In this speech, the author analyzes what should be the proper role of the Federal Government in the financing of public elementary and secondary education. The paper begins with a brief discussion of the financial dilemma the schools face currently; statistics are cited relative to student enrollment, capital costs, teacher salaries, and other operating expenses. The author argues against expanding substantially the federal role in education, and contends that the Federal Government should continue to exercise leadership, through research and demonstration, in areas that involve the national interest. The paper concludes by examining efforts that are being made to stabilize, simplify, consolidate, and equalize current federal educational programs. (Author/DN)
The assigned topic makes me wonder whether this is supposed to be four separate seminars, or one. I can go along with shrinking enrollments, but I can't accept the assumption that dollars are fewer or costs are fixed, and I'm not at all sure that the financial dilemma is new.

Therefore I will take the liberty of rephrasing the question. The subject I plan to discuss is: "With shrinking enrollments, rising costs, and a smaller proportionate share of total State and local expenditures devoted to elementary and secondary education, how should the Federal Government help?"

There is no question about shrinking enrollments. Total enrollment at all levels of education was some 59.2 million at the beginning of the 1972-73 school year, and estimates are that this total may drop by as much as 2 million by the fall of 1977.

The estimated school-age population (age 5-17) declined by one percent between the fall of 1971 and the fall of 1972. The impact of these changes is already being felt most markedly in our public elementary schools, where enrollments have been declining since the mid-1960's. K-8 enrollment was 31.8 million in the fall of 1972, and MS's National Center for Educational Statistics estimates that it will fall to about 28.2 by 1980. Secondary schools, while they will continue to see slight increases through 1975, will then also experience a downward trend.

As you do not need to be reminded, decreasing enrollments do not mean decreased costs. Quite the contrary. The average annual salary of instructional staff (in 1972-73 dollars) increased from $2,344 in 1962-63 to $10,600 in 1972-73, and is estimated to be $13,000 in 1972-73. For the past ten years the average teachers' salary has increased about $293 a year—and there are many more teachers earning that increase than ever before. The average pupil-teacher ratio has fallen from 25.5 to 1 ten years ago, to 21.8 to 1 last year.

Although the need for capital outlay has decreased (as reflected in a drop from 1.4% to 0.6% of total expenditures over the past decade), rising building costs accounted for an actual increase of $2.27 billion to $3.5 billion over the same period. Per pupil costs have risen from $406 in 1963-64 to $1,026 in 1972-73, reflecting a rise in the cost of just about everything. Average prices for hardcover books, to name only one example, have increased 46% in the last four years—from $8.77 in 1968 to $13.00 in 1972.
Obviously "fewer dollars" are available only in a relative sense. Expenditures for public elementary and secondary education have soared in the decade 1963-1973 from $21.6 billion to $36 billion. The local contribution has risen from $12.4 billion to $23.5 billion; State expenditures from $8 billion to $22.8 billion; and the Federal contribution from $1.1 billion to $4.6 billion.

(There seems to be a myth abroad that the Federal share of education costs in general has undergone a serious reduction. This is not the case. In a recent article in Compact, the magazine of the Education Commission of the States, New York Commissioner Ewald Nyquist charged that the share of the Federal budget devoted to education has dropped from 8% 25 years ago to 4% today. This grossly misleading statistic simply reflects the fact that the GI Bill accounted for 93% of total Federal education expenditures 25 years ago. Excluding veterans benefits, Federal support for education has in fact grown over 50 times in the last 25 years: from $200 million—then about half of one percent of the Federal budget—to about $11 billion, or four percent of last year's budget. The Federal share of the total bill for elementary and secondary education has risen over the past decade from 5% to 8%.)

What is happening is that elementary and secondary budgets while rising rapidly, are getting a smaller proportionate share of the total available dollars—at least at the State level. State appropriations for elementary and secondary education have risen 187% over the last decade (1963-1973), but at a decreasing rate over the last five years (71.9%). At the same time, public elementary and secondary institutions increased their share of total State general revenue from 11.24% to 14.26%, and their share of total education appropriations from 22% to 29%. Similarly at the local level, increased demand for other services has been reflected in a growing number of school bond rejections.

Given the facts described above, what is the solution to the financial dilemma?

I trust that you do not expect me to offer an easy solution. We all know, in our respective roles, that we must do the best we can with limited resources, and I will not attempt any gratuitous advice on how you can do a better job with the resources available to you. What I can do, and what I intend to do in the time remaining, is to state as clearly as possible what I see as the Federal role and responsibility in helping you to deal with the financial dilemma.

The first thing I would say is that primary responsibility for the financing of public education is now clearly in the hands of the States, and that any prospect of a massive Federal role has been foreclosed for the time being.

The ease for Federal assumption of a major share of the cost of elementary and secondary education has been made in many quarters, and I am sure is familiar to you. There is widespread agreement that the local property tax is no longer a viable source of sole support for our schools. That issue is no longer in doubt, since the California Supreme Court in Serrano affirmed two years ago that a State 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.

For awhile, that decision sustained a bright hope that the courts might forge a new and broader definition of the Federal responsibility. But, in its Rodriguez decision last spring, the Supreme Court concluded that school finance is the responsibility of the States. At about the same time, the Advisory Commission on Intergovernmental Relations reported after a special study that the States do indeed have the fiscal potential to meet this responsibility.
Both judgments already seem to be confirmed in almost a dozen States which have recently passed significant reforms of school finance laws, including important improvements in both equalization and funding. Several States are still hard at work on their own reform packages.

In view of this progress, it is reasonable to assume that no large-scale Federal involvement is just around the corner, awaiting the election of right-thinking politicians. Even a modest Federal stimulus such as the short-term equalization aid program recommended by the President's Commission on School Finance, or a requirement of State equalization as a condition of receiving Federal funds, such as the Education Commission of the States has recommended, are unlikely to receive serious consideration in Congress until sufficient time has passed to reach some clearer judgment on the willingness and the capacity of the States to meet their responsibilities for equalization of educational opportunities.

Where, then, does that leave the Federal role?

Clearly, the Federal Government has a responsibility to assist the States and localities to meet particular educational needs which involve the national interest. And it has a companion responsibility to provide such assistance with as much equity, simplicity, and stability as is possible. I think we are making visible progress in each of these three areas.

For greater equity in the distribution of Federal funds, we have asked the Congress to reform the Title I formula, to provide aid in a manner which is targeted more precisely on the disadvantaged, and concentrated more directly on the schools with the greatest proportion of needy students. The bill extending the Elementary and Secondary Education Act which has been reported out of the House Committee on Education and Labor takes important steps in this direction, and we are hopeful that the Senate Committee will soon take similar action.

We also view our proposals for reform of the Impact Aid program as another necessary step toward equity. As long as some schools receive Federal dollars because of pupils whose parents are taxpayers who happen to work for the Federal Government, there will be fewer Federal dollars available for many other schools where the children have far greater educational needs, but their parents happen to have non-Federal employers. We are still hopeful that Congress may take some steps toward Impact Aid reform this year.

For greater simplicity in the provision of Federal aid, we have been trying for three years to get Congress to consolidate many of the existing narrow-purpose categorical authorities into broader forms which give State and local education agencies greater flexibility to meet their own educational needs. Consolidation has an important if indirect bearing on the financial problem, because the elimination of unnecessary Federal red tape in the form of regulations, guidelines, and reporting requirements will make it possible for school administrators at the local level to make better use of whatever funds they receive from the Federal Government.

Both the House and Senate bills extending ESEA now contain significant consolidation, and we expect that the final legislation, when enacted this spring, will make major progress on this front.

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If the legislation proceeds as expected, and passes promptly, we will be able to make even more significant progress in providing greater stability and certainty of Federal funding. As the President promised in his Education Message last month, we will seek a supplemental budget request for the major elementary and secondary programs as soon as Congress passes the necessary authorizing legislation.

That would provide substantially increased funding for the major formula grant programs for next year, this spring, and the regular Fiscal 1975 budget, when it passes later this summer, would contain funding for those same programs for Fiscal 1976. In other words, for the first time in history, it appears likely that local school systems may know this fall what they will receive for major Federal programs in the following school year—many months ahead of the time they put their budget together.

Without any question, the provision of advance funding at higher levels will have a large and direct beneficial effect on the financial problems of State and local education agencies. It will make it possible for you to plan well in advance how to make the best use of Federal funds, and consolidation will enable you to package them more effectively to meet the educational needs of your own communities.

There is still another aspect of the Federal role in education which we should not ignore: that is, the responsibility to sponsor research and demonstrations which will give us all a better understanding of how children learn and how they can be taught more effectively. Here too, there are bound to be important direct and indirect effects on the problem of financing the schools. As the President said in his special message: "Education research is not a luxury but a necessity if Americans are to get the education they want for their children at a sensible cost." And here, too, we are making progress.

The National Institute of Education is developing its program based on five research priorities, each designed to improve education in the classroom. The priorities include "essential skills"—mostly related to reading improvement at the elementary level; making schools more efficient and cost-effective; helping young people make the transition from school to work more easily; helping State and local school systems learn better ways to solve their own problems; and experiments to encourage greater diversity in education.

We are giving NIE a high priority in our budget request. We have asked for a supplemental appropriation of $25 million to increase its 1974 budget to $100 million, and we are seeking a further increase of $30 million for Fiscal 1975.

The Federal role I have described I, we believe, both sound and appropriate, and we are asking for increased funds to carry it out. I would also argue that we should resist the pressures to expand that role substantially, either by the further proliferation of categorical programs or by the assumption of more far-reaching Federal responsibilities.

The growth of Federal categorical aid over the last 15 years has brought an inevitable and increasing Federal involvement in the regulation, conduct, and monitoring of education functions which are constitutionally reserved to the States. As federally imposed restrictions proliferate, they increasingly compound and distort the problems faced by States and local districts in dealing with their own needs and priorities.

To the extent that Federal categorical aid restricts State and local administrators and defines the way they may use funds, to that extent Federal aid limits their ability to meet their responsibilities, and to the degree that Federal aid weakens their capacity to meet State and local educational needs, it tends to undermine the principle of State and local control that is the foundation of our whole education system. That is why we are so concerned with the need for simplification and consolidation of existing Federal programs.
I realize that some are not afraid of a growing Federal role, and actively advocate it. One of your former colleagues, Dr. York Shedd, when he was superintendent in Philadelphia, presented congressional testimony urging the nationalization of big city school districts, with their operation and funding to be taken over by the Federal Government.

This would, he said, bring to bear "the full managerial, research and development, and funding capability of the Federal establishment."

It is worth asking: do we really want a national school system, directed from Washington? I have no confidence—and less evidence—that the Federal bureaucracy, or even Congress in its wisdom, knows how to solve the educational problems which characteristically differ from region to region, State to State, school district to school district, and from child to child.

On the contrary, the fact that we do not have a Federal school system is, I am persuaded, one of the sources of our national strength and vitality. That is why the Federal role I have described—supporting broad areas of national interest and exercising leadership through research and demonstration—is the most appropriate to help you deal with the educational needs in your schools.