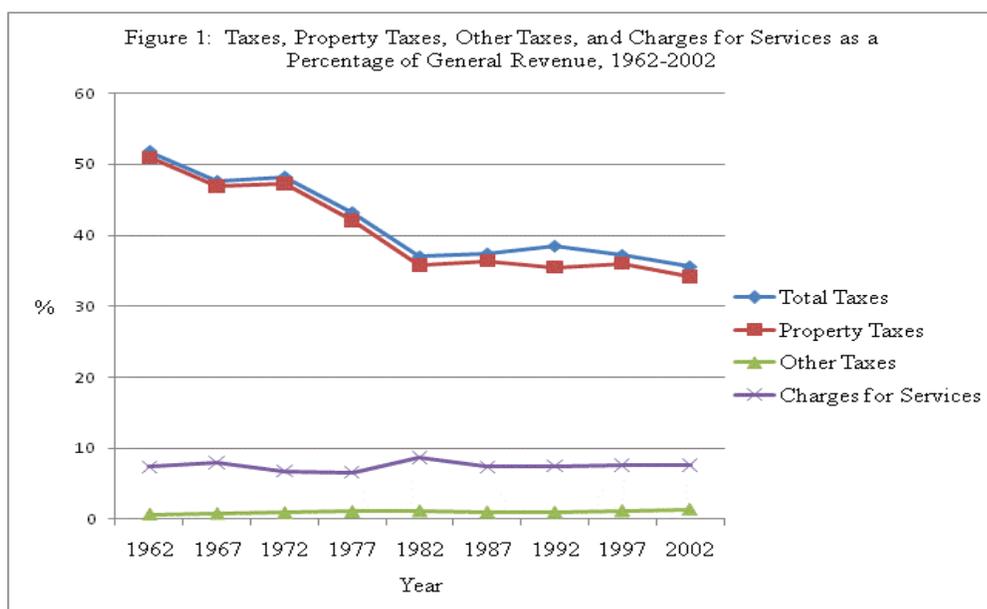
State Flexibility in School Districts' Ability to Raise Own-Sources Revenues

States can be further judged as to whether they are facilitators or obstructionists of school financing, generally, and fashioning remedies for revenue disparities between school districts, specifically, by examining other financial data. One way to determine the role played by states would be to observe over time school districts' dependence on revenue derived from taxes—but especially the property tax. If school districts are relying less on tax revenue, in general, and property taxes, in particular—this could signify that the state government is

providing revenue flexibility through allocations of larger amounts of financial assistance.

Another way to assess a state's positive or negative influence would be to examine trends in school district revenue received from other own-source revenues such as other taxes (sales, income, excise, franchise, etc.) and charges for services. This latter kind of fiscal data would indicate the extent to which states have granted school districts the authority to raise more their own revenue.

Before moving to a state-by-state analysis, it is enlightening to examine nationwide patterns. According to Figure 1, total taxes as a proportion of the total revenues of K-12 public schools have declined noticeably over the last 40 years. In 1962, total taxes accounted for over one half (51.8 percent) of all revenues received by public school systems. By 2002, this proportion had dropped to 35.6 percent. Property taxes as a proportion of total revenues public school revenues also decreased conspicuously over this 40-year period from 51.0 percent to 34.2 percent. By contrast, both "other" taxes and charges for services increased, but only so slightly (that is, from .7 to 1.4 percent for the former and 7.4 to 7.6 for the latter). Nonetheless, these national figures can hide differences that may exist in individual states.



A breakdown of total tax revenue by state for 1962 and 2002 indicates that most school districts were obtaining a smaller percentage of their total revenue from a combination of taxes in 2002 than they had in 1962 (see Table 8). The exceptions were Delaware, Georgia, and Texas, with only the proportion in Georgia being appreciably higher. The percentage decrease in Vermont was drastic—58.1 percent. Decreases in dependency of 30 percent or more were posted in 9 states (Arkansas, Minnesota, Michigan, Montana, Oregon, Kansas, South Dakota, New Hampshire, Nebraska), while districts in another 7 (California, Oklahoma, Idaho, Wisconsin, Indiana, Colorado, and Illinois) states registered declines of between 20 and 29 percent. The data in the table also shows that districts in 21 states relied on taxes for less than 30 percent of their total revenue in 2002 contrasted to 8 states in 1962. And, as expected, many of the states in the first and last quartiles are also the same states found in the first and last quartiles, respectively, of Table 2 that ranks states by the proportion of revenue received from their state governments.

Table 8: Total Tax Revenues as a Proportion of Total K-12 Public School Revenues, 1962-2002

| State | 2002 | | 1962 | | Percent Increase/Decrease, 1962-2002 |
|----------------|------|----------------------|-----------------|----------------------|--------------------------------------|
| | Rank | Percent ¹ | Rank | Percent ¹ | |
| Arkansas | 1 | 7.3 | 17 | 44.6 | -37.3 |
| New Mexico | 2 | 11.0 | 12 | 19.1 | -8.1 |
| Alabama | 3 | 13.0 | 1 | 16.6 | -3.3 |
| Vermont | 4 | 17.5 | 39 | 75.6 | -58.1 |
| Delaware | 5 | 21.4 | 3 | 19.4 | 2.0 |
| Mississippi | 6 | 22.4 | 7 | 28.6 | -6.2 |
| Washington | 7 | 22.4 | 8 | 29.6 | -7.2 |
| Minnesota | 8 | 22.9 | 27 | 54.0 | -31.1 |
| Michigan | 9 | 23.3 | 33 | 56.0 | -32.7 |
| Montana | 10 | 23.4 | 30 | 55.5 | -32.1 |
| California | 11 | 24.8 | 28 | 54.5 | -29.7 |
| Utah | 12 | 24.9 | 16 | 43.3 | -18.4 |
| Idaho | 13 | 25.1 | 24 | 52.3 | -27.2 |
| Oklahoma | 14 | 25.1 | 19 | 44.7 | -19.6 |
| North Carolina | 15 | 26.3 | NA ² | NA | NA |
| Oregon | 16 | 26.4 | 32 | 61.4 | -35.0 |
| Nevada | 17 | 26.6 | 11 | 37.2 | -10.6 |
| West Virginia | 18 | 26.7 | 13 | 41.5 | -14.8 |
| Kansas | 19 | 26.8 | 33 | 62.7 | -35.9 |
| Kentucky | 20 | 29.2 | 10 | 35.5 | -6.3 |
| Wyoming | 21 | 29.7 | 22 | 48.9 | -19.2 |
| Tennessee | 22 | 30.1 | NA | NA | NA |
| South Carolina | 23 | 32.9 | 6 | 26.9 | 6.0 |
| Iowa | 24 | 33.2 | 9 | 33.2 | 0.0 |
| Florida | 25 | 33.2 | 12 | 38.6 | -5.4 |
| Louisiana | 26 | 35.3 | 5 | 19.7 | -2.0 |
| Missouri | 27 | 35.8 | 29 | 54.7 | -18.9 |
| Arizona | 28 | 35.9 | 18 | 44.6 | -8.7 |
| Wisconsin | 29 | 36.1 | 35 | 65.2 | -29.1 |
| Indiana | 30 | 36.7 | 34 | 64.6 | -27.9 |
| Georgia | 31 | 38.2 | 4 | 19.4 | 18.8 |
| North Dakota | 32 | 38.3 | 25 | 52.9 | -14.6 |
| South Dakota | 33 | 41.3 | 37 | 72.7 | -31.4 |
| Ohio | 34 | 41.7 | 23 | 51.9 | -10.2 |
| Colorado | 35 | 42.0 | 36 | 69.5 | -27.5 |
| New Hampshire | 36 | 43.1 | 43 | 85.4 | -42.3 |
| Massachusetts | 37 | 43.2 | NA | NA | NA |

Total Tax Revenues as a Proportion of Total K-12 Public School Revenues, 1962-2002
(continued)

| <u>State</u> | 2002 | | 1962 | | <u>Percent Increase/ Decrease, 1962-2002</u> |
|--------------|-------------|----------------|-------------|----------------|--|
| | <u>Rank</u> | <u>Percent</u> | <u>Rank</u> | <u>Percent</u> | |
| Rhode Island | 38 | 45.2 | 15 | 42.9 | -2.3 |
| Maine | 39 | 45.3 | 21 | 48.6 | -3.3 |
| New York | 40 | 45.4 | 20 | 46.9 | -1.5 |
| Nebraska | 41 | 46.6 | 42 | 77.8 | -31.2 |
| Texas | 42 | 47.2 | 14 | 41.8 | 5.4 |
| Virginia | 43 | 49.0 | NA | NA | NA |
| Connecticut | 44 | 50.3 | NA | NA | NA |
| Illinois | 45 | 51.4 | 38 | 73.2 | -21.8 |
| Pennsylvania | 46 | 51.8 | 26 | 53.5 | -1.7 |
| Maryland | 47 | 51.9 | NA | NA | NA |
| New Jersey | 48 | 57.9 | 44 | 75.9 | -18.0 |

¹Percentages are presented in ascending order since lower proportions represent less dependency on taxes.

²Data not available (NA) on these states in neither the *Finances of School Districts, 1962* or *Compendium of Government Finances in 1962*, since schools in these states were operated by counties in Maryland, North Carolina, Tennessee, and Virginia and by townships in Connecticut and Massachusetts.

Source: Data for 1962 calculated from data available in the U.S. Bureau of the Census, *Finances of School Districts, 1962* (Washington, D.C.: U.S. Government Printing Office, 1964), Tables 1 and 3; Data for 2002 calculated from data available in the U.S. Bureau of the Census, *Public Education Finances, 2002* (Washington, D.C.: U.S. Government Printing Office, 2004), Tables 1 and 4.

A similar picture emerges from Table 9 that presents the proportion of school district total revenue derived from property tax collections. Dependence on property taxes increased, but only minimally, in only five states (Delaware, Georgia, South Carolina, Pennsylvania, and Texas) between 1962 and 2002. Reliance on property taxes, however, dropped markedly in most states over the last 40 years. In Vermont and New Hampshire, the decrease was drastic (i.e., by 45.6 and 42.3 percent, respectively). Dependence in 9 other states (Arkansas, Minnesota, Michigan, Montana, Oregon, Kansas, South Dakota, Nebraska, and Rhode Island) declined by at least 30 percent, while it declined between 20 and 29 percent in another 8 states (California, Idaho, Missouri, Wisconsin, Indiana, Ohio, Colorado, and Illinois). At the risk of “beating a dead horse,” we must once again point out what has become a familiar pattern in the rankings of the states. That is, states in the first and last quartiles tend to also be the same states located in the first and last quartiles, respectively, of Table 2 that ranks states by the proportion of revenue received from their state governments. In addition, similar comparisons can be made to rankings of states in Tables 3.7.

Table 9: Property Tax Revenues as a Proportion of Total K-12 Public School Revenues, 1962-2002

| <u>State</u> | 2002 | | 1962 | | <u>Percent Increase/Decrease, 1962-2002</u> |
|----------------|-------------|-----------------------------|-----------------|-----------------------------|---|
| | <u>Rank</u> | <u>Percent</u> ¹ | <u>Rank</u> | <u>Percent</u> ¹ | |
| Arkansas | 1 | 7.2 | 19 | 44.6 | -37.4 |
| New Mexico | 2 | 11.0 | 3 | 19.0 | -8.0 |
| Alabama | 3 | 12.5 | 1 | 16.6 | -4.1 |
| Louisiana | 4 | 14.0 | 4 | 19.7 | -5.7 |
| Vermont | 5 | 17.2 | 38 | 73.2 | -45.6 |
| Delaware | 6 | 21.4 | 2 | 18.4 | 4.0 |
| Mississippi | 7 | 22.3 | 7 | 27.7 | -5.4 |
| Washington | 8 | 22.4 | 8 | 29.6 | -7.2 |
| Kentucky | 9 | 22.5 | 10 | 35.3 | -12.8 |
| Minnesota | 10 | 22.9 | 26 | 53.5 | -30.6 |
| Michigan | 11 | 23.3 | 30 | 56.0 | -33.7 |
| Montana | 12 | 23.4 | 29 | 55.5 | -32.1 |
| California | 13 | 24.6 | 27 | 54.5 | -29.9 |
| Utah | 14 | 24.9 | 16 | 43.3 | -18.4 |
| Oklahoma | 15 | 25.0 | 18 | 44.0 | -19.0 |
| Idaho | 16 | 25.1 | 24 | 52.3 | -27.2 |
| North Carolina | 17 | 26.3 | NA ² | NA | NA |
| Oregon | 18 | 26.4 | 31 | 61.4 | -35.0 |
| Nevada | 19 | 26.5 | 11 | 37.2 | -10.7 |
| West Virginia | 20 | 26.7 | 13 | 41.5 | -14.8 |
| Kansas | 21 | 26.8 | 33 | 62.4 | -35.6 |
| Georgia | 22 | 29.1 | 5 | 26.4 | 2.7 |
| Wyoming | 23 | 29.5 | 21 | 48.4 | -18.9 |
| Tennessee | 24 | 30.1 | NA | NA | NA |
| Iowa | 25 | 30.7 | 9 | 33.2 | -7.9 |
| South Carolina | 26 | 32.5 | 6 | 26.5 | 6.0 |
| Florida | 27 | 33.2 | 12 | 38.6 | -5.4 |
| Missouri | 28 | 34.1 | 28 | 54.7 | -21.5 |
| Arizona | 29 | 35.9 | 19 | 44.6 | -8.7 |
| Wisconsin | 30 | 36.1 | 35 | 65.2 | -29.1 |
| Indiana | 31 | 36.7 | 34 | 64.6 | -27.9 |
| North Dakota | 32 | 38.3 | 25 | 52.9 | -13.6 |
| South Dakota | 33 | 39.9 | 37 | 72.7 | -32.8 |
| Ohio | 34 | 40.7 | 36 | 69.5 | -28.8 |
| Colorado | 35 | 41.6 | 32 | 61.8 | -20.2 |
| Nebraska | 36 | 42.3 | 41 | 77.2 | -34.9 |
| New Hampshire | 37 | 43.1 | 42 | 85.4 | -42.3 |

Property Tax Revenues as a Proportion of Total K-12 Public School Revenues, 1962-2002
(continued)

| <u>State</u> | <u>2002</u> | | <u>1962</u> | | <u>Percent Increase/ Decrease, 1962-2002</u> |
|---------------|-------------|----------------|-------------|----------------|--|
| | <u>Rank</u> | <u>Percent</u> | <u>Rank</u> | <u>Percent</u> | |
| Massachusetts | 38 | 43.2 | NA | NA | NA |
| Pennsylvania | 39 | 44.1 | 17 | 43.7 | .4 |
| New York | 40 | 45.4 | 20 | 46.7 | -1.3 |
| Rhode Island | 41 | 45.2 | 42 | 77.8 | -32.6 |
| Maine | 42 | 45.3 | 22 | 48.4 | -3.3 |
| Texas | 43 | 47.2 | 14 | 41.8 | 5.4 |
| Virginia | 44 | 49.0 | NA | NA | NA |
| Connecticut | 45 | 50.3 | NA | NA | NA |
| Illinois | 46 | 51.4 | 26 | 73.2 | -21.8 |
| Maryland | 47 | 51.9 | NA | NA | NA |
| New Jersey | 48 | 57.9 | 40 | 75.9 | -18.0 |

¹Percentages are presented in ascending order since lower proportions represent less dependency on taxes.

²Data not available (NA) on these states in neither the *Finances of School Districts, 1962* or *Compendium of Government Finances in 1962*, since schools in these states were operated by counties in Maryland, North Carolina, Tennessee, and Virginia and by townships in Connecticut and Massachusetts.

Source: Data for 1962 calculated from data available in the U.S. Bureau of the Census, *Finances of School Districts, 1962* (Washington, D.C.: U.S. Government Printing Office, 1964), Tables 1 and 3; Data for 2002 calculated from data available in the U.S. Bureau of the Census, *Public Education Finances, 2002* (Washington, D.C.: U.S. Government Printing Office, 2004), Tables 1 and 4.

But, the positive news about the data in Table 9 is that school districts are relying much less on a source of revenue that has been a root cause of and almost always perpetuates revenue disparities among school districts. With lessened dependence on the oft-criticized property tax, and an increase in state money to off-set traditional ad valorem revenues, there is a greater chance that K-12 public schools will be able to provide closer to a uniform level of education experiences across districts that range from some of the poorest to some of the wealthiest. At least this is what educational reformers and parents from poor communities are hoping for.

Another goal of school finance reformers and property owners historically has been to convince state governments to expand the revenue-raising authority of schools districts so that they can tap into revenue sources usually reserved to the state government—sales, income, and other types of taxes and user fees and charges for services. The argument that is employed is that this would permit school districts to reduce their reliance on a disliked tax that usually produces bad results—revenue disparities. Some headway has been made in recent years, but the progress has been slow. To date, and for a variety of reasons, only a handful of progressive states have been willing to grant the power to consider these non-traditional sources of public school revenue and an alternative to the property tax, in spite of their increased willingness to grant more latitude in this regard to counties and municipalities—and in some cases, to townships.

States' reluctance to enlarge the repertoire of revenue-raising options of school districts is evident from the data in Table 10. Few states derive even a modest amount of revenue from taxes other than the property tax. Louisiana is the only exception, as the state permits school districts to levy a sales tax. This has made it possible for school districts to reduce their reliance on the property tax, but it has also resulted in a reduction in the proportion of total revenue that

the state government has traditionally provided to support K-12 public education. School districts in Georgia have also been allowed to create their own sales tax, but this has not (as predicted) led to a decrease in dependency on the property tax revenue and, worse still, has resulted in a decline in the proportion of total revenues for elementary and secondary public schools accounted for by state governments. Public schools systems in Pennsylvania and Kentucky have had a long-standing ability to diversity their own-source revenue base with a sales tax and several other miscellaneous kinds of taxes. While a reduction in dependency on the property tax has coincided with the levying of a sales tax in Kentucky, this has not happened in Pennsylvania. Moreover, the state government in Kentucky began to account for a larger proportion of total school revenues since the introduction of a sales tax by schools; this has not occurred in Pennsylvania. Finally, school districts in Nebraska and Iowa have been the beneficiaries of greater fiscal assistance from their state governments since after they adopted a sales tax, while districts in Nebraska have also been able to reduce their reliance of the property tax.

Table 10: Other Taxes and Charges for Services as a Proportion of Total K-12 Public School Revenues, 2002

| OTHER TAXES | | | CHARGES FOR SERVICES | | |
|--------------|-------------|----------------|----------------------|-------------|----------------|
| <u>State</u> | <u>Rank</u> | <u>Percent</u> | <u>State</u> | <u>Rank</u> | <u>Percent</u> |
| U.S. | | 1.4 | U.S. | | 7.6 |
| Louisiana | 1 | 21.3 | Tennessee | 1 | 16.2 |
| Georgia | 2 | 9.1 | Iowa | 2 | 13.2 |
| Pennsylvania | 3 | 7.7 | Mississippi | 3 | 10.5 |
| Kentucky | 4 | 6.7 | Florida | 4 | 10.4 |
| Nebraska | 5 | 4.3 | Missouri | 5 | 10.2 |
| Iowa | 6 | 2.5 | North Dakota | 6 | 10.2 |
| | | | Oregon | 7 | 10.0 |
| | | | Colorado | 8 | 10.0 |
| | | | Indiana | 9 | 9.6 |
| | | | Nebraska | 10 | 9.3 |
| | | | Arizona | 11 | 9.2 |
| | | | Kansas | 12 | 9.0 |

Source: Data for 1962 calculated from data available in the U.S. Bureau of the Census, *Finances of School Districts, 1962* (Washington, D.C.: U.S. Government Printing Office, 1964), Tables 1 and 3; Data for 2002 calculated from data available in the U.S. Bureau of the Census, *Public Education Finances, 2002* (Washington, D.C.: U.S. Government Printing Office, 2004), Tables 1 and 4.

Finally, charges for services is another revenue option available to school districts. Over the years K-12 public schools have not utilized this revenue alternative extensively. However, there are eight states that derive at least 10 percent of their total revenue from this source (see Table 10). Presently, public schools in Tennessee and Iowa make the greatest use of them. But, this revenue source does not help to address the issue of revenue disparities between school districts like greater infusions of state aid/shared revenues and state grants of enhanced revenue-raising authority.

SUMMARY AND CONCLUSIONS

Funding of elementary and secondary public schools in the United States has undergone a major metamorphosis since the early part of the 20th century. Moreover, changes in the financial responsibility of local, state, and federal governments for public schools have accelerated in the last four decades. Once supported principally by locally-raised revenues, K-12 public schools are more likely to receive the largest share of total revenues from their state government today. In fact, on a nationwide basis state governments have been accounting for the largest proportion of K-12 public schools since 1978. And, in spite of the fact that the federal government supplies the smallest part of total public school revenues, its role as a source of funding should not be ignored, since recent data indicate that federal aid to education increased markedly during the George W. Bush administration while huge amount of federal stimulus money have been flowing to local school systems during the first year of the Obama administration. In sum, answers to the proverbial question of “who should foot—and perhaps more importantly, who *is* footing—the bill for K-12 public education” have been changing over time.

The analysis of the role that various levels of government are playing in financing K-12 schools presented in this paper has served to highlight the importance of who pays what part of

public education. Historically, heavy reliance on locally-raised revenue has led to funding disparities between school districts, and this issue has raised concerns about the potential for inequalities in the quality of educational services provided to K-12 students. Given what some believe is an unacceptable situation morally, if not a denial of a fundamental constitutional right, it has been strongly advocated that a government (usually the state but also could be the federal government) with the ability to correct for funding disparities between school districts should play a bigger role—if not, a primary part—in funding the nation’s public elementary and secondary schools.

The results of the analysis reported in this paper would imply that state governments, on balance, have been increasingly playing a facilitator role in ensuring the equality of educational experiences for publicly educated students in this country. Simply put, if equality or near-equality of revenues among school districts is the yardstick by which one measures the ability of school districts to provide for the equality of educational environments or experiences, then state governments, and to a less extent, the federal government, has been instrumental in bringing about or ensuring this desired end. However, this study’s findings do suggest that some states are better at achieving the objective of equality than are others.

Yet, with all of the stir and debate over funding inequalities, revenue disparities between rich and poor school districts, and the quality of the educational experience, there remains the “so what does it matter” question. As good, well-trained social scientists, we were taught that it is important to study issues such as education that have significant practical implications for our most immediate or global society and then provide empirically-verifiable answers to questions about the causes or determinants of public policy decisions affecting these issues. Furthermore, we were challenged to identify or minimally project the likely consequences of choosing one

policy option over another. Therefore, this brings us to the ultimate question pertinent to the crux of the “policy consequences” research question driving this paper: Does it matter if there is sufficient funding for all public school districts in a state so as to ensure that there is equality in the education experience for each student, independent of the fact that the student may live in a poor or wealthy district?

This is a particularly intriguing, perplexing, and value-laden question, in that it cuts right to the heart of concerns for and dilemmas confronting local, state, and federal policy makers. Often they are challenged with the daunting task of stretching scarce resources to cover the ever-increasing wants and needs of the consuming public, while also expected to fund programs that are cost effective and efficient. More and more, the public demands the responsible and prudent allocation of tax dollars for policies and programs that achieve demonstrated projected results. In short, the public and watchdog groups are increasingly holding public officials accountable for getting their money’s worth in services that are being financed with public funds. While performance budgeting may not be universally practiced by governments in this country, the public and concerned citizen groups are holding both elected and non-elective officials responsible for the higher level of performance and achievement than ever before.

With this said, one must reconcile this desire to ensure the equality of the educational environment and experience with the results of a number of prominent studies that, while not dismissing the importance of the school environment and educational experience, have certainly cast considerably doubt as to whether it really makes a difference in educational achievement or what the student takes away from having attended school. James S. Coleman and his associates (1966) in a well-respected yet somewhat controversial report commissioned by the U.S. Department of Education study, *Equality of Educational Opportunity*, concluded that per pupil

expenditures, teacher salaries, classroom size, facilities, and materials were *unrelated* to student achievement. Student achievement, according to this report, is more closely related to characteristics of the home environment than to those of the schools. However, in a later report, Coleman et al. (1982) demonstrated that school achievement levels are higher in schools in which there is a high expectation of achievement, an orderly and disciplined learning environment, an emphasis on basic skills (the three R's), frequent monitoring of student progress, and teach-parent interaction and agreement of values and norms.

In conclusion, the debate over whether governments have the legal responsibility for providing for the equality of funding for publicly provided K-12 education with the expectation that this will ensure the equality of educational quality and experiences may end up being a moot one and produce only the illusion of success. When the day is over, people may feel as though that the people's government has done the right thing and fulfilled a moral responsibility to those children and their parents who live in less affluent school districts, but the fact of the matter is that it may not really matter. In short, being labeled as a facilitator or obstructionist of school districts' efforts to provide for equality of education may have little intrinsic value for students or society and serve only to give a state bragging rights or criticism for their efforts or lack thereof.

ENDNOTES

1. Although the this paper frequently makes reference to “school district revenues and expenditures,” we are well aware of the fact that about 10 percent of the K-12 public schools in the United States are operated by townships, cities, and counties. In fact, county governments operate all K-12 schools in four states—Maryland, North Carolina, Tennessee, and Virginia. Therefore, when school district revenues and expenditures are mentioned, this refers to the revenue raised and spent by all elementary and secondary schools regardless of the actual governmental entity that establishes and operates them.
2. By comparison, the proportion of county, municipal, township, and special district total revenue accounted for by state funds is much smaller than that for school district. The state percentages for these governments are 33.8, 21.9, 19.7, and 9.2, respectively.
3. Recent research (see Benton 2007) suggests that the amount of federal fiscal assistance to elementary and secondary public schools increased noticeably from 2001-2004 during the George W. Bush administration, while preliminary data that can be accessed from the website of the U.S. Department of Education (2007) indicates that the federal aid proportion of total revenue available for K-12 public education has risen to 8.5 percent.
4. Most studies that have analyzed state revenues and expenditures have erred on the side of caution by excluding two states—Hawaii and Alaska—since their revenue and spending figures tend to be outliers when compared to the other 48 states. In fact, the relatively high standard and cost of living in Hawaii and the huge amount of revenue that Alaska is able to generate from petroleum reserves make these states aberrant cases, and the inclusion of data from them tend to skew national revenue and expenditures totals and averages. For these reasons, it was decided to exclude these states from the state-by state

and analysis that follows. An additional reason for excluding Hawaii is that it has a state-run, centralized public school system.

5. For a thorough discussion on and empirical verification of the wisdom of considering a variety of dimensions of public revenue and expenditure activity and policy, see Benton (1983).

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