

Lessons From Other States

A Working Paper
Prepared as Support for
“Can New York Get an A
in School Finance Reform?”

A Report by
the Citizens Budget
Commission

November 2004



FOREWORD

Founded in 1932, the Citizens Budget Commission (CBC) is a nonprofit, nonpartisan civic organization devoted to influencing constructive change in the finances and services of New York State and New York City governments.

This Working Paper was prepared under the auspices of CBC's Education Finance Committee, which we co-chair. The other members of the Committee are: Paul R. Alter, Richard H. Bagger, Stephen Berger, Deborah A. Buresh, Lawrence B. Bittenwieser, Evan A. Davis, Stephen F. DeGroat, Kenneth D. Gibbs, Bud H. Gibbs, H. Dale Hemmerdinger, Bill Lambert, James L. Lipscomb, Stanley Litow, Robinson Markel, Joel H. Moser, David I. Moskowitz, Lester Pollack, Hector P. Prud'homme, Alfredo S. Quintero, Edward L. Sadowsky, William G. Salter, and Howard Wilson.

The CBC created this ad hoc Committee in the wake of the 2003 New York State Court of Appeals decision in the Campaign for Fiscal equity case. Initially, we believed that the scope of the Committee's work would be confined to helping public officials identify the most economically effective sources of revenue to fund the Court's decision. However, as the Committee explored the issues, and as the Governor and State Legislature failed to reach an agreement on the amount required, we broadened the scope of our work. The Committee recognized that in order for the goal of the Court's ruling to be achieved - for students to obtain a sound basic education - changes were needed beyond the allocation of more money.

The Committee prepared its final report, *Can New York Get An "A" In School Finance Reform*, with two goals in mind. The first is to provide the responsible public officials – judges, legislators and others – with sound advice on how to craft a remedy that will be effective and efficient. But the CBC also recognizes that shaping policy affecting so many lives, and costing so many billions of dollars, should involve an informed citizenry who support the eventual outcome. Accordingly, the CBC seeks also to use the Committee's final report, and a companion conference scheduled for December 2-3, 2004, to stimulate informed debate about the options available to New Yorkers for providing their children a sound basic education.

In order to prepare the final report, the Committee met nine times between January and November of 2004. Its meetings were focused on research conducted by the staff and expert consultants. This background research has been organized into six working papers, of which this is one. Selma Mustovic, Research Associate at the CBC, wrote most of this paper. Anthony Shorris, Visiting Professor at Princeton University's Woodrow Wilson School of Public Affairs, who served as a consultant to the Committee, wrote the section on "Where Money Matters." All six working papers and the final report are available at the Commission's website, www.cbcny.org.

The research was made possible by generous support from the Andrew W. Mellon Foundation and by designated contributions from CBC Trustees.

Paul E. Francis
Eugene J. Keilin

LESSONS FROM OTHER STATES

Introduction

New York is not alone. A majority of states have faced legal challenges to their public school financing systems, and most of them have lost in court. As the State of New York seeks to comply with the ruling of its highest court, it is appropriate to examine the experiences of other states.

The first education finance case dates back to 1819. The Supreme Judicial Court of Massachusetts held that schools must “be maintained for the benefit of the whole town, as it is the wise policy of the law to give all the inhabitants equal privileges, for the education of their children in the public schools.” The court added, “[n]or is it in the power of the majority to deprive the minority of this privilege.”¹

The modern era of school funding cases began in 1973. In that year, the U.S. Supreme Court decided a case in which the plaintiffs argued that the equal protection provision of the federal constitution applied to public education and that states could not permit large inequities in funding for their schools. However, in *San Antonio v. Rodriguez*, the Supreme Court concluded that education is not a fundamental right under the federal constitution and that the equal protection clause did not apply to it.

Following the 1973 defeat, reformers pursued a new legal strategy. On a state-by-state basis, they challenged school financing arrangements as violating provisions of state constitutions. Often these provisions were similar to the federal equal protection clause, but the expectation was that state courts would recognize public education as subject to these state constitutional provisions.

Such “equity” claims were common in state courts in the 1970s and 1980s. But, to the disappointment of reformers, defendants won about two-thirds of those cases, including prominent suits in Colorado and Georgia. However, significant plaintiff victories were realized in Connecticut, Washington, and West Virginia.

In the face of state court rejections of equity arguments, many reformers again shifted legal strategy. They shifted away from “equity” claims to claims emphasizing the right to an “adequate” education.² An adequacy approach argues that a minimum or “adequate” level of education is guaranteed by a state constitution, and then shows that some or all districts in a state do not meet that minimum level of adequacy

This shift has led courts in states such as Idaho and South Carolina to reverse or distinguish earlier cases in which defendants had prevailed and to remand them to trial courts.

¹ Campaign for Fiscal Equity, Advocacy Center for Children's Educational Success with Standards (ACCESS), <<http://www.accessednetwork.org>>.

² U.S. Department of Education, National Center for Education Statistics, “Overview and Inventory of State Education Reforms: 1990 to 2000,” August 2003, <<http://nces.ed.gov/pubs2003/2003020.pdf>> (May 10, 2004).

Since 1989, plaintiffs in about two-thirds of the states have won court decisions seeking to change school financing (20 of 29), including a landmark case in Kentucky. (See Table 1.)

Equity cases were also brought and won during these years in New Hampshire and Vermont. In some states where litigation failed, advocates successfully pursued alternative strategies, such as amending the state constitutions in Florida and Oregon.

The 2003 victory of the Campaign for Fiscal Equity (CFE) in New York State should be seen in the context of this wide-ranging experience in other states. The purpose of this paper is to consider the experience of these states and draw lessons from them that might benefit New Yorkers.

Table 1
Outcomes of State School Finance Litigation: 1970 to 2004

Plaintiffs won at State Supreme Court level or the Supreme Court approved a trial court decision for plaintiffs	Plaintiffs lost at State Supreme Court level, but the decision was either overturned or further complaints are pending or were sustained without a final determination or settled																														
<table border="0"> <tr> <td>Alabama 1993, 1997</td> <td>New Jersey 1973, 1985, 1990, 1994, 1997, 1998, 2000, 2002</td> </tr> <tr> <td>Arizona 1973, 1994, 1997, 1998</td> <td>New York 1982, 1995, 2003</td> </tr> <tr> <td>Arkansas 1985, 1996</td> <td>North Carolina 1987, 1997, 2000 (trial court victory)</td> </tr> <tr> <td>California 1971, 1976</td> <td>Ohio 1997, 2000, 2001, 2002</td> </tr> <tr> <td>Connecticut 1977, 1985, 1998 (filed)</td> <td>Tennessee 1993, 1995, 2002</td> </tr> <tr> <td>Kentucky 1989</td> <td>Texas 1989, 1991, 1995, 2004</td> </tr> <tr> <td>Kansas 1976, 1994, 2003 (trial court victory)</td> <td>Vermont 1997</td> </tr> <tr> <td>Massachusetts 1993, 2004 (trial court victory)</td> <td>Washington 1974, 1978</td> </tr> <tr> <td>Montana 1974, 1989, 1990, 2004 (trial court victory)</td> <td>West Virginia 1979, 1984, 1988, 1997</td> </tr> <tr> <td>New Hampshire 1993, 1997, 1998</td> <td>Wyoming 1980, 1995</td> </tr> </table>	Alabama 1993, 1997	New Jersey 1973, 1985, 1990, 1994, 1997, 1998, 2000, 2002	Arizona 1973, 1994, 1997, 1998	New York 1982, 1995, 2003	Arkansas 1985, 1996	North Carolina 1987, 1997, 2000 (trial court victory)	California 1971, 1976	Ohio 1997, 2000, 2001, 2002	Connecticut 1977, 1985, 1998 (filed)	Tennessee 1993, 1995, 2002	Kentucky 1989	Texas 1989, 1991, 1995, 2004	Kansas 1976, 1994, 2003 (trial court victory)	Vermont 1997	Massachusetts 1993, 2004 (trial court victory)	Washington 1974, 1978	Montana 1974, 1989, 1990, 2004 (trial court victory)	West Virginia 1979, 1984, 1988, 1997	New Hampshire 1993, 1997, 1998	Wyoming 1980, 1995	<table border="0"> <tr> <td>Alaska 1997, 1997 (filed)</td> </tr> <tr> <td>Colorado 1982, 1998 (filed), 2000 (settled)</td> </tr> <tr> <td>Florida 1996, 1999 (filed)</td> </tr> <tr> <td>Idaho 1975, 1993, 1998 (reversed)</td> </tr> <tr> <td>Maryland 1983, 1996 (consent decree), 2000 (failure to comply)</td> </tr> <tr> <td>Minnesota 1993, 1995 (filed), 1999, 2000 (settled)</td> </tr> <tr> <td>North Dakota 1993, 2003 (filed)</td> </tr> <tr> <td>Pennsylvania 1979, 1998, 1998</td> </tr> <tr> <td>South Carolina 1988, 1999 (remanded to trial court)</td> </tr> </table>	Alaska 1997, 1997 (filed)	Colorado 1982, 1998 (filed), 2000 (settled)	Florida 1996, 1999 (filed)	Idaho 1975, 1993, 1998 (reversed)	Maryland 1983, 1996 (consent decree), 2000 (failure to comply)	Minnesota 1993, 1995 (filed), 1999, 2000 (settled)	North Dakota 1993, 2003 (filed)	Pennsylvania 1979, 1998, 1998	South Carolina 1988, 1999 (remanded to trial court)	
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Source: U.S. Department of Education, National Center for Education Statistics, *Overview and Inventory of State Education Reforms: 1990 to 2000*, August 2003, <<http://nces.ed.gov/pubs2003/2003020.pdf>> (May 10, 2004); 2000 to present updates based on information from Campaign for Fiscal Equity, Advocacy Center for Children's Educational Success with Standards (ACCESS), <<http://www.accessednetwork.org>> (November 19, 2004).

CASE STUDIES

Overview

The Citizens Budget Commission has selected seven states for more detailed case studies. Kentucky, New Hampshire and Vermont are examples in which plaintiff victories led to swift education finance reforms. New Jersey, Ohio and Texas belong to a larger set of states whose response to a plaintiff victory has been a limited and often reluctant reform effort, and further legal challenges. Finally, Michigan is a case in which education finance reform happened without, even despite, litigation.

For the six states that had plaintiff victories, the analysis is structured around the following questions:

1. How long did it take and why?
2. How much did it cost, and where did the money come from?
3. What were the results in terms of finance outcomes?
4. What new strings were put on the money?
5. What were the results in terms of educational outcomes?

In order to provide consistent and comparable answers across the states to the last question above, the National Assessment of Educational Progress (NAEP), also known as “the Nation's Report Card,” is used as a common data source. It is the only nation-wide and continuing assessment of student performance in multiple subject areas. States receiving Title I funding must participate in the state component of NAEP in mathematics and reading at grades four and eight every two years beginning in 2003. Prior to that, participation in all state NAEP subjects was voluntary, and continues to be so in subjects other than mathematics and reading. Tables A1 and A2 in the appendix show the results of NAEP math and reading tests at grades four and eight in the states used in this study, for all the years for which data is available.

The case studies suggest three general lessons:

1. *A court victory does not ensure timely or effective policy responses.*
2. *In contrast, when political leaders are supportive of the courts policy directions, action can be prompt and effective.*
3. *“Success” in terms of generating additional spending for public schools does not automatically equal success in terms of improved educational outcomes.*

Kentucky

How long did it take?

In 1985, 66 property-poor rural school districts in Kentucky filed suit claiming that the state education finance system places too much emphasis on local school board resources and results in inadequacies, inequities and inequalities throughout the state so as to result in an inefficient system of common school education in violation of the Kentucky Constitution.

In 1989, in *Rose v. Council for Better Education*, the State Supreme Court, using the “efficiency” language in the constitution’s educational clause, declared “Kentucky’s entire system of common schools . . . unconstitutional.” The court interpreted the word “efficient” to include “adequate” and defined “adequate” to include student outcomes. More specifically, the court enumerated seven learning goals, which have served as a touchstone for other courts deciding similar cases ever since.³

The Kentucky court concluded, as other courts have since, that “money matters” and that state responsibility for public education cannot be disclaimed in the name of “local control.” In fact, the court placed sole responsibility for the public schools in the hands of the General Assembly, ordering it to providing funding “sufficient to provide each child in Kentucky an adequate education.” The court decision also stated that the General Assembly “has the obligation to see that all property is assessed at 100 percent of its fair market value” and that it “must establish a uniform tax rate for such property.”⁴ In short, the court-ordered mandate went far beyond that envisioned by the litigants.

Reactions to the court’s decision from the political establishment were generally positive. Less than a year after the decision, the legislature had passed and the governor had signed the Kentucky Education Reform Act of 1990 (KERA). KERA was so ambitious that it was called “a crusade, a miracle, and a model for the nation.”⁵ KERA recreated the state’s entire elementary and secondary education system, encompassing finance, governance, and changes in curriculum. It also featured a strong accountability program based on a new assessment system, providing

³ The seven learning goals, for “each and every child,” are:

1. sufficient oral and written communication skills to enable students to function in a complex and rapidly changing civilization;
2. sufficient knowledge of economic, social, and political systems to enable the student to make informed choices;
3. sufficient understanding of governmental processes to enable the student to understand the issues that affect his or her community, state, and nation;
4. sufficient self-knowledge and knowledge of his or her mental and physical wellness;
5. sufficient grounding in the arts to enable each student to appreciate his or her cultural and historical heritage;
6. sufficient training or preparation for advanced training in either academic or vocational fields so as to enable each child to choose and pursue life work intelligently; and
7. sufficient levels of academic or vocational skills to enable public school students to compete favorably with their counterparts in surrounding states, in academics or in the job market.

⁴ *Rose v. Council for Better Education*, 790 S.W.2d, at 212, 216.

⁵ Molly A. Hunter, “All Eyes Forward: Public Engagement and Educational Reform in Kentucky,” *Journal of Law & Education* Vol. 28, No.4 (October 1999): 485-516.

financial rewards for exceptional performance and significant sanctions for poor performance.⁶ It is still considered by many as the most comprehensive statewide education reform. It moved Kentucky to the forefront of the education reform movement in the nation and became a precedent for courts and reformers in other states.

The fact that Kentucky's legislature promptly enacted and sustained a comprehensive statewide education reforms does not reflect other states' responses to similarly far-reaching court mandates. Legislative efforts to comply with parallel court rulings in other states have generally been "slow, piecemeal, and seldom in compliance with the constitutional mandate on the first attempt."⁷ Moreover, Kentucky stayed the course, whereas other states that have tried to institute similar reforms often failed immediately or had to scale back their reform efforts.

Kentucky's success is attributed, in large part, to the "particularly favorable political incentives in the state" and the fact that the reform effort "won broad support from citizens, business, and education interest groups."⁸ Governor Wallace Wilkinson also supported the decision, stating that he had been saying that the school finance system was unconstitutional for three years.⁹

Factors that helped create this atmosphere include a series of articles published in the state's three leading newspapers focusing on the political abuses and widespread nepotism in the state's schools, and the fact that "Kentucky had been at or near the bottom in virtually every national measure of education," including finance outcomes.¹⁰ In 1989, average per-pupil spending on education was below the national average in each of Kentucky's 176 school districts, and districts' revenues per pupil ranged from \$78 to \$3,867.¹¹

Instrumental in mobilizing and sustaining the support for reform was the work of the Prichard Committee for Academic Excellence. The Prichard Committee, a grassroots advocacy group named for the influential first chairman, Edward F. Prichard Jr., spearheaded the call for change in the 1980s through a public lobbying campaign that denounced the state of education at the time in Kentucky. Molly Hunter reviewed the interviews conducted in 1993, which revealed that, "[w]ithout exception, stakeholders credited the [Prichard] Committee with being the catalyst for elementary and secondary school reform in the state."¹² One of its high points was a statewide town forum in 1984, which produced simultaneous sessions in 145 communities with a combined turnout of about 20,000 people. The Prichard Committee is still very active today, with the same goal of improving Kentucky's public education system. As one observer remarked

⁶ U.S. Department of Education, National Center for Education Statistics, *Overview and Inventory of State Education Reforms: 1990 to 2000*, August 2003, <<http://nces.ed.gov/pubs2003/2003020.pdf>> (May 10, 2004).

⁷ *Ibid.*

⁸ Making Money Matter: Financing America's Schools (1999), 110; "All Eyes Forward."

⁹ "All Eyes Forward."

¹⁰ Peter Schrag, *Final Test: Battle for Adequacy in America's Schools* (New York: The New Press, 2003), 61.

¹¹ Education Week, "From Risk to Renewal: Charting a Course for Reform," May 1993, 170; Jacob E. Adams, Jr., "School Finance Reform and Systemic School Change: Reconstituting Kentucky's Public Schools," *Journal of Education Finance*, Vol. 18, No. 1 (Spring 1993): 318-345.

¹² "All Eyes Forward."

recently, “nationally they are viewed as a leader among grassroots advocacy groups that are trying to involve parents and the community in the reform of public education.”¹³

How much did it cost, and where did the money come from?

KERA raised spending in two ways. First, it increased local school revenues by imposing a minimum “local equivalent tax rate” of 30 cents per \$100 of assessed property value and requiring all taxable property to be assessed at market value.

Second, it increased state revenues for schools by:

- Increasing the state sales tax from five to six percent;
- Increasing the top corporate income tax rate from 7.25 percent to 8.25 percent;
- Conforming to the federal income tax changes made in the Tax Reform Act of 1986, which widened the tax base;
- Eliminating the deductibility of federal income tax payments from income before calculating state individual income taxes.

The minimum local equivalent tax rate was one component of a new, three-part funding formula, referred to as Support Education Excellence in Kentucky (SEEK). First, the General Assembly sets an annual Base Guarantee amount, which is the minimum per-pupil spending for all districts. This amount is adjusted for various need factors (transportation costs, the number of at-risk children and exceptional children, and the number of children who must be educated at home or in the hospital because of illness). If the minimum local tax rate does not yield this amount, the state provides the difference to local districts from its General Fund.

The second component, Tier I funding, provides additional state revenues to school districts that opt to raise additional local money to support education. School boards are authorized to generate up to 15 percent of a district’s Adjusted Base Guarantee.

The final component, Tier II funds, allows districts to raise additional local revenue. Districts may raise up to an additional 30 percent of the funds generated by the Adjusted Base Guarantee and Tier I. The Tier II funds are not matched by the state and, unlike the funds raised in Tier I, require voter approval. This component acts as a cap to ensure that large disparities in spending do not create inequitable educational opportunities. Fewer districts levy Tier II funds than raise Tier I funds, and only one district has hit the cap imposed by this tier.¹⁴

While KERA was not based on a formal costing-out model, its authors hired Dr. John Augenblick, “probably the nation’s most active adequacy consultant,” between September 1989 and March 1990 to help develop the SEEK formula.¹⁵

¹³ Crystal Harden, “Dusting off the armor,” *The Kentucky Post*, Nov. 15, 2003.

¹⁴ By 1996-97 all 176 districts claimed Tier I funds, while voters in 161 districts approved taxes under Tier II. School boards increased local taxes far more than was expected when SEEK became law. “All Eyes Forward.”

¹⁵ Schrag 233.

What were the results in terms of school finance outcomes?

Several studies report that KERA significantly increased state aid to education, raising an additional \$1.2 billion (\$1.26 billion by one account) in tax revenue over two years.¹⁶ Data from the U.S. Census Bureau suggest that Kentucky increased its state and local tax revenues by just under \$1.1 billion between fiscal years 1990 and 1992. (See Table 2.) That represents a 20 percent increase, compared to 16 percent between 1988 and 1990. While some of these funds went toward non-education initiatives, the majority of new funds were appropriated for education. In the 1990-91 school year alone, KERA increased education funding by \$490 million.

According to Augenblick's evaluation of the initial effects of SEEK, between 1989-90 and 1990-91 average property wealth per pupil increased from \$157,814 to \$170,099, and average state and local revenue per pupil increased from \$2,918 to \$3,460. Augenblick also found evidence that state aid had become more sensitive to district wealth and that tax rates increased while their disparity declined.¹⁷ According to the U.S. Department of Education data, total spending per pupil increased from \$3,745 in 1989-90 to \$4,719 two years later, or 26 percent. (See Table 2.) This is a remarkable growth, but it is not very different from the two years prior to 1989-90. As shown in Table 2, per-pupil spending increased from \$3,011 to \$3,745 in that period, or 24 percent.

According to Education Week's *Quality Counts 2004* report, which uses mostly data for the 2000-01 school year, Kentucky currently fares well in most measures of equity, but does not fare as well when it comes to adequacy. At 8.8 percent, its coefficient of variation in spending among districts (a gauge of inequity) was among the ten lowest in the nation, and the only single digit number among the states analyzed in this paper. Moreover, it had declined significantly from 13.0 percent in 1994-95.

On the other hand, Kentucky ranks only 33rd on the report's measure of adequacy, with a score of 75 out of 100.¹⁸ However, the state's adequacy performance had improved between 1994-95 and 1998-99. It is conceivable that the deterioration in its adequacy score in the last year has to do more with the change in Education Week's methodology for measuring adequacy than with any changes in Kentucky's school finance. (See footnotes in Table 2.)

¹⁶ Molly A. Hunter, "Trying to Bridge the Gaps: Ohio's Search for and Education Finance Remedy," *Journal of Education Finance* Vol. 26, No.1 (Summer 2000): 63-86; Ibid.

¹⁷ "School Finance Reform and Systemic School Change."

¹⁸ Education Week, *Quality Counts 2004*, <<http://counts.edweek.org/sreports/qc04/state.cfm?slug=17ky.h23>> (November 9, 2004).

Table 2
Kentucky Public School Revenues

Fiscal/ School Years ^a	Expenditure per Pupil		State and Local Tax Revenues	State Share of Total Education Revenues	Adequacy		Equity
	Amount	Percent of U.S. Average			Adequacy Score ^b (out of 100)	50 State Rank	Coefficient of Variation ^c (percent)
1987-88	\$3,011	71%	\$4,737,015	65.2%	NA	NA	NA
1988-89	3,347	72	5,209,429	68.1	NA	NA	NA
1989-90	3,745	75	5,511,001	68.5	NA	NA	NA
1990-91	4,354	83	6,420,661	66.9	NA	NA	NA
1991-92	4,719	87	6,599,607	67.0	NA	NA	12
1992-93	4,872	87	6,890,747	67.0	NA	NA	NA
1993-94	5,107	89	7,385,875	65.9	NA	NA	NA
1994-95	5,217	87	8,108,993	65.8	83	16	13.0
1995-96	5,545	90	8,413,338	65.3	83	18	9.8
1996-97	5,929	93	8,895,688	62.9	82	18	9.6
1997-98	6,125	92	9,355,335	61.7	85	11	NA
1998-99	6,501	93	9,760,823	61.8	86	9	9.0
1999-2000	6,784	92	10,172,414	60.7	NA	NA	9.1
2000-01	7,174	91	NA	59.9	75	33	8.8

Bold - Year of reform.

NA - Not Available

^a Data for expenditure per pupil, adequacy scores and coefficient of variation given on school year basis; tax revenues on state fiscal year basis.

^b The Education Week started grading states' adequacy of resources for education in 1997. Their grading methodology has changed over time, mostly in order to accommodate new measures of adequacy that were being developed. The adequacy components that are currently used in the calculation of the adequacy score include spending per pupil (adjusted for regional cost differences), the "adequacy index," percent of total taxable resources spent on education and the average annual rate of change in spending per pupil (adjusted for inflation). The adequacy index takes into account the number of students enrolled in districts with adequate spending, and the degree to which spending is below adequate in districts where per-pupil expenditures fall below the national average.

^c The Index of Disparity is a coefficient of variation. The value is calculated by dividing the standard deviation of adjusted per-pupil spending by the state's average per-pupil spending. Figures adjusted to reflect regional cost differences and weighted for student needs. 1992 data is reported as a whole number.

Sources: Expenditure and state share of revenues data from National Center of Education Statistics, *Digest of Education Statistics*, 1991-2002 Editions, <<http://nces.ed.gov/programs/digest/>> (October 20, 2004); State and local tax revenues data from Department of Commerce, U.S. Census Bureau, 00REX1.xls [10.0MB] and 00REX2.xls [10.1MB], <<ftp://ftp2.census.gov/pub/outgoing/govs/Finance/>> (March 2, 2004); Adequacy and Equity data from Education Week, *Quality Counts*, 1997-2004 Editions, <<http://www.edweek.org/rc/articles/2004/10/15/qc-archive.html>> (November 9, 2004).

What new strings (accountability) were put on the money?

KERA made sweeping changes to the state's accountability system, producing new incentives for teachers in the process. A new evaluation system, Kentucky Instructional Results Information System (KIRIS), was created to evaluate each student's educational progress. Evaluations are based on three types of assessments: open-ended short essays, performance events, and student work portfolios, rather than on multiple-choice tests. Students are graded and placed in one of four categories based on their score: novice, apprentice, proficient, or distinguished. Schools receive an average score, and each school earns rewards and sanctions based on the school's progress over each biennium. In particular, schools are rewarded if their average test score increases by more than 10 percent of the difference between the proficient

level and the school's average score. Schools that show declines in performance receive state assistance to improve classroom instruction.

In the most recent issue of Education Week's *Quality Counts* reports, Kentucky was one of eight states earning A's for Standards and Accountability. The Kentucky "State Report Card" states:

Kentucky is one of only 14 states that offer standards-based exams at all grade spans—elementary, middle, and high school—in each core subject. Another strength is that the state tests incorporate a variety of items, including multiple-choice and extended-response questions and portfolios.

The state puts its test data to good use. It publishes achievement data on school report cards. It assigns ratings to schools and identifies low-performing ones. Such schools receive assistance and are subject to sanctions if they fail to improve. Kentucky also rewards improved or high-performing schools.¹⁹

Another important component of KERA was governance reform. It entailed restructuring state-local relations as a way of reducing nepotism and corruption. It included a new board of education and an appointed commissioner of education. In addition, changes were made in the qualifications needed for local superintendents and boards of education, and strict requirements were set regarding school-based decision-making. KERA also established a legislative Office of Educational Accountability to monitor the reform's progress.

Last but not least, KERA involved comprehensive programmatic reform, including:

- Curriculum changes, emphasizing the match between materials and state learning goals;
- Teacher professional development mechanisms focused on aspects of KERA, such as performance-based assessment, research-based instruction and technology;
- Pre-kindergarten programs for at-risk and exceptional children;
- Extended school services for children who need more time to learn;
- Five-year plan for buying and using technology in schools;
- Integration of social and educational services through the creation of Family Resource and Youth Service Centers.

What were the results in terms of educational outcomes?

As shown in Table A1, Kentucky's progress is most evident in fourth-grade reading scores. In 1992, its average score was 3 points below the national average. By 1998, the state's average was 5 points higher than the national average. Kentucky outperformed the national average in this category in 2000 and 2003 as well. Eighth-graders also outperformed the national average in reading in those two years, the only two for which state data are available for this category. In mathematics, however, Kentucky students scored lower than the national average in

¹⁹ Education Week, *Quality Counts 2004*, <<http://www.edweek.org/sreports/qc04/state.cfm?slug=17nh.h23>> (May 3, 2004).

both grades and in all available years, although the gap narrowed significantly between 1990 and 2003 for the eight-graders. Table A2 indicates that the percentage of students at or above the NAEP “proficiency” level is growing at a relatively steady rate in all four categories.

New Hampshire

How long did it take?

In 1993 in *Claremont School District v. Merrill (Claremont I)*, the court held that the New Hampshire Constitution “imposes a duty on the State to provide a constitutionally adequate education to every educable child and to guarantee adequate funding” and remanded the case for trial.²⁰ The court noted that the legislature and the governor have the sole responsibility to define “the specifics of” an adequate education. The court also gave plaintiffs more time to develop a factual record of the state’s heavy reliance on property taxes.

In 1996, plaintiffs presented evidence regarding the inequity of New Hampshire’s school funding and taxation system, as well as the inadequacies of educational opportunity available in many districts. Despite this evidence, the superior court ruled in favor of the State.

In December 1997, however, the New Hampshire Supreme Court reversed the trial court’s ruling in a sweeping decision that declared the state’s entire system of funding education unconstitutional. In *Claremont II*, the court declared it unreasonable to expect taxpayers in poor districts to pay as much as four times the tax rate in wealthy districts. The court gave the governor and the legislature until April 1, 1999 to craft a new funding system.

The Supreme court also rejected the definition of adequacy submitted by the State and accepted by the trial court, on the grounds that it “did not sufficiently reflect the letter or the spirit of the State Constitution’s mandate” because it was created by the members of the State Board of Education and not the legislature. This time, the court provided guidelines for the new definition of adequacy, citing the seven criteria set out by the Supreme Court of Kentucky in *Rose v. Council for Better Education*.²¹

As the April 1, 1999 deadline came and went, legislators still argued over a solution, and a sense of urgency grew in other quarters. Schools started sending out dismissal notices to their teachers, collection of property taxes became illegal as of March 31, and two credit rating agencies put New Hampshire on a bond watch.²² At the end of April 1999, the legislature finally enacted an interim funding plan centered around a temporary uniform statewide property tax rate, which accounted for more than half of the funding for education. If a district was not able to fund its per-pupil adequacy amount at that rate, the state would pay for the difference from the newly-established Education Trust Fund. If a district raised more than its adequacy amount, the extra money was to be paid into the trust fund for redistribution to those districts that fell short.

²⁰ 635 A.2d 1831.

²¹ 703 A.2d 1353, 1354

²² Mary Ann Zehr, “N.H. Lawmakers Come Close to Accord on Aid,” *Education Week*, April 28, 1999.

School districts were also allowed to raise additional funds through local property taxes for additional programs.

Most districts experienced a net decrease in their overall tax rate, because the new statewide property tax was offset by large reductions in local property taxes. However, a number of property-rich districts saw the opposite in their tax burdens. The legislature tried to offset these tax increases by including a “phase-in” provision in the law, which let the districts that raised funds above the adequacy amount keep some portion of that excess. This portion would gradually decrease until it reached zero after six years.

In October 1999 the plaintiffs returned to the court to challenge the “phase-in” provision. The court swiftly struck it down and again declared the school system unconstitutional. The legislature passed a bill reinstating the statewide education property tax, but replacing the “phase-in” provision with tax rebates for “donor towns.” The rest of the funding system stayed the same.

The new plan faced strong opposition from “donor towns.” They presented evidence that some receiver towns were using the money from the Education Trust Fund for tax relief. At the same time, the state legislature struggled to forge a more permanent funding system with stable revenue sources. In the end, after a two-year public debate, and in the face of a growing budget gap, policymakers enacted a second plan in June 2001 that made the statewide property tax permanent and added supplemental revenues.

How much did it cost, and where did the money come from?

In June 1998, the New Hampshire legislature appointed a 12-member Adequate Education Costs and Municipal Grant Distribution Commission. The commission hired the Denver-based firm of Augenblick & Myers to produce a costing-out study. The consultants recommended four alternatives, each based on the average operating expenditures in successful districts. Capital costs were not included. Of the four, three used a combination of input and output variables, while the fourth relied on student performance. After adjustments for factors such as pupils receiving free or reduced-price lunches and pupils with special needs, these four options produced a range of per-pupil figures, from \$4,108 to \$4,700 per elementary student and \$4,793 to \$5,461 per high school student.

Of the four, the legislature chose the lowest cost option, reduced it by ten percent, and did not include a provision for future inflation. It committed the state to \$825 million for education in the fiscal year 2000-01 biennium, or \$4,220 in average per-pupil terms.

The interim funding plan consisted of two pieces of legislation. HB117, enacted in May 1999, changed the following tax rates:

- Increased business profits tax rate from 7 to 8 percent;
- Increased business enterprise tax rate from 0.25 to 0.5 percent;
- Increased real estate transfer tax from \$5 to \$7.50 per \$1,000 of appraised value;
- Imposed a new 8 percent tax rate on car rentals.

This combination of taxes was designed to raise \$150 million. HB117 also allocated to local education \$40 million from the \$43 in tobacco settlement revenues for that year and \$100 million from pre-existing education aid.

The second piece of legislation, HB999, was enacted in November 1999. It established a statewide property tax at a rate of \$6.60 per \$1,000 of equalized property value. HB999 was supposed to raise \$440 million, or about half the necessary revenue.

The total new revenues from the two measures was \$730 million, about \$100 million short of the \$825 million that was deemed necessary in 2000-01 biennium. This budget gap was forecast to increase to \$170 million in the 2002-03 biennium. In addition, HB999 contained a provision to end the statewide property tax in 2003.

At the end of June 2001, the legislature enacted HB170, which repealed the sunset provision of HB999, making the statewide property tax permanent. The bill also cut the state property tax rate from \$6.60 per \$1,000 to \$5.80 per \$1,000, in order to compensate for the enormous rise in equalized property values that had occurred in the two years. HB170 also provided for the following tax changes:

- Increased business profits tax rate from 8 to 8.5 percent
- Increased business enterprise tax from 0.5 to 0.75 percent
- Increased telecommunications service tax from 5.5 to 7.0 percent
- Eliminated exemptions from the real estate transfer tax
- Declared general tax amnesty.

Together, these secondary tax increases were expected to raise \$170 million to fill the projected gap in school funding for the 2002-03 biennium.

What were the results in terms of school finance outcomes?

In the school year preceding the implementation of the temporary statewide property tax, state funds accounted for only 8.9 percent of total school revenues in New Hampshire. Two years later, in school year 2000-01, that figure had grown to 51.6 percent. (See Table 3.)

In *Quality Counts 2004*, New Hampshire gets a second-to-lowest grade for resource equity (D-), and recognition for making “strong efforts to improve over the past few years.”²³ The reasons for such a dismal score in Education Week’s measurement of equity are “one of the worst wealth-neutrality scores of the 50 states, ranking 42nd,” and “one of the highest coefficients of variation of the 50 states, at 17 percent.” The first indicator measures the degree to which revenue is related to the property wealth of districts, and the second indicator measures the variation in per-pupil spending across districts in the state. Nevertheless, the coefficient of variation has declined in the two years since reform.

²³ Education Week, *Quality Counts 2004*, <<http://www.edweek.org/sreports/qc04/state.cfm?slug=17nh.h23>> (May 4, 2004).

In terms of adequacy as measured by Education Week, New Hampshire is in the middle of the pack among the 50 states. However, New Hampshire’s rank for adequacy has deteriorated since the years before the reform.

Table 3
New Hampshire Public School Revenues

Fiscal/ School Years ^a	Expenditure per Pupil		State and Local Tax Revenues	State Share of Total Education Revenues	Adequacy		Equity
	Amount	Percent of U.S. Average			Adequacy Score ^b (out of 100)	50 State Rank	Coefficient of Variation ^c (percent)
1995-96	\$5,958	97%	\$2,618,777	7.0%	85	14	17.5%
1996-97	6,236	98	2,751,584	7.4	85	12	16.9
1997-98	6,487	97	2,862,860	9.3	76	33	NA
1998-99	6,780	97	3,110,088	8.9	79	25	18.2
1999-2000	7,082	96	3,278,375	55.8	NA	NA	17.5
2000-01	7,656	97	NA	51.6	77	29	17.0

See Table 2 for notes and sources.

What new strings (accountability) were put on the money?

The answer is, apparently, none. In the 2004 issue of *Quality Counts* series, New Hampshire received a C- grade for Standards and Accountability, which puts it behind 43 other states. The report faults the state for not having “[c]lear and specific standards... for all core subjects at the elementary, middle, and high school levels.” It also notes that the state “does not provide help to both Title I and non-Title I schools rated low-performing, and it lacks consequences for both such kinds of schools. The state also lacks monetary rewards for high-performing or improving schools.”²⁴

What were the results in terms of educational outcomes?

New Hampshire has a short and irregular history of participation in NAEP testing. Based on that history, New Hampshire has a consistently better score than the national average, in both subjects, and in all available years. (See table A1.) In terms of the percentage of students who performed at or above the NAEP “proficient” level, New Hampshire has shown improvement from 1992 to 2003 in all categories, and most notably in fourth-grade math (from 25 percent to 43 percent). (See table A2.)

²⁴ *Quality Counts 2004*.

Vermont

How long did it take?

In 1995 students, taxpayers, and school districts filed *Brigham v. State*, an “equity” suit which claimed that the state's education finance system violated the equal protection and education clauses of the Vermont Constitution. In February 1997 the state Supreme Court agreed, stating that “we are simply unable to fathom a legitimate governmental purpose to justify the gross inequities in educational opportunities...” Also, the court's discussion of the importance of education to prepare students for political participation in democratic self-government established a significant “adequacy” benchmark for students at the turn of this century.

Within four months of the court decision, the legislature passed the Equal Educational Opportunity Act, also known as Act 60. This replaced local property taxes with a statewide property tax and established a per-pupil block grant for every district. It also established a controversial “sharing pool” requiring affluent districts that chose to spend above the base block grant to share part of their excess revenue with property-poor districts.

Act 60 decreased property taxes for the majority of residents and increased the funds available for their local schools. Residents of the wealthy ski towns (“Gold Towns”), however, experienced an increase in tax rates and a decrease in revenues for their schools, which had been spending much more than those in most districts.

A backlash against Act 60 from the Gold Towns created considerable controversy, which continues to date. Dover, Searsburg, and Whitingham, for instance, withheld \$648,000 in property taxes from the state education fund and tried to incite other Gold Towns to do the same. The Attorney General had to intervene and compel the districts to turn the funds over to the state. The Freeman Foundation, which strongly opposes Act 60, promised to match any tax-deductible contributions to a school fund, which allowed many Gold Towns to circumvent the “sharing pool” at least partially.²⁵ Nonetheless, after extensive debate, the 2001 and 2002 legislative sessions ended with no changes enacted. On May 28, 2003, the Vermont Senate passed a bill revising Act 60, but it did not get far in the House.

How much did it cost, and where did the money come from?

By design, Act 60 has been phased in over a four-year period. Its first full year of implementation was the 2000-01 school year. In that year, the Education Fund was estimated to receive \$922 million. The state block grant per pupil was set at nearly \$5,200.

Of the \$922 million, state and local property taxes were expected to raise \$579 million. The new statewide property tax rate was set at \$1.10, and was imposed on all towns, regardless of whether they operate a school or have students.

²⁵ Michael A. Rebell & Jeffrey Metzler, “Rapid Response, Radical Reform: The Story of School Finance Litigation in Vermont,” *Journal of Law and Education*, Vol. 31, No. 2 (April 2002).

Act 60 redirected other tax revenues and created some new taxes to support the Education Fund, including the rooms and meals, gasoline, corporations and telecommunications taxes. Collectively, these would bring in an additional \$73 million in 2000-01. Revenues from the state lottery, federal Medicaid receipts and interest were to generate another \$32 million. Finally, there was a General Fund transfer of \$238 million, an amount that increases annually by an inflation factor.

What were the results in terms of school finance outcomes?

Spending per pupil grew 11 percent in the two years after 1996-97, the year of enactment of Act 60, almost twice as rapidly as in the two prior years. (See Table 4.) Among the case study states, it is the second lowest growth in per-pupil spending two years after reform. (See Table A3.) Spending per pupil in Vermont was higher than the national average even before Act 60, but it grew more than the national average in the last two years for which data are available.

Total state and local tax revenues increased \$167 million or 10 percent in the two year after reform. This was a slower increase than in the two years leading to Act 60. (See Table 4.)

The state share of total education funding jumped from 28.6 percent in 1996-97 school year to 74.7 percent two years later. It declined to 70.7 percent in 2000-01, the last year for which data are available, but was still the third highest in the nation (after Hawaii and New Mexico).

Based on the measures in Education Week's 2004 edition of *Quality Counts* report, Vermont fares well on most measures of adequacy and poorly when it comes to equity.²⁶ Vermont ranks fourth among the 50 states and the District of Columbia in terms of overall adequacy, with a score of 93 out of 100. It ranks fourth in the nation in per-pupil spending, and first for the total taxable resources spent on education. As shown in Table 4, Vermont's rank among the 50 states for adequacy has varied dramatically since 1996-97, which makes it difficult to say how Act 60 might have influenced it.

In terms of equity, Vermont currently ranks third out of the 50 states for the extent to which it targets money to property-poor districts. Even so, the same *Quality Counts 2004* shows that the state has a positive wealth-neutrality score, which indicates a link between property wealth in the state and the amount of local and state revenue available to districts. Vermont also has the worst McLoone Index among the 50 states and the second-to-worst coefficient of variation.²⁷ Ironically, this last measure of equity has worsened since Act 60; as shown in Table 4, it has grown from 18.6 percent to 19.5 percent in 2000-01. Both measures indicate that three years after the enactment of Act 60, there still were wide disparities in per-pupil education spending across Vermont's districts.

²⁶ See Education Week, *Quality Counts 2004*, <<http://counts.edweek.org/sreports/qc04/>> (November 14, 2004).

²⁷ The McLoone Index is the ratio of the total amount spent on pupils below the median to the amount that would be needed to raise all students to the median per-pupil expenditure in the state.

Table 4
Vermont Public School Revenues

Fiscal/ School Years ^a	Expenditure per Pupil		State and Local Tax Revenues	State Share of Total Education Revenues	Adequacy		Equity Coefficient of Variation ^c (percent)
	Amount	Percent of U.S. Average			Adequacy Score ^b (out of 100)	50 State Rank	
1993-94	\$6,600	114%	\$1,439,727	31.3%	NA	NA	19.0%
1994-95	6,750	113	1,444,108	29.8	90	4	16.1
1995-96	6,837	111	1,517,681	27.8	101	1	16.2
1996-97	7,171	112	1,617,650	28.6	87	8	18.6
1997-98	7,500	112	1,720,112	29.4	65	45	NA
1998-99	7,984	114	1,784,409	74.4	85	12	19.2
1999-2000	8,799	119	1,875,546	73.6	NA	NA	19.9
2000-01	9,559	121	NA	70.7	93	4	19.5

See Table 2 for notes and sources.

What new strings (accountability) were put on the money?

A provision of the Equal Educational Opportunity Act required the State Board of Education to develop a system to evaluate both the equalizing effects of the state's new finance system and school quality standards. The following are the main features of this system:

- Adoption of rigorous statewide and local academic standards;
- State and local assessments based on standards;
- Early literacy programs;
- School action plans based on assessment results;
- Reporting educational results to communities;
- Needs-based professional development;
- Staff evaluation;
- Access to technical education;
- Compliance with the *School Quality Standards* on conditions, practices and resources of schools;
- Technical assistance to low-performance schools based on assessment results.

In addition, the law required that every five years, "or more often if requested by the general assembly, the State Board shall report to the general assembly concerning the results of this evaluation and recommendations for change if needed."²⁸ The first *Measuring Equity* report was released in April 2001.

What were the results in terms of educational outcomes?

Vermont's average score on NAEP testing has improved in math since 1996 relative to the national average. Both averages increased between 1996 and 2003, but Vermont's increased slightly more than the national average. The percentage of students scoring at or above the

²⁸ 16 V.S.A. §164 (18).

NAEP “proficient” level rose from 23 percent to 42 percent in fourth-grade math, and from 27 percent to 35 percent in eighth-grade math. Data on Vermont’s performance in reading is not available prior to 2002. Nevertheless, the state is presently about 10 points above the national average in both grade levels, and close to 40 percent of its students are at or above the NAEP “proficiency” levels.

New Jersey

How long did it take?

Judicial involvement in education finance reform in New Jersey began more than three decades ago. In 1973, the New Jersey Supreme Court declared, in *Robinson v. Cahill*, that New Jersey's school funding statute was unconstitutional because it violated the “thorough and efficient education” (T&E) requirement of the state constitution.²⁹ The Court found that New Jersey’s dependence on local property taxes discriminated against children in poor cities, and ordered the state to create a more equitable school funding formula.

The State response was the Public Education Act of 1975, which began to increase the State share of education expenditures and decrease reliance on local property taxes. However, the legislature failed to appropriate enough money to fund the new law in the following year, and the Supreme Court responded by ordering that all public schools be shut down. They stayed closed for eight days, and reopened only after the legislature enacted New Jersey’s first state income tax to fund the new school aid formula.³⁰

In February 1981, the Newark-based public interest law firm Education Law Center (ELC) challenged the Public Education Act on behalf of children attending public schools in Camden, East Orange, Irvington, and Jersey City. In *Abbott v. Burke*, the plaintiffs charged that New Jersey's guaranteed tax base system of funding education caused not only significant disparities in educational expenditures, but vast programmatic differences between poor urban and wealthy suburban districts. They argued that these disparities left poor urban districts unable to meet their students' educational needs, thus violating the T&E and equal protection clauses of the state constitution.

Two decades after the suit was first filed, *Abbott* was still in the courts. The latest decision, *Abbott VII*, was handed down in May 2002.³¹ As author Peter Schrag remarks, “[f]or most of those two decades, New Jersey politics has been dominated by the *Abbott* cases, the reforms they’ve generated, and the fiscal battles that accompanied them.”³² The individual *Abbott* cases can be viewed as building blocks in the whole *Abbott* saga, which would have to be analyzed in its entirety in order to assess the full impact of school finance reform in New Jersey. Constraints of time and space, as well as the comparative framework of this study, make it most practical to single out only one of the seven *Abbott* decisions and analyze the reforms that were

²⁹ 303 A.2d 273 (1973).

³⁰ Schrag 112.

³¹ *Abbott v. Burke*, 798 A.2d 602 (2002)

³² Schrag 113.

undertaken directly in response to it. The focus is on Abbott II, decided in 1990. It is considered by many to be the seminal decision in “this generational struggle,” and it produced a legislative response that remains New Jersey’s most ambitious attempt at education finance reform.³³

In Abbott II, the court ordered the legislature to design a new funding system effective in the 1991-92 school year to meet the following criteria:

- Equalize spending for the regular education program between poorer urban districts and property-rich districts.
- Provide additional funds to meet the especial education needs of the urban districts.
- Assure that funding for poor districts is certain every year and does not depend on the budgeting or taxing decisions of local school boards.³⁴

The court decision applied only to the 28 poorest urban districts, the so-called Abbott districts. In the absence of clear standards for measuring whether students were receiving T&E education, the Court defined T&E in terms of programmatic discrepancies that existed between the poor urban districts and affluent suburban districts. In other words, the court adopted a “default remedy of financial equity,” ordering the state to “assure poor urban districts a level of funding that is substantially equivalent to that spent... by the state’s wealthiest school districts.”³⁵

The Quality Education Act (QEA) was enacted one month after the Abbott II decision, in June 1990. The bill was one piece of a three-part tax package, which raised \$2.8 billion dollars to address a looming budget gap, to offset rapidly rising property taxes, and to fund education reform.

As will be shown in the next section, QEA, in its original form, addressed all of the above-mentioned guidelines issued by the court. But soon after it had been passed, it became a victim of politics and was amended considerably. The plaintiffs returned to court in 1994, challenging its constitutionality. The justices agreed with the plaintiffs once again, and found that QEA’s design for equalizing expenditures depended on the discretionary action of state government to increase the special needs weight, violating the Abbott II mandate that the state must assure the required level of funding for special needs districts.³⁶

By 1994, a pattern had emerged that Peter Schrag describes as “a sort of monologue, a one-way exchange between the court’s orders and a legislature that was only marginally responsive and, through much of the 1990s, frequently hostile.”³⁷ It marked all the subsequent Abbott decisions until in 2001 the then newly elected Governor James E. McGreevey initiated a “partnership” with the ELC and established the Abbott Implementation and Compliance Coordinating Council. It included representatives of the state as well as ELC. The goal was to

³³ Ibid. 114.

³⁴ Margaret E. Goertz, “School Finance Reform in New Jersey: The Saga Continues,” *Journal of Education Finance*, Vol. 18, No. 4 (Spring 1993): 346-365.

³⁵ Margaret E. Goertz and Malik Edwards, “In Search of Excellence for All: The Courts and New Jersey School Finance Reform,” *Journal of Education Finance*, Vol. 25, No. 1 (Summer 1999): 5-31.

³⁶ Ibid.

³⁷ Schrag 116.

ensure implementation of the reforms through a collaborative effort and thus minimize further litigation. It was hailed as an historic development at the time, but it is still too early to evaluate its effectiveness.

How much did it cost, and where did the money come from?

As noted earlier, QEA was part of a larger tax package designed to meet the following goals: 1) close a budget gap of \$600 million; 2) equalize property tax burdens by assuming some of the costs of state-mandated county functions; and 3) increase state education aid and distribute it more equitably. The first goal was to be achieved by raising the sales tax from 6 to 7 percent and expanding it to telephone services, paper goods, soap products, and other household goods. The second and third goals were to be met by increasing the rate of highest income tax bracket and by modifying the allocation of state education aid.

Discussions of a new school aid package began six months before the ruling in Abbott II, in anticipation of it. The new package was developed in secrecy by a small working group, which rarely involved more than 10 people, who met in the State Treasurer's office. Policymakers from the State Department of Education and education interest groups were excluded from the design of the program, and the legislative staffs were not brought in until one month before the bill was introduced.³⁸

The new school aid program

1. changed the distribution of state education aid from a guaranteed tax base to a foundation formula,
2. redefined the wealth measure used to allocate aid to include an income factor,
3. replaced the categorical aid program with a program of aid for "at risk" students,
4. eliminated minimum aid to wealthy school districts,
5. transferred the responsibility for the payment of teacher pension and social security costs from the state to local school districts, and
6. increased state education aid by about \$1.2 billion.

Public response was extremely negative and undermined the reform effort. A taxpayer revolt and opposition from teachers' unions led Governor Jim Florio and the Democratic legislative leadership to announce that QEA was open for review. And reviewed it was, in November 1991. The amendments included:

1. reducing the increase in state aid from \$1.2 billion to \$800 million and allocating unused state revenues to local property tax relief;
2. reducing the base foundation level by nearly \$200 per pupil;
3. using an alternative method for calculating the local share for special needs districts based on the state average school tax rate;
4. eliminating the provision that required districts to tax at their "fair share" determined by the state in order to receive their full foundation aid;
5. reducing "at risk" pupil aid and creating a save harmless provision for categorical aid;

³⁸ "School Finance Reform in New Jersey."

6. reducing annual increases in total state aid by 20 percent; and
7. postponing the local assumption of teacher pension and social security costs by two years.

What were the results in terms of school finance outcomes?

QEA increased state education aid by \$800 million in its first year, and by \$1.02 billion in the three-year period 1989-90 to 1992-93. Ironically, as Margaret Goertz documented in 1993, not only did QEA fail to achieve its primary goal, but “[s]pending disparities between most of the special needs districts and wealthy districts widened in the first two years of the law.”³⁹ This in spite of the fact that the special needs districts received an additional \$653 million in aid between 1990-91 and 1993-94, which resulted in an increase in the average spending per pupil of \$1,800 in these districts.⁴⁰

Goertz identifies several factors that explain why New Jersey moved backward under QEA. First, the special needs districts received only \$287 million of the \$800 million increase in the first year of QEA. In other words, these districts’ share of total state aid was to remain the same, at 37 percent. This was the result of the aforementioned reduction in additional state aid that was intended by the original QEA, two-thirds of which was absorbed by the special needs districts. Moreover, the imposition of tight budget caps resulted in special needs districts being able to spend on education only \$195 million of the \$287 million that was given to them. The rest was used for tax relief.

The second factor has to do with a special feature of New Jersey’s new foundation formula, the “equity spending cap.” This cap allows the special needs districts to exceed the normal budget cap in order to help them achieve parity with the average regular education budget of the wealthiest districts by 1995-96. But QEA did not provide a mechanism to insure that special needs districts would be able to achieve these budget goals. In 1992-93, Newark’s equity spending cap, for instance, was \$357 million, but its foundation budget was only \$345 million, or \$12 million short of what was necessary to achieve parity.

Third, the growth in state education aid, which includes foundation aid, teacher retirement costs, and categorical aid programs (except debt service), was limited to between 80 and 100 percent of the three-year average growth in state per capita income plus one percentage point.⁴¹ The law also required that obligations for non-foundation aid programs had to be met first. In 1992-93, growth in the teacher retirement and categorical aid programs outstripped the permitted increase in maximum state education aid by \$34 million, which resulted in an equivalent reduction of foundation aid.

Data from the U.S. Department of Education shows that the average statewide spending per pupil in New Jersey increased from \$8,139 in 1989-90 school year to \$9,317 two years later, or nearly 15 percent. That was in addition to a 24 percent increase in the two prior years, which

³⁹ “School Finance Reform in New Jersey.”

⁴⁰ “In Search of Excellence for All.”

⁴¹ “School Finance Reform in New Jersey.”

can be explained, at least in part, by the fact that the legislature was already responding to the first Abbott ruling, delivered in 1988.

Total state and local tax revenues increased by nearly \$4 billion in the two years following QEA, or 20 percent. This is the biggest percentage (as well as dollar amount) increase in tax revenues in the two-year post reform period of all the states in our sample. (See Table A3.) New Jersey’s tax revenues had already increased 14 percent in the two years leading to QEA, and that too was likely influenced by the first Abbott decision.

New Jersey received the second highest overall grade for adequacy, 95 out of 100, in the latest *Quality Counts* report. That is hardly surprising, considering that New Jersey had been among the highest spending states in the nation before the Abbott cases started. (See Table 5.)

With respect to equity, New Jersey ranks 42nd in terms of Education Week’s grades. No data are available for the coefficient of variation among New Jersey’s districts prior to 1994, so it is impossible to say what direct impact QEA might have had. In later years, Table 5 shows that the spending disparity among the districts has grown slightly since the 1994-95 school year.

Table 5
New Jersey Public School Revenues

Fiscal/ School Years ^a	Expenditure per Pupil		State and Local Tax Revenues	State Share of Total Education Revenues	Adequacy		Equity
	Amount	Percent of U.S. Average			Adequacy Score ^b (out of 100)	50 State Rank	Coefficient of Variation ^c (percent)
1986-87	\$5,953	150%	\$16,128,800	43.0%	NA	NA	NA
1987-88	6,564	155	17,116,402	42.5	NA	NA	NA
1988-89	7,549	163	18,816,618	42.1	NA	NA	NA
1989-90	8,139	163	19,472,274	39.8	NA	NA	NA
1990-91	8,756	167	21,555,958	37.8	NA	NA	NA
1991-92	9,317	172	23,443,592	42.2	NA	NA	33
1992-93	9,415	169	24,229,954	41.4	NA	NA	NA
1993-94	9,677	168	25,421,650	40.4	NA	NA	NA
1994-95	9,774	163	26,097,306	38.0	95	1	12.8
1995-96	9,955	162	27,449,365	38.6	100	2	11.8
1996-97	10,211	160	27,403,361	38.7	100	1	11.5
1997-98	10,233	153	30,009,845	39.8	100	1	NA
1998-99	10,748	153	31,575,898	41.3	88	7	11.7
1999-2000	10,903	147	32,837,939	41.2	NA	NA	13.2
2000-01	11,752	149	NA	41.8	95	2	14.5

See Table 2 for notes and sources.

What new strings (accountability) were put on the money?

Allan Odden, in comparing school finance reform in New Jersey, Kentucky and Texas, noted that, “New Jersey enacted few if any programmatic initiatives to improve the use and

impact of the new dollars” under the Quality Education Act.⁴² He found that QEA lacked three elements he judged crucial for successful reform: 1) decentralization of financial management through a school-based accounting structure; 2) new funds for staff development; and 3) shifting from seniority-based pay for teachers to performance-based structures.

More than a decade after QEA was enacted, and several additional reform efforts later, New Jersey earned only a B- for Standards and Accountability in Education Week’s *Quality Counts 2004* report. The state’s report card finds, “[a]lthough New Jersey has a set of strong academic standards, the state does not offer exams aligned with those standards in all subjects or grade spans...” In addition, “the state does not provide help to both Title I and non-Title I schools rated low-performing or impose consequences on both types of schools that consistently receive such a label,” nor does it provide cash rewards to improving schools.

What were the results in terms of educational outcomes?

Like New Hampshire, New Jersey has a relatively short and irregular history of participation in NAEP testing. And like New Hampshire, New Jersey has consistently produced results better than the national average, in both subjects, and in all available years. (See Table A1.) The percentage of students who performed at or above the NAEP “proficient” level in New Jersey improved from 1992 to 2003 in all categories, and most notably in fourth-grade math (from 25 percent to 39 percent). (See Table A2.)

Ohio

How long did it take?

In 1976, the Ohio Supreme Court upheld the state's then-current funding system on the basis that all districts had the fiscal resources necessary to meet state minimum standards. In that opinion, *Board of Education of Cincinnati v. Walter*, the court all but invited future “adequacy” litigation when it said that a funding system would violate the constitution if, “a school district was receiving so little local and state revenue that the students were effectively being deprived of educational opportunity.”

In 1991, a group of 550 school districts organized as the Ohio Coalition for Equity and Adequacy of School Funding filed an adequacy suit. The trial in *DeRolph v. State* began in October 1993. Plaintiffs presented striking evidence of dilapidated buildings permitting the bare minimum of education in many districts.⁴³

Inequities in per-pupil funding, teachers, equipment, facilities and achievement between high- and low-wealth districts presented in the trial were just as staggering. Ohio has a tax

⁴² Allan Odden, “School Finance Reform in Kentucky, New Jersey and Texas,” *Journal of Education Finance*, Vol. 18, No. 4 (Spring 1993): 293-317.

⁴³ A few years after the court proceedings, a national report showed that Ohio had the worst school facilities in the nation. U.S. General Accounting Office, *School Facilities, America’s Schools Report Differing Conditions* (Washington, D.C.: GPO, June 1996).

rollback provision that is more extreme than that of most states. When property values go up due to reappraisal, property tax rates have to be lowered proportionately so that the total tax remains the same. The state aid foundation aid formula uses the reappraised property values, as if they represent an increased tax base, to calculate the amount that it deducts from state aid.

Finally, there was the notorious “forced borrowing” provision. In the early 1970s, 55 school districts closed their doors in the spring or delayed opening in the fall because of lack of funds, and the story got national attention. The state responded by, among other things, instituting “forced borrowing” to keep schools open. Under that provision, districts that cannot meet their budgets must borrow from the state against the following year’s revenues up to a statutory maximum. If this loan proves insufficient, the district must borrow from commercial lenders at market rates. The commercial loans are repaid by diverting state aid from the district. When the commercial loan reaches 7 percent of expenditures, districts are placed in state receivership, which effectively eliminates local control. About one-fifth of the 622 districts had to use this provision.⁴⁴

In the face of these facts, on March 24, 1997, a slim 4-3 majority of the State Supreme Court declared the state’s education finance system unconstitutional.⁴⁵ The court sent a “clear message to lawmakers” that the entire school financing system “must undergo a complete systematic overhaul.” Specifically, the court ordered the state to change the following four factors: The operation of the “Foundation Program”; the “over reliance” on local property taxes; the “forced borrowing” provision; and insufficient state funding for school buildings. The court allowed the state one year to comply.

The Court did not specify what constitutes an adequate education, and left it to the legislature to determine what was needed. The day after the decision was announced, Governor George Voinovich held a press conference in which he complained that the court had provided minimal guidance for the General Assembly to create an entirely new school financing system, thereby providing “the basis for litigation for years to come.”⁴⁶ As it turned out, regrettably, he was right.

The legislature took some steps to increase funding and narrow the gaps between rich and poor district in 1997, but there was no systematic overhaul. Governor Voinovich was succeeded by the “much more diplomatic and amiable Bob Taft” in 1998, who was perceived as “a fine human being [who] really has empathy for public education,” and who initiated a major school construction program.⁴⁷ Nevertheless, the court found the funding system was still unconstitutional in its second *DeRolph* decision in May 2000.⁴⁸ The supreme court found that the state was still relying too heavily on the local property taxes. The court declined to appoint a special master as the plaintiffs requested. Instead it specified seven areas that required reforms and gave the legislature a year to show progress in those areas.

⁴⁴ “Trying to Bridge the Gaps.”

⁴⁵ *DeRolph v. State*, 677 N.E.2d 733 (1997).

⁴⁶ Schrag 129.

⁴⁷ Schrag, 130.

⁴⁸ *DeRolph*, 728 N.E.2d 993 (2000).

In Spring 2001, the state revised the funding system and enacted a two-year \$1.4 billion increase in state funding for education. On September 6, 2001, the court issued *DeRolph III*, giving the legislature and the governor specific directions on how to bring the system to constitutional standards. Subsequently, the court granted the state's motion for reconsideration and, in December 2001, appointed a mediator to work with the parties. The mediator issued his final report on March 21, 2002, stating that mediation had failed to produce a resolution. The case returned to the court.

On December 11, 2002, the Ohio Supreme Court effectively withdrew from *DeRolph v. State* case by vacating *DeRolph III*. The court still maintained that the state education finance system was unconstitutional and directed the General Assembly to enact a school-funding scheme that is thorough and efficient, as explained in *DeRolph I* and *II*.

There were signs at the time of *DeRolph III* that the court was losing patience. Just seven weeks before the court ruled in *DeRolph IV*, a contentious supreme court election had changed the make-up of the court, effective in January 2003. Based on the stated positions of the newly elected justices, there was a fair chance that the new court might, for the first time, rule in favor of the State. The justices who formed the majority in *DeRolph I* and *II* realized that withdrawing from the case was the lesser of two evils and re-grouped one last time to issue a concluding opinion in *DeRolph IV*.⁴⁹

How much did it cost, and where did the money come from?

In 1998, the state hired Denver consultant Augenblick to develop a standard based on average spending in the schools that fell in the top five percent in achievement. He recommended that the state set a foundation of \$4,269 per pupil, which could have been achieved by imposing a minimum local tax rate plus the state's contribution.

After working around the clock to meet the court's deadline, the legislature and governor reached a bipartisan compromise in February 1998 in the form of House Bill 650. To reach agreement on the funding Bill 650 required, the legislature adjusted Augenblick's per-pupil amount downward from \$4,269 to \$4,063. The increase was to be phased in with a fiscal year 1998-99 amount of \$3,851, and then the projected inflation-adjusted equivalent of \$4,269 would be reached in fiscal year 2001-02.

The \$3,851 per-pupil amount that the legislature set was barely above what the state was spending at the time, and 90 percent of Augenblick's number. In its 2000 ruling, the Ohio supreme court wrote that it was "perplexed by the General Assembly's actions of enlisting an expert in the area of school financing and then, with no adequate explanation, altering his method," although they did not like Augenblick's model either.⁵⁰ William L. Phillis, the Executive Director of the Ohio Coalition for Equity and Adequacy of School Funding, knew the

⁴⁹ Schrag 140.

⁵⁰ Justice Alice Robie Resnick wrote that the districts on which the model was built, "cannot in reality be termed successful... Of the 127 model districts, only 8.5 percent offer all-day, everyday kindergarden for all students and less than 50 percent of the districts offer three foreign language courses for high school students. In addition, gifted students are not being adequately served in most districts..." Quoted in Peter Schrag, 136-37.

answer; the legislators were “still calculating school funding by ‘budget residual,’ or what's left after paying for other items.”⁵¹

The governor proposed a sales tax increase to pay for the changes enacted in Bill 650, but only if it voters would approve it. The legislature went with the governor and placed Issue 2 on the May 1998 primary ballot instead of taking the more difficult step of raising taxes themselves. Issue 2 asked voters to approve a sales tax increase from 5 to 6 percent to generate \$1.1 billion a year. The new revenues would be split evenly between a tax rebate for homeowners and an increase in school funding.

Issue 2 caused heated debate, which took the media spotlight in the weeks leading to the vote. The opponents of Issue 2, which included the League of Women Voters, Ohio School Board Association and AFL-CIO, argued that Issue 2 was a political gambit that did not address the court's order of a “complete systematic overhaul.” Furthermore, they suggested that the voters had been deceived by state leaders when they approved the lottery profits for education in November 1987 election, which resulted in a net loss in school funding, and that the same could happen with Issue 2 revenues. Therefore, they advocated shifting funds from prison construction and Medicaid to education instead of raising taxes. The proponents of Issue 2 viewed it as a step in the right direction. The business community endorsed it, though they were concerned by the lack of concomitant education reforms.

In the end, the voters overwhelmingly rejected Issue 2. Following that defeat, the Ohio legislature turned to identifying changes that would satisfy the minimum requirements of the court order. For instance, assessments of local school district wealth were modified to consider income in addition to property valuations. A greater proportion of the state basic aid to schools was slated for distribution through categorical grants in state aid, and a greater proportion of these categorical grants were to be distributed based on local school district wealth. Although the foundation approach to state aid was preserved, the aforementioned changes collectively represented a greater emphasis on equitable funding.⁵²

In his first State of the State address in January 1999, Governor Taft proposed spending \$415 million of the state's budget surplus on school facilities and technology instead of using all of the surplus to reduce income taxes, as was previously mandated by law. The legislature eventually agreed, and by July, the state had increased education funding by 8.5 percent for fiscal year 2000 and 7.1 percent for fiscal year 2001. The legislature also accelerated phasing in the per-pupil amount from House Bill 650 by one year.⁵³ Nevertheless, in May 2000, the Supreme Court ruled that the state's funding formula was still inadequate and unconstitutional.

⁵¹ Jessica L. Sandham, “Ohio: Out of Time,” Education Week on the Web, *Quality Counts 1999*, <<http://www.edweek.org/sreports/qc99/states/policy/oh-up.htm>> (May 9, 2004).

⁵² Scott R. Sweetland, “School Finance Reform: Factors that Mediate Legal Initiatives,” *Journal of Education Finance* Vol. 26, No. 1 (Summer 2000): 87-101.

⁵³ “Trying to Bridge the Gaps.”

What were the results in terms of school finance outcomes?

Total State and local tax revenues increased by \$3.4 billion, or 11 percent, in the two years after the enactment of House Bill 650. This increase was not much different from that in the two-year period leading to House Bill 650, 10 percent. The relatively constant rate of increase reflects the voters' rejection of the proposal for a sales tax increase.

Nevertheless, spending per pupil increased 15 percent in the two years after the enactment of House Bill 650, considerably more than in the two years preceding the legislation. (See Table A3.) At \$7,816, Ohio's spending per pupil in the 1999-2000 school year was 6 percent above the national average, a slight improvement from prior years. Moderately high spending per pupil in Ohio (in combination with other measures of adequacy in the state, which are also close to national averages) translates to a moderate rank (20th among the 50 states) in its adequacy score. (See Table 6.)

Ohio's State share of total revenues for education has been growing since the 1997-98 school year, but at 43.2 percent in 2000-01 was still well below the national average (49.7 percent). Also, the coefficient of variation in spending among Ohio's districts has improved steadily since 1994-95, but at 13.4 percent it still ranks only 30th in the nation. (See Table 6.)

Table 6
Ohio Public School Revenues

Fiscal/ School Years ^a	Expenditure per Pupil		State and Local Tax Revenues	State Share of Total Education Revenues	Adequacy		Equity Coefficient of Variation ^c (percent)
	Amount	Percent of U.S. Average			Adequacy Score ^b (out of 100)	50 State Rank	
1994-95	\$6,162	103%	\$26,821,805	40.0%	86	12	15.4%
1995-96	6,266	102	27,961,467	40.7	85	16	15.6
1996-97	6,517	102	29,101,587	40.7	85	11	15.1
1997-98	6,808	102	30,826,556	41.2	87	8	NA
1998-99	7,254	103	32,301,429	42.1	75	35	13.9
1999-2000	7,816	106	34,238,674	42.5	NA	NA	13.7
2000-01	8,403	106	NA	43.2	82	20	13.4

See Table 2 for notes and sources.

What new strings (accountability) were put on the money?

In the early 1990s, before the plaintiffs filed their suit, the Ohio Department of Education (ODE) began to develop an accountability system focused on student outcomes. Despite significant controversy and vocal opposition from groups concerned that the proposed standards might infringe on family values, the ODE persevered. In early 1997, the State Board of Education reviewed ODE's recommendations and approved only the components related to academic learning and vocational education.

Implementation of those standards proceeded after the voters rejected the sales tax increase in 1998. School administrators protested that the legislature effectively imposed

unfunded mandates on the districts. The new standards included smaller class size, summer school, testing and reporting requirements. Many schools reported having to reduce or eliminate programs such as art and music in order to meet the costs of those requirements.

ODE viewed the new assessments and accountability as an opportunity for public engagement around school improvement. With input from business leaders, educators and parents, it piloted annual school and district-level “report cards” and a “communications tool kit” in over 100 districts in 1998, and the State Board of Education approved their final design and statewide distribution in 1999.

In *Quality Counts 2004*, Ohio was one of eight states that earned A’s in the Standards and Accountability category. Like Kentucky, Ohio is praised for offering standards-based exams at all grades, using a variety of tests, publishing achievement data on school report cards, and assigning ratings to schools and identifying low performing ones. But, unlike Kentucky, “the state does not provide cash rewards for high-performing or improving schools.”⁵⁴

It is likely that Ohio could have received high marks on accountability from Education Week even if the plaintiffs had not won four times at the supreme court level. The court’s directives in all four cases, and the legislative response to them, were focused exclusively on school finances. The implementation of higher standards and accountability measures was proceeding outside of the legal processes, and, it can be argued, in spite of them.

What were the results in terms of educational outcomes?

As shown in Table A1, Ohio has made progress relative to the national average in fourth grade math and reading scores. Its eighth grade scores have been consistently better than the national average in all years of available data. Results in Table A2 suggest that the percentage of students at or above the NAEP “proficiency” level is growing in all four categories, although the growth has been the strongest in fourth grade math.

Texas

How long did it take?

In 1973, students in the property-poor and under-funded Edgewood school district filed *Rodriguez v. San Antonio Independent School District*, asking the court to declare the state's school funding system unconstitutional under the federal constitution due to gross disparities in funding among districts. The U.S. Supreme Court rejected plaintiffs' arguments, but Justice Marshall, in his dissent, foresaw plaintiffs' efforts to seek redress through “review of state educational funding schemes under state constitutional provisions,” not only in Texas, but across the country.

⁵⁴ *Quality Counts 2004*.

Years later, in 1989, The Texas State Supreme Court in *Edgewood Independent School District v. Kirby*, ruled in favor of plaintiffs using the state constitution's education clause. The first two legislative responses, each revising the finance system, were declared unconstitutional in subsequent court decisions, *Edgewood II*, (1991), and *Edgewood III*, (1992). The third legislative effort finally passed the constitutionality test in 1995, in *Edgewood IV*. The new system, still in effect, includes partial recapture of local revenues from a small number of the state's wealthiest school districts for redistribution to property-poor districts. Of the state's 1,000 plus districts, 84 share some of their revenue.

In April 2001, high-property-wealth school districts filed a suit claiming that the provision of the education finance system which limits local tax rates to \$1.50 per \$100 of assessed valuation violates the state constitution. The District Court of Travis County dismissed the case, in *West Orange-Cove Consolidated ISD v. Nelson*, on July 11, 2001; this was affirmed by the Texas Court of Appeals in 2002, but overruled by the Texas Supreme Court in 2003 and remanded for trial. This trial was scheduled to begin in July 2004.

This case study focuses on the Legislative response to *Edgewood III*. Senate Bill 7 was the first school finance reform effort in Texas to pass constitutional muster, and the finance system which it established is still largely in place.

Steven Farr and Mark Trachtenberg identify four factors that contributed to the protracted nature of the Edgewood litigation, which they believe to be unique to Texas, "if only in degree."⁵⁵ First, "Texans take the notion of local control seriously;" second, the uneven distribution of oil and gas across the state; third, the Texas Constitution's prohibitions on certain forms of taxation; fourth, the intense political nature of the process and its players.

The first factor is evident in the large number of small school districts in the state, with as few as two students, which have refused to consolidate with their neighbors.⁵⁶ This phenomenon is related to Texas's oil based economy; the rich reserves of oil in west Texas coincide with the state's most sparsely populated school districts. The third factor is the Texas Constitution's explicit prohibition of a statewide property tax, and a requirement for voter approval to impose an income tax. The last factor rests not only on the long history of volatility of Texas politics, but also the fact that education reform in Texas predates the state itself. One of the charges against the Mexican government by the Texas revolutionaries in declaring independence on March 2, 1836, was that it "failed to establish any public system of education."

How much did it cost, and where did the money come from?

In its January 30, 1992 ruling, the Texas Supreme Court struck down Senate Bill 351, the Legislature's answer to *Edgewood II*. The lawmakers had to have an alternative financing scheme in place by June 1, 1993.

⁵⁵ J. Steven Farr and Mark Trachtenberg, "The Edgewood Drama: An Epic Quest for Education Equity," *Yale Law and Policy Review* Vol. 17 (1999): 607- .

⁵⁶ In 1991, Texas had over 1,000 school districts, two thirds of which had less than 1,000 students. *Edgewood II*.

Senate Bill 351 created new taxing authorities called County Education Districts (CEDs). After the court declared CEDs to be unconstitutional in *Edgewood III*, the legislators considered a constitutional amendment as a means of circumventing the defects of Senate Bill 351. However, it soon became clear that the proposed constitutional amendments, could not gain majority in both houses. Just days before the court-imposed deadline, the Legislature pieced together old and new ideas to come up with five choices for about 100 of the wealthiest school districts, which formed the core of what became Senate Bill 7. These districts could use the following options as a way to meet the equalization goals:

1. Consolidate with another district by agreement;
2. Detach commercial property to be annexed by another district;
3. Purchase attendance credits (a form of recapture that entailed sending funds to the state);
4. Contract for the education of non-resident students;
5. Undertake tax base consolidation by setting up a mini-CED.

After hearing arguments in May 1994, a slight majority of the Texas Supreme Court ruled that the Legislature had finally established a constitutional finance system. It must be noted, though, that the Edgewood litigation was a quest for equity, not adequacy, in the Texas public school system. Article VII of the Texas Constitution states merely that it is the duty of the Legislature to “establish and make suitable provision for the support and maintenance of an efficient system of public schools.” Throughout the Edgewood litigation, the court stuck to the definition of “efficiency” it devised in *Edgewood I*, which required districts to have “substantially equal access to similar revenues per pupil at similar levels of taxation.” At the behest of the Justice Cornyn, issues of adequacy made their way into the debate at the time of the *Edgewood III* ruling, but they were by and large ignored in *Edgewood IV*. Farr and Trachtenberg suggest that the reason for this is that the public was clearly weary of the decade-long saga and that the courts were eager to extricate themselves from the school-finance debate.⁵⁷ Consequently, determining the cost of adequate education was not an issue in Texas at this time. Recent analysis of the Texas approach to equalization finds that it has been counterproductive economically. The so-called “Robin Hood” approach of making wealthy districts share their revenue with poorer districts had the unintended consequence of lowering property values in the wealthy districts, thereby rescuing the revenue generated in these districts. Hoxby and Kuziemko find that, “Although Robin Hood reduced the spending gap between Texas’ property-poor and property-rich districts by \$500 per pupil, it destroyed about \$27,000 per pupil in property wealth.”⁵⁸

What were the results in terms of school finance outcomes?

When viewed in its entirety, the Edgewood litigation seems to have succeeded in fashioning a more equitable finance system and in giving poor districts greater access to funds. At the outset of the litigation in 1988-89 there was a 700-to-1 ratio between the property values

⁵⁷ Ibid.

⁵⁸ Caroline Hoxby and Ilyana Kuziemko, “Robin Hood and His Not-So-Merry Plan: Capitalization and the Self-Destruction of Texas’ School Finance Equalization Plan,” NBER Working Paper No. w10722, September 2004.

per pupil of the richest and poorest districts in Texas. That ratio dropped to 28-to-1 at the full implementation of Senate Bill 7.⁵⁹

On the other hand, the coefficient of variation in spending among Texas' districts has been rising steadily since 1993-94, the first year there is meaningful data available for this indicator. (Data for 1991-92 is also reported in the first edition of *Quality Counts*, but because it is drastically different from the rest of the data points in a number of states, including Texas and New Jersey, it seems prudent to disregard it in the trend analysis.) It was 13.7 percent in the latest year, or 32nd among the states. (See Table 7.)

Furthermore, the Edgewood litigation was not accompanied by an increase in the State share of revenues for education. As Table 7 shows, from beginning to end of the Edgewood litigation the state share has fluctuated annually, but only between 40 and 44 percent. In 2000-01, the latest year for which data are available, it was 42.2 percent, among the ten lowest in the nation.

The Edgewood cases taken together increased total spending on public education from \$11.4 billion in fiscal year 1988-89, just before *Edgewood I*, to \$18.8 billion in 1996-97, the year after *Edgewood IV* was decided.⁶⁰ This considerable increase is attributed in part to the influx of money from wealthy districts, which were forced to raise their tax rates to maintain their educational programs under the new system. Indeed, total State and local tax revenues increased by \$17 billion dollars.

Spending per pupil grew from \$3,877 in 1988-89, or 83 percent of the national average, to \$5,736 in 1996-97 school year, which was just ten percent below the national average. (See Table 7.)

The impact of *Edgewood III* alone was more modest. Spending per pupil grew 11.8 percent in the two years after the implementation of the Senate Bill 7, from \$4,670 in 1992-93 to \$5,222 in 1994-95. This was more than double the rate (5.2 percent) in the two years preceding the Senate Bill 7 - despite the fact that the tax revenues grew more slowly in the second two-year period. (This was caused by the 1992 recession, which resulted in lower than expected tax revenues at all levels of government. See Appendix Table A3.) The State share of education revenues remained virtually the same before and after *Edgewood III*. The data from Education Week is too recent to allow any useful observations about the immediate effects of *Edgewood III* in terms of adequacy and equity.

⁵⁹ "The Edgewood Drama."

⁶⁰ National Center of Education Statistics, Digest of Education Statistics, 1991-2002 Editions, <<http://nces.ed.gov/programs/digest/>> (October 20, 2004); Department of Commerce, U.S. Census Bureau, 00REX1.xls [10.0MB] and 00REX2.xls [10.1MB], <<ftp://ftp2.census.gov/pub/outgoing/govs/Finance/>> (March 2, 2004).

Table 7
Texas Public School Revenues

Fiscal/ School Years ^a	Expenditure per Pupil		State and Local Tax Revenues	State Share of Total Education Revenues	Adequacy		Equity
	Amount	Percent of U.S. Average			Adequacy Score ^b (out of 100)	50 State Rank	Coefficient of Variation ^c (percent)
1988-89	\$3,877	83%	\$26,563,679	43.3%	NA	NA	NA
1989-90	4,150	83	28,243,402	41.9	NA	NA	NA
1990-91	4,438	84	30,488,390	43.9	NA	NA	NA
1991-92	4,632	85	32,916,544	43.4	NA	NA	35
1992-93	4,670	84	35,283,203	40.0	NA	NA	NA
1993-94	4,898	85	37,248,051	40.2	NA	NA	12.1
1994-95	5,222	87	38,689,635	40.2	78	29	12.5
1995-96	5,473	89	40,704,628	42.9	79	23	13.0
1996-97	5,736	90	43,566,765	40.3	86	9	13.4
1997-98	5,910	89	46,315,327	44.2	79	27	NA
1998-99	6,161	88	49,231,585	42.4	79	30	13.9
1999-2000	6,771	92	52,226,535	44.2	NA	NA	13.3
2000-01	7,039	89	NA	42.2	77	28	13.7

See Table 2 for notes and sources.

What new strings (accountability) were put on the money?

There were no new strings put on the money since the price-tag of providing for an “efficient” system of public schools was never determined. The lawsuit was about equalizing the existing funds in the system among the districts, not about supplying it with additional funds. In the end, total spending on public education increased substantially as a result of Senate Bill 7, but as Farr and Trachtenberg contend, the additional money came from the wealthy districts’ local property taxes, not the state coffers.

What were the results in terms of educational outcomes?

As shown in table A1, Texas students have made significant gains on NAEP tests in fourth-grade math, and slight gains in the other 3 test categories. In terms of the percentage of students who performed at or above the NAEP “proficient” level, Texas has shown steady improvement in all categories, but again, most notably in fourth-grade math. (See Table A2.)

The ultimate purpose of the Edgewood litigation was to improve the education of children in poor school districts. Therefore, when assessing the success of the Senate Bill 7 in terms of educational outcomes, one should consider the performance of this particular category of children. For that, we have to turn to the TAAS (Texas Assessment of Academic Skills) test, keeping in mind that its content has been frequently altered and the number of students exempted from the test has varied. According to this measure of academic performance, minority and economically disadvantaged students have made the greatest gains between 1994 and 1998.

Michigan

How long did it take?

In 1972, the Supreme Court of Michigan found in *Governor v. State Treasurer* that the state's school finance system violated the equal protection clause of the U.S. Constitution. However, after the 1973 U.S. Supreme Court decision in *San Antonio v. Rodriguez*, the Michigan court vacated its earlier decision in *Milliken v. Green* (1973). In 1984, a coalition of school districts challenged the school funding formula, but the suit was dismissed on the grounds that the school districts, as creations of the State, lacked the right to sue the State.

Between 1972 and 1992, voters in Michigan defeated 11 different referenda designed to change education funding. In this period, funding inequities and local property taxes grew steadily. In response to the growing frustration of Michigan residents with these issues, the legislature in 1991 adopted a law requiring districts with extensive industrial and commercial property to share their property wealth with property-poor school districts. That proved to be insufficient, and the legislature eliminated the use of property taxes for school funding in August 1993.

In October 1993, Governor John Engler outlined his reform plan. It had four basic goals:

1. reduce property taxes;
2. increase the state share of total public schools revenues;
3. reduce disparities among districts in per pupil revenue; and
4. assure all local districts a minimum level of per pupil revenue through a foundation grant system.⁶¹

As a replacement for property taxes, the governor proposed a new funding approach to be placed on the ballot for voter approval. Michigan voters had the option of increasing the sales tax rate (Proposal A) or increasing the income tax rate if Proposal A failed (Statutory Plan). Going back to the old system was not an option. Proposal A also provided a new mix of other tax changes that would provide funding for Michigan schools. State taxes, instead of local property taxes, would fund local school district operating costs. On March 15, 1994, Michigan voters approved Proposal A.

How much did it cost, and where did the money come from?

The main funding components of Proposal A were:

- Two percentage point increase in the sales and use tax rate;
- New 6-mil state education tax (SET) levied on property;
- 50 cent per package increase in the cigarette tax (from 25 to 75 cents per pack);
- 0.75 percent real estate transfer tax.

⁶¹ Michael F. Addonizio, "From Fiscal Equity to Educational Adequacy: Lessons from Michigan," *Journal of Education Finance*, Vol. 28, No. 4 (Spring 2003): 457-484.

The increase in the sales and use tax rate and the cigarette tax rate became effective on May 1, 1994. The new real estate transfer tax became effective January 1, 1995. The 6-mil SET was first levied in July 1994. Because the State fiscal year begins October 1 in Michigan, only about half of 6 mils were levied in fiscal year 1994.

What were the results in terms of school finance outcomes?

The major result of Proposal A was to change the sources, rather than amounts, of school funding. The state share of education funding jumped from 26.6 percent in fiscal year 1991-92 to 66.8 percent in fiscal year 1995-96 (two years before and two years after the reform, respectively). The state share of education funding declined somewhat after 1995-96, but was still relatively high in 2000-01, at 64.8 percent. The modest equalizing effect of the reform in Michigan is reflected in the decline of the coefficient of variation among its districts, from 15.5 in 1993-94 to 13.6 two years later, and 12.5 in 2000-01.

Table 8
Michigan Public School Revenues

Fiscal/ School Years ^a	Expenditure per Pupil		State and Local Tax Revenues	State Share of Total Education Revenues	Adequacy		Equity
	Amount	Percent of U.S. Average			Adequacy Score ^b (out of 100)	50 State Rank	Coefficient of Variation ^c (percent)
1990-91	\$5,883	112%	\$19,730,854	26.8%	NA	NA	NA
1991-92	6,268	116	20,182,864	26.6	NA	NA	16%
1992-93	6,494	116	22,396,053	30.6	NA	NA	NA
1993-94	6,658	115	24,234,984	28.7	NA	NA	15.5
1994-95	6,994	117	23,430,330	67.3	89	7	14.0
1995-96	7,166	117	24,827,513	66.8	89	8	13.6
1996-97	7,568	118	26,616,525	65.5	90	5	13.0
1997-98	7,717	116	28,211,262	66.0	91	6	NA
1998-99	8,142	116	29,904,866	64.7	88	5	12.0
1999-2000	8,886	120	31,474,162	64.6	NA	NA	12.3
2000-01	9,031	114	NA	64.8	87	10	12.5

See Table 2 for notes and sources.

The increase in total tax revenues in Michigan in the two years after the reform was less than 2.5 percent, by far the lowest of all the case study states. (See Table A3.) In other words, the increase in state sales and use taxes from Proposal A was largely offset by the decrease in local property taxes.

The increase in spending per pupil was also modest in the two years following the adoption of Proposal A, and only slightly higher than the increase in the two prior years - 7.6 percent and 6.2 percent, respectively. (See Table A3.) Nevertheless, as Table 8 shows, Michigan's spending per pupil has been consistently higher than the national average, by a range of 12 to 20 percent in the ten years between 1990-91 and 2000-01.

It appears that Michigan's school finance reforms accomplished the first three objectives outlined above. Proposal A reduced total property taxes about 26 percent.⁶² The state share of education funding more than doubled. Progress has also been made toward reducing disparities in per pupil revenues, as indicated by the change in the coefficient of variation. On the other hand, aggregate revenue growth has been thwarted by the reforms. Moreover, with new constraints on local revenue growth and a greater reliance on more income-elastic revenue sources, overall real spending levels are vulnerable to declines during a recession.

What were the results in terms of educational outcomes?

Michigan has consistently produced results better than, or at least the same as, the national average in both subjects and in all years with available data. (See Table A1.) The percentage of students who performed at or above the NAEP "proficient" level in Michigan improved from 1992 to 2003 in math, and most notably in fourth-grade math (from 18 percent to 34 percent). (See Table A2.) Proficiency improved in fourth grade reading as well, but only slightly. Data for eighth grade reading is inconclusive.

WHERE MONEY HAS MATTERED: SOME EVIDENCE ON THE EFFECTIVENESS OF INCREASED SPENDING

The results of finance reforms in the case study states suggest a weak link between amounts of school spending and educational outcomes. The academic literature has not developed a clear or widely accepted relationship between additional resources and improved instructional results, despite decades of trying. The most widely accepted perspectives have been those put forward by Stanford scholar Eric Hanushek in many articles which purport to prove that there is no clear cause-and-effect relationship between money and performance, and those of his consistent adversary in these debates, Princeton scholar Alan Krueger, who comes to almost exactly the opposite conclusions, in some cases by looking at similar evidence.⁶³

The problem is that there have been very few examples of research that meets the standards of good science. Ideally, of course, the same children would be subjected to two different sets of resources and the variation in results measured – but this is of course impossible. A second approach might be to find two groups of children who are virtually identical in all other respects and subject them to variations in resources – and while this is at least conceivable, it is very hard to implement for two reasons: first, no two groups of children are exactly identical and any differences in the comparison groups risk distorting the conclusions and, second, parents

⁶² "From Fiscal Equity to Educational Adequacy."

⁶³ For an example of their work, see Eric A. Hanushek, "Assessing the Effects of School Resources on Student Performance: An Update," *Educational Evaluation and Policy Analysis* (Summer 1997), vol. 19, no. 2, pp. 141-164, and Alan B. Krueger, "Experimental Estimates of Educational Production Functions," *Quarterly Journal of Economics*, vol. 114, no. 2 (1999), pp. 497-532, and Alan Krueger, "Economic Considerations and Class Size," forthcoming in *The Economic Journal* and available as Industrial Relations Section Working Paper No. 447 on <www.irs.princeton.edu/pubs/working_papers.html>.

are often unwilling to have their children used as guinea pigs in even the best-intentioned experiments. There are a few such examples of experiments that might meet some tests of scientific relevance – two of which will be reviewed in this paper – but they are rare. The most common research tries to create what might be called natural experiments, using retrospective analyses to look at groups of schools and groups of cities, compare the level of resources with the level of performance and attempt to infer some relationship. Such efforts readily become mired in debates over the comparability of the various districts, the effect of the thousands of exogenous variables simultaneously at work, and the appropriate weight to attach to the various groups of schools – all of which can dramatically affect the findings.

Also, in far too many cases of such natural experiments, minor increments of funds have been added to systems already demonstrating poor performance with mixed results, proving little about the effect of money except that it is possible to waste it. In some cases, funds have been added without concomitant changes in the delivery mechanism – better leadership, more focused accountability systems, the application of sound pedagogical tools, more effective teacher training and support, or the reform of the administrative systems – and may well have turned out to have been worthless. If there are any lessons to be drawn from these prior experiences, it is that in the search for modest change, money is not always necessary and certainly not sufficient, while in the case of districts needing dramatic changes, money is necessary but not sufficient.

The few strong cases demonstrating a relationship between particular increments of resources and outcome, however, are well documented and worthy of review. The cases are in the area of early childhood education and smaller class size in early grades and will be reviewed after the individual state case studies.

Small Class Size in Early Grades

While evidence of the relationship between resources and performance is very limited, some does exist. In a perfect academic world, such evidence would be based on the results of randomized experiments, treating groups of very similar children differently and then measuring the differential effects. As noted above, however, when it comes to children, however, it is difficult to find situations where adults find it ethical, let alone politically tolerable, to perform such experiments. In one major case – the Tennessee STAR program (1985-86), however, this was exactly what was done, and the results present the strongest analytic case for the potentially positive effects of at least one form of increased investment – smaller class size. The program was funded by the Tennessee state legislature at a cost of \$12 million over four years. In the Tennessee test, more than 11,600 kindergarten children in 80 schools (rural, urban and suburban schools were included) over two years were randomly assigned to one of three settings – classes of the normal size in Tennessee at that time (about 22-25 students), classes reduced in size by about one-third (13-17 students), and classes maintained at the regular size but with a paraprofessional added to assist the teacher. Each school was required to have at least one each class type, and random assignment took place within schools to control for other issues. Students had to remain in their settings for at least four years. No other major changes were made in the educational delivery systems in the schools. The students were then tested after the end of each year. The performance of children in each of the settings was tracked over time, and the results

were statistically significant: reduced class size increased student performance (while the addition of the paraprofessional did not).⁶⁴ No major piece of analysis of this experiment in the many years since it was conducted has substantially disputed this result.⁶⁵ Less certain, but potentially of even greater importance, is that the effects seem to last. The children were returned to regular settings after the end of four years, but at least one piece of research shows that the benefits were still evident as late as seventh grade.⁶⁶ Finally, some have attempted to estimate the longer term economic effect of the program. While there is no clear relationship between elementary school test scores and the economic productivity of the children grown into adults, there is some evidence of this at the high school level, and if the early evidence of the STAR program interventions affecting children as late as seventh grade carries on into high school, the social and economic return on the investment could more than pay for itself in higher worker earnings and lower social costs.

Early childhood education

In a few major instances, significant evidence of the effect of increased resources has been found. The most widely analyzed has been the effect of increased spending on early childhood education. More than a dozen pieces of research in cases across the nation have tracked this particular investment, in some cases using the same kind of randomized experimentation that made the Tennessee case so significant, and the results have been consistent and statistically robust: substantial spending on early childhood education (defined as programs for children in pre-kindergarten programs, usually aged 3-5) significantly improves their performance in school. The effects are most powerful in the first few years of schooling, but are diminished over time if the children remain in poor quality schools for the remainder of their education.

There are several rationales for why increased spending on early childhood education initiatives should have positive effects on the performance of the education system as a whole.

- **Equity.** There is good evidence that by the time children enter school, there are already wide differences in their level of preparation. Studies published by the Federal Department of Education's National Center for Education Statistics as recently as last year show poor children being able to read to 40% less than wealthier children, with comparable gaps by race as well. Just as one example of the effects of this difference, by age 3, poor children have vocabularies of 480 words, while middle-class children have 750 words and the wealthiest children know as many as 1,100 words, a clear advantage in school. Besides greater parent involvement, this also reflects the fact that 66% of higher SES children have attended pre-school as

⁶⁴ Alan Krueger, "Experimental Estimates of Education Production Functions," *Quarterly Journal of Economics*, May 1999.

⁶⁵ See John Folger and Carolyn Breda, "Evidence for Project STAR about class size and student achievement," *Peabody Journal of Education*, Vol. 67, No. 1 (1989); Jeremy D. Finn and Charles M. Achilles, "Tennessee's class size study: Findings, implications, misconceptions," *Educational Evaluation and Policy Analysis*, 21, No. 2 (Summer 1999): 97-110; as well as "Experimental Estimates of Education Production Function."

⁶⁶ Barbara Nye et al., "The Lasting Benefits: A Continuing Analysis of the Effects of Small Class Size," Tennessee State University, 1994.

compared to only 47% of poorer children. Overall, achievement levels for wealthier children are some 60% higher than poorer children even by kindergarten.

- **Efficiency.** Poorer children do better in kindergarten than poorer children as a result, making even comparable investments less effective due to the differential starting points for various classes of children. This implies that better investments in pre-school may make the return of other elements of education even greater.

In fact, the research in this field is as strong as anywhere in education. Cost-benefit and other analyses have been performed on several early childhood education programs, following randomized groups of children receiving different levels of pre-school services over many years to see how they performed against a variety of benchmarks. The results are broadly quite consistent, although interventions and the outcome measures used often differ. Notable examples include:

- The High Scope/Perry Preschool found higher IQs of children in enriched pre-school at ages 8 and 14, better achievement on tests at ages 9 and 14, higher high school GPAs, lower arrest rates, higher rates of employment, and lower rates of public assistance by age 27.⁶⁷
- The Houston Child Parent Center Programs found reduced bi-lingual education expenses.⁶⁸
- The Carolina Abecedarian Early Childhood Intervention Project found better test scores at ages 8, 15 and 21, lower dropout rates, higher college admission rates, and better employment status for children in this pre-school model.⁶⁹
- The Chicago Longitudinal Study found that participation in the Child-Parent Center Program has been significantly associated with higher levels of school achievement into adolescence, higher levels of consumer skills, enhanced parental involvement and with lower rates of grade retention, special education, early school dropout and with lower rates of delinquent behavior.⁷⁰

This breadth of research and this consistency of results have fostered widespread support for such investments. Indeed, one of the nation's largest business organizations, The Business Roundtable, issued a statement two years ago calling for a dramatic expansion of early childhood education programs, supported by much of the same research cited above. They concluded that, "America's continuing efforts to improve education and create a world-class workforce will be

⁶⁷ Lawrence J. Schweinhart, "Benefits, Costs and Explanation of the High/Scope Perry Preschool Program," (2003), available at <www.highscope.org/Research/PerryProject/Perry-SRCD-2003.pdf> (November 18, 2004.)

⁶⁸ Bridgeman, Brent, Janet B. Blumental, and Susan R. Andrews, *Parent Child Development Center: Final Evaluation Report* (Washington, DC: U.S. Department of Health and Human Services, Office of Human Development Services, 1981).

⁶⁹ Leonard N. Masse & W. Steven Barnett, "A Benefit Cost Analysis of the Abecedarian Early Childhood Intervention," available at <<http://nieer.org/resources/research/AbecedarianStudy.pdf>> (November 18, 2004).

⁷⁰ Weisman Center, The Child-Parent Center and Expansion Program, *Study Overview*, <<http://www.waisman.wisc.edu/cls/program.htm>> (November 18, 2004).

hampered without a federal and state commitment to early childhood education for 3- and 4-year old children.”⁷¹ New York State has made progress on this path with its commitment to universal pre-kindergarten programs, but the goal has not yet been realized for all New York State children.

GENERAL LESSONS

New York is not the first state to face court challenges to its school financing system. Since 1989, in 19 states plaintiffs have won court decisions seeking to change school financing. Moreover, in some of the states where the Court did not rule against the existing system, there nonetheless was sufficient political pressure to cause legislative changes similar to those sought in court. Thus, there is abundant experience from which to draw in considering how events might unfold in New York.

The relevant lessons that the Commission draws from its comparative analysis are:

- 1. *A court victory does not ensure timely or effective policy responses.*** In states where the other branches of government are oppositional, increased funding has come slowly, if at all, to the affected school districts. For example, New Jersey has faced school finance litigation since 1973 with the Court and the Legislature involved in several rounds of reform; Ohio’s 1997 Court decision was opposed by the Legislature and the Court eventually retreated; and in Texas the Legislature made three efforts to respond to the Court’s 1990 decision before the last effort was found constitutional in 1995.
- 2. *In contrast, when political leaders are supportive of court policy directions, action can be prompt and effective.*** In Kentucky, for example, legislation to implement the court’s decision was passed in less than one year, and it included changes in governance, curriculum and accountability as well as significant new funds.
- 3. *Success in terms of generating additional spending for public schools does not automatically equal success in terms of improved educational outcomes.*** Some states significantly increased per-pupil spending in the wake of court decisions. For example, in New Hampshire per-pupil spending increased 13 percent in the two years after the key court decision, and the corresponding increase in Vermont was 11 percent and in Texas 12 percent. But the returns on this investment have not been as clear or pronounced. The national data on student performance on standardized tests is sparse, but the gains in these states are not consistently better than the national trends.
- 4. *Additional spending is more likely to result in gains in student achievement when the money is well targeted.*** The forms of spending most likely to have positive results

⁷¹The Business Roundtable, “*Early Childhood Education: A Call to Action from the Business Community.*”

are expansion of pre-kindergarten opportunities and small class sizes in the early elementary school grades.

APPENDIX

The National Assessment of Educational Progress (NAEP), also known as “the Nation's Report Card,” is the only nation-wide and continuing assessment of student performance in various subject areas. States receiving Title I funding must participate in the state component of NAEP in mathematics and reading at grades four and eight every two years beginning in 2003. Prior to that, participation in all state NAEP subjects was voluntary, and continues to be so in subjects other than mathematics and reading. Tables A1 and A2 show the results of NAEP math and reading tests at grades four and eight in the states used in this study, for all the years for which data is available.

**Table A1
NAEP Scale Scores**

Subject	Grade	Year	[National Avg.]*	State Averages						
				Kentucky	Vermont	New Hampshire	New Jersey	Ohio	Texas	Michigan
Mathematics	4	1992	[219]	215	-	230	227	219	218	220
		1996	[222]	220	225	-	227	-	229	226
		2000	[224]	219	232	-	-	230	231	229
		2003	[234]	229	242	243	239	238	237	236
	8	1990	[262]	257	-	273	270	264	258	264
		1992	[267]	262	-	278	272	268	265	267
		1996	[271]	267	279	-	-	-	270	277
		2000	[272]	270	281	-	-	281	273	277
2003	[276]	274	286	286	281	282	277	276		
Reading	4	1992	[215]	213	-	228	223	217	213	216
		1994	[212]	212	-	223	219	-	212	-
		1998	[213]	218	-	226	-	-	214	216
		2002	[217]	219	227	-	-	222	217	219
	2003	[216]	219	226	228	225	222	215	219	
	8	1998	[261]	262	-	-	-	-	261	-
		2002	[263]	265	272	-	-	268	262	265
		2003	[261]	266	271	-	268	267	259	264

Bold = Better than National Average

* Includes public schools only

Source: U.S. Department of Education, National Center for Education Statistics, National Assessment of Educational Progress, *The Nation's Report Card*, <<http://nces.ed.gov/nationsreportcard/>> (October 28, 2004).

Table A2
Percent of Students At or Above NAEP Achievement Level

Subject	Grade	Year	Kentucky	Vermont	New Hampshire	New Jersey	Ohio	Texas	Michigan
Mathematics	4	1992	13	-	25	25	16	15	18
		1996	16	23	-	25	-	25	23
		2000	17	29	-	-	25	25	28
		2003	22	42	43	39	36	33	34
	8	1990	10	-	20	21	15	13	16
		1992	14	-	25	24	18	18	19
		1996	16	27	-	-	-	21	28
		2000	20	31	-	-	30	24	28
		2003	24	35	35	33	30	25	28
		2003	23	23	-	38	35	27	24
Reading	4	1994	26	-	36	33	-	26	-
		1998	29	-	37	-	-	28	28
		2002	30	39	-	-	34	28	30
		2003	31	37	40	39	34	27	32
		2003	31	37	40	39	34	27	32
	8	1998	30	-	-	-	-	27	-
		2002	32	40	-	-	35	31	32
		2003	34	39	-	37	34	36	32

* Includes public schools only

Source: Source: U.S. Department of Education, National Center for Education Statistics, National Assessment of Educational Progress, The Nation's Report Card, <<http://nces.ed.gov/nationsreportcard/>> (October 28, 2004).

Table A3
School Finance Before and After Reform

State/Outcomes	Kentucky		New Hampshire		Vermont		New Jersey (Abbott II)		Ohio (DeRolph I)		Texas (Edgewood III)		Michigan	
Date of Settlement	Jun-89		Dec-97		Nov-96		Jun-90		Mar-97		Jan-92		-	
Date of Reform	Apr-90		May-99		Feb-97		Jul-90		Mar-98		Jun-93		Mar-95	
Per Pupil Education Spending														
2 Years After Reform	1991-92	4,719	2000-01	7,656	1998-99	7,984	1991-92	9,317	1999-2000	7,816	1994-95	5,222	1995-96	7,166
Year of Reform	1989-90	3,745	1998-99	6,780	1996-97	7,171	1989-90	8,139	1997-98	6,808	1992-93	4,670	1993-94	6,658
2 Years Before Reform	1987-88	3,011	1996-97	6,236	1994-95	6,750	1987-88	6,564	1995-96	6,266	1990-91	4,438	1991-92	6,268
Percent Change After Reform		26.0		12.9		11.3		14.5		14.8		11.8		7.6
Percent Change Before Reform		24.4		8.7		6.2		24.0		8.6		5.2		6.2
State Share of Education Funding (percent of total)														
2 Years After Reform	1991-92	67.0	2000-01	51.6	1998-99	74.7	1991-92	42.2	1999-2000	42.5	1994-95	40.2	1995-96	66.8
Year of Reform	1989-90	68.5	1998-99	8.9	1996-97	28.6	1989-90	39.8	1997-98	41.2	1992-93	40.0	1993-94	28.7
2 Years Before Reform	1987-88	65.2	1996-97	7.4	1994-95	29.8	1987-88	42.5	1995-96	40.7	1990-91	43.9	1991-92	26.6
Change After Reform (ppt)		-1.5		42.7		46.1		2.4		1.3		0.2		38.1
Change Before Reform (ppt)		3.3		1.5		-1.2		-2.7		0.5		-3.9		2.1
Total Tax Revenues (In \$ thousands)														
2 Years After Reform*	FY92	6,599,607	FY00	3,278,375	FY99	1,784,409	FY92	23,443,592	FY00	34,238,674	FY95	38,689,635	FY96	24,827,513
Year of Reform	FY90	5,511,001	FY99	3,110,088	FY97	1,617,650	FY90	19,472,274	FY98	30,826,556	FY93	35,283,203	FY94	24,234,984
2 Years Before Reform	FY88	4,737,015	FY97	2,751,584	FY95	1,444,108	FY88	17,116,402	FY96	27,961,467	FY91	30,488,390	FY92	20,182,864
Change After Reform		1,088,606		168,287		166,759		3,971,318		3,412,118		3,406,432		592,529
Percent Change		19.75		5.41		10.31		20.39		11.07		9.65		2.44
Change Before Reform		773,986		358,504		173,542		2,355,872		2,865,089		4,794,813		4,052,120
Percent Change		16.34		13.03		12.02		13.76		10.25		15.73		20.08

* Except New Hampshire, for which data for the first year of reform was the most recent data available.

Sources: National Center of Education Statistics, *Digest of Education Statistics*, 1991-2003 Editions, <<http://nces.ed.gov/programs/digest/>> (October 20, 2004); Department of Commerce, U.S. Census Bureau, 00REX1.xls [10.0MB] and 00REX2.xls [10.1MB], <<ftp://ftp2.census.gov/pub/outgoing/govs/Finance/>> (March 2, 2004).

