Sources of Funding for Schools

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Abstract

Public school finance mechanisms differ from state to state, and they are often extremely complex. Most commonly, the federal government contributes about 7% of the total school budget, and the remainder is split fairly evenly between local contributions (primarily raised through local property taxes) and state contributions (primarily raised through state income taxes and sales taxes). The average amount of money provided per pupil varies greatly from one state to another.

The method of distributing the state contribution to school districts is equally complex, often involving some combination of basic funding (which guarantees a minimum level of general purpose support per student), power equalization (which guarantees that a certain level of local taxation will yield a given level of per-pupil funding), local option (higher levels of taxation approved in some school districts, not equalized by the state), and categorical funding (supplemental state and federal funds, earmarked for specific needs such as special education or compensatory services to schools with a concentration of poverty, or to meet state-dictated priorities, such as reducing class size or purchasing state-approved textbooks). This complexity often leads to significant variation from district to district in the percentage of funding received from federal, state, and local sources and wide disparities in the level of support for the educational program. Typically, wealthier districts provide more of their funding from local taxes, while lower-income districts are more heavily dependent on state and federal sources.

B ecause the U.S. Constitution does not explicitly recognize the need for public schools, public education is the responsibility of the states. All state constitutions require that public schools be provided, often with the proviso that they be "equal," "adequate," or "efficient." The ability of states to reach these goals depends upon school finance mechanisms designed to promote equality, adequacy, and efficiency.

A school finance system could be—but rarely is—planned from scratch. In most states, the system has evolved over decades, altered by the actions of legislatures and governors, state and federal courts, and sometimes voters.¹ With such long and complex histories, it should not be surprising that state education finance systems vary greatly.

The Future of Children FINANCING SCHOOLS Vol. 7 • No. 3 - Winter 1997

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Barbara B. Miller, M.S., is research director at EdSource, a nonprofit organization in Palo Alto, CA, that provides objective information about education policy issues in California. There are, nonetheless, common themes across the country. First, this article discusses the relative contributions of state, federal, and local funding along with variations among and within states. Second, the article reviews the three predominant taxes supporting public schools: property tax (which is primarily a local tax), sales tax, and income tax (which, in this context, is primarily a state tax). Bonds for school construction, state-sponsored lotteries, and alternative sources of income are also mentioned. Third, the mechanisms by which states distribute funding to school districts are summarized. Most states both guarantee basic funding levels (often called "foundation funding") and provide supplemental restricted funds for special needs ("categorical funds"). Fourth, the article considers selected criteria for assessing a state's school finance system.

Local, State, and Federal Sources of School Funding

School districts in 1995–96 received an average of \$6,853 per pupil.² This figure, however, includes amounts received to pay for school building construction. Current expenditures (as opposed to revenues) per pupil averaged \$6,103, a figure that excludes construction costs and debt retirement.²

As Table 1 shows, 45% of total revenues came from local taxes, 47.9% from state governments, and 7.1% from the federal government.² Small additional amounts of nontax revenues, approximately 2.7% of the total budget, came from miscellaneous local sources such as fundraising and fees.³ However, this illustration grossly oversimplifies a complex picture. Funding sources vary tremendously from state to state, as well as from district to district within each state. The national average also represents a substantial change from the first half of this century.

When the majority of the nation lived in rural areas, property taxes were the primary source of school revenue. The reduced reliance on local revenues over the past 100 years, as shown in Figure 1, reflects the change from a largely rural to a largely urban and suburban population. Today's sharp disparities in various districts' ability to raise money make the old property-based finance systems inequitable. Nationwide in the late 1990s, state and local taxes share the burden of financing schools almost equally, with a small contribution from the federal government.

Variations Among States

The percentage of revenue from local, state, and federal sources varies greatly

state by state. The District of Columbia and the state of Hawaii each have only a single school district. Aside from those two special situations, in 1995–96, New Hampshire had the greatest reliance on local revenue (90%) and New Mexico the least (14.9%).⁴

However, the majority of states split the responsibility for funding schools fairly equally between state and local tax sources. Other than the District of Columbia, only five states (Illinois, Nevada, New Hampshire, South Dakota, and Vermont) received more than 60% of their funding from local property taxes. Other than Hawaii, only two states (Alabama and New Mexico) contributed as much as 70% of total school funding, and another eight states (Alaska, Arkansas, Delaware, Idaho, Kentucky, North Carolina, Oklahoma, and Washington) contributed between 60% and 69% of the total.

One way to measure differences in states is to analyze both their ability to raise tax revenues and the actions they take to raise funds for schools. Box 1 and Figure 2 summarize two recent efforts to compare each state's potential to raise tax revenues for education against the actual level of education spending approved in that state.

Variations Within States

Within most states, there is tremendous variation from district to district in the sources of their income. In general, school districts with higher property values receive a greater share of their funding from local property taxes, while those with lower property wealth receive a larger share of their funding from state sources.

Table 1

Percentage of School Revenue from Local, State, and Federal Sources, 1995 to 1996				
State	Local	State	Federal	Revenue
	Funds	Funds	Funds	Per Pupilª
Alabama	19.1	70.9	10.0	\$4,810
Alaska	23.9	63.6	12.6	10,078
Arizona	49.3	42.0	8.7	5,532
Arkansas	26.1	65.4	8.5	5,160
California	50.3	44.2	5.5	5,714
Colorado	50.3	44.2	5.5	6,296
Connecticut	56.5	39.1	4.4	9,499
Delaware	26.7	65.2	8.2	8,245
District of Columbia	85.3	N/A	14.7	6,703
Florida	43.3	49.5	7.2	6,927
Georgia	40.7	52.6	6.7	6,467
Hawaii	2.0	89.5	8.4	7,418
Idaho	31.1	61.2	7.7	4,892
Illinois	61.3	29.9	8.8	7,071
Indiana	42.5	52.3	5.2	7,135
Iowa	45.4	49.5	5.1	6,252
Kansas	37.3	57.4	5.3	7,104
Kentucky	23.9	67.2	8.9	6,288
Louisiana	32.5	54.4	13.2	5,272
Maine	45.5	47.5	6.9	6,738
Maryland	54.9	39.3	5.8	7,434
Massachusetts	59.2	35.5	5.3	8,087
Michigan	35.6	57.9	6.5	8,086
Minnesota	43.8	51.7	4.5	7,662
Mississippi	29.1	55.6	15.3	4,680
Missouri	55.8	37.3	6.8	6,220
Montana	40.4	49.6	10.0	6,260
Nebraska	57.3	38.4	4.2	5,765
Nevada	60.9	34.4	4.7	6,126
New Hampshire	90.0	7.0	3.0	7,138
New Jersey	56.0	40.3	3.6	10,825
New Mexico	14.9	74.3	10.7	6,588
New York	54.6	39.3	6.1	10,323
North Carolina	24.9	66.5	8.6	5,617
North Dakota	46.5	42.5	11.0	5,514
Ohio	52.0	41.7	6.3	6,352
Oklahoma	27.6	63.5	8.9	5,180
Oregon	36.4	56.5	7.1	6,394
Pennsylvania	52.6	41.8	5.6	8,693
Rhode Island	55.0	41.0	4.0	8,191
South Carolina	45.2	46.1	8.7	6,037
South Dakota	63.7	26.1	10.1	5,673
Tennessee	40.9	50.3	8.7	4,915
Texas	47.7	43.5	8.8	6,137
Utah	35.2	58.4	6.4	4,499
Vermont	65.2	29.7	5.1	8,237
Virginia	58.4	36.3	5.3	6,075
Washington	24.3	69.4	6.3	6,942
West Virginia	33.7	58.5	7.8	7,631
Wisconsin	51.5	44.1	4.4	8,082
Wyoming	44.5	49.0	6.5	7,114
U.S. Average	45.0	47.9	7.1	6,853
 Revenue includes funds received for construction and for contributions to employee retirement accounts. 				

Source: National Education Association. Rankings of the states: 1996. Washington, DC: NEA, 1997.

Figure 1



Source: U.S. Department of Education, National Center for Education Statistics. *Digest of education statistics 1996.* Washington, DC: U.S. Government Printing Office, 1996, p. 151; U.S. Department of Education, National Center for Education Statistics. *120 years of American education: A statistical portrait.* Washington, DC: NCES, 1993, p. 57.

Thus, for example, while California provides about 44% of the education budget to an "average" district,² individual school districts may receive anywhere from 37% to 80% of their funding from the state.⁵ The sources and amounts received by each district are a function of their state's particular distribution mechanism, as discussed below.

Taxes and Other Revenue Services

Among state and local taxes, the predominant three by a wide margin are property tax, sales tax, and income tax (individual and corporate). Local governments rely mostly on property taxes, while states rely on sales and income taxes.

Property Tax: The Local Tax Base

All states require individuals and businesses to pay taxes on the property they own.⁶ As Guthrie discusses in this journal issue, elementary and secondary schools are the recipients of roughly half of all locally generated taxes, amounting to \$117 billion received by the schools in 1992–93.³

In many states, property taxes are still the primary revenue source for schools. Reliance on property taxes to fund schools has created enormous inequities in perpupil funding and in local tax rates, as illustrated in Box 2 and discussed further by Augenblick, Myers, and Anderson in this journal issue.

State Sales and Income Taxes

Most states have both sales and income taxes. Ten states have only one or the other, and several rely very heavily on one or the other. New Hampshire is the only state with neither sales nor income taxes. Alaska has no sales or personal income tax but has the highest corporate income tax collection (per capita) in the nation.⁶

Box 1

State Taxable Resources Compared with Level of Education Spending

Just as some school districts have a larger number of school-age children and fewer taxable resources, some states are in the same situation. The federal General Accounting Office (GAO) measured total taxable resources in each state (per-capita personal income plus percapita gross state product) per school-age child, and adjusted for cost of education differences as measured by average teacher salaries. The resulting information is an index of "ability to raise revenue for schools."^a By the GAO's analysis of 1992 data, eight states (Arizona, Arkansas, Idaho, Mississippi, Montana, New Mexico, Utah, and West Virginia) had a very low ability to raise revenue for education, defined as less than 85% of the national average. Six states (Connecticut, Delaware, Hawaii, Massachusetts, New Jersey, and New York) had a very high ability to raise revenue for education, over 115% of the national average.

However, a state with a higher ability to raise revenue may choose not to exercise that option. In some states, the citizens (either by referendum or through their legislature) have severely limited tax revenue, while other states support higher taxes. The GAO analysis compared each state's *ability* to raise educational revenue against the *actual* level of education spending in that state. The national average of all education spending, divided by all taxable resources, was used as a baseline. According to this index, five states (Alabama, Delaware, Hawaii, Nevada, and Tennessee) raised a relatively low level of educational revenue (less than 85% of the national average). Ten states (Alaska, Maine, Michigan, Montana, New Jersey, Oregon, Vermont, West Virginia, Wisconsin, and Wyoming) approved education spending greater than 115% of the national average.

Interestingly, an analysis done by *Education Week*, using estimated 1995–96 data, ranked some states similarly and some differently, as shown in Figure 2. *Education Week* used perpupil spending figures, adjusted for regional differences in teachers' salaries, and grouped the resulting spending figures in five categories to reflect the state's total personal income divided by the number of public school students enrolled. Like the GAO, *Education Week* ranked Alabama, Hawaii, and Nevada as relatively low spending and Alaska, Montana, and Wyoming as relatively high spending. However, there were also differences. For example, the GAO ranked Delaware as a low-spending state, while *Education Week* ranked Delaware as the highest-spending state in its income category. Some observers feel the GAO's method of analysis is preferable because it includes all taxable resources, not just personal income, as an index of state wealth. However, the *Education Week* data are considerably newer. The two analyses probably disagree in some instances because of changes between 1992 and 1995 in individual states' resources, their population of students, or their spending patterns.

U.S. General Accounting Office. School finance: Trends in education spending. GAO/HEHS-95-235.
 Washington, DC: GAO, September 1995.

Unlike local property taxes, state sales and income taxes are virtually never earmarked for specific purposes, such as schools. Sometimes a state constitution or state law will mandate a certain level of funding for schools (as occurred in California in 1988 by voter referendum), but this is not common. For the most part, how the general fund is divided among schools, higher education, prisons, the health care system, welfare, state parks, and other uses is largely determined by state legislatures. It is also heavily influenced by state and federal court rulings, federal legislative mandates, and state constitutional restrictions or requirements.

Bonds for School Construction

Construction of school buildings is largely financed through locally issued bonds. School districts sell bonds to the public, use the income for construction costs, and repay the bonds over a period of years from the school budget or a voter-approved increase in local property taxes. Because those taxes are generally their only repayment source, local bonds are potentially as inequitable as local property taxes.

Since the 1940s, many states have issued statewide school construction bonds to supplement local ones. Depending on the state, these bonds may be used to provide either





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loans or grants to local school districts for construction. These state bonds rarely come close to meeting the facility needs of all schools. Indeed, as discussed in Appendix A in this journal issue, state funding provides only 20% of the costs of new school construction nationally. The remainder still comes from locally issued bonds.

Lotteries

Currently, 42 states have state-sponsored lotteries which, after paying out prizes and administrative costs, generated \$9.6 billion in 1993. Although some states earmark all or a portion of lottery proceeds to benefit public schools, others do not. States have used 58% of all lottery profits since 1964 to support education (including higher education).⁷ This indicates that less than 2% of all elementary and secondary spending comes from lottery funds.⁸

Analysts have noted that lotteries are an unstable revenue source, administratively inefficient, regressive in impact, and tend not to increase the total amount of funding for schools because legislatures often react by cutting back contributions from the state general fund.⁹

Locally Based Alternative Income Sources

Many schools have unusual sources of income: fees, interest on investment, local education foundations, booster clubs, privatepublic partnerships, and even ads on school buses, customized or personalized license plates, parking fees, and nonmonetary incentives. Although the list of imaginative ways to find new support is growing, the percentage contribution is still quite small. In 1992–93, private payments (including fees for items such as field trips and lunches) amounted to just 2.7% of all elementary and secondary school revenues.³

Distribution Mechanisms

The state's distribution system can be a funding equalizer, both in terms of dollars per pupil and opportunity for each student. It can make adjustments for the unavoidable special circumstances of some students or districts. In some instances, state or federal money is used to leverage local funds by requiring school districts to commit a share of their own general funds to qualify for state grants.

General Purpose Funds

Virtually all locally collected property tax income and much of the money distributed to school districts from the states is unrestricted money for general purposes. The two classic methods for distribution from the states to school districts are basic aid and equalization aid.

A Foundation Program, or Basic Aid

At least two-thirds of the states have a foundation program in which the state assures a

Box 2

Equal Property Tax Rates Yield Unequal Revenues

Even within similar neighborhoods, property values can differ greatly. That disparity in property wealth (assessed value) means that the same tax rate generates different amounts of money in different areas. Conversely, it takes different tax rates to yield the same amount of money in those same areas. Differences in population density can exacerbate the situation because the total revenue must be divided by the number of pupils in the district.

Same Tax Rate	Total Assessed Value	Tax Rate	Local Property Tax Revenue	Number of Pupils in District	Revenue per Pupil
District A	\$100,000,000	1% of assessed value	\$1,000,000	2,000	\$500
District B	\$300,000,000	1% of assessed value	\$3,000,000	1,000	\$3,000

District A, with its lower total property values, must tax itself at a much higher rate to acquire the same amount of revenue per pupil as District B. In fact, many communities have approved a much higher tax rate than neighboring ones—and still ended up with less to spend.^a

Same Revenue per Pupil	Total Assessed Value	Tax Rate	Local Property Tax Revenue	Number of Pupils in District	Revenue per Pupil
District A	\$100,000,000	5% of assessed value	\$5,000,000	2,000	\$2,500
District B	\$300,000,000	0.8333% of assessed value	\$2,500,000	1,000	\$2,500

A real-life example from two California districts in 1968–69 illustrates the point.

1968–69 Data Used in Deciding <i>Serrano</i> <i>v. Priest</i> ⁵	Assessed Value per Pupil	Tax Rate	Revenue per Pupil
Baldwin Park	\$3,706	\$5.48	\$577°
Beverly Hills	\$50,000	\$2.38	\$1,232

One solution to this problem is a *guaranteed yield program*—a state-backed guarantee that the same tax effort will yield the same revenue per pupil. To ensure that taxpayers are treated fairly across jurisdictions, the state government guarantees that a particular property tax rate will generate the same amount of revenue, regardless of the community's property values.

Guaranteed Yield Program	Total Assessed Value	Tax Rate	Local Property Tax Revenue	State Equalization Funds	Total
District A 1,000 students	\$100,000,000	1% of assessed value	\$1,000,000	\$2,000,000	\$3,000,000
District B 1,000 students	\$300,000,000	1% of assessed value	\$3,000,000	\$0	\$3,000,000

^a The situation is often even more complex. Frequently, different jurisdictions within the same state assess property at varying degrees of its true market value. One jurisdiction may have an assessment ratio of 0.5 (appraising property at half of its market value) while another assesses at 0.25 (one quarter of market value). Under such arrangements, all the disparities referred to above can be made worse. However, every state has a board of equalization which tailors state school subsidy payments proportionally to the state's mean assessment practices.

^b Guthrie, J., Garms, W., and Pierce, L. School finance and education policy: Enhancing educational efficiency, equality, and choice. Englewood Cliffs, NJ: Prentice-Hall, 1988, pp. 40–41.

c In addition, the state at that time granted a constitutionally mandated \$125 per pupil to Beverly Hills, and gave a larger amount, \$307, to Baldwin Park. As a result, the revenue discrepancy was reduced but still exceeded \$450 per pupil, a huge amount.

Table 2

Major Current Federal Programs for Elementary	and
Secondary Schools, 1996	

Federal Program	Fiscal Year 1996 (in millions)	Fiscal Year 1997 (in millions) Projected	Description
Title I—Improving Basics	\$6,730	\$7,194	Focus on reading and math for 7 million disadvantaged children
Special Education	3,245	4,036	Services for 6 million children with physical, emotional, or learning disabilities
Vocational Education Basic Grants	973	1,025	Career preparation and occupational skills
Goals 2000	350	491	Higher academic standards and achievement for 12,000 schools
School-to-Work	360	400	Local partnerships to strengthen students' workforce skills
Bilingual/Immigrant Education	188	262	English and other core subjects for students with no or limited English
Technology Literacy Fund	0	200	Access to computers for students and training for teachers
Charter Schools	18	51	Development or expansion of individual charter schools
Gifted and Talented Education	3	5	Services for high-achieving or talented students

Source: Riley, Richard W. U.S. Secretary of Education Statement regarding House passage of omnibus appropriations bill. U.S. Department of Education, September 30, 1996.

minimum amount of money, per pupil, to all of its districts. In some instances, a specified level of local tax effort is required. Usually this large part of a school district's revenue depends on how many students it has. The most often used mechanism is average daily attendance (ADA), the number of students attending or enrolled in the school divided by the number of school days.¹⁰ See the article by Augenblick and colleagues in this journal issue for a discussion of alternative methods of determining an appropriate foundation level of funding.

Equalization Aid

About 20 states compensate districts for differences in their ability to raise money by providing equalization aid in addition to or in combination with a foundation program. In most states, school districts can also raise locally generated tax income that is not equalized.

Categorical Funds

Most federal education funds and a good share of state funds come to school districts in the form of categorical aid. This money is earmarked for specific uses, such as to redress social or economic imbalances among students and families, to reinforce current legislative priorities, to encourage districts to take particular actions, or to support/ensure compliance with court decisions. Table 2 lists the major current federal programs.

Many of the federal categorical programs listed in Table 2 are supplemented by the states. For example, practically all school districts receive additional state funding for special education programs that assist students who have qualifying physical, emotional, or learning disabilities. Nearly two-thirds of the states provide Some categorical aid comes entirely from the states. More than half the states recognize geographic sparsity factors or very small district size in their funding formulas, almost half compensate for falling or growing enrollments, and nearly half distinguish among grade levels (with high schools often receiving more basic funds per pupil than elementary schools).^{11,12}

Categorical aid is a controversial topic. School boards, administrators, and employee unions strongly prefer local discretion in their budget planning, whereas most categorical aid is tightly restricted. Categorical programs, particularly federally supported ones, can also be expensive to administer.

Criteria for Assessing a School Finance System

All states grapple with how to fund education in a way that is fair to students as well as taxpayers. Regardless of the source of funds, the school finance system as a whole must meet multiple, sometimes conflicting, goals. It must provide an adequate and stable source of funding, meet special needs, not preclude local options to fund at a higher level, and consider the overall effects of any tax imposed or taxing mechanism used.

Adequacy

The level of revenue depends, of course, on the complex political decisions in each state about how much to allocate for education. In addition, rapid enrollment growth (such as occurred in Utah, among other places) can eat up new resources even in positive economic and political climates.

Recent experience indicates that less money is generated for schools when the state is the primary source of revenue.^{13,14} This implies that, despite problems with equity, property taxes are still an important source of education funding. The amount of revenue also depends on who is in control. In 35 states, school district governing boards are still able to levy local taxes, usually with voter approval. In the other states, local control is a dim memory.¹⁵ Local control does not guarantee adequate resources: in Oregon, even the local election option could not avert a disaster for some schools when voters approved a statewide slash in property taxes. In these districts, voters refused to approve increases for their local school budgets.

Stability

Schools require stability in funding. Budgets should be predictable so that teachers can be employed for an entire school year and children's placement and services will not be unnecessarily disrupted. The property tax is fairly stable and predictable; the income tax is even more stable as a revenue source for schools. The sales tax, by contrast, has a high yield but lower stability.

Ability to Meet Special Needs

Categorical funds from the state and federal governments address varying student characteristics such as special education, special English language instruction, and problems associated with poverty. Whether or not categorical aid is sufficient is subject to ongoing debate.

Local Options for Higher Spending

Those communities that currently provide higher school budgets are very vocal in their opposition to any changes in the finance system that would lead to a decrease in their budgets. State equalization formulas generally allow higher-spending districts to preserve a local option of funding higher amounts through higher local taxes, though they sometimes impose a ceiling in the interest of preventing wider inequalities among districts.

Taxation Effects

Taxes should not be regressive, that is, have a disproportionate impact on the lowerincome taxpayer. They also should not place a differential burden on similar taxpayers in the same community. Several states have addressed the problem of regressive property taxes through (1) income tax rebates for low-income households that have paid out large property taxes, (2) "circuit breakers" that provide relief when property taxes exceed a specific percentage of household income, (3) tax deferrals for certain homeowners, or (4) reverse equity mortgages which rectify the imbalance of "high property wealth, low income" for some elderly homeowners.

Conclusion

The education community, like other sectors of government, is being pushed to examine whether its resources are being used efficiently. (See the article by Monk, Pijanowski, and Hussain in this journal issue.) Several states are experimenting with ways to link their funding systems with achievement of specified performance results. As one authority on school finance has noted: "The key issue is how to invest and reallocate resources to bring all students up to adequate performance levels. To resolve this issue, school finance in the 1990s must push beyond fiscal inequities and determine connections among student outcomes, educational progress, and education funding. School finance ducked these issues in the past; the issues cannot be dodged in the future."16

In virtually every state, the school finance system has become a complex combination of constitutional requirements, statutes, and regulations. Conflicts quickly arise among the objectives of providing at least minimally acceptable and safe classrooms for all students, ensuring equity in taxation and distribution of the funds, reimbursing for expensive programs or construction, offering some form of local control, and providing incentives for specific priorities or to protect certain students.

Balancing these conflicting goals probably requires that even the simplest school finance system include a combination of a guaranteed foundation level of funding per student, power equalization above that level (so that

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property-poor districts are able to raise equal amounts with equal tax levels), an allowance for a local option to support higher taxes (so that higher-spending districts are not forced to curtail the level of funding they currently enjoy), and carefully designed categorical funding to meet multiple special needs (which could include adjustments for local costs as well as special student characteristics).

- 1. Augenblick, J., Gold, S., and McGuire, K. *Education finance in the 1990s.* Denver, CO: Education Commission of the States, November 1990.
- 2. National Education Association. Rankings of the states: 1996. Washington, DC: NEA, 1997.
- 3. U.S. Department of Education, National Center for Education Statistics. *Digest of education statistics*, 1996. Washington, DC: U.S. Government Printing Office, 1996, p. 152.
- 4. See note no. 2, National Education Association, p. 41.
- 5. See note no. 3, U.S. Department of Education, National Center for Education Statistics, pp. 98–102. For example, in California, Irvine Unified received 37% of its funding from the state, while Fontana Unified received 81%. These examples come only from districts enrolling more than 20,000 students. Inclusion of smaller districts might show an even wider range.
- 6. Kroes, S. *Taxing California*. Research Bulletin 8. Sacramento: California Taxpayers' Association, May 1996. Available online at http://www.caltax.org/research/taxing96/taxing96.htm.
- 7. U.S. Department of Commerce, Bureau of the Census. *Statistical abstract of the United States: 1995.* 115th ed. Washington, DC: U.S. Government Printing Office, 1995, p. 314.
- 8. If \$9.6 billion in net lottery revenue was generated in 1993 and 58% of that was used to benefit schools, this is a contribution of \$5.6 billion, or 2% of the \$236 billion in total national elementary and secondary expenditures that year. However, the actual contribution was presumably less because some share of the \$5.6 billion went to higher education.
- 9. Brandon, D. *State-run lotteries: Their effects on school funding*. Arlington, VA: Educational Research Service, 1993.
- 10. Other methods for distributing funds can be according to teacher units, special populations, excess or mandated costs, or weightings of pupils according to a variety of factors determined by the state. Despite considerable academic research on the subject, a system for

funding education through an index of need or educational costs is not fully developed and is not in place at this time. This topic is of substantial potential importance as states consider revising their school finance systems.

- 11. Jordan, F., and Lyons, T. *Financing public education in an era of change*. Bloomington, IN: Phi Delta Kappa Educational Foundation, March 1992.
- 12. Verstegen, D. The new wave of school finance litigation. *Phi Delta Kappan* (November 1994) 76,3:243–50.
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- 14. Alexander, A. The growth of education revenues between 1982–83 and 1992–93: What accounts for differences among states? In *Developments in school finance, 1995*. W. Fowler, ed. Washington, DC: National Center for Education Statistics, July 1996, p. 63.
- Fulton, M., and Sonovick, L. Fiscally dependent/independent school districts. *Clearinghouse notes*. Denver, CO: Education Commission of the States, November 1993.
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