

# Education funding squeeze

*Public wants reforms without more taxes*

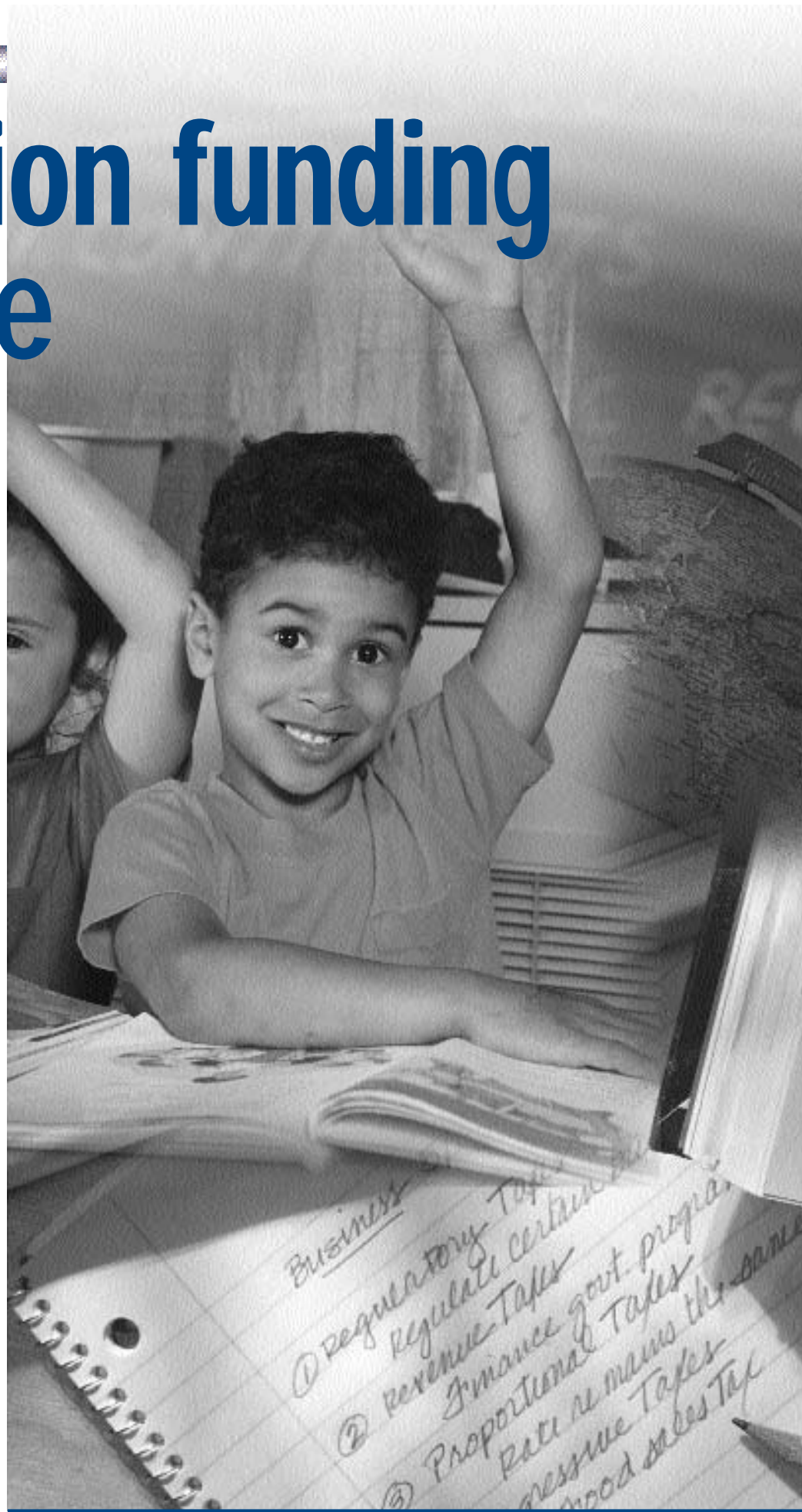
BY CHARLOTTE CORNELL POSTLEWATE

**T**alk is cheap. School funding is not. As the bedrocks of school funding formulas – property, sales and income taxes – were beginning to crumble under the weight of budget shortfalls last November, they became the focus of state elections.

This month the debates move from the campaign trails to the state capitols where legislators will have to find sources for school funding at a time when polls indicate the public supports education at all costs, but wants lower taxes.

In one poll, nearly three-fourths of respondents opposed reducing state spending for education as a means of dealing with the budget crises many states face. The 34th annual *Phi Delta Kappan*/Gallup Poll of attitudes toward public schools released last August reported 58 percent of the respondents would favor increases in state taxes to avoid cuts in education while 78 percent would support avoiding cuts in education spending by making cuts in other areas. The entire poll results are available at <http://www.pdkintl.org>.

November's elections proved something of a litmus test for public support of education. In the Northeast, voters in New Hampshire elected a governor who denounced income tax as a means of supporting education and who also indicated plans to cut the state's property taxes. State Treasurer James H. Douglas won his race for governor after campaigning to dismantle Act 60, the state's education funding law that pools property tax money from



wealthier communities and channels it to poorer ones.

Nowhere was the public's school funding paradox more dramatically apparent than in Florida, where voters mandated early childhood education for all 4-year-olds, placed a cap on class sizes, and re-elected fiscally conservative Gov. Jeb Bush, who did not support class-size limits because of the price tag.

In California, voters approved Proposition 49, the After School Education and Safety Program Act of 2002. That program will not begin until 2004, giving the economy a chance to recover and state officials time to coordinate the logistics of dispensing money to as many as 6,600 public schools.

### Federal mandates costly

Elsewhere, school funding continues to invite debate and litigation as the focus shifts from equity to adequacy everywhere from New York to North Carolina.

Election results followed on the heels of federal legislation that requires states to close the gap between poorer students' achievement and their opportunities to achieve. That legislation is more than just talk. It requires extra help for students at risk, for students with limited-English proficiency, and for students with physical or mental handicaps. But local and state education agencies have found that the price tag requires a great deal of complex financial maneuvering in times of shrinking state revenues.

States provide nearly half the funding for all public education, according to Dr. John Augenblick's report, *The Status of School Finance Today*, prepared for the Education Commission of the States. Augenblick, principal consultant for Augenblick & Myers Inc., said that state funding for public elementary and secondary schools typically accounts for 25 to 40 percent of state general-fund budgets and is the largest general-fund item in state budgets.

So when state legislators return to their committee work and roll calls this month, they face the task of trying to deliver to constituents a federal mandate for better schools with equitable and adequate education for all, while tempering constituent desire for lower taxes. For legislators look-

ing to deliver all the goods, it is almost like pulling a rabbit out of their hats.

### Funding education initiatives

Florida's Amendment 8 is likely to cost between \$400 million and \$650 million a year. Elected leaders will head to Tallahassee in 2003 with the task of putting together a financing package to pay for the pre-kindergarten programs, slated to begin in 2005.

Support for limiting class sizes, Amendment 9, remained strong until opponents began saying it would force a major tax increase. Amendment 9 narrowly passed 52 percent to 48 percent to the dismay of re-elected Gov. Bush. Throughout his campaign, Bush said the state would not be able to build schools fast enough or sustain services if the amendment passed. After his re-election, Bush said he would ask an advisory group to help devise a means for funding Amendment 9.

Florida does not assess income tax, and legislators now must find a way to finance both amendments. Sen. Mandy Dawson does not favor taxing the public. "Ultimately, Florida's tax dollars belong to its taxpayers and it is their needs which must be addressed," she said.

Prior to the election, Dawson advocated revoking tax breaks for corporations and putting that money back into classrooms to address class size and higher salaries for teachers, counselors, aides, cafeteria and janitorial employees. "I believe Florida's tax system can be fixed simply by taking a 2-year break from corporate excise incentives to really look at logic and evaluate the results of losses or gains," she said.

In Vermont, Gov. Douglas said he sees two things that he can do to help correct the problems associated with Act 60 if he can gain support in the state legislature. First, he cited a State Superior Court ruling on Act 60. "It said that the methodology for appraising property is so flawed that it's unconstitutional, and we need to deal with that. Second, we want to work toward eliminating the sharing pool that towns have to pay into. If they want to spend over the amount of the block grant, they have to pay multiples based on their situation."

Douglas said many property owners in



Florida Sen. Mandy Dawson

the state call the sharing pool the Shark Pool. "It's really offensive and divisive," he said.

What began as a boon to Oklahoma's economy in the late 1980s and early 1990s has become a bust to local school districts. In 1986, voters approved a constitutional amendment that authorized counties to grant five-year ad valorem tax exemptions to new or expanded manufacturing companies. Today, the reimbursement fund has shrunk with the economy. "The state told the local school districts they'd hold them harmless with the reimbursement fund back in 1986, and now the fund can only pay 50 cents on the dollar because state income taxes are down," said Rep. Ron Peterson.

In districts like Peterson's, cash flow remains weak. "It's an injustice to the school districts and it remains a hot issue," he said just days before his re-election. "We'll have to restructure the existing budget, and it's going to be a fight."

Under Oklahoma's school funding formula, wealthier districts like Bixby and Broken Arrow share their tax revenues with poorer districts, but the weakened reimbursement fund has allowed those former boom districts to take a larger share of the state's education revenue pool.

It has also reduced those districts' contribution to poorer districts. "Its impact will flow out to every school district in the state if we don't fix this," Peterson said. School districts stand to lose millions of dollars over the next three years unless Oklahoma legislators find a solution. Prior to the November election, Peterson worried that voters might blame the issue on him and other legislators who inherited the

problem, but he regained his seat.

In Plano, Texas, incumbents and challengers alike campaigned against the state's school finance plan. The system, sometimes called The Robin Hood Plan, requires that property-wealthy districts such as Plano's must transfer property-tax revenues to districts that are less affluent. The current formula seeks to equalize school funding statewide, but wealthier districts have formed advocacy groups to gain support for school finance reform in the 2003 Texas Legislature. Called the Texas School Coalition, the group supports an initiative that encourages Legislators to address problems in the current formula. The wealthier districts are circulating a resolution calling for changes prior to the upcoming session.

### Courts play role

Tennessee's funding mechanism, called the Basic Education Program, also provides extra state funds to systems in counties with smaller tax bases, but the state Supreme Court ruled in October that the same type of inequities exist today that existed in 1988 when litigation over equity first began. It has ordered the Legislature to achieve equitable funding for teacher salaries in rural and urban districts.

In a state that does not levy state income tax, legislators are hard-pressed to find ways to support the court's decision. Tennessee charges the highest sales tax in the country at nearly 10 cents on the dollar, and legislators there do not expect to raise it more.

### The West wants compensation

In Utah and other Western states, legislators would like the opportunity to have more property to assess for taxation. Sounds ironic? Unique to that region of the country, massive federal land holdings thwart state endeavors to fund education at a rate comparable to other parts of the country, said Utah Rep. Steve Urquhart. He and Utah House Speaker Marty Stephens and Rep. Tom Hatch spearheaded CSG-WEST's Resolution 2002-01: "Resolution Urging the United States Congress to Compensate Western States for the Impact of Federal Land Ownership on State Education Funding."

The Apple Initiative, as it is called, "will unify the West," Urquhart said. "The West is being educated to the fact that all Western states are falling behind in education, and we will have to speak with one voice in the future."

Representatives delivered the resolution last summer to the U.S. Department of the Interior, U.S. Department of Education and the National Education Association. Urquhart plans to run the resolution through the Utah House and expects similar resolutions to move through Western legislatures this year. They hope the resolutions will gain the attention of the U.S. Congress and also capture the attention of the next presidential candidates.

In Oregon, residents will vote this month on a proposed temporary 3-year state income tax increase. Legislators decided last fall to place the fate of school funding and other state services in voters' hands. If



Vermont Gov. James H. Douglas

the proposal fails, schools and other public and human safety services are likely to absorb \$310 million in cuts for the biennium. Last October, 55 percent of those polled in *The Oregonian* newspaper said they were in no mood for a tax increase.

These debates are sure to continue when legislatures across the country convene this month and November's winners are likely to arrive at state capitols armed with what they believe is a mandate by their constituents to either cut back school spending or increase it by raising or introducing new state taxes. ★

— Charlotte Cornell Postlewaite is the chief education policy analyst at The Council of State Governments