

History of School Funding in the United States

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School Finance Working Groups

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School funding approaches and tax means to support education have evolved since the Revolutionary War

Factors that help shape school funding system:

- political viewpoints
- values
- economic conditions and pressures
- legislative actions
- litigation outcomes

- Since early 1600's, the colonists valued education
- 1635 – Boston Latin School in Denholm, MA became the first publicly funded school
- Massachusetts Act of 1647 – established the right of the state to require communities to create and maintain elementary schools in all towns for every child and secondary schools for youth in larger towns
 - This law also established the tradition that these schools should be funded through local property tax as land was considered to be a valid measure of wealth
- Establishing property taxes as basis for funding public schools quickly caught on in other New England colonies, remains a tradition today



- 1791 – Tenth Amendment reserved the authority to the states

- Education became a state function instead of a function of the federal government

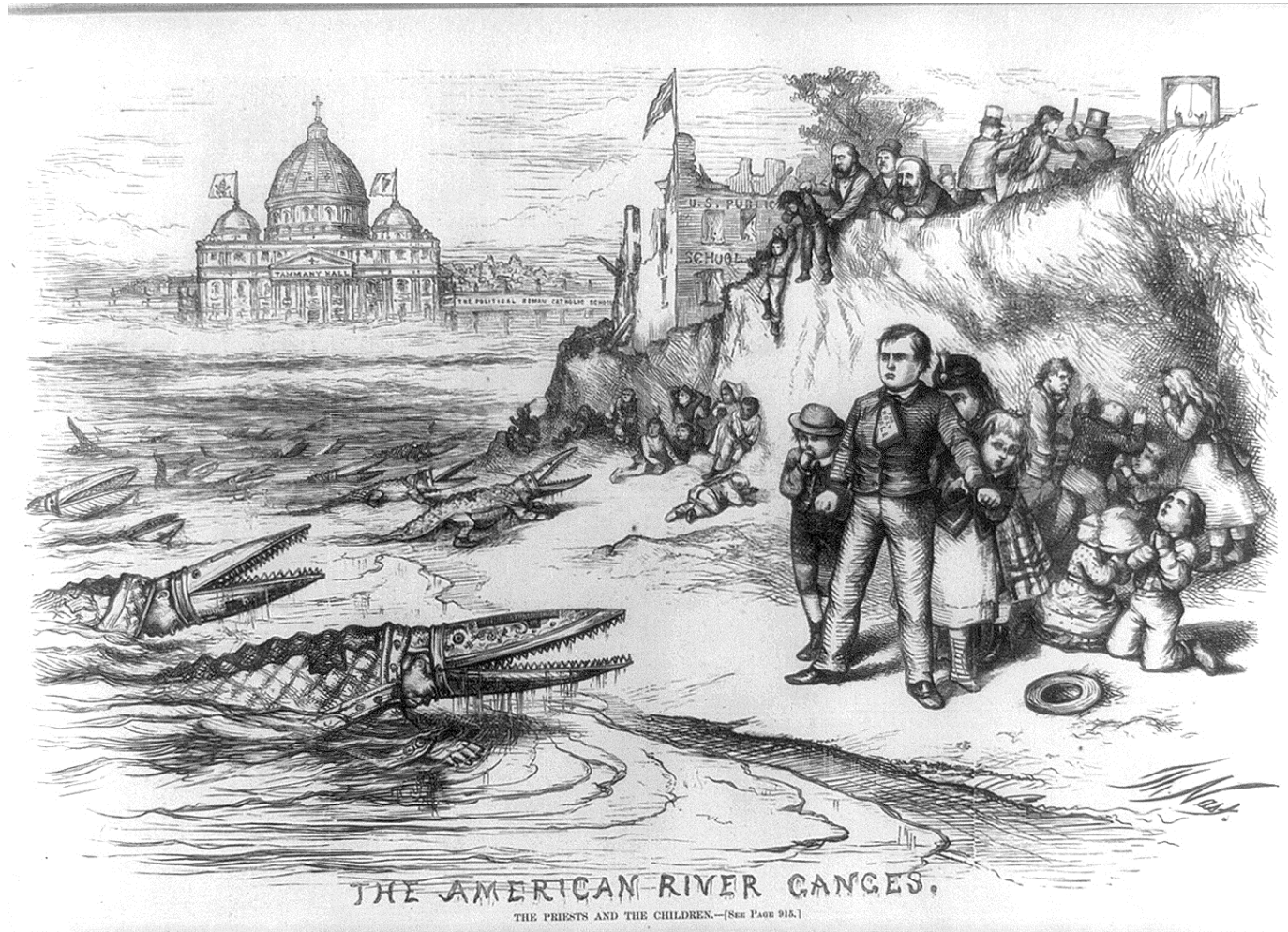
“The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people.”



- As the new nation expanded, federal govt. generated revenue for new country by selling claims to western territories
- Authorized land grants to establish education
 - Northwest Ordinance of 1787
 - Established requisite conditions for territories to become states
 - Each state must have an education provision in its basic laws
 - “Religion, morality, and knowledge being necessary to good government and the happiness of mankind, schools and the means of education shall be forever encouraged.”

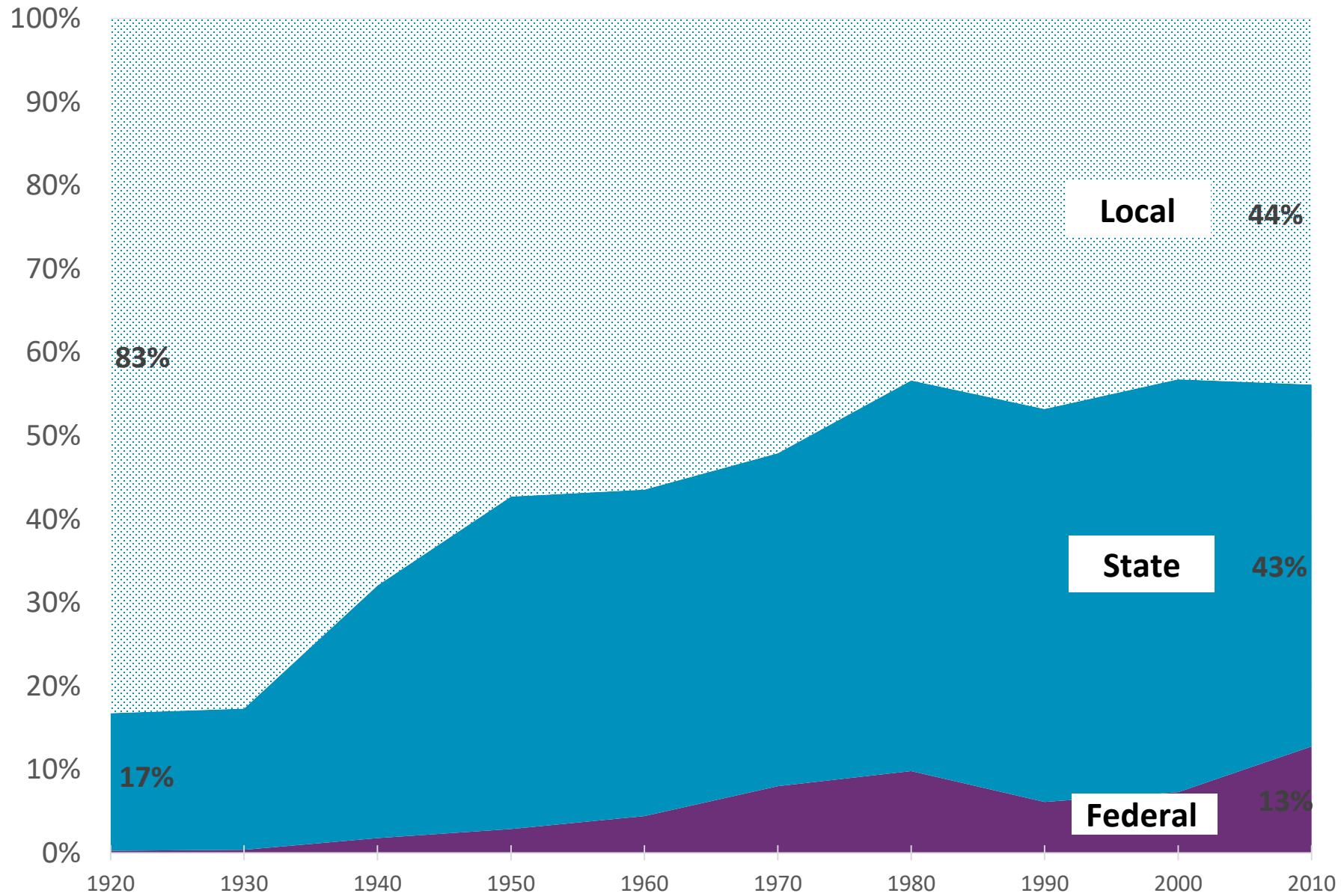
- “Sectarian” today vs. 1800’s
 - Today: prejudiced to any religion
 - 1800’s: prejudiced to any Protestant denomination
- The school day in “common schools” began with prayer, hymn, and Biblical readings

- 1875 – Congressman James Blaine proposed an amendment to the U.S. Constitution
 - Proposal passed House of Representatives 180-7 but failed by four votes to get the necessary 2/3 votes in U.S. Senate
- Anti-Catholic sentiment grew across the country as many states added Blaine amendments to their state constitutions, which prohibited Catholic schools from receiving any state funding



- 1911 – Wisconsin creates first individual state income tax system
- Many states followed, instituted an individual state income tax to raise additional revenue for public schools
- A flat grant was the earliest method to disburse state tax to schools
- Throughout 1930s and 1940s, many states introduced state sales tax to generate additional revenue to finance public schools

K-12 Revenue Share as Percentage By Source, 1920-2010





1958 – National Defense Education Act

- Significance of NDEA
 - Most far-reaching and expensive venture by the U.S. federal government into education up to this point
 - This also began a tradition of the federal government “targeting its funds where they can do the most good”

Evolution of Federal Role

- 1965 Elementary and Secondary Education Act
 - Single greatest increase in federal funding to date (doubled fed gov's share)
 - Categorical aid programs
 - Title I, largest component
- 1975 Education for All Handicapped Children Act
 - Increased federal government's influence on how states educated students with special needs
 - Reauthorized in 1990 as IDEA

Evolution of Federal Role

- Nation at Risk (1983)
 - Start of “Standards-Based Reform” movement
- No Child Left Behind Act (2001)
 - Sharper focus on disadvantaged students, closing achievement gaps
- Every Student Succeeds Act (2015)
 - For first time, states must include actual per-student spending by school on report cards



School Finance Litigation

Three Waves of Litigation

- Federal Equal Protection Litigation (early 1970s)
 - Focused on the Equal Protection Clause and theory that per-student funding should be substantially equal or at least not dependent on a school district's wealth
 - Early success until *San Antonio ISD v. Rodriguez*
 - Effectively shut door on federal school finance litigation under U.S. Constitution to date
- State “Equity” Litigation (1970s and 1980s)
 - School finance reformers turned to state constitutions; essence of plaintiffs’ claims was equity of school funding systems
 - Little success in courts, very successful politically
 - Many states compelled to overhaul their funding systems to increase funding equity
- State “Adequacy” Litigation (late 1980s to present)
 - Instead of guaranteeing equal funding, state’s education article of state constitution entitled students access to an “adequate education”

School Choice Litigation – The Fourth Wave?

- U.S. Supreme Court has made it clear that public funding can be allocated to a family to spend on a child’s K–12 schooling, including for faith-based education (e.g., *Zelman v. Simmons-Harris*, *Arizona Christian STO v. Winn*)
- *Trinity Lutheran Church of Columbia, Inc. v. Comer* → SCOTUS said that it is “odious to the Constitution” to deny a religious entity participation in a generally available public benefit program just because it is a church or religious institution (about playground surface material)
- *Espinoza v. MT Dept of Revenue* → SCOTUS has been asked, “Does it violate the Religion Clauses or Equal Protection Clause of the United States Constitution to invalidate a generally available and religiously neutral student-aid program simply because the program affords students the choice of attending religious schools?”

Does Money Matter?

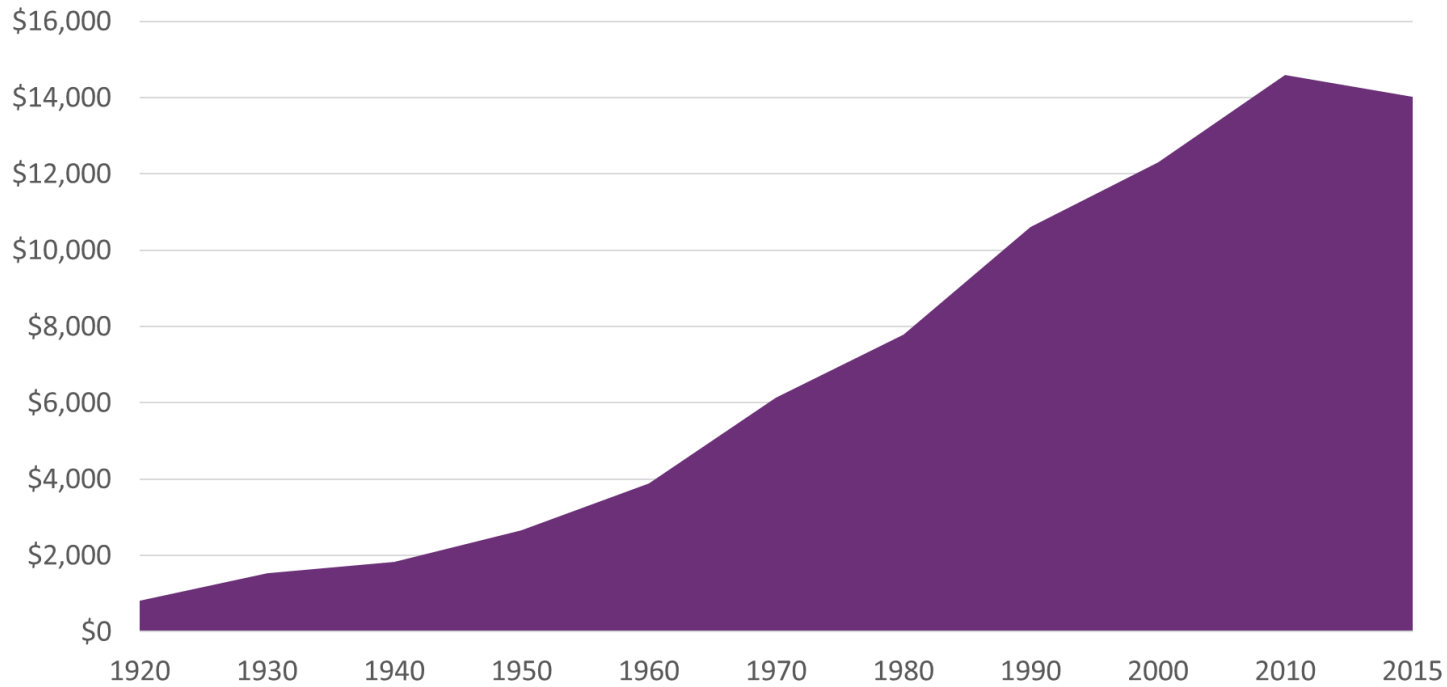
- “Old” research (pre-1995)
 - Noisy data, less sophisticated research methods than today
 - Disagreements on interpretation (Hanushek, 2003; Jackson, 2018)
 - Should not be taken as causal
- “New” research (mid-1990s on)
 - Improvements in research design, data
 - Seems to be consensus that how \$ spent matters more than how much
 - Significant long-run outcomes when \$ directed at disadvantaged student populations, particularly low-income and minority students
 - This pattern is consistent with research on expanding educational opportunity (e.g., via charter schools, private school choice)
 - Less consistent results for indiscriminate funding increases (not “settled”)



Where are we today?

- Kids have access to more educational resources today than ever before
- Gaps in resources flowing to wealthy and poor districts have narrowed considerably (driven by finance litigation and reforms)
- Proliferation of educational options driven by choice policies and entrepreneurs
- Funding lacks transparency
- Sub-optimal allocation of resources at all levels
- Inequity in K-12 system persists
- Numerous pension-related issues

Real Total Expenditures Per ADA, 1920-2015



Source: National Center for Education Statistics, U.S. Department of Education

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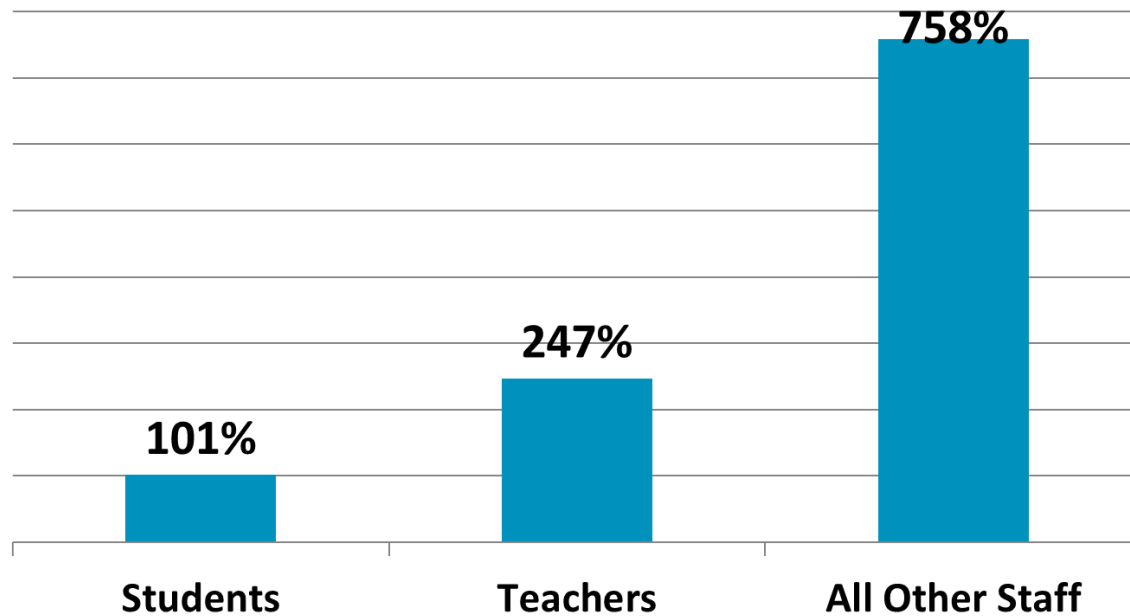
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U.S. Public School Staffing Surge FY 1950 to FY 2017



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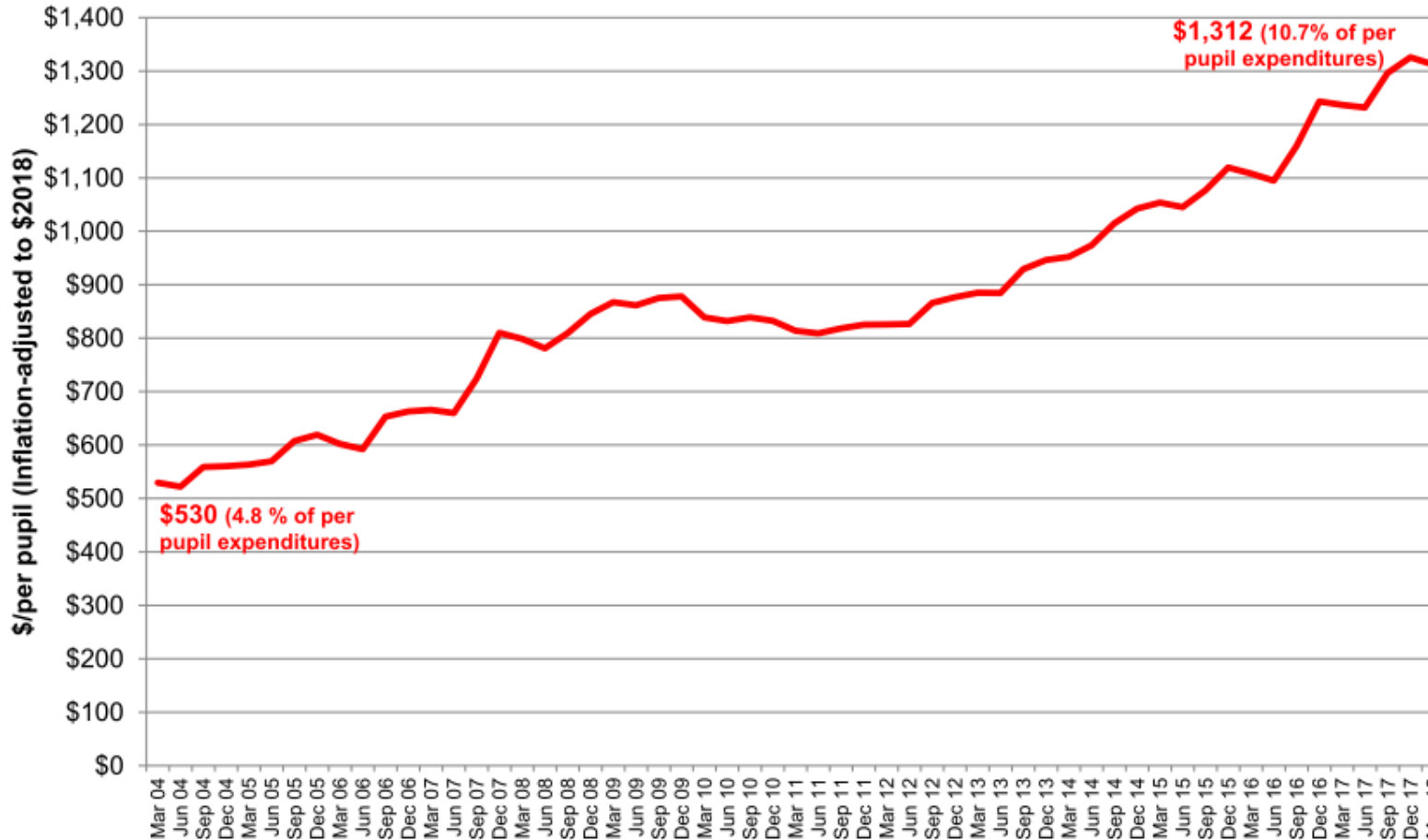


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Employer Contributions Per Pupil for Retirement Benefits

U.S. Public Elementary and Secondary Schools, teachers & other employees, 2004-2018



Sources: BLS, National Compensation Survey, Employer Costs for Employee Compensation;
 NCES Digest of Education Statistics; BLS, CPI; author's calculations explained in Robert M. Costrell:
<http://www.teacherpensions.org/blog/school-pension-costs-have-doubled-over-last-decade-now-top-1000-pupil-nationally>
 Note: Does not include retiree health benefits or Social Security

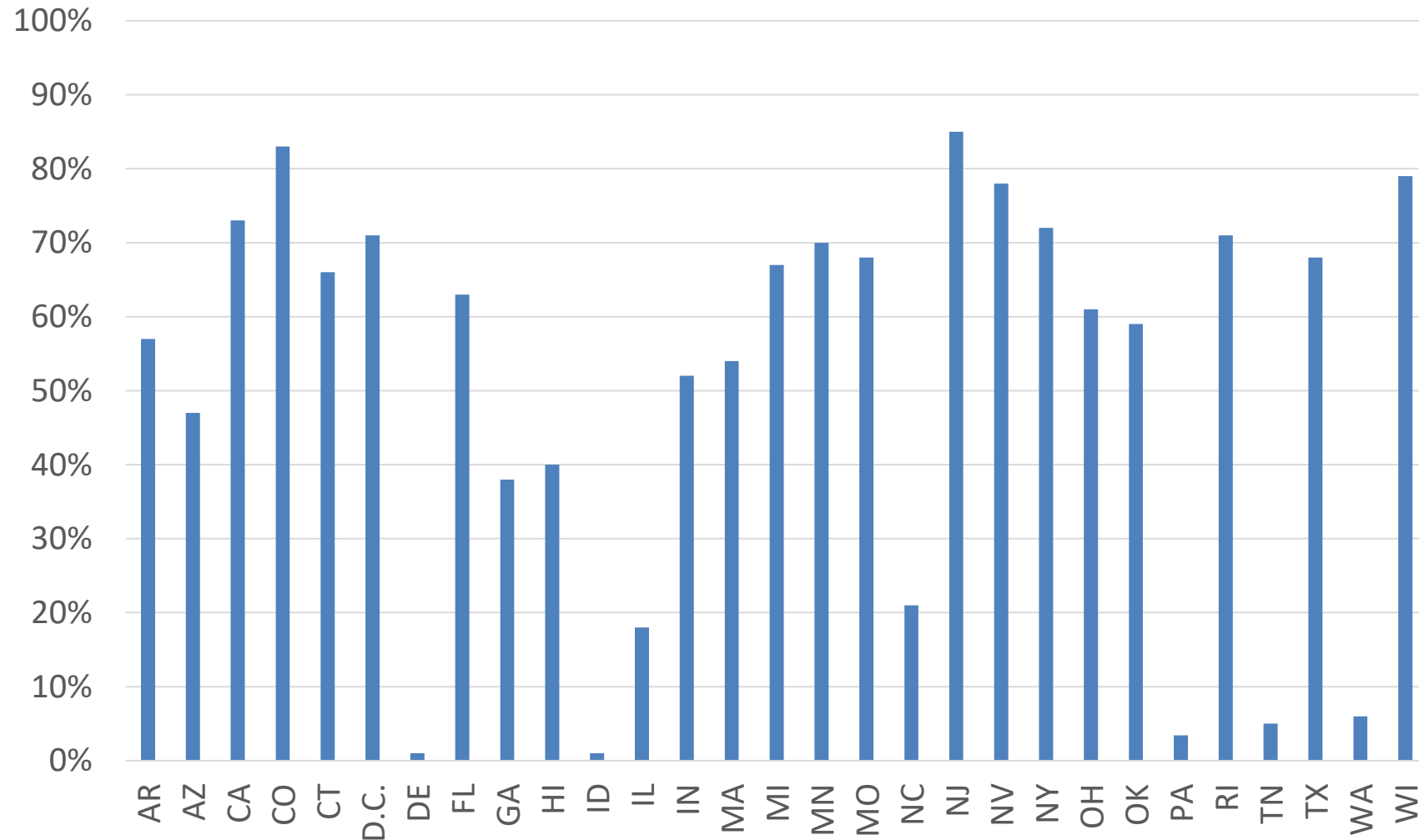
Source: Costrell, Robert M., University of Arkansas, Department of Education Reform, retrieved 8/6/2018 from <http://www.uaedreform.org/downloads/2017/12/employer-contributions-per-pupil-6-8-18.pdf>

Distribution of Funding Formulas by State

- 36 states incorporate student-based funding in some form
- 9 states fund school districts based on resources
- 1 state funds school districts based on programs
- 10 states have some hybrid that combines features of student-based, resource-based, and program-based formulas

Source: EdBuild, “A National Overview of State Education Funding Policies.” Retrieved from <http://funded.edbuild.org/national>

Percentage of State and Local Funds Allocated on a Student Basis

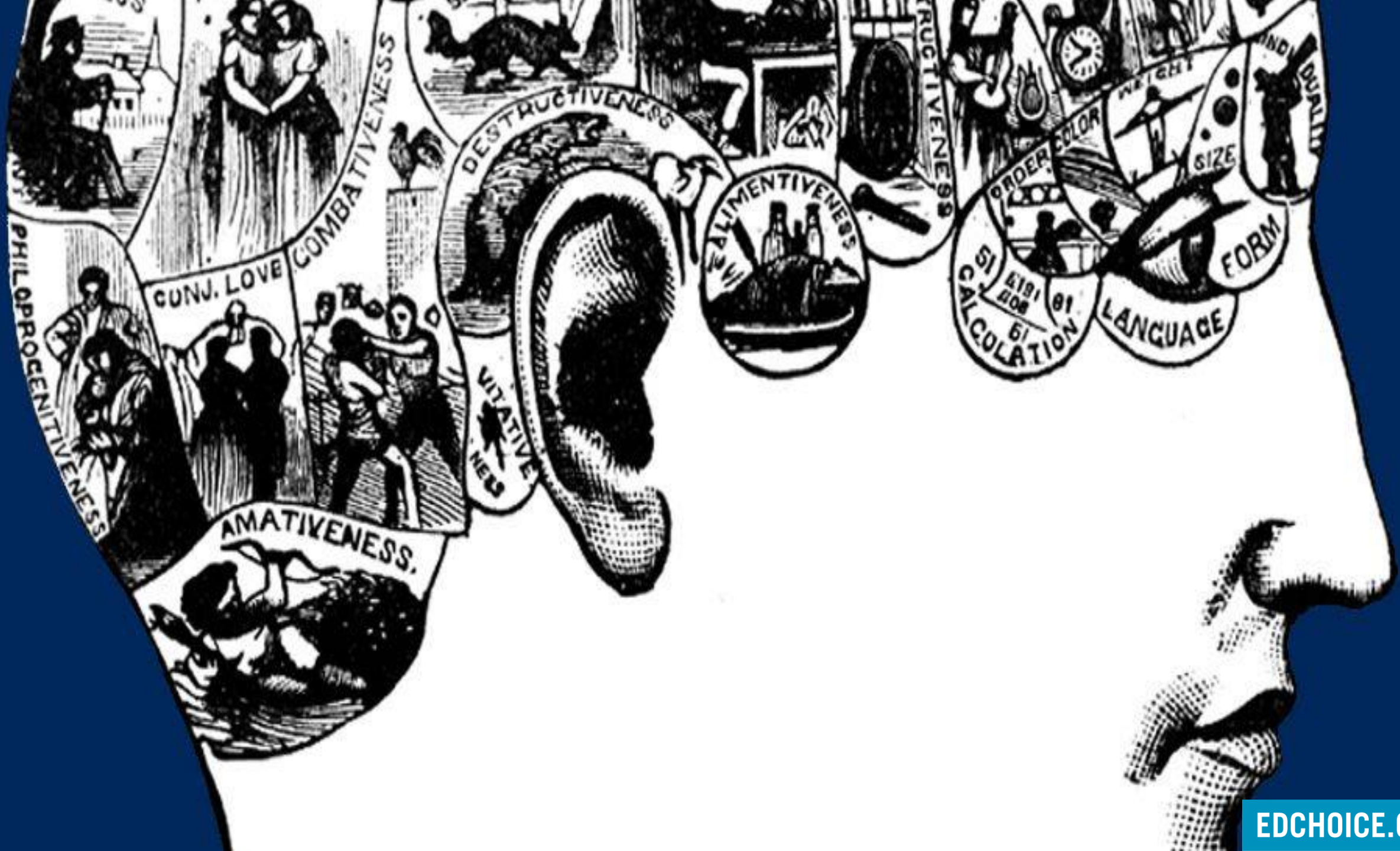


Source: Edunomics Lab, Georgetown University. Retrieved from <https://edunomicslab.org/our-research/student-based-allocations/>

The Task Ahead for All of You

- What lessons have we learned about educational funding?
- What do we need to know that we don't know yet?
- What are the biggest challenges to effectuating funding reform?
- What are core values and goals for a funding system?
- How do our funding systems today reflect those values and meet those goals?
- What does a funding system look like with broad educational choice?

Compute $\lim_{x \rightarrow k} \frac{s x^2 y \sin(k - x)}{k^2 - kx}$.





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Thank you!

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