

School Finance as a Moral Dilemma

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Fall 2017

Abstract

Alternative approaches to raising funds for public schools have long been critiqued for their approach to providing an equitable and adequate distribution of educational goods. Inherent in these core concepts of fairness are ethical questions that drive how policy and practice evolve to generate revenue for the education of children. This paper explores the ethical issues within three broad categories that are common in the origination of public school revenue: Taxpayer equity, sin money, and the use of children to generate revenue.

Keywords: Ethics, Alternative Revenue, School Finance

Introduction

The financing of American education has been in a constant state of reform since the first public school was formed in the mid 17th century. The last quarter of the 20th century was a particularly intense era of challenges to state and local systems of generating and distributing resources for public schools (Roellke, et al., 2004). State and federal courts as well as political bodies and several layers of the education delivery system have been forced to defend, and in many cases, redefine the principles that guide school funding. From a legal standpoint, the debate has centered on issues of equity and adequacy, and yet little attention has been paid to the moral nature of the policy process.

At each level of school finance decision-making moral dilemmas abound. This paper focuses on the origination of revenue streams that support k-12 schools. Monk (1997) defines origination as the first of three levels of school

funding: origination, disposition, and utilization. These three funding levels cut across the school finance delivery system including state legislation, litigation, district, school, classroom level allocation, and finally teacher and student engagement. Disposition focuses on what school dollars buy and brings to the fore issues of student equity at all levels of spending from district allotments to how resources are made available to individual students. Ethical issues of utilization issues include the obligation of students as engaged participants in their own education and practices like spending down budgets on goods or services that may fall outside the core mission of the institution.

The origination level includes the moral components of the decision-making process, the anatomy of the dilemma, common strategies employed, and outcomes in terms of how money to support schools is generated. Although school resources are most often discussed as per pupil dollar expenditures, for the purpose of this paper resources are more broadly defined as the mix of dollars, services, time, and other resources that add up to a child's access to educational opportunity in a public school environment.

At first blush it appears the field is more comfortable with critiquing the efficiency, adequacy, and equity of school finance systems than exploring the moral dilemmas inherent within them. However, the link between traditional measures of effective school funding and morality is clear. For a conflict to truly be a moral dilemma there must be competing moral interest that compels the agent towards two or more seemingly incongruent actions. It may be that neither of the acts or solutions to the dilemma override the other or it may be that there seems to be clear moral solution that for a variety of reasons is not apparent to the agent as (s)he wrestles for a solution to the problem (McConnell, 2006). In the case of school finance there are several incompatible approaches to the division of educational resources and myriad dilemmas that present themselves at increasingly microlevels of educational delivery and across a variety of fiscal and political climates.

Three broad categories of ethical dilemmas are common in the origination of public school revenue: Taxpayer equity, sin money, and the use of children to generate revenue. These do not represent a complete list, but rather a collection of origination issues that are most rich with moral questions.

Taxpayer Equity

As policy makers wrestle with the difficult task of achieving adequate schools through equitable funding mechanisms they must also balance those efforts against the need to maintain taxpayer equity.

Dialogue on this issue at the state and federal levels has been shaped by two dominant, yet competing, moral claims (Pijanowski, 2015):

1. people are more or less entitled to keep what they earn;
2. people are entitled to a fair opportunity to succeed on their own merit

Society must balance the right, implied of (a) parents to spend their resources on their own children against the implications of (b) limits of this right. In other words, how do we create a system of funding public schools that protects the rights of local communities to keep resources under their control and used in their community while ensuring that merit and not wealth is the primary driver in determining a child's access to educational opportunity.

These claims have been elevated to principles by which people make and evaluate their decision about fiscal and educational policy decisions. From a moral perspective, each represents a moral claim, and there is often a struggle in determining a principled moral reason for making difficult decisions when these claims conflict. Moreover, this step of establishing a principled approach is often skirted by attempts to introduce additional revenue streams. As the pressure to generate more money increases so does the opportunity and temptation to engage in ethically questionable practices. Examples of policies that challenged the dominant moral claims on taxpayer equity include:

- Texas Robin Hood tax scheme in response to Edgewood v. Kirby
- The impact of leveling down through prop 13 on school quality on California
- The effects of weakened commercial tax bases in places like East St. Louis
- The promise of, and opposition to, regional tax base plans

Sin Money

Sin money in this context refers to any revenue schools accept or actively solicit that is born from activities that the community generally discourages. This is particularly true when the activity is discouraged for children. School foundations must decide if there are sources of donated money that they would not accept and if so what the ethical framework is for making that decision. Schools also wrestle with the balancing the allure of steady discretionary resource flows against the effect of peddling high calorie low nutrition food and drinks to children.

For nearly as long as states have been generating revenue, they have been generating revenue through both sumptuary taxes (better known as sin taxes) on items like tobacco and alcohol, but also through state run gambling in the form of lotteries, state run casinos, racing, and other games of chance. The dilemmas inherent in engaging in an illicit activity to benefit the broader public good are compelling; perhaps even more so when that public good involves children who are a captive audience.

When accepting funds a school must consider two ethical concerns:

1. Does the source of the money encourage, implicitly or explicitly, behavior that the educational system is actively discouraging among students?

2. Does the money come with strings attached that run counter to the mission of the school or well being of the students?

State lotteries accounted for \$73.8 Billion in 2015 and have been a fixture of state revenue mechanisms since the mid 1970s. However, the money they raise in the interest of public school education does not always reach the children they claim to serve (Brady & Pijanowski, 2007). Not only do ethical questions abound regarding the proper role of government in running a gambling operation, there are some who contend that state lotteries are essentially a form of regressive taxation, shifting a significant financial burden to lower income communities (Clotfelter, Cook, Edell, & Moore, 1999). In cases where lotteries fund scholarships that are not based on need, high wealth families are benefitting most from funds raised disproportionately in poorer communities.

It is common for school districts and individual schools to solicit funds from their local community. Fundraising efforts include the formation of local foundations and booster clubs; the solicitation of businesses and others (e.g., private foundations) for the supply of donated cash, goods, and/or volunteer services; and the selling and leasing of services and facilities (e.g., the renting of school space and the placement of advertising on school property). When school district foundations in New York and California were surveyed 10% reported refusing a donation at least once (Brent & Pijanowski, 2003). The most common reason given was that the donor had restricted the donation in a way that ran counter to the mission of the foundation.

In an unusual case in Arkansas schools may find themselves exposed to potential legal challenges for complying with a new law because of the source of outside donations. A 2017 Arkansas state law (H.B. 1980) compels schools to display "a durable poster or framed copy" of the phrase "In God We Trust" in every school library and classroom in the state. However, the copies or posters authorized under this section shall either be donated or shall be purchased solely with funds made available through voluntary contributions to the local school boards or the Building Authority Division of the Department of Finance and Administration. The first school to comply with the new law received the funds from Pleasant Hill Baptist Church even though the language of the law was careful to characterize the phrase "In God We Trust" as the national motto and avoided identifying any religious purpose this display might convey. However, the donor of the funds for the ostensibly secular signage announced the donation in the paper by saying, "As a student pastor, I think it's vital that we have that spiritual influence in our schools as much as possible. This is who we are, this is who we have been and hopefully, I pray, that's who we continue to be moving forward. In the name of Jesus that our lives will be directed as we obediently follow Christ." (Turnure, 2017). So even though the legislation had sought to avoid violating the establishment clause, the donor in this case made clear that

their intent was to use their donation to invoke a spiritual influence over public school children in the name of Jesus Christ.

Children as revenue sources

Children are often guided to become involved in fundraising efforts to fill gaps in traditional school budgets. These activities encourage children to be industrious, entrepreneurial, and share in the ownership of bringing the project to fruition. Often fundraising money that involves children directly is confined to extracurricular activities and supplemental materials such as field trips, athletic team apparel, and charitable efforts. As universally accepted a practice as fundraising in schools is, it is easy for administrators to cross ethical lines without readily perceiving the dilemmas before them. There are two variations of fundraising practice involving students that are most problematic:

1. When students become the revenue source or general labor for supporting core curricular programs or the school's general fund.
2. When the fundraising activity itself results in compromising the schools curriculum or the activities of children when engaged in the central purpose of schooling.

Prior to implementation of the USDA Smart Snacks in Schools Standards it was estimated that 75% of beverage and 85% of snacks in school vending machines have been deemed as nutritionally poor (Wootan, 2004). This has resulted not only in schools adjusting what they offer in vending machines, but also adjusting their approach to vending to compensate for potential lost revenue. One response has been for schools to move towards in-house stocking of vending machines which cuts down on costs and increases the profit margins for schools (Lacey, 2013). Complicating the issue of how school snacks are marketed to generate revenue is the degree to which those practices differ by community wealth and racial demographics. Merlo et al, (2016) discovered significant associations between district demographics and the ways in which unhealthy food choices were marketed and sold to students. Another approach schools have used to adapt to changes in how they sell snacks to children has been modernizing vending machines with lcd screens capable of delivering advertising - advertising that is sold by the vending service but provides a cut of the ad revenue to the schools (Lacey, 2013).

There is a long history of targeting students with advertising as a revenue generating ploy. Granting advertisers access to students in return for revenue and packaging it with educational content led Whittle's Channel One to over \$70 million in revenue during the height of its run. There is a growing movement to sell advertising on school buses with several states already working under legislation allowing bus ads. Likewise, advertising revenue is being generated on school websites, buildings, and publications. One of the most invasive attempts at advertising to students is to hide the corporate message within the curriculum itself. In one example students were given a math homework assignment cosponsored by two broker companies,

CoVenture Financial Insurance Services and Universal Network Services. Middle school students in Irvine California brought home a math homework assignment in which they calculated a phone bill that would show the benefit of switching service to AT&T. Parents signed the homework that read, "Today you are receiving a program from AT&T that will help everyone at South Lake. To see how lets do a little math." The school received 10% of the revenue in long distance payments made by families that switched through this marketing effort. Kindergarten children in San Jose, California were made available during class time for a computer-chip manufacturer who recorded the children's voices as they read from a prepared script. The company planned to use the voices to develop talking educational toys. In return the school system received \$5 per child.

Implications for Policy and Future Study

Key questions to be considered include: What are the principles (moral or otherwise) that guide legislators, judges, superintendents, principals, and teachers charged with deciding how much is enough for each child and defining a just and equitable distribution of educational goods? What moral questions drive this process and which moral questions are commonly overlooked or ignored? How might people and institutions be better prepared and inclined to look at school finance allocation and generation as a moral question? When school leaders and policy makers make decisions that are ethically questionable is it a problem of perception, interpretation, judgment, prioritization, or implementation?

Part of the difficulty in addressing issues surrounding non-traditional revenues thoughtfully is that little is understood about them. Despite a general anecdotal understanding that these non-traditional approaches to raising funds are part of the business of education, there is little empirical exploration to draw from in framing a policy discussion. So while a preliminary picture of where alternative revenues come from and how schools obtain them can be gleaned from the existing literature there is much yet to be learned. Five weaknesses which characterize research of the acquisition and use of non-traditional revenues are:

1. a reliance on limited categories of non-traditional revenue (e.g., not accounting for volunteer time);
2. a use of anecdotal evidence rather than revenue data in discussing equity implications for schools;
3. a failure to explore allocative and programmatic outcomes of non-traditional revenues;
4. a neglect of school investment in pursuing alternative revenues;
5. a lack of knowledge about the pertinent regulations and case laws.

As more is learned about the nature and pursuit of revenue by local education agencies we are sure to find school leaders operating within a policy and legal gray area. Just as much is yet to be learned about how these

revenues are developed, there is much to be determined about what rules should be in place regarding them. It is for that reason that the ethical questions are even more prominent as a guide for how school leaders should proceed.

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