In this paper, the author examines the Federal role in the financing of schools given the facts of rising costs, pressure for greater equalization, court rulings that clearly place basic responsibility for financing of public education in the hands of the State, and given severe limitations on Federal funds. Matters considered include Federal short-term equalization aid; Federal impact aid funds and the adjustment of State aid payments to local districts; receipt of Federal funds by school districts because the parents of some pupils work for the Federal Government; reform of the ZSEA, Title I, fund allocation formula to target the disadvantaged more precisely and to concentrate more directly on schools with the greatest proportion of students in need; the consolidation of many narrow-purpose categorical authorities into broader flexibility in meeting their educational needs; and forward funding. (Author/DN)
TOWARD A COMMON GOAL*

By

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U. S. COMMISSIONER OF EDUCATION

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Five years ago the most extensive study of school finance ever undertaken, the National Education Finance Project (NEFP) was launched by the Florida Department of Education and the University of Florida. Funded by the Office of Education, this project was a cooperative venture involving top education officials from all 50 States.

Three salient conclusions of the study are worth restating today:

1. The fundamental result of heavy reliance on property taxes to support public schools is that the quality of a child's education is largely determined by whether he lives in a wealthy school district.

2. The most money is available for schools in those districts where the children are already farthest ahead, the least to the districts where the children lag farthest behind.

3. Paradoxically, if we want to make opportunities for education truly equal, we must spend unequally.

Other studies, among them that of the President's Commission on School Finance, have reached some of the same conclusions, but the three findings of the National Education Finance Project that

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I have just cited, in my mind, the most serious issues we have to face in education today. The States and the Federal government have taken a good look at them. What have they done about them?

On the State level, partly in response to the findings of the NEFFP and other studies, and partly in response to court rulings -- but partly also because of rising public concern -- some rather significant changes have been taking place. Eight States have enacted major equalization legislation. Maine, Kansas, Illinois, Wisconsin, and Colorado have adopted new approaches to resource equalization. California, Florida, and Utah have strengthened their resource equalization approaches. Arizona and New Jersey are considering legislation that would move toward equalizing opportunity. More changes in 73 than perhaps any other period in the last 50 years.

Clearly, we have witnessed a willingness on the part of the States to rid themselves of what the President's Commission called the "inabilities of the States to create and maintain systems that provide equal educational opportunities and quality education to all their children."

Willing or not, the States had the courts looking over their shoulder.

The ruling in *Serrano* by the California Supreme Court made it clear that California cannot make the quality of a child's education a function of the wealth of the community, and thus cannot make financing of its elementary and secondary schools dependent on wealth,
except on the wealth of the State taken as a whole. Initially, in the minds of some, that decision opened the door for a possible broader definition of Federal responsibility.

But in January 1973, in the Rodriguez decision, the U.S. Supreme Court concluded that school financing is the province of the States. On the heels of Rodriguez, the Advisory Commission on Intergovernmental Relations concluded, in a special study of its own, that States have the fiscal potential to meet this responsibility.

Along with the trends in intra-State equalization, it is only fair to take note also of the problems posed by inter-State differentials. For instance, a study by the Office of Education's National Center for Educational Statistics shows that the average teacher salary in the highest paying State is slightly more than double that in the lowest paying State. At the same time, average expenditures per pupil vary from $590 to more than 250 percent of that amount, or $1,584. Given inter-State differences of such magnitude, it is conceivable that future years will see court rulings that would move toward an evening out of the disparities.

Other statistics give an added dimension to the fiscal problem. Public school enrollments are leveling off. In the fall of 1975 they are expected to be about 49.2 million, more than two million below 1970, but I do not need to tell this group that decreasing enrolments do not necessarily mean decreased costs -- not in these times. Just the opposite, in fact.
The average annual salary of instructional staff (in 1972-73 dollars) increased from $8,344 in 1962-63 to $10,600 in 1972-73 and is expected to reach $13,000 in 1982-83. Although the need for capital outlay has decreased, rising building costs caused an actual increase from $2.97 billion to $5 billion in this category of expense over the same period. National average per pupil costs have risen from $406 in 1963-64 to $1,026 in 1972-73.

Given the facts of rising costs, pressure for greater equalization, court rulings that clearly place basic responsibility for financing of public education in the hands of the State, and given severe limitations on Federal funds, what should be the Federal role in helping with the schools' financial dilemma?

The Federal government acknowledges that education rightly stakes out a claim in our society for a very substantial portion of government wealth.

In looking ahead, however, we must be mindful of the fiscal crunch that we now find ourselves in. Spiraling inflation, coupled with a whopping National deficit, force the Federal government to make hard choices about where to place its resources. The eight percent now available to elementary and secondary education is about the level for the immediate future.

I must also state that the likelihood of Federal short-term equalization aid as recommended by the President's Commission on School Finance is no more than slight. Nor is it likely that a
requirement of State equalization as a condition of receiving Federal funds, which the Education Commission of the States recommended, will be enacted, although it is being considered. In the long run I continue to believe that this will become a Federal responsibility.

In the meantime, nevertheless, we at the Federal level are determined to assist the States and localities to meet particular educational needs that involve the National interest. At the same time, we have an obligation to provide such aid with equity, simplicity, and stability, and some progress is being made on all of these fronts.

One such matter, and one of major concern, is the adjustment of State aid payments to local school districts receiving Federal impact aid funds.

A 1968 amendment to P.L. 81-874 says that, in allocating State money to local districts, the States should NOT take into consideration the Federal impact aid funds received by some districts. Many States had been doing this in varying degrees, and some continue to do so.

Two States, North Dakota and Kansas, have passed laws which allow the reduction of State payments to districts receiving impact aid money. Such legislation would have automatically precluded any P.L. 81-874 money from going to these States, but Congress wanted to keep the money flowing, so it amended the Act to permit it in the current year.
The great variation in the financing of local school districts and the distribution of State moneys has made the current legislation generally unworkable, as both the House and Senate seem to agree. Bills in both houses of Congress call for modification of the controversial Section (5(d)(2) of P.L. 81-874. Such revision makes sense.

Still other reforms of the Impact Aid program are necessary for greater equity, however. As long as some schools receive Federal funds because the parents of some pupils work for the Federal government -- although they live and pay taxes in the community -- fewer Federal dollars will be available where children with far greater educational needs have parents who are not Federal employees. Elimination of payment for out-of-State A and B children, as proposed in legislation before the Senate, represents a forward step, but we consider a total phase-out of funding for the B category to be essential. The President's 1975 budget provides for this in a way that would minimize the shock for the school districts involved.

Further on the matter of equity in the distribution of Federal funds, we have asked Congress to reform the ESFA, Title I, fund allocation formula to target the disadvantaged more precisely and to concentrate more directly on schools with the greatest proportion of students in need.

It is our judgment that, whatever the details of the Title I formula adopted, it should count children where they are, provide
realistic and updated income criteria, and make reasonable adjustments between high and low income expenditure States.

For greater simplicity in the provision of Federal aid, we have been pushing for three years now to consolidate many narrow-purpose categorical authorities into broader authorities giving State and local education agencies much more flexibility in meeting their educational needs as they, not we, see them. Aside from such flexibility, consolidation would have a bearing, though indirect, on the financial problem. Clearly, the reduction of Federal red tape in the form of regulations, guidelines, and reporting would give school administrators more time to put on their number one job -- education.

Both the House and Senate are considering consolidation legislation which they themselves have developed, and we are indeed pleased that at least the principle has won this much general recognition and support.

Assuming that we get the kind of law that the President can support, we propose to add further stability and certainty to consolidated programs through forward funding. This would be achieved through a supplemental budget request for the current 1974 fiscal year. The supplemental funds would provide funding this spring for the major grant programs for next year. The regular 1975 budget would fund those same programs for academic year July '75. If all goes well, local school systems may know
this fall what they will receive for major Federal programs in the following school year — months ahead of the time they normally put their budget together. I don't think administrators will have too much trouble adjusting to this novel experience.

Without question the Federal government has a major role as catalyst for change and betterment in our schools. Through efforts of the type I have outlined here today I feel we are on the right track toward helping the States and local education agencies move toward resolution of some of their financial difficulties. This is not only in keeping with the Office of Education's historical role, it is also consistent with the history and tradition of our Nation.

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