

Education Finance 1985: A Rising Tide or Steady Fiscal State?

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Rising national demands to improve public K-12 education are expected to boost financial support for schools; state education reform programs (especially those funded by tax increases) are commonly perceived to increase education funding dramatically. Analysis of changes in education funding across all 50 states during the 1980s shows that education revenues per pupil are neither increasing nor decreasing overall, but are staying constant after adjusting for enrollment increases and inflation. While recent funding increases have halted the drop in the real level of resources per pupil that occurred in the early 1980s, only South Carolina and Tennessee have increased real revenues per child by close to 20%, the extra cost of most reform proposals. Demands for education improvement exceed the level of fiscal resources needed to make those improvements.

Education financing in the 1980s has been uneven, in marked contrast to the steady improvements that occurred for nearly all of the 1970s. This article traces the course of school financing in the 1980s, discusses its current status, and makes modest predictions for the remainder of the decade.

Between 1969 and 1979, public school revenues increased from \$34.8 billion to \$87.4 billion, a rise of \$52.6 billion or 151%. Even when adjusted for inflation, revenue increases were impressive, rising 26%. Except for the last couple of years in the 1970s, moreover, revenues increased rather consistently from year to year, creating a sense of a gradual fiscal rising tide. Both state school finance reforms and expansion of programs for special student populations—equity issues—fueled the revenue growth.

Expectations for the fiscal health of public schools for the 1980s were modest. In 1980, Garms and Kirst suggested that

continued increases in the real level of public school revenues were unlikely, that an optimistic projection would be a steady fiscal state. Even this scenario, a sobering prospect for most educators, overshot reality for the beginning of the decade. Real revenues for schools dropped in both 1980 and 1981, and barely increased in 1982 (Odden, McGuire, & Belsches-Simmons, 1983). The country encountered the deepest and most prolonged recession since 1945, federal aid was cut, state fiscal health was poor (indeed, in 1982 and 1983 many states cut appropriations midway through the fiscal year as state revenues trailed projections), and the tax and spending limitation movement of the late 1970s solidified, discouraging governments from raising taxes.

School finance litigation, a force that had maintained the momentum of school finance reform in the 1970s, also sputtered. In the early 1980s, several signifi-

cant cases were overturned. The highest state courts in New York, Maryland, Colorado, and Georgia upheld the constitutionality of admittedly inequitable school finance systems. The decisions in New York and Maryland derailed the attempts of large cities to have "municipal overburden" recognized as constitutional elements of school finance reform. Many observers felt that fiscal malaise had contributed to the courts' decisions; requiring expensive school finance changes in times of fiscal stress seemed inadvisable.

Even in state legislatures, studies showed that education was no longer a priority, that senior legislative education leaders were retiring, and that newly elected legislators were shunning education and declining membership on education committees (Rosenthal & Fuhrman, 1981).

The economic, legal, and political context of education financing was bleak, and combined to make sheer fiscal maintenance optimistic indeed. Release of the report of the National Commission on Excellence in Education (NCEE), *A Nation at Risk*, in April of 1983 altered this gloomy mood almost overnight. A flurry of other reports followed. Suddenly improved education was necessary to restore the economic health of the nation. Governors and key business leaders took the lead in providing action for education excellence, recognizing that increased funding was needed. Education reform became the top priority in half the state legislatures, attracting key new leaders to its cause. School finance litigation revived, with courts in West Virginia and Arkansas overturning unfair school finance systems. States began to enact fundamental education reforms, financed by large infusions of new state revenues, often produced by increases in state taxes. The turnabout was nothing short of astounding.

But do these more recent events suggest education is back on the rising fiscal tide of the 1970s? Will the education reforms in the eight states that have acted so far be followed by similar reforms in other states, as happened in the school finance reform movement of the 1970s? Have the recent reforms simply restored the funds lost at the beginning of the decade or have

they provided substantial new resources? What is the fiscal condition of public education today compared to 1979, and what will it likely be in 1989?

This article attempts to answer these questions. The first part traces the impact of the education reform movement on school finance and education equity, and outlines the optimistic scenario for education funding. The second part analyzes in more detail the current fiscal condition of schools, assesses the likelihood for continued financial improvements in the wake of education reform, discusses emerging demographic and political trends that affect the financing of schools, and outlines a more modest scenario for school finance for the rest of this decade.

Education Finance 1985: A Rising Tide?

This section discusses three factors supporting an optimistic outlook for school financing: (a) state legislative treatment of education during times of fiscal stress, (b) funding increases accompanying state education reform, and (c) state treatment of both education equity and excellence.

State Legislative Treatment of Education in Times of Fiscal Stress

State funding of schools during the fiscal stress period of the early 1980s shows that most state legislatures give education a high priority among state functions. Fifty-six percent of total additional dollars for education between 1979 and 1982 came from the state (Odden, 1984b). When faced with severely restricted revenues, states provided relatively higher increases for public schools than for other state functions (Gold & Pederson, 1983). In addition, when states needed to cut appropriations after revenues fell short of projections, which occurred often between 1981 and 1983, education usually was cut less than other functions (Gold & Pederson, 1983). Finally, despite the strength of the tax and expenditure limitation movement, when political forces put education back on political agendas, states were surprisingly willing to raise taxes both to balance budgets overall and to provide increases in school funding (Gold & Eckle, 1984; Odden, 1984b). In short, state behavior during times of fiscal

stress shows that education is a valued function that has a priority draw on state revenues. For those who thought education had receded as a priority or political interest, favorable state treatment of education in times of fiscal stress provides solid evidence that states will address public school funding seriously whether education itself is a front- or back-burner issue.

State Education Reforms and School Financing

State response to the calls for education reform has been impressive. In 1983 and 1984, states created nearly 300 task forces charged with developing education reform proposals. More to the point, several states enacted comprehensive education reform programs financed by large increases in state aid, derived in most cases from politically courageous increases in state taxes. For example:

- Florida increased public school revenues by \$400 million for its reform program enacted in June, 1983, only 2 months after the NCEE report. Revenues derived from natural general fund increases, a product of a 1-cent sales tax hike in 1982, and from a new, unitary tax on corporations.

- California enacted a 400-page education reform, S.B. 813, in July, 1983, increasing state aid by \$0.9 billion for the 1983–84 school year and \$1.2 billion for the 1984–85 school year. The extra revenues derived from a rebounding state economy which, from a deficit of several hundred million dollars in 1982, had produced a billion dollar surplus for 1985.

- Arkansas followed in December, 1983, with a comprehensive education and school finance reform, providing an extra \$100 million dollars for schools for each of the next 3 years, funded by a 1-penny increase in the state sales tax.

- Tennessee, after stalemating on Governor Lamar Alexander's proposed career ladder program in 1983, enacted a reform in early 1984 that included that proposal. The program, funded by a 1-cent increase in the sales tax, promised to increase state aid to education by an extra \$300 million in each of the following 3 fiscal years. The program hiked teacher salaries 30%

across the board and included the career ladder program.

- South Carolina enacted the most comprehensive education reform of 1984 (McDonnell, 1984), bumping state aid by almost 36%—\$273 million, an increase also financed by an increase of a penny in the state sales tax.

- Texas followed these states in the summer of 1984 with another billion dollar education reform, pushed enthusiastically by a leading businessman and financed by increases in the state sales and other state taxes, the first state tax rate increase in Texas in several years. (See Odden, 1984b, for more detailed descriptions of the programs in these education reform states.)

- In early 1985 (with no opposing votes in either the House or Senate), Georgia enacted a comprehensive education reform that began with an extra \$230 million for schools, predicted to rise to an extra \$500 million in 3 years.

- Utah, Minnesota, and Michigan represent states that hiked education funding with more modest education reforms, financed by tax increases enacted in 1982, primarily to balance state budgets.

- North Carolina, Delaware, and a series of other states enacted significant new education programs, also funded with higher than usual state-aid increases.

In short, between early 1983 and early 1985, several states addressed the education reform agenda with remarkable fiscal robustness. Although the pattern of state tax increases to finance the reform was reminiscent of the pattern of enacting state school finance reforms in the 1970s, it was unexpected; the strength of the tax and expenditure limitation movement of the late 1970s and early 1980s had led most to conclude that the era of increasing state taxes to fund new programs—of any sort—had ended (Gold, 1983). Yet this state pattern of passing and financing education reforms typified the first wave of state response to the clarion calls to improve the nation's schools. These actions helped to remove the gloom surrounding school financing. States again were increasing taxes to pay for education; school funding seemed to be "on the roll" again.

The substance of the education reform programs gave further credence to the

feeling that education financing was improving. Nearly all reform reports, and certainly all state education reforms, contained proposals to increase teacher pay, costly propositions. From increasing starting salaries, to career ladder, master teacher, mentor teacher, and merit pay programs, to expensive across-the-board increases, states took the position that teacher salaries needed to be increased substantially. The reform programs put state support behind longer school days and longer teacher contract years, also costly proposals. Many states enacted "merit school" programs, new categorical attempts to allocate funds to schools that showed improvements in or performance at certain levels of student achievement. Some states even enacted school finance reforms, which the school finance community already knew required large infusions of state aid. Cutting across these program specifics was a new standard in education—pay for performance—and in all states this new pay was deriving from new state revenues. The substance of the education reforms, then, included not only new programs that everyone conceded were costly, but also a new philosophy—pay for performance—that assumed new funds were necessary. Proposed reforms in other states, while differing in detail, were similar in their general thrust.

Combined, these actions in eight major reform states—Florida, California, Arkansas, Tennessee, South Carolina, Utah, Texas, and Georgia—and in reforms proposed in other states provided concrete evidence that states would address the education reform agenda, would include programs that required large increases in financing, and would provide significant new resources.

Equity and Excellence Jointly Ride the Rising Tide

Although it was unheralded in governors' offices' press releases and usually unmentioned in media reports of state education reforms, excellence did not overrun or push aside equity in state education reform programs. Although equity is "out" and excellence is "in" concerning state-level education politics, analysis of the substance of education re-

form programs provides solid evidence that the rising fiscal tide has benefited equity as well as education excellence.

First, school finance equity, which more than one pundit has pronounced dead or severely ailing, received substantial attention in the eight state education reforms:

- Three states—Arkansas, Georgia, and Texas—enacted major school finance reforms as part of their education reform packages. The other five—Florida, California, Tennessee, South Carolina, and Utah—already had enacted basic school finance reforms in the 1970s. These five enacted significant modifications to their school finance equalization formulas as part of education reform packages. For example, in S.B. 813, California took the last step toward nearly perfect revenue-per-pupil equality: For the 1985-86 school year, the minimum revenue-per-pupil limit is the average statewide expenditure for the previous year, an astounding level of expenditure-per-pupil equality. All of the eight major education reform states, then, have brand-new or recently revised school finance equalization formulas, a remarkable correlation between education and school finance reform. Put another way, no major education reform state has ducked the school finance reform issue; all have put education reforms on top of more equitable fiscal bases.

- Further, states allocated three-fourths of new funds for education reform packages to local districts through school finance equalization formulas, further enhancing fiscal equity objectives. Although states created a few education reform categorical programs with funding on a flat grant per pupil basis, these programs consumed a very small proportion of the funding (Odden, 1984b).

Second, funding of programs for special student populations received about the same percentage increases as did overall funding for education (Odden, 1984b). Indeed, these programs have become part of the fabric of education policy; no state considered proposals to eliminate programs for special populations and replace them with new programs of education excellence. Education reforms were placed on top of equity programs already in place, with funding increases provided

for all. Further, many education reforms created new programs for special populations as part of, or as a "price" for, new programs of excellence. South Carolina provides a striking example; it enacted a K-12 compensatory education program in its education reform as the "price" for requiring passage of an exit examination for high school graduation. This state program consumed nearly one-third of the education reform dollars, a sum that now exceeds the total Chapter I dollars in the state. In addition, new pre-kindergarten programs for disadvantaged children were enacted in both South Carolina and Texas.

Third, through a variety of mechanisms such as expanded testing programs or new requirements for entrance or exit from high school, most education reforms included a strengthened focus on improvement in basic skill acquisition, a key element in most programs for special student populations.

In short, analysis of all components of state education reform programs shows that equity has ridden the rising fiscal tide that has accompanied the education excellence movement across the states. Contrary to popular worry, equity has benefited from the emphasis on excellence, not been swept aside by it.

Education Finance 1985: A Steady Fiscal State?

Although school financing seems to be on the upswing from a fiscal analysis of education reform in specific states, analysis of school finance across the 50 states and a more detailed analysis of the education reform states provides evidence for a less optimistic scenario. This section first presents a 50-state school finance analysis, including a more detailed look at the fiscal side of the eight education reform states, compares the costs of education reform to the dollars states have provided for them, and then discusses a few demographic and political trends that will affect school funding for the remainder of the decade.

School Finance Across All 50 States

The action taken by states to finance education reforms are bold; state tax increases always require political courage,

even for publically sanctioned issues. Governors and legislators win and lose elections on the basis of their attitudes toward tax increases. But analysis of revenues for public schools in all 50 states shows that these bold actions in a few states do not represent national fiscal trends.

Table I shows nominal and real revenues by source for public schools for each year in the 1980s. Several points are worth noting. First, real revenues for public schools have halted their decline of the early 1980s and now seem to be on the rise. Second, the driving force behind the funding rise is the state, followed closely by local governments; the federal role is declining in both nominal and real terms and likely will continue on that path. Third, a real increase in total funding between 1979 and 1985 exists but is only 6.9 percentage points, far below most reasonable estimates of the costs of education excellence (Odden, 1984a). Fourth, the largest increase in total school revenues in the 1980s occurred during the 1983 school year; that is, it was enacted by state legislatures in 1982 before there was interest in education reform. Total revenues increased by \$10.3 billion between 1982 and 1983, a real increase of 6.8%. This may represent states' "catching up" for losses in previous years. But this funding hike exceeds in real dollar and percentage terms the sum of the revenue increases for the 1984 and 1985 school years, the years for which at least some states appropriated large numbers of new education reform dollars as discussed in the previous section. In short, whereas school funding seems to be on the rise, the results for 1984 and 1985 do not show dramatic increases across the country as a whole. Since 1983, funding has increased, but only 6% in real terms, hardly enough to finance comprehensive education reform.

These conclusions hold even for the eight education reform states, as shown in Tables II and III. First, even sizable increases in state aid become considerably smaller percentage increases in total revenues. For example, the 36% state aid increase in South Carolina drops to a 23% increase in total revenue. Second, many of the reform states (such as Tennessee

TABLE I
Nominal and Real^a Revenues for Public Schools, by Source, Selected Years^b (\$ Billions)

School year ending in	Federal		Local		State		Total	
	Nominal	Real	Nominal	Real	Nominal	Real	Nominal	Real
1969	2.6	5.2	18.3	36.4	13.9	27.6	34.8	69.1
1979	8.2	8.2	38.1	38.1	41.1	41.1	87.4	87.4
1980	8.7	7.7	39.9	35.3	46.5	41.1	95.1	84.0
1981	8.7	6.9	42.9	34.2	50.2	40.0	102.8	82.0
1982	8.9	6.7	47.3	35.4	53.8	40.3	110.1	82.5
1983	8.2	6.0	54.0	39.5	53.8	42.6	120.4	88.1
1984	8.5	6.0	57.8	40.6	62.0	43.5	128.3	90.1
1985	8.6	5.8	61.6	41.8	67.4	45.7	137.6	93.5

Source: National Education Association, *Estimates of School Statistics*, selected years.

Note. Consumer Price Index: July 1969 = 110.2; July 1979 = 218.9; July 1980 = 247.8; July 1981 = 274.4; July 1982 = 292.2; July 1983 = 299.3; July 1984 = 311.7; July 1985 = 322.6 (est.).

^a Relative to 1979.

^b Estimates used for 1985; revised estimates for other years.

TABLE II
Changes in Total Revenues and State Aid, Selected States, 1980 to 1985

State	Billions of Dollars				% Increase 1984-85
	1979-80	1982-83	1983-84	1984-85	
Total Revenues ^a					
Arkansas	0.74	0.88	0.99	1.10	11
California	9.30	12.05	13.30	14.80	11
Florida	3.26	4.49	5.08	5.73	13
Georgia	1.91	2.42	2.56	2.84	11
South Carolina	1.09	1.49	1.42	1.74	23
Tennessee	1.43	1.70	1.73	1.96	13
Texas	5.88	8.30	9.24	10.36	12
Utah	0.63	0.89	0.92	1.00	9
U.S. Total	95.1	120.4	128.3	137.6	7
State Aid ^a					
Arkansas	0.39	0.48	0.57	0.63	11
California	6.63	8.00	8.90	9.94	12
Florida	1.80	2.41	2.73	3.06	12
Georgia	1.10	1.36	1.30	1.43	10
South Carolina	0.62	0.89	0.81	1.10	36
Tennessee	0.69	0.80	0.79	0.98	24
Texas	2.95	4.02	4.19	4.72	13
Utah	0.34	0.48	0.49	0.55	12
U.S. Total	46.5	58.3	62.0	67.4	9

Source: National Education Association, *Estimates of School Statistics*, selected years.

^a Revised estimates for 1979-80, 1982-83, and 1983-84; estimates for 1984-85.

TABLE III
Changes in Expenditures and Teacher Salaries, Selected States, 1980 to 1985

State	Dollars				% Increase 1984-85
	1979-80	1982-83	1983-84	1984-85	
Current Expenditures Per Pupil (ADM) ^a					
Arkansas	1,424	1,926	2,094	2,216	6
California ^b	2,131	2,598	2,832	3,126	10
Florida	1,997	2,687	2,913	3,147	8
Georgia	1,558	2,077	2,196	2,548	16
South Carolina	1,467	2,130	2,145	2,579	20
Tennessee	1,572	1,952	2,030	2,222	9
Texas	1,557	2,409	2,780	2,978	7
Utah	1,543	1,868	1,937	2,065	7
U.S. Average	2,058	2,786	3,001	3,226	7
Average Teacher Salaries ^a					
Arkansas	12,420	15,029	16,929	18,933	12
California	18,020	24,035	24,843	26,300	6
Florida	14,129	18,275	19,497	21,057	8
Georgia	13,853	17,412	18,631	20,494	10
South Carolina	13,063	16,523	17,384	19,800	14
Tennessee	13,971	17,380	17,910	20,080	12
Texas	14,132	19,550	20,170	22,600	12
Utah	14,909	19,859	20,007	21,307	6
U.S. Average	15,966	20,715	21,935	23,546	7

Source: National Education Association, *Estimates of School Statistics*, selected years.
^a Revised estimates for 1979-80, 1982-83 and 1983-84; estimates for 1984-85.
^b Figures for 1982-83, 1983-84 and 1984-85 have been multiplied by 0.95 to estimate an expenditure per ADM.

and Texas) enacted very small state aid increases between 1983 and 1984, so the large increases between 1984 and 1985 represent a degree of "catching up." Thus, the 24% increase in state aid in Tennessee between 1984 and 1985 is only a 12% annual increase over a 2-year period (having barely increased between 1983 and 1984), and becomes just a 10% increase in total revenues for each year between 1983 and 1985. Third, of all the reform states, only South Carolina's increase in total revenues approaches the 20% increase needed to fully fund a comprehensive reform program. Fourth, on a per-pupil basis, the funding hikes for these states are much less than the increase in total revenues, because most of these states are experiencing enrollment increases. Thus, just to keep even in funding, most of the reform states needed substantial new

funds; financing expensive education reforms puts a dual financial pressure on local district treasuries. Fifth, although an increase in teacher salaries was a major target in all eight states, the actual salary hikes were moderate, sometimes below and sometimes just above the national average increase. For example, teacher salaries increased only 3.4% in California between 1983 and 1984, and only 5.9% between 1984 and 1985. In short, although the funding increases in the education reform states were impressive in total dollars, often even requiring politically difficult tax increases, in the final analysis they represent incrementally higher than historical increases, not dramatic financing rises. Only South Carolina can claim that its reform produced dramatic increases in total revenues, state aid, per-pupil spending, and teacher salaries.

TABLE IV
National Per-Pupil Expenditures, 1979–1985^a

School year ending in	Current operating expenditures per pupil (\$)	
	Nominal	Real ^b
1979	1,844	1,844
1980	2,058	1,818
1981	2,289	1,826
1982	2,498	1,871
1983	2,786	2,038
1984	3,001	2,107
1985	3,226	2,189

Source: National Education Association, *Estimates of School Statistics*, selected years.

^a Estimates for 1985; revised estimates for other years.

^b Relative to 1979.

As Table IV shows, on a national basis when total revenues are analyzed on a per-pupil basis, increases in the 1980s have been more impressive, with current operating expenditures rising by 18.7% in real terms between 1979 and 1985, a substantial rise. This pattern, however, is in part a statistical artifact and in part illusory. The major reason per-pupil spending has risen faster than total revenues is that the number of pupils has been declining. This phenomenon has now reversed itself, and student enrollments will be rising nationwide for at least the next decade. In order for spending per pupil to rise in real terms for the remainder of the decade, the increase in total revenues will have to exceed the sum of the percentage increase in students and the inflation rate—5-7%—a figure that is higher than real annual funding increases so far this decade, and indeed higher than the na-

tional real revenue increase between 1983 and 1984 and between 1984 and 1985.

Further, as enrollments drop, districts are pushed up to a higher cost-per-pupil curve because attrition policies require them to release the least experienced and therefore least expensive teachers. Thus their higher expenditures are partly just a higher cost phenomenon, not a higher level of real resources. For both of these reasons, a focus on total revenues will give a more accurate picture of fiscal resources in schools.

Information in Table V, moreover, shows that another trend from the 1970s also will be difficult to match in the 1980s, that is, the increase in the percentage of revenues deriving from state sources. Although the state role jumped from 39.9% in 1969 to 47.1% in 1979, it has been unable to break the 50% level in the 1980s, hovering around 48%, sometimes a bit higher and sometimes a bit lower. This

TABLE V
Sources of Public School Revenues^a

School year ending in	Federal %	Local %	State %
1969	7.4	52.7	39.9
1979	9.3	43.6	47.1
1980	9.2	42.0	48.9
1981	8.5	42.7	48.8
1983	6.8	44.8	48.4
1984	6.6	45.1	48.3
1985	6.2	44.8	49.0

Source: National Education Association, *Estimates of School Statistics*, selected years.

^a Estimates for 1985; revised estimates for other years.

pattern holds even with the large increases in state revenues that have been part of education reforms enacted during the past 2 years. It would take dramatic events to change this pattern significantly in the last half of the 1980s. It is unlikely that the federal role will rise; federal dollars on a nominal basis will do well if they stay constant. Few suggest that the public would allow large rises in the local property tax, and experts on state fiscal systems maintain that the legacy of the recent tax and expenditure limitation movement will remain for some years (Gold, 1984)—that the public has put a limit on the level of governmental activity in the nation's economy.

The sobering numbers in these tables do not sketch a scenario for a rising level of real revenues for public schools. Indeed, the numbers suggest that the negative trend at the beginning of the decade has been turned around and that the education reform impetus has helped more recently, but that a steady fiscal state is a more realistic prognosis for the remainder of the decade.

This prognosis is strengthened when state funding increase proposals for 1986 and 1987 are examined. First, there is no serious education reform proposal in 1985 state legislatures that includes a state tax increase, as did those in 1983 and 1984. Thus, subsequent education reforms likely will be funded by natural increases in state revenues. Second, it is probable that only Georgia will enact a major education reform in 1985; proposals in Illinois are losing support, and proposals in Washington are unlikely to pass because state revenues have fallen. Third, proposals for future funding hikes in several reform states are modest—5.3% in North Carolina over a 2-year period and only 6.4% in Florida, for example. California's governor proposed a 10.6% hike in state aid for 1986, which becomes a much smaller increase on a per-pupil basis because the state will enroll close to 100,000 more students next year. In fact, California expects an extra 500,000 students over the next few years, which means an additional \$1.5 billion will be needed just to keep even in per-pupil funding. Similarly, modest increases have been proposed in most other states. The education reform

momentum seems to have sputtered, at least fiscally.

In addition, the underlying fundamental factors limiting education revenue growth, noted by Garms and Kirst in their 1980 projections, continue. The tax and spending limitation movement has capped the growth of government; neither new state functions nor fiscal increases characteristic of the 1970s are likely to occur in the 1980s. Further, competition from other functions for funds is intense, even though education has a high public and political priority: Programs for the aged, medical costs, and defense are formidable competitors for limited governmental funds. Within education, public school enrollment increases, as noted above, mean that significant dollars for education will be required just to maintain a steady fiscal state. Politically, fewer numbers and percentages of the population have a direct stake in education, that is, school-aged children in public schools.

Thus, an optimistic outlook for school financing for the remainder of the decade would envision a steady state in real terms. The surge in revenue increases in a few states after publication of *A Nation at Risk* seems to have abated. Evidence for continued increases in these or other states is scant. Although the education excellence agenda has strengthened education's call for resources, it seems that strength will be needed to maintain a steady fiscal state rather than being used to produce gradual increases in real resources.

The Costs of Education Reform

An analysis of the relationship between the actual costs of specific education reforms and the dollars appropriated for those reforms provides further evidence for a more somber assessment of the condition of education financing.

First, most estimates put the costs of comprehensive education reform at 20 to 25% of current expenditures (Odden, 1984b). States have not produced that level of new resources. With 1983 as the base year, an extra \$24 billion would be needed to finance education reform; only an extra \$2 billion in real resources were appropriated. With 1984 as the base year, an extra \$25 billion would be needed;

only an extra \$3.4 billion in real resources were appropriated. Indeed, even extra appropriations in the eight reform states fell far short of the required extra 20%; only South Carolina hiked funding beyond that level. In short, if the education reform impetus seemed to increase revenues for education a substantial amount, 20%, actual increases have fallen far short of that target.

Second, the education reform states have skirted full funding of many of the most touted education reform elements. For example, most education reform states as well as many other states have increased high school graduation requirements. Yet additional funding for these new requirements is virtually absent, although local districts face new costs to expand programs so students can meet these new conditions. Funding for teacher salary increases also has been slim, relative to the costs of real change. A 20% increase in teacher salaries, a modest overall goal that could be accomplished with hikes in beginning salaries, smaller across-the-board increases, and career ladder programs, would require an extra \$10 billion nationally, a figure not yet provided. Indeed, of the reform states, only Tennessee adopted and funded a comprehensive career ladder program coupled with across-the-board increases. Career ladder or master teacher programs in all other states are either small pilot programs, modest (\$1,000 to \$4,000) extra amounts for a limited number of teachers, or absent; rhetoric has exceeded policy usually because the costs of serious proposals to raise salaries exceed state fiscal capacity (Odden, 1984b). Even funding for longer school days and years has fallen short of expectations. Indeed, in California, costs of even moderate extensions soared over \$200 million, so the state made the time extensions voluntary rather than mandatory and offered just \$35 per student for districts participating in the program.

Perhaps the most seriously underfunded education excellence programs have been the variety of state school improvement efforts. These programs, which include increased student testing, revised curriculum guides, effective schools and schoolwide planned change

efforts, inservice training for teachers and administrators, and revised accreditation programs that have been adopted at least in part by all states, but initial enthusiasm has somewhat waned as their sparse funding has limited their impact (Anderson et al., in preparation). Although the extant programs are funded at levels of \$.50 to \$1 per child, these resources are insufficient in the long term, contrary to some claims (Odden, 1984a). Serious school improvement efforts, which can include school-based efforts to implement comprehensive state education reforms, require resources. They take commitment, energy, and time; they need staff development, new materials and resources, and ongoing technical assistance to accomplish their objectives. California's school improvement program provides schools with an extra \$106 per child, a figure at least 10 times higher than that of similar programs in other states. A more reasonable estimate for the cost of comprehensive school improvement programs would be \$25 to \$50 a child, or \$2 billion nationally. Only California has produced funding at that level.

In short, whereas many states have enacted comprehensive education reforms, many elements of those reforms are underfunded. Even with tax increases in some states, the real costs of reform seem to be beyond the state fisc. If tax increases are less likely in the nonreform states, their funding of a reform, should they pass one, will be even lower.

Demographic and Political Changes

A number of significant demographic and political changes further constrain an overly optimistic prognosis for school financing. First, as has been mentioned, public school enrollments are now beginning to rise after more than a decade of decline. This means additional funding will be needed just to keep revenues per pupil even. For example, California expects enrollments to rise by 500,000 over the next 5 years; even with substantial revenue increases, the additional students are likely, even under optimistic assumptions, to keep real revenues per pupil even (Ossman, 1985). Nationwide, enrollments are expected to rise by 2.1 million students between 1985 and 1990

(Odden, McGuire, & Belsches-Simmons, 1983). At current spending levels, that will require an extra \$6.8 billion (2.1 million times \$3,226), a 5% increase in total real resources between 1985 and 1990. By comparison, total education funding increased by just 6.9% in real terms in the 6 years from 1979 to 1985. The required funding increases simply for more students are needed before additional education reforms are enacted. Given past history, it will be difficult for education to receive these levels of real funding increases. Receiving funds for enrollment increases as well as for education reforms becomes an even more formidable task.

An additional demographic factor making funding increases difficult is the racial and ethnic characteristics of public school students. Recent reports suggest that language, racial, and ethnic minorities increasingly comprise school enrollments. Political support for public education funding could diminish as minorities constitute a growing percentage of students in schools; at the least, public school students' parents will consist of people less active in political arenas (Garms & Kirst, 1980).

A further, but more speculative, demographic/political factor that may diminish political support for public school funding is the emergence of the baby-boom generation into the 25 to 45 age group, which historically has provided the strongest political support for schools; people in this age group are the parents of school-aged children and have the most direct stake in schools. There is increasing evidence, however, that a substantial portion of this age group today has different beliefs, values, work, and parental behaviors, and aspirations for their children than in previous decades (Atlas, 1984). This group, comprised of many double wage earner professional households, each earning a substantial income, wields tremendous economic clout (Colvin, 1984).

These people tend to be more conservative politically. They value quality, control, and choice; price is not a major factor (Atlas, 1984; Colvin, 1984). There is emerging anecdotal evidence that these families are becoming disenchanted with public schools and enrolling their chil-

dren in private schools. Clearly, when confronting public education, they often do not find the quality they desire; their level of control over the school is limited, and in most instances they have no choice in the school their child will attend. Further, a tuition of \$3,000 to \$6,000 per year for most families with six-figure household incomes poses no financial hardship; if that is the cost of quality, choice, and control, it is a cost worth bearing.

A related factor concerns day care services. A dual working parent household needs day care for the children; indeed, 60% of mothers of school-age children work today. Yet few public schools provide day care services. One reason dual working parent families turn to private schools is that they do provide day care; many private schools, and an increasing number of new, profit-making schools, not only provide an education program during the traditional 9:00 a.m. to 3:00 p.m. period, but also provide day care from 7:00 or 8:00 a.m. to 6:00 p.m., making the school even more convenient for families (Fiske, 1985).

Two additional elements further complicate the day care/public school dilemma for many households. First, for private preschool services, families are offered a wide array of choices: Montessori, British infant school, church-related, structured environment, and so on. Families can choose locations, philosophies, and education styles for their children's preschool and day care services. But for public school kindergarten, such choice usually evaporates. Second, the struggle between the child care community and the public school community over who will provide preschool and day care services in the long term in many ways is not relevant to the concerns of economically well-off households. Their concern is not whether the service is privately or publicly provided, but whether it is available and of high quality and whether they have a choice of location and philosophy.

Further, both the child care and public school community that advocate expanding preschool and day care services usually feel the government should pay the cost. But adding services to the public school system at a time when revenues for current services are, at best, steady in

real terms raises serious questions. If full-day kindergarten and 4-year-old preschool programs were provided at public expense, the price tag could be an extra \$10 billion. If fully publicly funded, moreover, the large levels of private dollars already supporting these services would be lost. A more fiscally prudent strategy might be for public school systems to begin providing preschool and day care services, but on a sliding fee-for-service basis that would fully cover incremental costs. If these new services maintained the diversity that now exists in the private sector, and if a broader array of choices for enrollment were made available, the public school system might retain a higher percentage of households in the public school system, thus maintaining a political base that will be needed to support funding in the future.

These latter demographic/political hypotheses are speculative at this point. They may overstate the issue. But they raise an issue of education change generally ignored in most calls for education reform, namely, structural changes or the need for new forms and styles of schools rather than a strengthening of the historical elementary and secondary school. Together with a surprising series of proposals for expanded choice in secondary schools (Clark, 1985; Doyle & Levine, 1984; Hoachlander & Choy, 1984; Nathan, 1985; Raywid, 1983) and governors' proposals (Perpich in Minnesota, Lamm in Colorado, and Alexander in Tennessee) for choice programs within the public sector, more radical education reforms, which may not require the same level of funding as the current wave of proposals, may pave the way for education improvements that not only meet the needs and wants of today's parents but also at a price the nation can afford.

Conclusions

School financing has rebounded from the losses incurred at the beginning of the decade. State budgets are in better health and the economy is improving. The education reform impetus has heightened public concern for the quality of schools, and many states have enacted education reforms backed by significant increases in revenues. Yet in both reform and nonre-

form states, school revenues have increased at moderate, not dramatic rates. Further, it seems that revenue hikes for schools precipitated by the education reform momentum already have been generated and, nationwide, represent modest increments. Only two states have been able to find the extra 20% needed to fund new programs of education excellence; additional revenues in other states are far behind that level. Enrollment increases will require a 5% increase in real revenues between 1985 and 1990 just for the education finance system to stay even; finding these dollars will not be easy. Finally, some of the more economically and politically influential families may be pulling children out of public schools and finding choice, quality, and needed day care services in the private sector, thus eroding the key political base for school financing. These realities suggest that optimism about school finance for the rest of the decade should be guarded; maintaining real resources on a total and per-pupil basis will be a stiff challenge. More dramatic changes in the governance, organization, and structure of schools may be needed to retain key public support and implement adequately financed education reforms.

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