School Finance Reform in the 1980s

Education interest groups, split in the 70s, will have to join forces in the 80s to regain a solid position in the struggle for state funds.

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During the 1970s approximately half the states reformed their system of funding elementary and secondary education by significantly increasing the state share of total education costs and by leveling up property-poor districts. Most of these reforms took place by the end of 1974, in a period characterized by relative fiscal plenty. States didn't have to face the politically dreaded choice of redistributing from rich to poor districts on the one hand or raising taxes on the other. They had enough surplus funds to compensate property-poor districts without harming wealthier districts; direct confrontation between haves and have nots could be avoided. Reformers capitalized on resistance to growing local tax burdens by showing the relationship between an increased state share for equalization and decreased local property taxes.

During the mid-1970s, when the economy was in recession, fewer states had reforms. Some, like Connecticut, South Dakota, and South Carolina, passed reforms without funding them. Others, like New Jersey, became embroiled in major battles over new tax sources. The money crunch made legislators concentrate more on accountability, a password that took on more force as the decade wore on. Reforms included caps on expenditures, which sometimes helped to close gaps but which were often intended to prevent sudden windfalls to districts unable to manage the influx. In some cases these caps prevented low spending districts from catching up and, in fact, worked against equalization.

In the new climate of stringency, the demand for tax relief changed. No longer were taxpayers satisfied with one-shot property tax relief; they sought limits on taxation for all services and on all government spending. The movement was in full flower by the end of the decade; tax-spending limits were adopted or proposed in 27 states (Augenblick, 1979).

By the late 1970s, declining enrollment became an added hindrance to reform. It was hard to convince legislators that more money was needed to educate fewer kids. Persuasion was especially difficult in light of increased pressure to shrink spending.

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Reform issues became more sophisticated and complex as the decade progressed, reflecting the increased numbers and expertise of a national network of scholars, legal experts, citizens, and foundation and government officials. Analysis also focused on the needs of children with special problems, the overburdens of cities, the relationship between finance alternatives and tax burdens, and the cost-differentials occasioned by geography and population density.

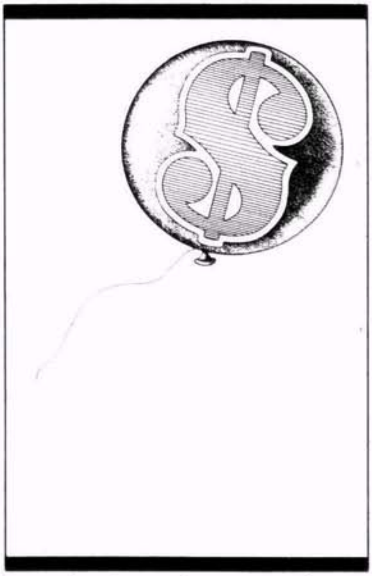
Although issues shifted over the course of the decade, analysts of school finance reform were struck more by the similarities than the differences in the context of reform. In any state, at any time, school finance reform involves accommodation between wealthy districts and poor districts, urban-rural tensions, conflicts between taking care of special needs and supporting the basic program. The very nature of equalization involves mollifying the haves while aiding the "have nots," and this has not changed.

The school finance reform movement was marked by the emergence of general government as the lead player in educational policy making. Education decisions used to be the province of educators, who got together with state departments of education and reached agreement on major issues so that legislators and governors were left to ratify rather than shape education policy. A variety of forces increased the capacity of general government, legislatures and governors particularly, and decreased the cohesiveness of the educational establishment.

The judiciary also played a starring role. When politically impotent reformers could not influence legislatures, they petitioned the courts, charging that wealth-based systems of educational finance were unconstitutional. When there was no case, governors and legislators feared the initiation of a suit and acted in anticipation.

Educators were beset by internal difficulties that prevented them from continuing their dominance of state education policy. State boards and departments of education for the most part stayed in the background, defaulting leadership to the legislatures and governors, and the educational interest groups were no longer in any condition to control state education policy. They had been split by teacher militancy, collective bargaining, and accountability.

The dissolution of interests, occurring over a 15- or 20-year period, is now at different stages in different states. The school finance reform movement further paralyzed educational interests in most states. Reform issues divided membership into wealthy vs. poor and urban vs. rural districts, rendering many groups incapable of supporting any single distribution alternative even if there was general agreement on principles of equity. New interests, such as minority and urban advocates and even farmers and people in business were often more vocal and involved in school finance reform than the traditional education lobbies.



As we enter the 1980s, the prospects for continued school finance reform are mixed at best. The context in which reform is now occurring is very different from the context ten years ago. The pressure to cut state spending, combined with increasingly tight dollars in most states, severely diminishes the prospects for leveling up reform. There is a distaste for spending at all levels, a distaste which may override public support for individual programs, such as education.

The tax and expenditure limitation movement and the inflated-recessed economy puts into high relief the competition between elementary and secondary education and other state services. It's obvious that the tighter the money the greater the competition; what may be less obvious is that the most cutthroat competition of all may be within the education sector. In some states, there is already a pitched battle between advocates of special-need funding and supporters of general fund dollars for equalization. The special need groups are very well-organized and effective lobbies, composed primarily of parents and education specialists who have a great deal at stake. Single-issue politics currently characterizes state politics in many policy areas, not just education. But the groups supporting children with special needs have strong emotional appeal and ability to capture the hearts and pocketbooks of state legislators. The general education interests are no match at the moment.

The higher education institutions will be experiencing their first real taste of the long dreaded enrollment decline in 1981. This development has the potential for further fragmenting the public and private postsecondary institutions who have never gotten their act together; but the prospect of contraction could force the higher education sector to finally coalesce and pose a major threat to elementary and secondary education at the state level. Several legislators recently expressed a feeling that they had dealt with elementary and secondary education last decade and now it's higher education's turn to undergo reform and revision. Most of this sentiment comes from states that did undergo finance reform. It suggests a feeling that there's no time or money for doing more than the essentials in each sector, which may severely limit refinement and improvements to existing reform.

School finance reform is also negatively influenced by declining elementary and secondary enrollments. Even optimistic predictions see the decline continuing until the mid-1980s, a problem that has a multiplier effect. Not only does it force the issue of contraction, it also means that education has a declining political constituency. There are fewer parents, except among groups that tend to be nonvoters, and more senior citizens who are less supportive of education spending. These demographic trends have the greatest import for local budget elections. In light of the nation's growing defense and energy needs, which impact on federal spending, the only arena friendly to education may be the state (Kirst and Garms, 1980). Given the economic difficulties, pressures for spending decreases, and greater competition at the state level, it may take everything reform-oriented groups can do to prevent the erosion of equity that might occur with spending cuts or failure to update formulas.

In view of these negative developments, the courts are more important than ever. They may offer the only consistent pressure for equity or at least the only voice that doesn't make efficiency a higher goal.

If the role of the courts will be magnified in the 1980s, the legislatures are also likely to continue to grow in educational influence. The economic pressures increase the legislature's role as arbiter between services. Furthermore, the accountability movement has placed legislatures in a position where they must monitor and exert oversight on education policy. It's actually fairer to say that the legislators have placed *themselves* in that position. They are responsible for the accountability craze; the 35 or so states that have enacted competency testing did so as a result of legislative initiative in every case (Katz, 1978). Now it is becoming apparent that if legislators implement testing, they have to do something when students fail. They have to use the feedback from the tests, set up remediation, appropriate more aid, and react in some way.

The governors' role in the 1980s is a complicated matter. Certainly their impact over education policy can only increase as they balance services and strive for coordination and efficiency as never before. It's doubtful, though, that many governors will champion reform as they did five to ten years ago. It was relatively easy to promote reform when there were enough funds to make sure no districts lost money. It's extremely difficult for a governor with a statewide constituency to advocate a program that might cause any section of the state or group of people to suffer. In the tight money situation we're likely to see governors, even those who have equity at heart, sit back and wait for the courts to push them into supporting reform.

The most interesting political development of the 1980s may be the realignment of education interests. Educators will have to get together if they are to survive the political, demographic, and fiscal maelstroms that lie ahead at the state level (Kirst and Garms, 1980). If the gains made by education in the growth years of the 60s and 70s are not to be lost, if education is to compete successfully against other services, educators will have to forge new coalitions. The need for unity is made more urgent by the fact that in many states the forces for cutting spending and taxing are organized and coherent opponents of growth.

There is, in fact, some evidence that the education associations, once so impregnable in their unity and then so immobilized in their dissolution, are now reuniting in a few states. We may even be witnessing a cycle in which unity and discord are manifested in different states at different times. In California, for example, lobbyists from all the big education interest groups began to meet on Tuesday evenings while the legislature was considering A.B. 65, the 1977 school finance reform. These groups were able to overcome their differences and develop a prototype reform proposal to use as a bargaining position in the legislature. The groups have continued to meet through Proposition 13 and A.B. 8, the state's response to the Proposition. They are still meeting, manifesting a "politics of adversity." These days they exclude categorical interests, such as the special education lobby, seeing them as enemies or potential enemies in the funding battle. As more states face the possibility of service cuts, there will be more statewide coalitions of educators on behalf of general operating aid.

The 1980s will probably see less equalizing school finance reform than the 1970s, although a great deal depends on the courts. Also, legislators will continue to expand their role as education policy makers. The return of the education lobby, albeit in revised form, is the development that bears the most watching. Educators may realize that renewed organization and action at the state level is the only way to survive the tough battle over the disappearing state dollar. ■

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