

Pre-Lecture Writing Assignment

Please Note: This assignment is to be handed in on the day of the lecture.

Read the following case study concerning the “State of Confusion.” Based on your understanding of this case and your knowledge of school finance, complete the pre-lecture assignment instructions at the end of the case study.

REVENUE DISTRIBUTION CASE STUDY

The legislature of the State of Confusion currently is dealing with the question of how the state should pay for the provision of elementary and secondary education for children in the state. The state’s Constitution says that “The legislature shall provide for a thorough and efficient system that will provide an education of uniform quality free and without charge to all children between the ages of 4 and 18.” Several children and their parents have filed a suit claiming that the state’s current education financing plan has produced an inefficient system that provides education of inferior quality in the districts in which they reside. The Supreme Court of Anystate has just declared that the state’s school finance program indeed is unconstitutional and has directed the Legislature to alter the school finance program so that it meets the constitution’s requirements. Members of both the legislative and executive branches of state government are struggling with the Court’s decision and are searching for ways to improve the efficiency and uniformity of the state’s educational system. (In previous cases decided by the Supreme Court of the State of Confusion it has been held that, under the state constitution’s due process and equal protection provisions, education is considered a “fundamental interest.”)

Confusion is a relatively large state covering about 110,000 square miles. It was admitted to the union in the latter half of the 19th century at a time when it was quite sparsely settled and when its economy was based almost entirely on agriculture. The state’s first legislature decided to provide for education by authorizing the creation of local school districts that were to be governed by a locally elected board of education, and by authorizing these local school districts to levy a tax on property within their boundaries to provide the funds needed to maintain schools. Because of the sparse population during the early years of statehood, nearly all of the local school districts were quite small and operated one- or two-room common (elementary) schools. Only a few secondary schools existed in those days and most of them were private academies located in the larger towns.

The State of Confusion at the Turn of the Century

As the years passed the State of Confusion witnessed many changes. The discovery of coal and mineral deposits, together with the state’s location on a large navigable waterway, led to a much more diversified economic base as manufacturing operations gained prominence and cities grew. As job opportunities expanded the population grew

rapidly and by the turn of the century Confusion had two rather large cities and quite a few smaller cities, an economy based on agriculture and heavy manufacturing, and per capita income that was growing slowly but steadily.

On the education scene things were also changing rapidly. Although a large number of school districts continued to operate one- or two-room schools, school districts in the growing urban areas had to expand their facilities and staff rapidly to accommodate the growing number of school-age children. School boards in these districts began to hire full time administrators to handle day-to-day operations. Publicly supported secondary schools were established, particularly in the growing cities, but students in the rural areas of the state seldom were able to attend a public high school without considerable inconvenience or hardship. Conscious of their constitutional responsibility for education, legislators began to be concerned about the lack of uniformity in the state's school system. For example, while school boards in the cities were extending the school year to 150 days, those in rural areas were only holding school for 90-120 days per year. Some districts were hiring well-qualified teachers while others were hiring people with little training. In an attempt to establish at least some uniformity in the provision of education, Confusion's Legislature passed statutes setting a minimum length of school year (120 days) and requiring that local school boards hire only individuals who were licensed to teach by the State Department of Education.

The new statutes proved difficult to enforce, however, because the state lacked leverage – local school board members threatened with fine or imprisonment would simply resign their position (which typically was unpaid). Senator Krafte, a veteran legislator well known for his skill as a political strategist, proposed that the state allocate to each school district the sum of \$25 for each enrolled pupil. Then, if a district failed to comply with statutory requirements, the state could withhold this money. Senator Krafte is remembered as the author of Confusion's first state aid program—a flat grant program. As time passed, however, it became increasingly evident that the state's flat grant program, which by 1920 was providing \$150 per pupil enrolled, was encouraging neither an efficient system nor a uniform quality of education in the state. Studies conducted at the state university revealed a steady increase in the range in expenditure per pupil by school districts in the state, a steady increase in the variation in property value per pupil among the state's school districts, and a growing disparity in the tax rates levied by school districts of the state. Analysis of the depth, breadth, and quality of the educational programs and services provided in the state's school districts revealed substantial differences. School districts with a large amount of taxable property per pupil tended to be spending considerably more per pupil and were providing a wider array of educational programs and services than districts with a small amount of taxable property per pupil while, at the same time, levying a lower rate of property tax. In response to these studies, the legislature added a matching grant provision to the state aid program in which the state promised to match dollar for dollar any increase in revenue realized from higher tax rates levied by local school districts up to a maximum of \$50 per pupil enrolled.

Following World War II, concern about school district organization and financing reached new heights in Confusion. There were 5,555 school districts in the state during the 1946-47 school year but 1,303 were non-operating elementary (1 - 8) districts that paid tuition to another district to educate their pupils. Another 3,326 districts operated

schools for students in grades 1 - 8 and 425 high school (9 - 12) districts were operating in the state. The remaining 501 districts provided K - 12 programs and generally served pupils living in villages and cities. School districts varied greatly in the number of pupils enrolled, expenditure per pupil, taxable property per pupil, and school tax rate. Except in the larger cities and towns, school enrollments were small and the districts provided only minimal educational programs and services. Very few districts provided programs for students with disabilities or kindergarten programs. Students in rural areas often had to provide their own transportation to high school and 67% of the students in rural areas dropped out before completing high school. The average enrollment in the 3,326 districts operating elementary schools was 23 pupils and in the 425 high school districts it was 91 pupils. Average enrollment in the 501 K-12 districts was 856 pupils during the 1946-47 school year with 151,200 of them located in the state's two largest cities.

Developments at Mid-Century

In March 1947 the governor and the majority leaders of the two houses of the Confusion Legislature jointly appointed a nine-member Blue Ribbon Committee on School Organization and Finance chaired by J. D. Dewgood, a public-spirited philanthropist with a long-standing interest in education. After a year of study and a series of hearings throughout the state, the Dewgood Committee issued the following recommendations:

1. All areas of the state should be included in a school district operating a high school.
2. A Committee on School District Reorganization should be appointed and charged with developing a new plan of school district organization for the State of Confusion that would be "thorough and efficient" and would ensure that a "uniform quality education" is available to every child in the state.
3. The existing program of flat and matching grants should be abandoned and a state foundation plan should be enacted with the foundation program level being set at the amount per pupil being spent at the 90th percentile in spending per pupil in 1946-47 and the required local property tax rate set at 10 mills.
4. Local districts should be given the option to levy not more than 5 additional mills, subject to approval by a majority of the voters participating in a referendum held for that purpose.
5. Kindergarten programs should be available in all school districts and should be financed as part of the foundation program.
6. To encourage the formation of K-12 districts, such districts should receive additional state aid equivalent to 20% of the amount of foundation program aid to which they were entitled.
7. Transportation should be provided without charge to all students living more than two miles from the school they attend. The transportation program should be funded by categorical aid.
8. A categorical aid program should be created to encourage local school districts to establish programs for handicapped pupils.

The recommendations of the Dewgood Committee generated a great deal of discussion and debate following their release and in 1949 the governor recommended their adoption

in his “State of the State” address to the legislature. The legislature ultimately adopted the recommendations on school finance but changed the recommendations on school district reorganization to create a school district reorganization committee in each county (rather than a single statewide committee), set forth the criteria to be used by these committees, and delegated authority to the committees to order school district consolidation when voluntary efforts and persuasion failed.

By 1957 school district reorganization in the State of Confusion was virtually complete. The state had 425 K-12 school districts with an average enrollment of 2,125 pupils in ADM. In a few areas that had the largest tax bases per pupil the commitment to local control was strong enough to resist the temptation of an added 20% of state aid, so separate elementary (K-8) and secondary (9-12) districts continued to exist in those areas. Most observers agreed that the State of Confusion’s school system was considerably more efficient. (They weren’t quite sure what “thorough” meant as applied to a school system.) There was also agreement that educational programs and services were more uniformly available and that they generally were of higher quality. The range in property value per pupil had been sharply reduced so that the school district with the highest value per pupil had only five times more taxable property than the district with the lowest valuation per pupil (\$20,000/\$100,000), whereas prior to consolidation the ratio was 250/1. The variance in expenditure per pupil also had been sharply reduced. The highest spending district was at \$2,100 per pupil and the lowest spending district was at \$1,450 per pupil. Equally important, local property tax rates were more uniform and the additional state aid (primarily from state income tax revenues) had resulted in lower property taxes in many areas of the state. Categorical aid was provided to help pay for pupil transportation and also to help local districts defray the cost of programs for handicapped pupils.

Prior to the 1960s, revenue from federal sources was of little consequence in the State of Confusion, with the exception of four districts impacted by federal activity which received more than half of their total operating revenue from P. L. 874 funds. This changed rapidly in the late 1950s as federal categorical aid became available under the National Defense Education Act, the Elementary and Secondary Education Act of 1965, and subsequent federal programs including the Education for All Handicapped Children Act of 1975. Unfortunately, the federal funds were rarely sufficient to cover the full cost of the programs that were begun, forcing districts to draw upon their state and local revenues to cover the additional costs. The regulatory, accounting, and reporting requirements imposed as a condition of receiving the federal categorical aids also increased the supervisory and administrative costs in local school districts.

Interest Groups

Although groups with a special interest in various aspects of education had always existed in the State of Confusion, their numbers proliferated and their tactics became more aggressive beginning in the 1970s. The advent of collective bargaining in the mid-60s tended to split teachers from administrators. The Confusion Education Association (CEA) emerged as one of the most potent educational interest groups in the state and is reputed to wield enough influence to block any piece of legislation it opposes. Because

the state aid program directly affects teacher salaries and benefits, the CEA is always vitally interested in proposals to change the state aid program. In general, the CEA favors:

1. An increase in the level of the foundation program (“leveling up”).
2. Greater reliance on state aid and less dependence on local property taxes as sources of school revenue.
3. Higher salaries and benefits for teachers.
4. A lower pupil teacher ratio, i.e., smaller classes.
5. The right to strike if collective bargaining reaches an impasse.

The CEA generally opposes:

1. Cost controls (limitations on expenditures).
2. Levy limits (limitations on school tax increases).
3. Leveling down (requiring high spending districts to reduce their expenditures).
4. Any reduction in state aid.
5. Privatization (contracting for educational services, voucher programs, etc.).

Another important interest group concerned about changes in the state school finance program is the Concerned Taxpayers of Confusion (CTC). This group has a large and diverse membership but its primary concern is with the property tax. Because taxes levied on property provide over 50% of the revenue for schools in Confusion; the CTC is always interested in the state’s school aid program. The CTC generally favors:

1. Limitations on local property tax increases.
2. Super majority (60%) approval of any referendum that would increase property taxes.
3. Controls on local school district spending.
4. “Circuit breaker” provisions to protect low-income taxpayers.
5. Homestead exemptions.
6. Use of state revenue for property tax relief (tax credits or more state aid.)

The CTA does not have an “official position” concerning legislation it opposes. However, it is generally opposed to tax increases of any kind, especially increases in the property tax, and will oppose any proposal that would require an increase in property taxes. It probably would grudgingly support an increase in state income taxes so long as such an increase was offset by a reduction in the property tax.

Although education was not a high priority concern of the Business Alliance of Confusion (BAC) during the 1970s, in recent years the BAC has become an active participant in the debates about the cost and quality of public education in Confusion. During the first six decades of this century heavy manufacturing dominated the state’s economy and the legislative agenda of the BAC. However, the prosperity of the 1950s and early 1960s led to complacency on the part of both management and labor. The failure to invest in research and development, to modernize plant, and to increase efficiency of production led to sharp declines in earnings followed by massive layoffs and plant closings as competition from foreign manufacturers increased. By the mid-

1980s, the membership of the BAC had become much more diverse as service and high tech firms became more numerous and successful. In the new millennium, the BAC has become at least as concerned about the quality of education in Confusion as it is about the financing of education in the state.

The BAC criticizes teachers for failing to teach the basic skills well, administrators for a lack of efficiency in school operations, and the educational system generally for turning out graduates who are only marginally literate, lack good work habits, are unable to solve problems and make informed decisions, and have no concept of teamwork. The BAC will support such initiatives as:

1. A statewide testing program for better quality control in the system.
2. Using modern management practices for more efficient use of resources.
3. Decentralization of decisions, e.g., site-based management.
4. Reduction in the number of central office personnel.
5. Performance incentives for students and teachers.
6. Increased investment in human resource development.
7. Public school choice, e.g., specialty schools, charter schools, and open enrollment.

The BAC takes the position that additional revenues should not be provided for the public schools of Confusion until it is demonstrated that they can use existing resources more efficiently, i.e., achieve better student performance with the resources currently available.

There are many other groups whose interests are narrower but who are, nevertheless, active participants in the debate about education in Confusion. The Council for Children with Disabilities (CCD) has for many years lobbied successfully on behalf of children with mental, physical, or emotional disabilities. The Council advocates full state assumption of the cost of providing a free and appropriate education in the least restrictive environment as specified by the child's individualized educational program (IEP). Distrustful of school boards and administrators, CCD has consistently opposed the integration of funding for special education with the general state aid program through the use of pupil weightings that would mirror the additional costs entailed in educating children with disabilities. The CCD also opposes any voucher system or choice program that would not require all participating schools to accept all children with disabilities.

The Confusion Coalition to Aid the Powerless (CCAP) is another special interest group that is active in the education debate in Confusion. The CCAP claims to speak for the homeless, migrant workers, immigrants, and others who, in their words, "slip through the cracks in the system." The CCAP is distrustful of educational bureaucrats and is generally skeptical of reform proposals advanced by other groups. It tends to play the role of watchdog. The CCAP advocates that the neighborhood school serve as a social service center and has proposed legislation requiring that each of the state's social service agencies have an office in each middle or junior high school.

Other interest groups include the Black Citizens Coalition, the Hispanic Alliance, the Confusion Farm Bureau, the Associated Realtors of Confusion, the Confusion Parent-Teacher Council, the Confusion Association of School Boards, and the Confusion Association of School Administrators. Each of these groups is active at both the local

and state level and may lobby actively for or against specific proposals that affect the interests of their members. Thus, they may be either for or against a given proposal depending on how they perceive their interests may be affected.

The Current Scene in the State of Confusion

During the most recent school year the State of Confusion had 375 operating school districts—three elementary (K-8) districts, one secondary (9-12) school district, and 371 districts operating K-12 educational programs. The average daily membership was 1,150,000 pupils. The true market value of taxable property in the K-12 districts ranged from \$95,000/pupil to \$1,100,000/pupil. Expenditures in these districts ranged from \$11,500/pupil in the highest spending district, where the property tax rate was 6 mills, to \$4,300/pupil in the lowest spending district, where the property tax rate was 27 mills. The average (pupil weighted) expenditure per pupil in Confusion was \$7,150; the average true market value of taxable property per pupil was \$325,000, and the average school property tax rate was 14 mills. Although the absolute range in spending per pupil was \$7,200, the restricted range (the difference in spending between the districts at the 5th and 95th percentiles) was \$3,402 (\$5,150/pupil to \$8,552/ pupil). The district at the 75th percentile is spending \$6,500 per pupil and the district at the 90th percentile is spending \$8,000 per pupil. Property value per pupil is \$95,000 in the least wealthy district; \$175,000 per pupil in the district at the 25th percentile; \$250,000 per pupil in the district at the 50th percentile; \$400,000 per pupil in the district at the 75th percentile; and \$1,100,000 per pupil in the wealthiest district.

The distribution within the state of children with exceptional educational needs is quite uneven. In Manners and Grantsville, the two largest city districts, 25% of the children have needs that require additional programs and services. In contrast, some districts in suburban areas report that only 9% of their pupils require differentiated programs. Dropout rates vary widely, tending to be highest in the large cities and in isolated rural areas and lowest in small cities and suburbs. The state provides no state aid for school construction or renovation and several articles identifying school buildings that are grossly inadequate or unsafe have appeared in newspapers around the state.

The two largest districts in Confusion serve the two largest cities in the state and together enroll 275,000 pupils—145,000 in Manners and 130,000 in Grantsville. The two districts with the smallest enrollment had a total of 400 students—175 in Center and 225 in Wales. Although the enrollment in these two districts is small, they each encompass large geographic areas—140 square miles and 163 square miles, respectively. Population density in Confusion varies widely. In fact, the 75 school districts with the smallest enrollments include only 10% of the state's total enrollment but include more than 60% of the land area in the state. The 10 largest districts in the state accounted for about 54% of the state's average daily membership but less than 6% of the land area.

Approximately 13% of the state's K-12 students attend private schools. Although most of the private schools are church-related, about 20,000 of the 149,500 nonpublic school pupils attend independent schools that are not church-related. A large proportion (70%) of the students that attend nonpublic schools is in grades K - 8. Only 43 of the public

school districts offer early childhood or preschool programs; most of the children at these age levels either attend a private preschool program or have no exposure to formal schooling before entering kindergarten.

Confusion's economy currently is rather weak. Although there was a strong recovery from the downturn in the late 1980s, the economy has been rather weak for the past two years but is showing some indications of greater strength in recent months. The unemployment rate, which had peaked at 10.3% and then dropped to under 4% in 2000 has increased to about 5.6% at latest report. Retail sales continue to be relatively strong. Sales of "big ticket" items have declined somewhat but home sales have continued to be strong. Credit is rather tight at the present time, although financial institutions in Confusion are willing to lend to loan applicants who have good credit ratings. In contrast, in the early 1990s three major savings and loan institutions were taken over by federal regulators and the state's largest bank was forced to merge with a large multi-state bank to avoid bankruptcy. Real estate prices, which were off by 26% in Manners and Grantsville in 1992 have recovered and many of the office buildings in the larger cities have occupancy rates of 85% or higher. Agricultural property values in Confusion are growing about 3.0% annually, with the value of land suitable for development adjacent to the ten largest cities increasing as much as 10% annually.

Heavy industry continues to be an important component of Confusion's economy, employing 20% of the work force and accounting for 24% of the income. However, there is concern about the future of heavy manufacturing because several major industries have been unable to compete successfully and have been forced to close down their operations. However, there has been a noticeable increase in the number of small businesses that have been started in recent years. There was a great deal of entrepreneurial activity in high technology in the late 1990s. The collapse of the technology industry in recent months has exacted a toll on these new businesses and several small start-ups have been forced into bankruptcy. There also has been a rapid growth of service businesses during the past ten years and some of them have been unusually successful. The high tech ventures and service organizations are major employers of scientists, engineers and other highly skilled professionals, many of whom have been recruited nationally. These new residents frequently have higher expectations for the public schools than do long-time residents. The new businesses have tended to locate in suburban areas rather than in the central city, thus compounding some of the social problems related to the declining importance of heavy industry in the state.

Agriculture continues to be an important factor in Confusion's economy, although less than 5% of the state's population is actively involved in farming. The state is a large producer of corn, soybeans, fruit, and meat products with much of it being exported to other countries. Biotechnology promises to be a major growth industry in Confusion. Researchers at the University of Confusion were among the pioneers in the field of biotechnology and several biotech companies have been started as spin-offs of research at the university and already hold a number of important patents. Mining of coal and minerals and related activities still plays an important role in Confusion's economy. Several large electrical generating plants are located near the coal deposits and the power they generate serves a multi-state area. Although the richest ore deposits have been depleted, copper, lead, iron, and gold are still being mined. In a few areas of the state

forest product activities are important components of the local economy, but Confusion does not have large lumbering operations. It does, however, have important scenic attractions (including a national park) that bring a constant flow of visitors to the state, so resort and recreation activities are an important segment of the economy in some localities.

Revenue from taxes on property levied by local school districts is the largest single source of revenue for public schools and provided over 50% of public elementary and secondary school revenue in the last school year. Revenue from federal sources provided about 7.0% of the total, revenue from other local sources provided less than 1%, and the remainder was provided by state aid. Categorical aids and grants for transportation, special education, driver education, and school food service account for 65% of the money distributed under the provisions of the 27 categorical aids currently maintained by the state. (Categorical aids account for about 20% of the total state aid received by local school districts with the remaining 80% distributed under the foundation program.)

The State of Confusion does not have a sales tax. State revenue is provided by a tax on personal income (which is progressive with a top rate of 6% on all income over \$50,000), a corporate income tax, and a wide variety of excise taxes, licenses, fees, and service taxes. The net revenue from the state lottery, which is earmarked to support public elementary and secondary schools, amounts to about \$100 million per year and covers less than 1% of total school expenditures. Although the state lottery was “sold” on the promise that all of the net revenue would go to support the public schools, the legislature has reduced other school aid appropriations by about the same amount leaving the net gain in school revenue at about zero. Despite a rapid increase in the amount of revenue generated by the state income tax in recent years, the state budget has come under increasing pressure as a result of rapidly growing expenditures for health care and large increases in spending for social services, especially for the construction and operation of prisons. Proposals have been advanced to levy a state sales tax but have not received enough support to be adopted.

One result of tight state budgets has been a decline in the percentage of expenditures for public schools provided by state aid. The foundation program level, which originally had been set at the expenditure per pupil at the 90th percentile district, is now at about the 40th percentile district. Rather than setting a target spending level, the legislature now appropriates what it thinks the state budget will bear and the actual level of the foundation program is determined by what that amount will support. Categorical aid programs have proliferated during the past 40 years. As new problems have developed—the growing enrollment of pupils with special needs, and concern about drug and alcohol abuse and AIDS, to cite a few—the legislature’s response typically has been to create a new categorical aid or a grant program. Over the years the money distributed as categorical aid has gone from about 5% of state aid in 1960 to 20% of state aid today.

Political leaders in the state are struggling to come to grips with the fact that the Supreme Court of Confusion has declared the state’s present school finance program unconstitutional. Unlike the situation that existed in the 1940s, the governor and legislative leaders have not been able to reach agreement on a course of action. The governor is Republican, the State Senate has a Republican majority, and the Democrats hold a majority of seats in the State Assembly. The governor and the Senate majority

leader are leaders of two competing factions within the Republican Party and have been unable to reach agreement on a course of action, much less reach agreement with the Democratic majority in the State Assembly. Each of the three leaders has proposed a different approach to reforming Confusion's state school finance program.

The Roberts Plan

State Representative Roberts, the majority leader in the State Assembly, proposes that the state continue its current foundation program but power equalize any optional tax a local district chooses to levy. He proposes that the state set the foundation program level at the amount spent per pupil by the district at the 75th percentile--\$6,500. Local school districts would be required to levy a property tax of at least five mills but not more than ten mills to qualify for state aid under the foundation program. If the local district's revenue from its property tax levy does not provide the amount of revenue per pupil guaranteed by the foundation program, the state would make up the difference. In addition, school districts would have the option to levy up to five additional mills of local property tax if approved by a majority of the voters in a referendum. This tax would be guaranteed to produce the same amount of revenue per pupil as that tax rate would produce in a district at the 90th percentile of wealth per pupil in the state (i.e., only 10% of the state's school districts would have a larger per pupil tax base.)

Mr. Roberts proposes that all existing categorical aids be repealed and the money, \$460 million, be added to the general aid appropriation. Pending completion of a thorough state-wide study of cost differences, a temporary weighting plan would be used in which students with disabilities would receive a weighting of 1.90; students who do not speak English as their primary language would receive a weighting of 1.25; and students that are disadvantaged by economic and social circumstances would receive a weighting of 1.20. The weighting for transportation would be determined by road conditions, length of bus routes, and average miles students are transported. The weightings are to be revised, if necessary, after completion of the state-wide study of cost differences. The weighting system is designed to take into account differences in the cost of operating schools in various regions of the state, including differences in the percentage of children with special needs in each district, differences in the cost of transporting pupils in each district, and other sources of cost differences such as the cost of living.

Representative Roberts proposes that a Blue Ribbon panel be established to specify the components of the "uniform quality education" required by the state's Constitution. He also proposes that 1% of the total state school aid appropriation be earmarked for use as an incentive for educational improvement and distributed to the *individual schools* in which pupils show the greatest "value added" as measured by a new state assessment program. In an attempt to provide equal opportunity for low performing schools to have a chance to win, schools where pupils show the greatest gain from *one year to the next* would be rewarded for their success. Mr. Roberts proposes that the state impose a 4% tax on all retail sales to provide the additional revenue that will be needed to fund the program he advocates.

The Edwards Plan

Mr. Edwards, the majority leader in the State Senate, proposes that Confusion abandon its current state aid program and replace it with a program emphasizing school choice. Under his proposal local school districts would no longer exist. Instead, the state would provide aid to individual schools. Parents would be free to choose any approved school for their child to attend—public or private, secular or religious, profit or non profit. If they choose to have their child attend a public school, the school would receive a state grant of \$4,500 per pupil; if they choose a private school, the family would receive a voucher in the amount of \$4,500 which could be redeemed only by the school in which the child is enrolled. Edwards' plan makes no special provisions for pupil transportation, arguing that it is the parents' responsibility to see that their child gets to the school of their choice. He also makes no special provisions for children with special needs, arguing that if schools operate efficiently, \$4,500 is sufficient to cover any extra costs.

Senator Edwards believes that the program he proposes can be operated with no increase in taxes. He expects that schools would be operated much more efficiently if they are subject to the discipline of "the market" and he believes the amount of money being spent currently to operate the public schools is sufficient to provide a uniform education of satisfactory quality to every school age child. Under Senator Edwards' plan, local school property taxes would be eliminated and replaced by a state-wide property tax at the current state average school tax rate of 14 mills. The Senator claims that the yield of this state-wide property tax, together with the current level of state appropriations for elementary and secondary schools, would be sufficient to fund his school choice program.

Parents would be empowered to enroll their child in any *approved* school. For a school to gain approval from the Confusion Department of Education, Senator Edwards would require that at least 90% of the professional educators in a school hold a valid license to practice their profession and that the school building meet health and safety standards established by the State Building Commission. Parents and students would be expected to evaluate the adequacy and quality of a school's educational program. Sen. Edwards expects that schools that fail to attract enough students to operate efficiently and successfully will be closed because he expects parents and students to "vote with their feet", i.e., they will choose to attend only "good" schools. He does, however, plan to continue the state's current assessment program so that parents and students will have access to the results of the tests that are required annually in grades 3, 5, 8 and 11 to help inform their decisions. The Confusion Department of Education would be required to publish and distribute the test results annually to the parents of all children enrolled in a given school, as well as to any parent who inquires about enrolling their child in that school. Public or private schools that accepted either vouchers or the state grant would not be allowed to charge additional tuition but they would be allowed to select by lottery the pupils they would admit if the number of applicants exceeded the space available.

The Martin Plan

Governor Martin proposes retaining the state's current foundation program, but providing sufficient additional state funding to bring the foundation level to the district that is at the 75th percentile in expenditure per pupil in the state (about \$6,500). She proposes that the present state categorical aids for transportation and special education be continued but that state aid for driver education be eliminated, with the money currently appropriated for driver education aid being added to the appropriation for the foundation program. Governor Martin believes that driver education should be eliminated from the public school curriculum since it can readily be obtained from private sector providers. Although she does not support using a pupil weighting system, she does propose that changes be made in the computation of the categorical aids for special education and transportation so that they more nearly reflect the varying costs and need for these programs among Confusion's school districts.

Local school districts would be required to levy a tax of not less than 6 mills and not more than 12 mills to qualify for state foundation program aid. School districts also would be able to levy an optional local tax of up to an additional 4 mills if the additional millage is approved by at least 60% of the members of a district's board of education. (There would be no additional state aid provided to districts that choose to levy an optional tax.) The governor also proposes to establish a state fund that would be available to assist in meeting the capital outlay needs of all districts that have less than the state average tax base per pupil. Like Mr. Roberts, she proposes that the state levy a 4% general sales tax to provide the additional state revenue needed to fund her proposal.

Instructions for the Pre-Lecture Assignment

Assume that the school district or school in which you are currently employed (or the school district in which you reside if you are not employed in a public school) is located in the State of Confusion and that you are either (1) a school district superintendent reporting to a board of education or (2) a school-level administrator addressing a parent organization. Prepare a paper, no longer than **5 (five)** double spaced pages, in which you:

1. Describe briefly (**in not more than one page**) the nature of the school district in which you are presently employed. For example, describe the type of area it serves (rural/suburban/urban) and the characteristics of the student population (total number of students, % with special needs, % transported, grade levels served, etc.). Also, give the local property tax base/pupil (provide both the assessed and the true market value if available), the total expenditure/pupil and the expenditure/pupil for current operation, and the local school tax rate.
2. Explain to your audience (school board or parent organization) the effect that each of the three plans for school finance reform in the State of Confusion will have on your school district's funding and on the funding of other districts in the state. For example, which types of districts are likely to be "winners" and which districts are likely to be "losers"?

3. Identify which one of the three plans would be most advantageous to your district and explain why you have concluded it is the plan that would be preferable for your district.

Suggestions for Completing this Assignment:

The following suggestions are offered for this pre-lecture assignment:

1. Make sure you answer **all three** questions.
2. Clearly number each question so that the reader knows where the answer to one question ends and another begins.
3. Students often lose points when they fail to answer each **part** of each question. For example, Q 1 asks for several descriptive statistics **in addition** to a narrative overview of the district. Q 2 asks for several things for **each** of the three plans—the effect of each plan on your district, the effects of each plan on other districts in the state, and which types of districts are likely to be winners and losers under each plan. Q 3 also asks for **two** items—(a) which plan is best for your district and (b) why is it the best plan?
4. Students also will lose points when they fail to provide a reasonable explanation for their answers and choices. For example, an unsatisfactory answer to Q 2 might be "...the Edwards plan is best for my district because it doesn't cost much and other districts aren't affected." This answer provides no explanation, no analysis of district and state-wide impact and no supportive argument. You need to show the reader that you have a general understanding of the three funding plans and the multidimensional impacts they will have on school districts in the state.
5. **Proofread** your assignment before turning it in. Simply running a spell-check program is not sufficient.