Chapter 9  
Trends in Educational Funding

Few Americans would argue against the desirability of a publicly funded education for every child. In fact, most state constitutions guarantee an education, and they use phrases like “equal,” “appropriate,” “uniform,” and “thorough and efficient” to describe the type of education every child should receive.

Despite the loftiness of the states’ intentions, there have always been inequities in the funding of public schools. The U.S. Supreme Court took a stand with Brown v Board of Education (1954), ruling that “separate but equal” schools for African-Americans were inherently unequal. Movies, books, and television programs with titles like Blackboard Jungle, Dangerous Minds, and Savage Inequalities: Children in America’s Schools, graphically depict the problems faced by the large numbers of children who attend America’s poorest schools.

Fair-minded people asked: Was it just or appropriate for some children to attend schools that resembled country clubs, while poor children settled for so much less? Lawsuits were filed on behalf of poor students, demanding fairness in the taxation system used to support education. It began with California’s Serrano v Priest (1971), in which the high court ruled that a child’s access to public education could not be based on the wealth of his or her parents. By 2000 poor school districts in more than 40 states had challenged the constitutionality of their states’ school financing system. The lawsuits are still being filed and fought. State courts say repeatedly that education is the duty of the state and legislatures must find ways to make sure every child has an equal chance at an adequate education.

Bob Chase, President, National Education Association, describes the issue this way: “That some children are more equal than others in American public schools is an abomination, a national disgrace, and an ugly pustule on democracy’s fair visage.”

In theory, equal educational opportunity sounds like the American way. But what about parents who want more than what the states are willing to provide? Should they be allowed to spend their own money to make their childrens’ schools better? One such parent, novelist John Irving, calls legislation to equalize education funding “Marxism.” “It’s

leveling everything by decimating what works... It’s that vindictive ‘We’ve suffered, and now we’re going to take money from your kid and watch you squirm.’

In the panels that follow, we will look at how our schools are funded and where the money goes. We will look at the issue of whether schools allocate their funds wisely. We will examine Americans’ willingness to tax themselves to pay to educate their own children versus the unknown child in some other part of the state.

Americans have always regarded education as important, whether it was for the purpose of teaching people how to think, for the survival of democracy, or for the productivity of the economy. Throughout American history there has been an emphasis on providing at least a rudimentary education for the poor.

Education used to be a parental responsibility. As society became more complex, education became a local responsibility. When the public perceived a failure of the education system to meet the increasing demands placed on it, with test scores falling or flat, remedies were sought. A major shift in education funding resulted in the second half of the twentieth century, with state and federal governments playing an increasingly larger role in support of schooling. This is evident in state equalization efforts and in federal programs for the poor such as Title I, Head Start, and after-school programs. We will close this chapter with a look at trends in preprimary education and funding for Head Start and latchkey programs.

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Public Schools: Where Does the Money Come From?


The chart shows the three major sources of general revenue for the nation’s more than 14,000 public elementary and secondary school districts: Federal, state, and local governments. According to the National Center for Education Statistics, expenditures for education rose from $213.4 billion in 1985-86 to $311.6 billion in 1998-99, a 46% increase (constant 1999-2000 dollars).

The share of revenue that comes from the federal government, practically non-existent before the 1970s, hovered near 7% throughout the 1990s. Title I is the largest federal program for elementary/secondary education; it helps disadvantaged children. Federal spending on education between 1965-2000 approached $200 billion.3

State and local funds account for 93% of education expenditures. These governments spend more money on public education than on any other item. According to Public Administration Review, the trend has been for states to assume more control of education funding (from an average of 41% in 1960 to 50% in 1992). The major sources of state funds are sales and income taxes (personal and corporate). At the local level, property taxes are the revenue source of choice.

There are regional differences in the way revenue is generated (whether more comes from state or local sources), as the table below shows. The only significant increases in

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3 The Leave No Child Behind Act of 2001 increased federal education funding to an estimated $10.4 billion for the Title I program, an 18% increase over 2001 and a 30% increase over 2000 levels.
local funding were in the West between 1991-92 and 1994-95, largely because the California state budget permanently transferred $3.6 billion of local property tax revenues to schools from other local entities. The only significant decreases in local funding occurred in the Midwest between 1993-94 and 1994-95. This was largely due to events in Michigan, a subject we shall discuss later in this chapter (see “Litigating School Funding”).

### Percentage Distribution of Education Revenues by Region: 1991-92 to 1996-97

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States’ ability to fund education varies. Richer states can provide more funding. At least 45 states rely heavily on sales taxes to fund education. When sales tax revenues go down, school funding can suffer. This reality is behind the current trend to push for collection of sales taxes from online purchases of merchandise. The National Education Association estimates the revenue losses to states from online purchases could be as much as $45.2 billion by 2006.

Historically, local property taxes have been the major source of education revenue. Declining cities with less wealth and a smaller tax base now tend to rely on high income taxes to fund education. Wealthy communities raise more money from property taxes. Only state legislatures can fix the inequity, and they have usually done so only after being ordered to by state courts. (See “Litigating School Funding Equity,” later in this chapter.)

Other sources of revenue are PTAs, booster clubs, state lotteries, school-business partnerships (businesses supply the vending machines that make our children obese), tobacco settlement money and one of the hottest trends, Local Education Foundations. LEFs are non-profit groups that raise funds from private sources to benefit local public schools. They took off in the late 1980s in California. In 1992, California LEFs raised $28.9 million, compared to PTAs at $27.7 million and booster clubs at $19.3 million.

### Sources


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4 In 1998 the attorneys general of most states and the major tobacco companies agreed to settle more than 40 pending lawsuits brought by states against the tobacco industry. In exchange for dropping their lawsuits and agreeing not to sue in the future, the states would receive billions of dollars in payments from the tobacco companies.
How willing are we to tax ourselves to pay for education? Fairly willing, according to the chart. Revenues per elementary/secondary student generally rose between 1930 and 1997. There was a leveling-off period in the early 1980s, a time of recession, and funding per pupil increased only about 0.14% annually in the 1990s. Per capita personal income rose at a faster rate than per-pupil expenditures. In 1930, revenue per student equaled 11% of per capita personal income. In 1997, the figure was 24%.

Michael F. Addonizio\(^5\) describes a “nearly 100-fold increase” in education spending between 1890 and 1990, “more than triple the growth of the U.S. gross national product

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\(^5\) See Source notes.
(GNP) over this period, with K-12 public school expenditures increasing from less than 1 percent of GNP in 1890 to 3.4 percent in 1990.”

Fervent antitax sentiment led in 1978 to the passage of Proposition 13 in California. This was just the beginning of a national revolt against the high property taxes that were a major source of school funding. Public support for education funding remains high, however, and other sources of school revenue were found (discussed later in this chapter).

The National Opinion Research Center (NORC) at the University of Chicago reports that support for education rose to the top of America’s priority list in the 1990s. Support for education continues even though the number of families with school-aged children (under 18) fell from 55% of 1972 households to 38% of 1998 households. In 1973 and 1975, education spending ranked sixth out of 11 in Americans’ list of spending priorities.

According to NORC, women (69%), African-Americans (81%) and the college-educated (67%) are most likely to support increases in education spending. According to the General Accounting Office, people in poor communities are generally more willing than are wealthy people to tax themselves at high rates to finance education; their problem is an inadequate tax base.

People opposed to increases in education spending include senior citizens on fixed incomes who no longer have children in the system, people who oppose tax increases of any kind, and a sizeable number of people who believe it would simply be folly to pour any more money into poorly managed school systems.


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6 The NORC survey was part of the General Social Survey, a study begun in 1972. Sample size is 3000 cases.