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A dissertation is normally thought of as the work of one person. Given the nature of the undertaking, however, it is more truthfully the product of many minds. Consequently, there are a number of people that I would especially like to thank.

Roald Campbell has earned my lasting gratitude as both my advisor and as director of the Educational Governance Project. In both capacities, he offered me the chance to work with someone who has made a long and lasting contribution to the field of educational administration and the unique opportunity to work on a national research study which pursued my major professional interests. A special note of thanks also goes to Tim Mazzoni who, as associate director of the Project and a member of my PhD committee, has been an advisor, a sounding board, and most importantly, a friend.

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Bonnie Reese and Archie Buchmiller are the dream of anyone doing research. They were both fun to interview and completely selfless of
their time in reacting to rough drafts and speculations. The citizens of Wisconsin are indeed lucky to have these two in their service.

I will always be grateful to Lois VanDervort and Pat Wood who, fortunately for all of us, survived the impossible task of typing this dissertation.

Finally, a special note of thanks is extended to my parents, Pauline and Nathan Siegel, whose love, support, and encouragement were crucial in enabling me to finally graduate a third and last time from Ohio State.
VITA

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PUBLICATIONS

"State Policy Making for the Public Schools of Massachusetts," Prepared for the Educational Governance Project, The Ohio State University; Columbus, Ohio; 1974

"School Finance Reform" in "State Policy Making for the Public Schools of Michigan," The Educational Governance Project; Columbus, Ohio; 1974

"The Politics of Passing School Finance Reform," in State Policy Making for the Public Schools: A Comparative Analysis, The Educational Governance Project, The Ohio State University; Columbus, Ohio; 1974


FIELDS OF STUDY

Major Field: The Politics of Education

Studies in School Finance and Economics, Professors Walter Hack and Frederick Stocker

Studies in School/Community Relations, Professor Raphael O. Nystrand
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CHAPTER ONE

Introduction

Money may not grow on trees, but it is still the mother's milk of politics. Somewhere between these two worn cliches lies the topic of this dissertation: the politics of school finance reform. Schools continue to thirst for fiscal nourishment at a time when the local taxpayer demands that they be weaned, shifting more of the burden to the state aid formula. At this level, requests for education dollars enter the political process only to compete with an ever expanding public sector. As a result, decisions are normally based on political expediency (i.e. what can pass) rather than on "the best" educational arguments.

This dissertation is concerned with the politics of school finance reform. More specifically, it asks: What demands bring pressure to bear for change? How are pressures translated into public policy? Who does what to whom? How are decisions made? Who or what makes a difference in the outcome? In answering these questions, the study attempts to analyze the process of securing successful school aid programs. This, then, is the topic of concern.

Statement of the Problem: The Lack of a Literature

Until recently, the study of the process involved in passing school finance reform has been largely ignored. Since the early 1960s, numerous researchers have concentrated on the nature of the educational system at the state level—those individuals and groups involved in making the
important decisions—and only tangentially, if at all, on school finance legislation. From these writings, the reader becomes convinced that education and politics are inalterably intertwined; that the schools must compete for attention and dollars with other public priorities; that educators no longer speak with one voice at the state level; and that lawmakers are assuming more direct involvement in the formulation of school programs.¹

A second body of research has focused on the nature of specific school aid proposals, their merits and their defects, without discussing how they ever became law. Thus, the reader is exposed to such dilemmas as the special fiscal problems of urban school districts,² the problems inherent in funding the schools from local property tax revenues, and the recent school finance developments involving the courts.³ Prestigious organizations at both the state and federal levels have also turned their attention to the issue of funding education. Practically all of their subsequent studies have urged the state legislatures to assume a greater responsibility for financing the public schools.⁴ State governments have begun to commission studies of their own school finance systems.⁵ Finally, some organizations are facilitating interstate communications by publicizing new legislative developments in this area.⁶

Interest in school finance reform has certainly not been lacking. The reader is able to learn about the educational system and the nuts and bolts of school aid proposals. However, the result of these two distinct, yet parallel bodies of research has been an analytical knowledge gap. The "missing link" would suggest how one gets from the system of educational policy making and its players to the actual issue of school finance reform. In other words, it would concentrate on the process of enacting school finance reform legislation.
To review the literature in this area would be a formidable task, since there does not yet seem to be a "literature". All is not hopeless, however. During the last few years, both educators and policy makers have begun to draw the two strains together, in order to concentrate on the actual process of securing educational finance reform. Academicians in the role of policy consultants have begun to publish the most recent changes in school finance, not only the contents of the new laws, but the actual strategies and tactics for enacting reform. And policy makers themselves are starting to publicize their own successful endeavors in passing school finance reform legislation.

The purpose of this dissertation is to add to this new, but growing number of publications analyzing the politics of enacting school aid reform statutes. Hopefully, with other comparable endeavors, there will soon be a literature in this area—not only for other prospective doctoral candidates, but more importantly, for individuals interested in advocating school finance reform.

Conceptual Framework

This dissertation is based primarily on information derived from the Educational Governance Project, a national inquiry conducted from January 1972 through August 1974 under the direction of Professors Roald F. Campbell and Tim L. Mazzoni, Jr. Funded by the United States Office of Education under Title V (Section 505) of the Elementary and Secondary Education Act, the primary research task of the Project was to "describe and to analyze the process by which the states currently determine policy for their public schools." To this end, and in the absence of appropriate hypotheses based either on theory or on the literature, a conceptual framework was utilized in order to give direction to the study. The conceptual
framework drew heavily from two general approaches—political systems theory and allocative theory. The first posits a dynamic, interactive model of the formal decision making process during which demands are converted into authoritative decisions. Emphasis was placed on the interrelationships among those individuals and groups who constitute the education policy system at the state level—the governor's office, the legislature, the state education agency (which includes the state board of education, the state commissioner or superintendent of education, and the state department of education) and the statewide educational interest groups. Such interrelationships result in system outputs, in this case educational policies—policies being, in Lasswell's classic definition, "who gets what, when, how." This decision making process is diagrammed in Figure 1.

A Simplified Model of A Political System

ENVIRONMENT:

the physical, socioeconomic, cultural, and political backdrop.

THE POLITICAL SYSTEM:

INPUTS

Demands for change

Support of the system

Governor's Office
Legislature

Decisions and other actions

Outputs

(new school finance legislation)

based on: David Easton, A Systems Analysis of Political Life

Systems theory provides a framework from which to study complex phenomena in a comprehensible manner. However, it fails to explain what happens.
For this purpose, the Educational Governance Project turned to allocative theory which highlights the dimension of influence. Influence is "the dynamic in the pattern of actor relationships by which functions are performed, conflicts are overcome, and decisions are reached." Accordingly, the determination of policy was viewed as competitive, characterized by individuals and groups who possess differing resources, priorities, and political skills and who seek to exercise influence over one another in order to win decision benefits from the system. Together, these two theories provided a conceptual framework in which to view the actual decision making structures, actors, and processes.

Procedures

The research findings of the Educational Governance Project were derived from the use of a comparative case study methodology. Formal interview schedules were developed in accordance with the conceptual framework and used for comparable individuals and groups across the 12 states in the Project. The schedules concentrated on reputational-type questions in order to determine the policy making influence of the different actors and their interrelationships. (A copy of the interview schedule used for legislative leaders is in Appendix A.) In total, the research encompassed 422 formal interviews and over 200 informal interviews during the first half of 1973. This information was augmented by substantial secondary sources on four issue areas, including school finance, which the policy makers in all 50 states had previously identified as the most critical statewide educational issue. In addition, school finance was selected by the Educational Governance Project as an issue that focused on the role of the governor and the legislature in educational decision making.
This dissertation utilizes the findings of the larger research project (of which this writer was a staff member) particularly the information derived from the states of Minnesota, Michigan, and Wisconsin. The number and breakdown of formal interviews conducted in these three states is contained in Table 1.

The school finance issue on Minnesota was written by Tim L. Mazzoni, Jr. for the Educational Governance Project and is inserted in this study, with the author's permission, in order to enlarge the state sample. The school finance issue on Michigan was prepared for the Project by this writer and can also be found in the Michigan case study. For Wisconsin, it was necessary to conduct additional interviews with six state policy makers, which this writer did in April 1974.

<table>
<thead>
<tr>
<th></th>
<th>Michigan</th>
<th>Minnesota</th>
<th>Wisconsin</th>
</tr>
</thead>
<tbody>
<tr>
<td>State superintendent of education</td>
<td>1</td>
<td>1</td>
<td>1 (deputy)</td>
</tr>
<tr>
<td>State department of education</td>
<td>3</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>State board of education</td>
<td>6</td>
<td>6</td>
<td>no state board</td>
</tr>
<tr>
<td>Educational interest groups</td>
<td>10</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>Governor</td>
<td>1</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Governor's staff</td>
<td>2</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Finance department</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Legislators</td>
<td>15</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Legislative staff</td>
<td>-</td>
<td>-</td>
<td>2</td>
</tr>
</tbody>
</table>

N=100
The fourth state in this dissertation, Ohio, was this writer's employer during 1971-72, when she worked as a staff person in the Ohio General Assembly and was able to collect an extensive file on the school finance issue. Ohio also served as a pilot state to test the interview schedules of the Educational Governance Project. Approximately 30 policy makers at the state level were interviewed during the fall of 1972. These categories coincide with those found in Table 1. In order to maximize the validity and objectivity of the four reports, a variety of policy makers were then asked to respond to a rough draft of the school finance issue on their states. (The readers and their positions are listed in Appendix B.) Because Minnesota, Wisconsin, Michigan, and Ohio all enacted major school finance reform legislation between 1971 and 1973, they provide a good basis of comparison for an indepth study of the process of achieving such changes.

Limitations

What follows is a qualitative analysis of the politics and process of enacting school finance reforms. The reasons for this type of research orientation and approach are several. First, the 12 states studied by the Educational Governance Project do not constitute a probability sample. Consequently, statistical inferences applicable to all 50 states cannot be derived from the findings. All conclusions and generalizations, strictly speaking, therefore apply only to the states under study. This is especially the case with this dissertation, which confines itself to a four state sample. Second, the objective of this study on school finance is to examine the actual process of enacting legislative reforms in the funding of state aid programs. Individual events and personalities in each of the four states make a significant difference in initial
choices and eventual outcomes. What is lost in universality is therefore picked up in specificity. And while school finance programs are highly technical in content, the process through which they travel to become reality is flavored by the unique circumstances operative in each state. It is these nuances that this qualitative treatment hopes to capture and, in the process, to provide information for subsequent generation of hypotheses.

In addition to the type of analysis, a second limitation is the scope of this study. The focus is on process: the way in which one gets from the "before" to the "after." It does not delve into the intricacies, merits, and shortcomings of the actual school aid programs. (However, references to the statutes in each state and a brief interstate comparison are contained in Appendix C.) Moreover, school finance reform is dealt with only at the state level, and only with the federal, local, and judicial systems as they impinge on the legislative system. The choice is a purposeful one, since the major decisions involving educational finance are made at the state level. This dissertation emphasizes the pressures culminating in change and the response of the policy system ending in legislative enactment. In no way is this meant to diminish the importance of implementation or "feedback" of school aid programs. Yet one has to have information on the passage of such policies before evaluating their good points and their bad points.

The Four State Sample

Ohio, Minnesota, Michigan, and Wisconsin comprise a good interstate sample because they can be compared along a variety of dimensions. Most importantly for the purposes of this study, all four states enacted some form of school finance/tax reform statutes within the same time frame.
They also represent a similar region of the country which presumably has some bearing on their common experiences, socio-economic status, political cultures, and governmental structures. This statement can be illustrated in a number of ways.

According to the latest census data, Ohio, Minnesota, Michigan, and Wisconsin are similar in the proportion of their citizenry employed by broad occupational groups. Ohio and Michigan rank higher in the number of blue collar workers (41 percent of the population) with Minnesota and Wisconsin having more farm workers (6-7 percent). Collapsed into slightly different categories, the urban/rural dichotomy is as follows:

Table 2

PERCENT OF TOTAL STATE POPULATION URBAN AND RURAL, 1970

<table>
<thead>
<tr>
<th></th>
<th>Urban</th>
<th>Rural (nonfarm &amp; farm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ohio</td>
<td>75.3</td>
<td>24.7</td>
</tr>
<tr>
<td>Minnesota</td>
<td>66.4</td>
<td>33.6</td>
</tr>
<tr>
<td>Michigan</td>
<td>73.9</td>
<td>26.1</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>65.9</td>
<td>34.1</td>
</tr>
<tr>
<td>U. S. Average</td>
<td>73.5</td>
<td>26.5</td>
</tr>
</tbody>
</table>


The four states all ranked above the national average in wealth, as measured by state median family income in 1969. The range was from a low in Minnesota of $9,931 to a high in Michigan of $11,032.²⁹

States can also be compared according to their political cultures.²⁰ Michigan, Minnesota, and Wisconsin have been described as having a "moralistic" political culture. From this perspective, government is viewed as a common-wealth, self-initiating and meant to achieve the good community through positive action. Politics is seen in a positive light.
and as every citizen's responsibility. And issues are more important than party labels. This political strain also characterizes Ohio, but in this state another "individualistic" culture is more dominant. Here, government is perceived as a marketplace to respond efficiently to demands, but it will not initiate action unless demanded by public opinion. Politics is seen negatively and is better left to the professionals. Consequently, party identification is strong.

The presence of a "moralistic" culture in all four states is seemingly reflected in the rate at which each state is likely to adapt new programs (i.e. their composite innovation scores). Michigan ranked fifth; Wisconsin, tenth; Ohio, eleventh; and Minnesota, twelfth among the mainland states in eighty-eight policy areas, including education, primarily during the twentieth century. If the innovation scores are indicative of future policies, the states could be expected to act fairly rapidly in reforming their school finance statutes. All four states also performed under highly developed two-party competitive political systems and relatively well functioning state legislatures.

During the years in which school finance reform was enacted, no one party controlled both the legislative and executive branches. The four governors varied in their formal powers, including the length of their tenure in office and their appointment, budgetary, and veto powers. According to this measure, Minnesota and Michigan had the strongest gubernatorial offices with Wisconsin having the weakest. These formal power differentials do not appear to have any significant effect on school finance reform, however, since all four chief executives were successful in seeing most or part of their programs enacted.

Turning specifically to the educational finance issue, Table 3 indicates that the four states were more similar in their wealth than in
their fiscal effort on behalf of the public schools. These figures, as well as those in the following tables, are based on the last pre-reform year so that the comparison is valid for all four states.

Table 3

A COMPARISON BETWEEN EDUCATIONAL FISCAL ABILITY AND EFFORT
1970-71

<table>
<thead>
<tr>
<th></th>
<th>Personal income per child of school age, for the public schools in 1970-71</th>
<th>Local &amp; state revenue receipts 71 as % of personal income, 1970</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(ability)</td>
<td>(effort)</td>
</tr>
<tr>
<td>RANKING</td>
<td>RANKING</td>
<td></td>
</tr>
<tr>
<td>Ohio</td>
<td>$ 15,978</td>
<td>4.5% (41)</td>
</tr>
<tr>
<td>Minnesota</td>
<td>14,880</td>
<td>7.1 (3)</td>
</tr>
<tr>
<td>Michigan</td>
<td>16,352</td>
<td>5.9 (5)</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>14,617</td>
<td>5.3 (19)</td>
</tr>
<tr>
<td>U. S. average</td>
<td>16,392</td>
<td>5.0</td>
</tr>
<tr>
<td>hi-lo</td>
<td>21,153-9,926</td>
<td>7.7-3.8</td>
</tr>
</tbody>
</table>


Another way of looking at educational finance is to compare states according to how they divide the burden for funding the public schools. Before the reforms were enacted, Ohio and Wisconsin leaned heavily on the local property tax, with Minnesota and Michigan distributing the responsibility more evenly between their state and local governments, as Table 4 indicates.

Table 4

ESTIMATED PERCENT OF REVENUES FOR THE PUBLIC SCHOOLS, 1970-71, FROM LOCAL AND STATE GOVERNMENTS

<table>
<thead>
<tr>
<th>The Local Governments</th>
<th>The State Government</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Ranking</td>
</tr>
<tr>
<td>Ohio</td>
<td>65.8% (11)</td>
</tr>
<tr>
<td>Minnesota</td>
<td>49.6% (28)</td>
</tr>
<tr>
<td>Michigan</td>
<td>54.8% (26)</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>65.9% (10)</td>
</tr>
<tr>
<td>U. S. Average</td>
<td>52.8%</td>
</tr>
<tr>
<td>Hi-Lo</td>
<td>85.3-2.9</td>
</tr>
</tbody>
</table>
Interestingly, even though Ohio and Wisconsin relied more on local tax revenues, they fared better in terms of equalizing educational expenditures across the school districts, as shown in Table 5.

Table 5

RANKING AND EQUALIZATION SCORES OF THE STATES BASED ON THE NEFP TYPOLOGY FOR THE SCHOOL YEAR 1968-69

<table>
<thead>
<tr>
<th>Equalization Score</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ohio 5.882</td>
<td>(17)</td>
</tr>
<tr>
<td>Minnesota 4.433</td>
<td>(36)</td>
</tr>
<tr>
<td>Michigan 3.844</td>
<td>(41)</td>
</tr>
<tr>
<td>Wisconsin 5.781</td>
<td>(20)</td>
</tr>
<tr>
<td>Mean Score 5.131</td>
<td></td>
</tr>
<tr>
<td>Hi-Lo 8.400-2.295</td>
<td></td>
</tr>
</tbody>
</table>

Finally, a measure of the four states' commitment to public expenditures can be illustrated in Table 6. Perhaps the "moralistic" political culture of Minnesota, Michigan, and Wisconsin, which leans toward a self-initiating government, accounts for a relatively high expenditure level. Ohio, with its "individualistic-moralistic" political culture, spends substantially less for public services.

General numerical comparisons are important. But by themselves, they do not explain how and why school finance reform legislation was successful in Ohio, Minnesota, Michigan, and Wisconsin between 1971 and 1973. For this information, the reader must turn to a more detailed analysis of the actual events and persons involved. Consequently, the
Table 6
GENERAL GOVERNMENTAL EXPENDITURES, 1970-71

<table>
<thead>
<tr>
<th>State</th>
<th>Per capita total general expenditures of the states for all functions, 1971</th>
<th>Per capita general expenditures of state and local governments, 1970-71</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ohio</td>
<td>$285.74 (50)</td>
<td>$584.39 (42)</td>
</tr>
<tr>
<td>Minnesota</td>
<td>496.08 (13)</td>
<td>805.86 (10)</td>
</tr>
<tr>
<td>Michigan</td>
<td>441.11 (25)</td>
<td>757.00 (15)</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>475.59 (18)</td>
<td>763.72 (14)</td>
</tr>
<tr>
<td>U. S. average</td>
<td>443.64</td>
<td>730.52</td>
</tr>
<tr>
<td>hi-lo</td>
<td>1519.85*-457.59</td>
<td>1827.52*-501.42</td>
</tr>
</tbody>
</table>

*reduce 30 percent for comparable mainland prices


remainder of this study will be devoted to an indepth treatment of each of the four states. This will be followed by a comparative analysis across the states concerning the politics of enacting school finance reform. It is hoped that this dissertation will contribute to the growing and long overdue concern over the actual process of seeing new school aid programs become law.

A Word About School Finance Reform

The meaning of school finance reform has intentionally been left general here in order to encompass the nature of the legislation enacted in all four states. Accordingly, school finance reform can be thought of as the attempt by state government to restructure its school aid formula in order to provide greater equity in the distribution of educational revenues and in the tax structure. These efforts resulted in (1) a sizeable increase in state assistance to local school districts; (2) property tax relief; and (3) a reduction in the property wealth differentials between richer and poorer school districts. As will be demonstrated later, however, the end results varied in both scope and success.

2 Seymour Sacks, City Schools/Suburban Schools (Syracuse, New York: Syracuse University Press, 1972).


5 The best known study of this kind is perhaps "The New York Study Commission on the Quality, Cost, and Financing of Elementary and Secondary Education," (the so-called "Fleischmann Commission") Albany, New York, 1972.


7 See Joel S. Berke, Director, Educational Finance and Governance Program, Syracuse University Research Corporation, "Strategies and Tactics for State School Finance Reform," an address to the National Symposium on State School Finance Reform, Silver Spring, Maryland, November 26, 1973; as well as the current study, Politics of State School Finance Reform in Seven States, conducted by the Educational Finance
and Governance Center, Syracuse University Research Corporation, Syracuse, New York, 1974.

8 See, for example, Gene Caesar, Robert N. McKerr, and Dr. James Phelps, New Equity in Michigan School Finance: The Story of the Bursley Act, Revised Edition, published by the Senate Committee on Education (Lansing, Michigan) June, 1974. In praising the virtues of the new Michigan school aid formula, its authors also devote several pages to a description of the demands leading up to a change in the old laws and the process of enacting the legislation.


10 Mazzoni, p. 3.


14 For a more detailed explanation of the conceptual framework used by the Educational Governance Project, see Mazzoni, pp. 3-18, and Campbell and Mazzoni, State Policy Making for the Public Schools: A Comparative Analysis, Chapter One, pp. 1-32.

15 Mazzoni, P. 23.


23 John Burns, The Citizen's Conference on State Legislatures, The Sometime Governments (New York: Bantam, 1971) p. 49. In this attempt to measure the state legislatures along minimum standards of legislative capability in five general categories, the overall rankings were: Wisconsin (5); Michigan (8); Minnesota (10); and Ohio (16).

24 Joseph A. Schlesinger, "The Politics of the Executive," in Jacob and Vines, p. 232. Under a potential 20 point index of formal gubernatorial powers, the chief executives ranked as follows: Minnesota and Michigan (19); Ohio (18); and Wisconsin (15). The lowest state ranked 7.
CHAPTER TWO

THE POLITICS OF SCHOOL FINANCE REFORM IN OHIO*

In 1971, the Ohio General Assembly survived what has been described as "the most hectic, confused and indecipherable session in legislative history"\(^1\) to enact a state income tax. This feat was accomplished under a newly-elected Democratic Governor, who campaigned on the dual issues of more state aid to the schools and tax reform, and a Republican-controlled Legislature, which endured nine months of grueling debate, four conference committees, and eight interim budgets. Opponents of the income tax then placed it before the voters who, somewhat surprisingly, upheld the tax by better than a two-to-one margin. The final result represented the most significant reform of Ohio's tax structure in almost forty years.

While the fundamental issue in 1971 was taxes, the need for additional school funds became an important strategy in passing and

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*Information in this section on Ohio was obtained primarily from public documents, news sources, informal conversations with policy makers, and the personal observations of this writer who worked as a staff person in the Ohio Senate during 1971-1972.

The primary concern of this study is the political process of passing school finance legislation rather than the technical intricacies of the education and tax revisions. Consequently, this section will serve as an overview of the politics of educational finance reform in Ohio during 1971. For further detail on the tax issue, the reader is directed to Frederick D. Stocker, "The Rough Road to Tax Reform: The Ohio Experience," prepared for the Advisory Commission on Intergovernmental Relations, December, 1971. For additional information on the school finance issue, see Ronald B. Hoekstra, "The Governor as Policy Maker in Education: A Case Study," Ph.D. Dissertation, the Ohio State University, 1973.
retaining the state income tax. The subsequent availability of increased revenues for all state services, including education, made possible a revision of the foundation formula. Technically, however, one could argue that the result was not school finance reform. Because the major controversy was over taxes, the problems inherent in the existing formula were not seriously addressed. Hence, by 1973, the General Assembly recognized that it was still confronted with important concerns regarding the schools.

Ohio's School Foundation Formula Prior to 1971

During the sixties and early seventies, Ohio was operating under a school foundation formula initially enacted in 1955. Except for periodically increasing the dollar amounts and for adding categorical programs outside of the formula, the Ohio General Assembly had not made major structural revisions since that time. The basic elements of the formula were: general cost of education minus local contribution equals state aid. These were calculated as follows:

1. The operating cost of a basic educational program was established by the Legislature. In 1970-71, this cost was computed on a per unit basis by dividing the average daily membership (ADM) in kindergarten by 60 and the ADM in grades 1 through 12 by 30. The costs of vocational education, special education, special classes, and supervision were also calculated on separate unit bases. All of these operating expense allowances were then added to the costs of a state minimum salary schedule, a retirement allowance, and a transportation allowance. In 1970-71, the minimum salary schedule was based on both the training level (college degree) and the cumulative years of teaching experience
of each certificated employee. A beginning teacher with a bachelor's degree, for example, received $5200 a year in 1970-71. In order to receive state aid, all local districts had to pay their certificated employees at least the amounts prescribed by statute. In 1970-71, the retirement allowance included as aidable cost was 13 per cent of each local district's total minimum salary schedule allowance. Finally, the transportation allowance was calculated by the Ohio Board of Education. The cost factors of this basic educational program were common to all local districts and consisted of the sum of the above programs.

2. The local millage rate was also determined by the Legislature and was the amount the local districts were required to levy against their tax duplicates in order to receive their maximum share of state aid under the formula. In 1970-71, this "charge-off" was 17.5 mills, largely dependent on voter approval. In Ohio, the County Budget Commissions allocated a portion of non-voted ten mills to each school district. Other operating expenses had to be approved by a vote of the people in each local district.

3. State aid in the formula was then the difference between the cost and the local effort. Districts receiving aid under the formula were called "formula" or "additional-aid" districts.

Ohio also guaranteed all school districts, including the most wealthy, some state support as long as they levied a specified millage rate in local property taxes. In 1970-71, the General Assembly also set this "qualifier" at 17.5 mills, although it had previously been below the charge-off. In that biennium, the guarantee amounted to
$3400 for every thirty students in grades 1 through 12. Districts supported under this guarantee were called "flat-rate" or "non-additional-aid" districts.

Local districts also received numerous subsidies outside of the formula for programs such as disadvantaged children, auxiliary services for nonpublic schools, adult basic literary education, driver education, and others. In addition, guarantees were also established for special circumstances so that no district would lose funds due to changes in the foundation formula. These included subsidies for consolidation, reappraisal, and a grandfather clause.

Effects Under the Foundation Program and Pressures for Change

The school foundation formula in Ohio, as in other states, was established to lessen the wealth disparities among local school districts, enabling all districts to offer minimum educational programs. Although the formula did reduce the wealth disparities, it also preserved some existing inequities. This problem was intensified by the ever increasing costs of education and the continued willingness of Ohio taxpayers to vote down school levies.

1. Inequities in the Formula. The charge-off in the formula requiring the same local effort from all districts, served as an "equalizer" in that the poor districts receive proportionately more state aid than their wealthy counterparts. However, the charge-off placed a heavier fiscal burden on property-poor districts which also could not qualify for more state aid other than the established cost of the basic program. This was especially critical because the cost of the
basic program was often inadequate, forcing the poor districts to raise additional millage in order to cover actual educational expenditures. In 1971, the state-average millage rate for education was approximately 32 mills. The rich districts, in turn, received state aid because of the flat guarantee, as long as they met the qualifier. Nor were they subject to negative aid payments back to the state. Moreover, all districts, regardless of wealth, received state subsidies for various programs as long as they qualified, further solidifying the existing inequities among districts.

Poor districts were also penalized under the per unit calculation in the formula. Since the basic state education program provided for one teacher for every thirty students in grades 1 through 12 and at the state minimum salary schedule, only the wealthier districts could readily afford a smaller teacher-pupil ratio and higher salaries. Almost all of the school districts, however, employed additional certificated personnel for which they received no state foundation program assistance. In 1970-71, over 17,000 certificated personnel were employed throughout the state for which the school districts did not receive state aid. Thus, although state aid payments distributed under the formula had some equalizing effect, the monies also helped preserve inequities between wealthy and poor districts.

2. Rising Costs. State dollars to the schools continued to climb in absolute terms. Yet the proportion of aid contributed by the state had decreased in recent years. When Ohio first adopted a foundation program in 1935, the state had financed approximately fifty per cent of the public school costs. This equal sharing between the state and the
local levels remained constant until the mid-forties, when total school costs began rising faster than the increases in state aid. In the decade between 1955-56 and 1966-67, the total costs of public education in Ohio had increased approximately 175 per cent. During the same time period, state payments to the schools rose by about 156 per cent. It was not that the state was not trying to keep up. Increases in the state effort during 1968-71 were greater than the total increases appropriated for the previous twelve school years. But by 1970-71, the state's contribution to the schools had reached a low of 27.9 per cent of the total cost, giving Ohio a rank of 41 among the other states.

At the same time, the heaviest burden fell on the local school districts. Ohio ranked 11th in local support to the public schools in 1970-71, with 65.8 per cent of educational revenues coming from the local property tax.

3. Taxpayer Revolts. At a time when local taxpayers were being called upon to finance a greater proportion of school costs, they were beginning to refuse. Property taxes levied for the public schools in Ohio had risen by 141 per cent during the sixties and accounted for more than 85 per cent of the total property tax increase during 1970. In 1960, 91 per cent of the school tax proposals had been approved by the voters. By November, 1970, only 28 per cent of the new property tax issues for school purposes were approved, "the lowest percentage of approval in Ohio's history." Voter discontent continued on into the 1971 primary elections in May when 69 per cent of the new money levies and 76 per cent of the bond issues across the state were rejected.

Public aversion to increased property taxes precipitated an educational crisis. In 1970, the General Assembly had to enact legislation
governing the procedure for schools on the verge of closing due to a lack of operating funds. The measure required that before a district could close, it request a review of its financial circumstances from the State Auditor. By December of that same year, eight Ohio school districts had requested an audit. This number rose drastically between February and December of 1971, when 41 audits were filed at the state level.¹³ Nineteen districts actually received permission to close because of financial reasons as of January 21, 1972.¹⁴ One Ohio newspaper claimed that the problems pervaded even those schools which managed to remain open, and concluded: "The unpleasant reality is that kids in most Ohio schools are getting two-bit educations."¹⁵

The fiscal problems were hardly confined to education, however. Other areas were feeling the money crunch as well. In terms of ability to pay, Ohio was a relatively wealthy state, ranking 14th among all the states in per capita personal income in 1971. Yet in terms of tax effort at the state level, the Buckeye State ranked near the bottom of the states, 49th in per capita state tax revenue in 1971. A lack of funding for public services in general demanded that the question of increasing state taxes be seriously addressed—especially when coupled with the inequities of the school aid formula, rising costs, property tax revolts, and school closings. The gubernatorial campaign of 1970 provided such a forum, with taxes the overriding issue.

**State Elections in 1970**

In 1970, all of the statewide offices at the state level were up for election, as well as the entire 99 seats in the House of Representa-
atives and 17 of the 33 seats in the Senate. The major issue was taxes. Both candidates for Governor were discussing the need for tax reform and increased state aid to education. Roger Cloud, the GOP standard bearer, former House Speaker and State Auditor, favored a mandated uniform county income tax with a reduction in property taxes and property tax relief for the elderly. Stating that the financing of elementary and secondary schools was his #1 priority, Cloud wanted to earmark the county income tax for the schools and to increase state educational support to 40 per cent. The Democratic candidate, John J. Gilligan, made tax reform and increased aid to education his major campaign themes. The former Cincinnati Councilman and U.S. Congressman favored a corporate income tax as the primary new revenue source with a supplemental graduated personal income tax. Both taxes would be used to fund not only increases in education, but also increases in mental health, penal reform, and housing programs, among others. Gilligan also favored property tax relief, but through a credit against the personal income tax, and a homestead exemption. Stressing that the state had the primary responsibility for funding education, Gilligan wanted to raise state support to the schools to at least 50 per cent. He too identified state aid to education as a campaign priority.16

As the campaign progressed, the Democratic candidate picked up several key endorsements, including those of the 800,000 member Ohio AFL-CIO and the 80,000 member Ohio Education Association (OEA—the National Education Association affiliate). OEA had initially become involved in political activity in the mid-sixties when it decided to "establish effective political action programs at the local [House
district level to secure the election of candidates willing to fight for better schools." In December, 1969, the OEA Representative Assembly voiced its deep displeasure with educational and financial conditions in Ohio and, for the first time in the association's history, authorized an endorsement of a gubernatorial candidate. Displeasure eventually translated into a massive campaign to inform the public (TRIE: Tax Reform for Improved Education) as well as a professional sanction in September, 1970, leveled against the state until it enacted comprehensive tax reform with adequate financing of public education. Because the Democratic nominee for Governor proved more compatible with OEA's own priorities, which revolved around state income tax, the teachers endorsed Gilligan and provided workers and funding for the race.* This investment had immediate returns as Gilligan, aided by a Republican scandal at the state level, easily won election in November, 1970. The alliance between the 62nd Governor of Ohio and the teachers was to remain crucial in the upcoming budget battles.

While John Gilligan was winning the election for Governor, Ohio voters also gave the nod to Republicans in the General Assembly. The GOP retained control of both legislative houses by a margin of 54 to 45 in the House and 20 to 13 in the Senate. Thus, any conflicts

*Although many of OEA's members are Republican and/or conservative, the leadership of the teachers association secured support for Gilligan and the income tax by stressing how the two could benefit educational interest in Ohio more than the alternatives of Roger Cloud and a county level income tax or a sales tax. OEA was more bipartisan in its support of other political races, endorsing 45 Republicans and 44 Democrats in Legislative races in 1970.
likely to emerge over tax reform would be further complicated by the bipartisan control of state government.

**Initiating Proposals for Change**

The Democratic gubernatorial candidate had purposely refrained from offering specific proposals for tax reform and school finance during the campaign. Once elected he turned to other sources to draw up recommendations. These included a citizen's task force on tax reform and a less formal, in-house group of educators and Administration officials for school finance.

1. **The Citizens' Task Force on Tax Reform.** One of the Governor-elect's first official actions was to appoint a 34-member citizens' task force to study Ohio's tax structure and offer recommendations. The task force was comprised primarily of the presidents of the important statewide organizations in business, industry, labor, education, agriculture, banking, public utilities, local government, and civic affairs. Assuring the members of complete autonomy, Gilligan directed them that their "responsibility does not involve considering the needs of the state and its various programs; this is the prerogative of the General Assembly. Your job is to advise us where to get the money." Given the diversity of representation, the task force was encouraged to submit minority reports if necessary. Finally, the members were requested to complete their recommendations in less than two months, by February 15, 1971, so that the Governor could incorporate them in his biennial budget proposals.

Gilligan appointed former state representative and congressman Jacob Davis of Cincinnati to chair the task force. He, in turn,
requested and received permission from the task force to employ two experts in the field of taxation, Dr. George Thatcher, of Miami University, and Dr. Frederick Stocker, of Ohio State University. Both professors had previously served as directors of tax task forces during the sixties. The new task force benefited greatly from the recommendations of its two predecessors which had implicitly in the first case and explicitly in the second pointed to the need for both a state personal and corporate income tax. Moreover, the two tax consultants, in their analyses of other states and forms of taxation, presented such a convincing case for enactment of an income tax, according to one task force member, that it would have been difficult to come up with a more viable alternative. Even Dr. Stocker suggested this. In commenting on the degree of autonomy granted the task force by the Governor, the economics professor concluded: This stance suggests the great confidence [Gilligan] apparently felt that the task force, if it took its job seriously, could not fail to come to a consensus in support of an income tax program such as he was known to favor.

During its two-month existence, the Citizens' Task Force on Tax Reform held eighteen hearings. One hundred and nine persons presented almost every conceivable tax proposal. Testimony and position papers from the major statewide educational interest groups indicated broad-based support for two priorities: tax revision and increased state support for education.* Although labor/management issues had

*The Ohio Education Association explicitly called for a graduated individual accompanied by property tax relief. The Buckeye Association of School Administrators (BASA), which included most of Ohio's public school superintendents, cited the results of its own mail questionnaire showing the need for an additional $511 million to adequately
pretty well divided the ranks of the education groups, an issue such as more money for the schools could still bring them together.

The Governor-elect was able to use the unified education lobby's call for additional state aid as a means of mobilizing support for the state income tax. According to one news source: "one driving force behind Mr. Gilligan's call for tax reform has been the solid front being put forth by educational groups who want more state aid for schools. Some say the crisis is such that unless more state help is forthcoming, there will be wholesale closings of public schools."  

At this stage, harmony existed among other statewide interests as well. A member of the task force remarked that the progress of the groups was surprisingly free of conflict, in view of the diverse interests represented. This was due in part to the educators who, in deference to Gilligan's directions to the task force, agreed not to push the question of need. Even so, discord developed between business and labor representatives over specific tax proposals. The Ohio AFL-CIO and the United Auto Workers had formed their own organi-
zation called the Tax Reform Action Committee (TRAC) and were jointly promoting their separate tax package. Labor advocates argued that business and industry failed to provide their fair share to Ohio's tax system, resulting in a disproportionate burden on low and middle income families. The two labor organizations therefore called for a corporate income tax "aimed at closing business tax loopholes," but without a personal income tax. The TRAC campaign had collected enough signatures to place the measure before the General Assembly without legislative sponsorship. Representatives of business and industry in turn, claimed that their constituents were already more heavily taxed than their counterparts in many other states. According to one news editorial, the result was a failure to reconcile the original differences: "Here were the ultimate extremes: Labor saying 'Sock it to business;' business saying 'Sock it to consuming public.' Neither side would given an inch."  

Despite such differences, the task force managed to issue a majority report (by a vote of 30 to 4) meeting its February 15th deadline. Addressing his remarks to the Governor and on behalf of the other task force members, chairman Davis wrote:

We believe that additional taxes should be based on the general principle of ability to pay and be the kind that fall in uniform fashion on all Ohio citizens and business. At the same time we believe that property tax relief is an essential component of tax reform.  

Specific task force recommendations included:

(a) a state personal income tax levied on adjusted gross income and graduated at 1 per cent for incomes of less than $3000 up to 8 per cent on incomes of $50,000 or more.
(b) a corporate franchise tax on corporate net income with rates of 4 per cent on the first $10,000 of income and 8 per cent on the balance; repeal of the existing corporate franchise tax of 0.5 per cent on net worth.

(c) property tax relief in the form of a circuit-breaker for homeowners, renters, and senior citizens via a credit levied against the personal income tax; a circuit-breaker for corporations levied against the corporate income tax; and a general rollback of school property taxes as part of a revised school foundation program.

The Ohio Manufacturers Association's representative on the task force, apparently unable to reconcile his aversion to an income tax, abstained from voting and filed a separate report. Representatives of the UAW, the AFL-CIO and the Ohio Federation of Teachers (AFT) jointly filed the only minority dissenting report. It reiterated the original TRAC proposal, refusing to endorse a personal income tax unless it was coupled with heavier business taxes.

One month later, on March 15, Governor Gilligan submitted his budget program for the 1971-73 biennium. The package called for substantial increases in almost all areas of state spending. Remaining loyal to his task force's recommendations, the Governor did depart on one key tax change. In order to induce the support of labor, Gilligan recommended an extension of the state sales and use tax base to cover many business purchases formerly exempted. This proposal had been rejected by the task force and by most business interests, but strongly pushed by labor. Compromises occurred on both sides. While the AFL-CIO never actually endorsed the task force
recommendations, political realities dictated a less autonomous strategy. But it took the labor union a long time to decide that the income tax bill presented by the Governor was "the best that could be hoped for when you consider the political situation of an Administration controlled by one party and the legislature controlled by the other party."\textsuperscript{41}

The proposed tax package was estimated to generate $1.115 billion in additional revenues during the first complete year of operation. Because of the property tax relief proposals, the actual gain in state revenues would be $700 million, a fifty per cent increase in state general revenue funds. Given the nature of Ohio's tax structure, however, the proposed changes would still have left the Buckeye State below the national average in per capita tax levels and in most categories of public expenditures.\textsuperscript{42}

2. Proposals to Change the School Foundation Program. While still a candidate for the Democratic nomination for Governor, Mr. Gilligan had assembled a number of individuals to prepare position papers on various critical issues. Responsibility for coming up with an analysis of Ohio's school foundation program was delegated to Walter Hack, a professor of Educational Administration at Ohio State University. Gilligan, himself, was reportedly not knowledgeable on the intricacies of the formula.\textsuperscript{43} Following his victory, however, he expressed a personal concern for a more equitable distribution of state aid and one which could be made more easily decipherable to the public.

After the November election, Dr. Harold Hovey, Gilligan's choice for Director of Finance, called together representatives from the major
statewide education organizations and from Ohio State. This group was to consider legislative reform of the existing school foundation program. When Hovey asked for alternatives, none of the representatives had specific proposals at hand. Following the meeting, the future Finance Director prevailed upon the two professors from Ohio State to work with his staff in developing a new formula. While granting his advisors a wide latitude in developing alternatives, the Governor did express a preference for a per pupil formula. This, he felt, would make the school aid program more understandable, more equitable, and more accountable. Thus, at the end of January, 1971, Dr. Hovey, a member of his staff, Professor Hack, and a computer programmer in the State Department of Education met to write a new foundation formula designed to implement Governor Gilligan's priorities.

Dr. Hack's original proposal called for power equalization, with a floor and a ceiling on expenditure levels chosen by the local districts. This plan was soon abandoned because the cost would have been prohibitive. Instead, the ad hoc group came up with a foundation formula based on a $700 per pupil expenditure as the basic educational program and a per pupil formula for special need programs. The most significant change was the transition from a unit to a per pupil formula.

In February, the group presented the Governor with three alternatives for funding the formula at different levels - a zero increase appropriation, an $800 million increase, and a $1.5 billion increase. Gilligan selected the middle figure. And before presenting his budget,
the Governor also made several changes in his advisers' recommenda-
dations. OEA also enjoyed direct access to the Governor and was
able to have some of its program priorities placed in the Gilligan's
education proposals, including a reduction in the teacher/pupil
ratio.

In summary, the issues of state aid to education and tax reform
were at the same time closely interwoven, yet distinct. First, the
demand for more money for the schools provided, during and after
the campaign, the most pressing and broad-based reason for revising
the tax structure. The resulting increase in state revenues could,
in turn, permit a fundamental revision of the school aid formula.
Thus, the educational interest groups addressed themselves to both
the school and the tax questions.

Second, however, the structure of decision-making dictated that
the issues of school aid and tax reform be decided separately. The
task force was directed to consider the matter of comprehensive
tax revision, but without a concomitant study of the state's needs. And
except for being provided with a rough dollar figure, the smaller ad
hoc group of educators and executive staff concentrated solely on
the technicalities of the school aid formula. While the dual
issues could hardly remain separated in the long run, their dis-
tinctiveness was maintained by key choices throughout the legislative
process.

Introduction of the Budget into the General Assembly

On March 1, 1971, Governor Gilligan delivered his first State
of the State Message to members of the General Assembly. Although
he did not then offer specific tax proposals, Gilligan declared that the fate of Ohio lay in the hands of state government. He would initiate policies, but the legislators, as representatives of the people, would have to choose what course to take. Legislative reactions to the Governor's message were predictably partisan. Republican Speaker of the House, Charles Kurfess, concluded that "the man is going to attempt to provide leadership for the State, but if he does not, we will supply that leadership." House Minority Leader, A.G. Lancione, countered that the Republican legislators "didn't like [the speech] because the Governor placed responsibilities on the legislature where I think they belong." Such remarks indicated early on the political conflicts which could be expected. Republicans held majorities in both houses. While they could block the Governor's proposals, the margins were not veto-proof, signifying that political compromise on both sides would be necessary. Even the House Chaplain was gearing up for the budget battle when, in a prayer, he entreated each member to reflect to himself "a willingness to admit that every other member of this House is as important as I am, even though I really can't stand some of them" and to display "the openness to consider someone else's point of view, even though I am sure he is wrong." 

On March 15, sixty-three days after having been sworn in as Governor of Ohio, John Gilligan presented his budget to a joint session of the 109th General Assembly. Rather than submit the continuation budget offered by his Republican predecessor, Gilligan recommended the task force proposals for the graduated personal
income tax, the corporate income tax, and property tax relief. The budget also included a school aid formula based on per pupil expenditures and an increased minimum program guaranteed by the state. Gilligan requested a higher and differentiated charge-off and qualifier, which were both at 17.5 mills. The charge-off would be raised to 25 mills, under which a school district would receive the maximum amount of state aid. The qualifier would be increased to 22.5 mills, whereby state funds would be distributed to any district as long as it met this minimum millage rate. This meant that 117 of Ohio's 631 school districts would have to vote additional millage to qualify for participation in the state aid formula.\textsuperscript{52} The basic program for all students would be increased over $100 to $680 per pupil for grades one through twelve in average daily membership in districts meeting the new charge-off. This figure would be increased to $800 per pupil for 1974-75. A financial penalty was established for districts employing fewer teachers per pupil than the statutory ratio of 25:1 for 1972-73, to 23:1 by 1974-75. This represented a significant reduction from the current formula calculated on a 30:1 ratio. There were also upward and downward adjustments, depending on the teacher salary levels. Additional funds were provided for vocational and special education pupils, for non-public school students, and for larger cities with their urban poor. Financial penalties were extended to smaller school districts to encourage their consolidation. All told, the state would provide over $412 million in new revenues in 1972 to elementary and secondary education. The state's share
of education would be raised from the current 28 per cent to 43 per cent, and to 50 per cent by 1975.53*

In addition to increased state aid to education and a greater equalization of funds, the budget called for an accountability program to manage the schools. Governor Gilligan requested $600,000 for the development and implementation of a new program accounting system to collect and analyze data by educational program.**

In total, the biennial budget asked for $700 million in additional state spending for fiscal year 1972—$1.1 billion in tax reform and more than $400 million earmarked for tax relief. The new taxes were expected to bring into the state coffers $1.115 billion a year in new

*The above proposals are just highlights of the budget. For a complete listing, see the Governor's budget, fiscal years 1972-1973 and House Bill 402, 109th General Assembly, 1971.

**Originally, Governor Gilligan was going to push harder for structural changes in this area. Both Gilligan and his Republican predecessor had expressed dissatisfaction with the 23-member State Board of Education. Elected on a non-partisan ballot by Congressional districts, the board members were not directly accountable to the Administration. In 1970, former GOP Governor James Rhodes had proposed that the Board be replaced by a smaller, appointed body which would govern both higher and lower education. And in October, 1972, Governor Gilligan told a conference on school finance that "no one pays the slightest attention to the Board of Education," calling on its members to justify the Board's existence by establishing priorities and by taking definite positions on school desegregation and on other important educational issues. If the Board refused to respond, declared Gilligan, then "we may well be raising the question: 'What need of thee have we?'"54

Initially, Gilligan had decided to attempt to make the Department of Education more structurally responsive to the Executive Office. However, he soon abandoned this objective, at least temporarily, in order to concentrate on passing the state income tax. The Governor did not wish to alienate a potential tax ally in Martin Essex, Superintendent of Public Instruction and an influential figure among local educators.
revenues. Proposed spending from all sources for the new biennium would total $9.1 billion, of which education was the largest item.

Again, legislative reaction to the budget message was predictable along party lines. The Senate Finance Committee Chairman, a Republican, elaborated: "Utopia cane earlier to Ohio than I ever dreamed; this is the complete salvation of the problem that politicians have been wrestling with since Julius Caesar . . . I seriously wonder if the taxpayers of Ohio are willing to digest the huge tax bite that Governor Gilligan has proposed."

The Republican leadership of both houses issued a joint statement declaring that "death and taxes are inevitable, but you're never quite prepared for the shock even when forewarned."

It seemed as if it would be a long year.


The Governor's budget was introduced by House Democrats as House Bill 402. Apparently because of the length, comprehensiveness, and complexity of the budget bill and despite Democratic objections, the GOP leadership in the lower chamber decided to divide the massive bill into three separate measures. The appropriations section became House Bill 475 and was assigned to the House Finance-Appropriations Committee. The school foundation formula and other public school programs became H.B. 476, which was sent to the House Health, Education and Welfare Committee. And the tax proposals became H.B. 477, which was placed in the House Ways and Means Committee. Each of the three bills now bore the name of the chairman to whose committee it had been sent.
Because the budget was so divided, the bargaining process was conducted on three different levels. With the biggest struggle occurring over the tax issue, the fate of the education programs was basically left to the educational experts, key legislators, and representatives of the Executive Office. The cause of the educational interests was enhanced by their general agreement over the need for more money for the schools and the Governor's income tax, as the best means for achieving this end. This united effort had an even greater impact because of the lack of organized opposition to raising the state's share of public school costs. In fact, spending more money for education was used as one of the main and more popular rationales for raising taxes. Debate before the House HEW Committee developed within the scope of the educational interests and over specific program proposals.

As the House HEW Committee continued to hear testimony, chairman Norman Murdock decided to appoint a six-member subcommittee with himself as chairman, to get down to the actual dissection of the proposals. The subcommittee of four Republicans and two Democrats eventually chose to rewrite the education package and lower the funding. The strategy of the educational interest groups then centered around building up the funding levels, as well as pushing each of their own educational priorities.

Meanwhile, the Administration was also willing to make concessions to save its education programs. In mid-April, Governor Gilligan agreed to an amendment to insure that no school district would receive less money in the upcoming school year than it was currently receiving,
despite a property tax rollback. Fifty-seven school districts would be save-harmlessed at a cost of $17 million to the state. The Governor also reiterated what he called the first priority of his Administration: "The establishment of a sound and equitable financial base for the support of the public schools."57

Unlike the education package, the issue of taxes was open to a much wider and diverse set of interests. No one seriously questioned the need for new taxes. The major debate revolved around the method of taxation and the amount of revenues to be generated. House Republicans agreed in their general reaction to Governor Gilligan's budget: to reduce the expenditure levels across the board and to oppose a state income tax. Beyond this point, however, internal disagreement divided each caucus, particularly the Republicans, who found it difficult to offer a viable alternative. Moderate Republicans, including House Speaker Charles Kurfess, favored an income tax, but one collected and distributed at the county level. The Gilligan Administration opposed this proposal because it could not provide as wide and equitable a redistribution of funds and because it would have been particularly complex and difficult to implement. A more conservative group of House Republicans was against any form of income tax, preferring that additional taxes, if needed, come from an increase in the existing 4 percent sales tax. Thus, rather than introduce a tax measure of its own, which was impossible because of the internal dissension, the GOP was forced to react to Gilligan's budget.

Even the forty-five House Democrats were not completely united behind the Governor's tax package, some of them coming from districts
which would be subject to higher property taxes combined with the proposed state income tax. The Governor's office therefore had to devise a strategy to align almost all of the Democrats plus the Republican votes needed to form a simple majority for passing the budget. This bargaining was further complicated by organized labor's efforts in pushing for higher business taxes and its continued promotion of its own initiated tax reform bill, (TRAC) which excluded a personal income tax, by introducing it in the House. On the other side, business and industrial interests were adamant in their opposition to any narrowing of the direct use exemption that would expand their tax liability under the sales tax. And representatives of local government were expressing concern over how a statewide income tax would limit their taxing authority. Within these parameters, the Administration and the House leadership had to figure out how to pass a budget.

Committee hearings on the budget continued for two months. By mid-May, concern grew that the General Assembly would not enact a state budget by the new fiscal year, July 1st. Finally, however, it appeared that the House would be able to reach a consensus. After a number of conferences between the Speaker, the three committee chairmen holding hearings on the budget, and the Governor's Finance Director, the Republicans seemed to be moving closer to Gilligan's proposals. "We will pass the governor's budget . . . we will pass his tax bill with some Republican votes and substantial legislative modifications," Speaker Kurfess told news sources. Several days later, the chairman of the House Ways and Means Committee said, regarding an income tax:
"I don't see how we can escape it. But I'm speaking for myself and as a legislator." The tax package was then in a subcommittee and the chairman was waiting until the other two committees determined the appropriation levels.

On May 13, the Finance-Appropriations Committee reached agreement over the appropriations section, cutting in half (from $1.6 billion to $800 million) the Governor's proposed spending of new revenues for the biennium.

The HEW subcommittee was simultaneously reducing Gilligan's education package by $100 million to $1.358 billion. The subcommittee had decreased the proposed per pupil support level from $680 to $640; imposed ceilings on the new money available; decreased the per pupil amounts for vocational and special education and for Aid to Dependent Children; but extended the eligibility qualification in the last case. The 25:1 staffing ratio was replaced by a less specific proposal requiring the school districts to employ 35 professional personnel per 1000 pupils. An educational accountability study with funding was authorized. The subcommittee retained the 25 mill charge-off and the 22 1/2 mill qualifier, as well as the per pupil calculation base. It did not add a higher minimum teacher salary schedule. The result was an almost entirely new education package which was approved by the subcommittee and then by the full HEW Committee along strict party lines. John Hall, head lobbyist of OEA, termed the measure "impossible . . . It won't begin to keep the schools open much less solve the problems." Despite Democratic objections, the HEW Committee also approved a package of nine amendments, including a $500 across-the-board increase
in the salary schedule; an increase in the per pupil subsidies; and a deletion of the fiscal penalty for failure to consolidate. 63

With the programs and appropriation levels set, attention turned to the tax issue. Public interest, fueled by numerous interest groups and the news media, intensified. Constituents began calling their legislators, writing letters, or visiting the State Capitol en masse. As a result, one legislator claimed that he had received as much as two feet of mail in the course of a week. 64 Such pressures provided more inducement for the House to resolve its differences over the tax package. Governor Gilligan remained committed to a graduated statewide income tax expected to bring in $1.6 billion in new monies for the biennium. House Republicans attempted to gather a majority of votes for a mandated county income tax to fund the Republican budget proposals of $900 million in increased revenues. 65 At the same time, the GOP leadership had to contend with a splinter group inside its own caucus which opposed a graduated income tax at any level. This group of approximately fifteen conservatives was attempting to rally support for a flat rate county income tax.

Because a stalemate had developed over the tax issue, with all sides attempting to build a winning coalition, the Republican leadership in the House decided to bring out just the appropriations and education sections of the budget for a floor vote. In a parliamentary maneuver, House Republicans offered extensive amendments to the education/appropriations measure (Substitute House Bill 475). These changes would have restored all of the provisions in the original
budget bill as proposed by the Governor. Caught off guard and aware that the amendments could not pass, the Democrats decided in caucus to join the Republicans and vote no, 0 to 99, on the motion. The Democrats then intended to restore key parts of Gilligan's program in a series of separate amendments.

The no vote was to have two effects, however. It was intended to embarrass the Democrats and the Governor who, according to the Republicans, felt confident that he had the votes to pass the original program. Even more significant, the defeat of the motion prevented the Democrats from offering their separate amendments, since they were part of the larger package which had already lost. While the Democratic amendments were ruled out of order, two Republican-sponsored proposals were adopted. One of these reduced the qualifier of the school foundation formula from 22.5 to 20 mills.

During five hours of "some of the most heated debate in recent legislative history," the House then passed the budget on almost a straight party line vote: Fifty-two Republicans voted yes and 44 Democrats with 2 Republicans from urban districts voted no. One maverick Democrat took a walk during the vote tally. Summing up support for the measure, one Republican leader said that Sub. H.B. 475 was a document which we "are proud to bring to the floor." Summarizing the opposition and deploring Republicans for "their absurd tactics," the House Minority Leader said to his colleagues over the aisle: "This is your bill and you're going to have to live with it." Amid accusations of Administrative arm-twisting made by the Republicans and
partisan cries of betrayal intoned by the Democrats, Sub. H.B. 475 was then passed and sent to the Senate.

In steam-rolling their own education/appropriations measure through the House, however, Republican leaders had committed a tactical error. Although it was more than $1 billion smaller than Gilligan's original proposal, Sub. H.B. 475 still made new taxes necessary. And the House Democrats, smarting from their treatment on the floor, placed the Republicans on the defensive by daring them to come up with their own tax program. The task was to prove particularly trying, given the discord within the Republican caucus over the tax issue and the removal of the appropriations sections, which could no longer serve as a cover for voting on new taxes. The upcoming House vote would be on taxes pure and simple, also reducing the opportunity for bargaining.

On June 1, the Senate received Sub. H.B. 475 from the House, and assigned the public school package to the Senate Education and Health Committee. The remainder of the appropriations programs went to the Senate Finance Committee, where hearings had been conducted for the past several weeks. The big battle over taxes was yet to be fought in the House. Early indications also showed that the programs would not have such an easy time in the Senate. As the chairman of the Senate Education and Health Committee confidently predicted: "There's going to be a lot of changes."

As the Senate was examining the education/appropriations proposals, the House remained at an impasse over the tax package. The Governor stood firm for a graduated state income tax. The Republicans stood
divided in their ranks between a graduated county income tax and various plans for flat rate income taxes. Since the GOP caucus was so openly and bitterly divided over this issue and since the Governor needed Republican votes, compromise was inevitable. Tactics toward this end took several forms. At first, House Democrats tried to gain a reconsideration of the program measures already sent to the Senate. House Minority Leader A. G. Lancione said, following a caucus, that his 45 members "believe compromise [on taxes] is only possible if there is a new omnibus appropriations/education funding bill which Democrats and Republicans would compromise on on both levels and means of raising revenues."70 Failing to obtain this reconsideration, the Governor then indicated that he would have a tax measure introduced into the Senate to break the logjam.

Public pressure, the crisis of school closings, the beginning of the new fiscal year, and the unpopular but essential act of passing interim (monthly) budgets to keep the state solvent finally sprung the deadlock. The breakthrough came with Speaker Kurfess and the House Ways and Means Committee chairman accepting a state income tax and providing the Republican votes needed to insure its passage.* Guaranteeing almost all of the Democratic votes was no easy task either. At one point in the deliberations, Minority Leader Lancione jokingly remarked

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*Kurfess, in addition to being responsible for passing a tax package as Speaker, also personally felt other pressures for quick passage and for a tax less dependent on property values. By the end of 1971, four out of seven school districts in his own legislative district were not operating and a fifth was almost out of funds.72
about his own caucus: "All we did was fight and I found out we have as many prima donnas as they have."^71

On July 14, four months after Governor Gilligan had introduced the budget and six weeks after the appropriations/education package had gone to the Senate, the House considered passage of the tax program. The main compromise occurred over the rates and the scope of the income tax. The Governor had recommended a personal income tax graduated at rates of 1 per cent on incomes of less than $3,000 all the way up to 8 per cent on incomes of $50,000 and over; the House shaved this down to rates of 1 to 4 per cent. The Governor had proposed the repeal of the existing corporate franchise tax of .5 per cent on net worth and passage of a corporate net income tax of 4 per cent on the first $10,000 of income and 8 per cent on the balance. The House amended this by embracing a corporate franchise tax based on the greater of (a) a tax on net income of 4 per cent on the first $25,000 of income and 8 per cent on the balance or (b) the existing .5 per cent tax on net worth. The House also substituted both a 10 per cent across-the-board rollback of real property taxes for individuals and corporations and a homestead exemption for senior citizens for Gilligan’s circuit breakers. Finally, the lower chamber included a substantial narrowing of the direct use exemption under the sales tax, championed by labor and fought by business.

Following a lengthy GOP caucus and three hours of floor debate, 16 Republicans joined with 38 Democrats to pass the tax package. The income tax represented "the first major change in Ohio's tax structure in 40 years," according to the Ways and Means chairman.73 Originally
hoping to restore $500 million to the appropriations bill, House Democrats settled for an additional $277 million. The tax program that passed was estimated to produce, net, more than $1 billion in new revenues for the biennium. This amount still fell short of funding the appropriations/education bill approved earlier, by $73 million. Substantial changes were therefore inevitable in the Senate.

Following passage of the tax bill by the House, Governor Gilligan expressed pleasure with the proposal, which he termed a bipartisan effort. "I will renew efforts in the Senate to restore ill-advised cuts in spending for elementary and secondary education and for the medically indigent," said the Governor. "I am personally grateful, as I am sure the people of Ohio are, for the House vote." Dissident Republicans in the House were all but grateful. Calling a press conference after the vote, about ten conservative Republicans blamed the Speaker for selling out. In a pamphlet entitled "A History of the Income Tax Battle," one Representative concluded:

The struggle was over. Kurfess had made it possible for Gilligan to achieve his tax-and-spend program. Kurfess had torn apart the Republican majority. He had made impossible the construction of a Republican program. Because of his efforts the people had lost and Gilligan had won. The Kurfess 'battle plan' had paid off.

This anger would again surface in a battle to defeat the income tax at the ballot box and in a long simmering fight for control of Republican leadership in the House.

Senate Action, July – September, 1971

"Once the bill went into the Senate," as one Administration spokes­man recalled, "we entered a different world." The basic issue was the
same — taxes — but the line-up was different. Where the Republicans in the House had exhausted their energy in gaining the margin of victory for the tax package, the Democrats were faced with a similar conflict in the Senate.

The split had its roots in the struggle to control the Democratic Party. Half of the Democratic Senators remained loyal to Frank King who had been a State Senator for 20 years and Democratic Leader for ten. King was now President of the Ohio AFL-CIO, one of the mainstays of the Democratic Party in Ohio. The other half of the Senate Democrats were more closely aligned with Governor Gilligan who was making a bid to unite the Party around his leadership. First indications of the cleavage had emerged over a fight for the position of Senate Minority Leader, with the labor Democrats winning out by a 7 to 6 vote. A second battle then began to develop with labor's adamant refusal to support the Governor's budget unless business was more heavily taxed. This, in turn, made it more difficult for the Administration to bargain with moderate Senate Republicans known to be amenable to an income tax. Such differences were intensified by the clash in political styles between some of the old-time Democrats in the Senate and the younger, frequently impatient, liberal Democrats on the Governor's staff. This feud became so heated that one of Gilligan's key aides was eventually thrown out of the Senate Minority Leader's office with specific orders not to return. Gilligan's impact in the Senate was also thwarted by the less partisan, almost club-like atmosphere of the upper house which could and sometimes did unite as a body against the Chief Executive.
The main battle ground on which these struggles were fought was, as in the House, the issue of taxes. With the education, appropriations, and tax sections of the budget assigned to different committees, the bargaining process was again operating simultaneously on three distinct levels.

The Senate Education and Health Committee had begun hearing testimony on the education package in mid-June, before passage of the tax measure by the House. Both Finance Director Hovey and House HEW Committee chairman Norman Murdock had testified generally in favor of the House-passed bill, particularly the per pupil distribution formula. Hovey also suggested that some of the higher funding levels and additional programs found in the original budget bill be restored. While they disagreed over specific educational programs, the major statewide educational interest groups -- OEA, Buckeye Association of School Administrators (BASA), Ohio School Board Association (OSBA), and Ohio Association of Public School Employees (OAPSE) -- and the Department of Education spoke in favor of a higher per pupil dollar figure, removal of the spending ceilings, inclusion of aid for the economically disadvantaged and/or more state aid to education in general with concurrent property tax relief and the income tax. In addition, OEA was pushing hard for a salary schedule which called for $6400 in 1972 for a beginning teacher with a B.A. degree instead of the $500 across-the-board increase passed by the House. OAPSE also wanted an hourly wage increase for its non-teaching public school employees. Other groups representing such interests as special education, the school building
industry, and the farmers who wanted property tax relief each testified in favor of programs which would benefit their specific constituencies.

On August 4, Senate Education Chairman Oakley Collins assigned the education sections of the budget to a 3-member subcommittee with himself as chairman. Although the subcommittee continued the public hearings, the actual hammering out of a bill was being done in executive sessions, with the three Senators, Dr. Hovey, John Hall, and Paul Spayde from the Department of Education, with frequent input from John Hauck from BASA, Dave Martin from OSBA, and Bob Taylor from OAPSE.

Once again, the size of the education package was dependent upon the decision over taxes, where the conflicts were much broader. Unlike their counterparts in the House, Senate Republican leaders were pushing for an increase in the existing sales tax, with a corporate income tax, to finance a smaller budget. This position was more in line with GOP State Headquarters which did not wish to incur public wrath for supporting -- and giving a Democratic Governor -- an income tax. The disunity among Senate Democrats enhanced the possibility of Republican success. Initially, however, the Republicans decided to prepare two tax packages -- one with an income tax and the other with a less costly sales tax. Both the Finance and Education Committees therefore began to prepare two appropriations measures to correspond with the funding mechanisms, a "high" bill and a "low" bill. Within these parameters, the dynamics operating in the closed sessions of the Education subcommittee began to shape the two education measures.

To begin with, Senator Collins wanted to reinsert the per unit formula, reportedly for a number of reasons. As a member of the
General Assembly for seventeen years, he perceived himself as the founder of the per unit formula and did not wish to abandon it. Collins also felt that the House version and the income tax, to which he was personally opposed, would never pass the Legislature. It is likely that his position was hardened as a result of a visit from the county superintendents in his district urging him to strongly oppose both the per pupil formula and the income tax. The Senate Education chairman also cast himself as a champion of poor and rural Ohio, a position which he defined as in competition with the urban areas. Moreover, the conflict over the budget illustrated the personal rivalry between Oakley Collins -- educational practitioner, long time Education Chairman, rural legislator and opponent of the per pupil formula and the income tax -- and Norman Murdock -- Attorney, first term HEW Chairman, from Cincinnati, and a proponent of both the per pupil formula and the income tax.

Given the fraternity-like atmosphere of the Senate, it was not surprising that Collins enjoyed a better working relationship with the ranking Democratic member on the Education Committee than with Mr. Murdock or the Senate President Pro Tem. Although Oliver Ocasek was a liberal Democrat from the Akron area, both he and Collins had been teachers and principals and held close ties to OEA. Moreover, Collins relied heavily on Ocasek's expertise in the area of school finance. Together, both men had either written or collaborated on most of the education legislation enacted during their long tenure in the General Assembly. This relationship also provided OEA, and particularly John Hall, a unique position of input into the bargaining process in the Senate.
As the Education subcommittee continued to meet, the major educational interest groups were trying to reach a consensus on their own, thereby hoping to have a greater voice in the outcome of the education package. Representatives of the education groups, the State Department of Education, and the Administration in a meeting on August 6th agreed that the per pupil formula was acceptable to everyone, provided that Senator Collins could be assured of additional funding for his poor, rural school districts. The task of trying to sell this agreement to Oakley Collins was given to John Hall. The OEA lobbyist could then use his leverage with Collins to gain the Administration's support for an increased minimum salary schedule.*

*The per pupil vs. per unit controversy was part of a complex set of demands and relationships. Governor Gilligan remained strongly committed to a per pupil formula because he felt it was more equitable and more intelligible. The new formula would therefore make it easier to show school districts exactly how much increased state assistance they would receive, thereby also providing legitimacy for new taxes. Senator Collins, in contrast, just as strongly supported a per unit formula. This dichotomy provided OEA, which overtly held a neutral position on this policy, with a large bargaining issue. In the past, the use of the teacher unit had helped Hall demonstrate, in terms of his membership, the gains he had made on behalf of teachers and it had insured the hiring of a certain number of classroom teachers per pupil, rather than other school personnel. Because OEA had other priorities, such as the income tax and the salary schedule, and because of the Governor's position, however, Hall's preference for the unit formula remained low key, a bargaining tool to gain Administrative approval of higher teacher salaries not included in the original budget. Interestingly the larger business/labor conflict on taxes spilled over indirectly into this educational issue. While he supported OEA's position, Gilligan would not go along with a salary schedule that raised the average teacher's wages above the average for workers across the state, since this would have been unacceptable to organized labor whose help he would eventually need to pass a tax package. OEA could also take advantage of its own computer facilities, giving it an important source of information, and, consequently, influence in the General Assembly. Because the teachers' association
In the meantime, problems were also developing within the Republican caucus. Two days after the education package was sent to subcommittee, a feud over per pupil expenditures developed between Collins and Senate President Pro Tem, Ted Gray. Gray wanted a $630 base. Collins wanted a $650 base. When he could not obtain Gray's approval, the Education Chairman reportedly stormed out of the caucus meeting, intending to report the higher figure out of committee, and force the Senate to accept full responsibility for cutting it back. Then, apparently because they had opposed him in the caucus, Collins redesigned the measure so that Gray and a Senator from Cincinnati (which was also Representative Murdock's district) would have to explain why their schools received proportionately less funding than other school districts in the state. According to one lobbyist, "people just did not cross Oakley too often." Eventually, the conflict was resolved and the funding levels to Cincinnati restored.

As each of the three standing committees laboriously deliberated on the budget, other sources were trying to speed up a Senate vote. OEA asked teachers from across the state to come to the capitol on August 18th in order to move their state senators toward prompt consideration of a good education package. Hundreds of teachers and other public school employees flocked to Columbus, buttonholing legislators in the corridors and causing at least one Senator to have trouble digesting his lunch.

had the capacity to quickly deliver the print-outs, it frequently challenged the Department of Education in this capacity. This race often resulted in a battle of statistics, which did not always agree, much to the dismay and irritation of the legislators.
Pressure for quick legislative action also came from the Administration. As a result of the budget delay, Gilligan was forced, by constitutional prohibition against debt spending, to institute an austerity program and thus avoid bankrupting the state. In a special statewide television broadcast, the Governor announced that cutbacks would include a 3 per cent reduction in regular school foundation payments beginning in September, a 10 per cent spending reduction by state departments, employee layoffs, the closing of the State parks after Labor Day, and a 10 per cent rollback in his own salary and those of his cabinet, top aides, and even of the State Superintendent of Public Instruction. However, such drastic measures could be avoided, according to Gilligan, if the budget were enacted before September 1st. The Governor also spoke strongly against a sales tax, criticized the General Assembly for not passing a budget by late August for the first time in a century, and lamented that Ohio was "the only state in the Union that has allowed schools to close."

The Governor's message resulted in numerous school employees and nursing home officials coming to the Senate to plead their case for an income tax. The provision to close the State parks backfired, however, as hundreds of letters flowed in denouncing the Governor. Conservative Republicans capitalized on the opportunity by trimming the State House lawn and erecting signs saying "We'd Rather Mow The Lawn than Raise Your Taxes."

By September 1st, the Education subcommittee had come up with two education packages: a high bill to match an income tax, costing $27
million more than the House bill and a low bill to go with a sales
tax, decreasing the House version by $121 million. Significantly, both
bills were based on a per unit formula and increased the minimum
salary schedule to $6400 for a B.A. teacher with no experience. The
two measures also removed the spending ceilings and placed the flat
rate districts on a sliding scale, although the guarantees would be
reduced $200 across-the-board in the low bill. Senator Collins admitted
that further committee action was being held up by a deadlock over the
low bill. Although the high measure apparently had the votes, the
Senate Education chairman refused to bring out one bill without the
other. Eventually, the differences were reconciled sufficiently to
obtain a majority vote. Both versions went to the full Education
Committee and then to the Senate Rules Committee, where all three
sections of the budget were to be put together.

In the ensuing weeks, the Senate remains deadlocked. The General
Assembly was forced to enact a fourth interim budget. More then 139,000
elementary and public school students across the state would possibly
see their schools close in the coming weeks. Rumors abounded that
the low education package would be combined with the higher versions
of the appropriations and tax sections. In a rare joint press release,
OEA, BASA, OSBA, and OAPSE reaffirmed their united support for a
graduated state income tax, and for the legislators who upheld it,
to meet the schools' needs. The major statewide educational interest
groups also renewed their efforts to fight against the low education
bill and the sales tax.
While the Governor and his staff continued to push for certain educational items, they shifted their attention to the larger and more fundamental question of trying to save the income tax. Because of the Gilligan/labor/business conflict over taxes, the Senate was generally split three ways. A majority of Republicans opposed an income tax, favoring instead the sales tax and moderate expenditure increases. Half the Democrats supported the Governor and an income tax. The other half, many of whom preferred an income tax, sided with Frank King who insisted that business be more heavily taxed before labor would support Gilligan's personal income tax. The Governor was forced to bargain for Republican support for his budget, given their 20 to 13 margin in the Senate. Yet this attempt was made more difficult by the existing set of circumstances. If Gilligan acceded too much to labor, he would surely lose the Republican votes needed to pass the budget.

In an effort to break the logjam and satisfy labor, the Administration offered a compromise which would bring in an additional $135 million from taxes on business. This "made it a whole new ballgame," according to the Senate Ways and Means Chairman, whose committee had reportedly been close to an agreement. When this compromise fell through, the Governor conceded his inability to form a united Democratic front or a bipartisan coalition in the Senate for the income tax. He also reaffirmed his opposition to a sales tax. Gilligan blamed this "paralysis in the Senate" on business and industry telling Republicans that someone else should finance needed state services and "certain
segments of organized labor" telling Democrats that someone else should pay the bill.  

On Friday night, September 24th, an effort to bring the budget to the Senate floor was stopped at the last minute. The Rules Committee had decided to combine the low appropriations/education sections with a 5 1/2 per cent sales tax. In an effort to pick up one crucial Republican vote, the Senate President had agreed at the last minute to increase the budget by $100 million for welfare, mental health, higher education and other state spending. This action, however, threatened to unravel the tenuous voting majority for the budget. The finance chairman bitterly complained that the changes had occurred without his knowledge. Senator Ocasek charged that he and Collins had been misled over the available funds when they had written the education package. Senate Democrats, the Administration, and organized labor attacked the low bill as inadequate to fund the needs of the state. At last, the Governor and labor could agree on something: their opposition to a sales tax.

Faced with an open rebellion, the Senate President adjourned the chambers and announced another attempt for 9:00 a.m. on Saturday. At that time and amid transistor radios listening to the Ohio State-Michigan football game, an impatient Senate finally passed a $7.6 billion budget built around a sales tax and a corporate franchise income tax. The 18 to 15 vote was generally along party lines, with one Democrat voting for the measure and three Republicans voting against it. This was also one of the few times that the Senate had adopted a smaller education package than the House.
Rather than finally settling the matter, passage of the sales tax budget created more problems. Almost no one favored it. Many of the interest groups and the Administration opposed it because of the lowered appropriation levels. Labor opposed it even more than the Governor's income tax. And business objected because, without the safeguard of a parallel personal income tax, it foresaw future increases in the corporate income tax. In the short run, the most significant protesters were the House members who had already gone on record in favor of an income tax. House Speaker Kurfess admitted openly: "I definitely don't have 50 Republican votes for a sales tax." The roll call bore this out, as the House refused to concur with the Senate budget by a convincing vote of 81 to 7. A six-member conference committee was then given the onerous task of ironing out the differences.

The Conference Committees, September – December, 1971

The conference committee was composed of two Republicans and one Democrat from each house. Since the conference committee report could not be amended during a floor vote, the six conferees had to design a package capable of passing both House and Senate. Legislative leadership therefore had to appoint the right mixture of conferees who could then deliver at least four votes in support of a budget. This process took four conference committees and two-and-one-half months.

By early November, it became apparent that the appropriation levels in the budget were pretty well set. Representative Murdock and Senator Collins, as members of the first conference committee, had finally been able to compromise on the per pupil-per unit controversy. The House-
passed per pupil base would be used for the regular foundation formula. Specialized education classes would be kept on a unit basis. The crucial issue yet to be resolved was over taxes.

Several developments seemed to indicate the inevitability of an income tax. The fear of a worse alternative, plus the inducement of tax relief, combined to neutralize some of the expected business opposition to an income tax. The potential opposition of other industries was also avoided by omitting them from the proposed tax program. Labor's threat to place its TRAC proposal on the ballot was not only an embarrassment to the Governor who had been elected with labor support; it also made Gilligan's tax proposals more palatable to business as the lesser of two evils.

In addition, several influential interest groups began to form a short-term coalition to push for the income tax. Membership included OEA, the United Auto Workers, the Ohio Farm Bureau, and the Ohio Council of Retail Merchants who, for different reasons, preferred an income-based tax and property tax relief.* In addition, delegates to a special OEA representative assembly also voted their executive board the power to call a statewide work stoppage if an acceptable education package was not forthcoming. The assembly also approved the formation of a political action arm for future campaigns. Finally, progress in getting an acceptable program was eased by the pressure of an eighth

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*Interestingly, most of these organizations had formed a broad-based coalition to promote tax reform before. In 1961, the Ohio AFL-CIO (instead of the UAW) and the three other groups had sponsored a comprehensive study of Ohio's tax system which came to be known as the Thatcher Report.
interim budget and the ultimate realization that neither Gilligan, labor, or either party had the votes individually for passage.

After several months of political bargaining, the fourth conference committee was successful in reaching a compromise. In general, it reflected the House tax measures and the Senate appropriation levels. The committee report included a personal income tax with graduated rates of 1/2 per cent to 3 1/2 per cent; a corporate tax of 4 per cent of the first $25,000 of net income and 8 per cent on the excess or 1/2 per cent of net worth, whichever was greater; a new state severance tax; a 10 per cent property tax rollback; and property tax exemptions for homeowners aged sixty-five or older. The budget called for $4.3 billion in expenditures for the 1971-73 biennium, a 40 per cent increase over the previous biennium, but 24 per cent lower than Governor Gilligan's original request. The final version of Amended Substitute House Bill 475 also represented a compromise in expenditure levels: it was an increase of $40.6 million over the Senate sales tax bill and a decrease of $459.6 million from the House income tax measure.

The school foundation formula had a charge-off of 22 1/2 mills and a qualifier of 20 mills; the per pupil guarantee for kindergarten students was $300, half the amount given to pupils, grades 1 through 12; a sliding minimum guarantee was included for non-additional aid districts; the minimum salary schedule was raised to $6400 for a beginning teacher with a B.A. degree and to a $10,387 maximum for a teacher with a M.A. degree and eleven years experience; a municipal overburden factor was added and the ADC allowance was increased;
finally, the Department of Education was charged with developing a comprehensive accountability program which, incidentally, was not desired by any of the educational interests but was inserted in one of the last conference committee reports. The basic school foundation program cost $1.205 billion for the 1971-73 biennium, a 32.6 per cent increase from the previous biennium.102

On December 9th the Senate voted 17 to 15 to accept the conference committee report. All but two Democrats voted for it, with six Republican Senators contributing to the barest margin of victory. The following day, the lower chamber met to consider the measure. Impatience to enact a budget was perhaps best captured by the House Chaplain who opened the session with the prayer: "Dear Lord, now that nine months have passed since we started expecting, may we be pregnant enough to be delivered. Amen."103 After four hours of debate, the House delivered -- by a vote of 56 to 42. In both houses the vote was generally along party lines, with united Democratic support and with Republicans adding the crucial margin of difference.

Although the expenditure levels had been closer to the Senate than the House version, education sources praised the budget. State Superintendent Essex called it a "landmark", stating that it represented the "first truly equalizing action in Ohio's legislative history."104 At its December meeting, the OEA Executive Committee lifted the professional sanctions which had been imposed on the state more than a year earlier.105 Working in concert had helped all the educational interests to achieve their major objectives -- additional state funds to education and the
income tax. The increased dollars in turn, enabled all of the groups to obtain some of their specific program priorities.

Satisfaction with the budget was not restricted to the educators. Recognizing that Am. Sub. H.B. 475 was the best package that it could expect under a Republican legislature, organized labor eventually abandoned its TRAC campaign. And the happiest of all was Governor Gilligan. As a first term Democratic Governor, he had successfully engineered the most significant change in Ohio's tax structure in forty years through a legislature controlled by the opposition party. The Governor expressed his deep gratitude to members of the General Assembly, both Democrats and Republicans, who helped to pass the budget. In signing the measure on December 20, Gilligan stated that it contained some significant milestones, "including the most sweeping tax reform in Ohio history . . . one which would produce a record appropriation for education [to] permit school districts throughout Ohio to begin to get back on a firm financial footing and provide the kind of quality education our children must have."

Aftermath, 1972

Such elation was to be relatively short-lived. The budget battle had ended on December 20th, but the tax war was hardly over. Conservative House Republicans, still smarting from their party leadership's cooperation in the passage of an income tax, began in August 1972, to gather signatures to get the issue on the ballot. Sponsors of the repeal drive needed 318,414 valid signatures of voters in Ohio to qualify the issue for the November elections. This constitutional
amendment, or State Issue 2, would have repealed the state personal
and corporate income tax and prohibited the levying of such a tax
without prior voter approval after January 1, 1973. Issue 2 would also
have required any future income tax to be levied at flat rates.

Interest groups that had supported enactment of the income tax
again joined in an informal coalition to save it. At first the
organizations challenged the gathering and filing of the petitions
on procedural grounds. Failing this, they organized a massive and
expensive campaign to educate the public on the need for retaining
the income tax. Governor Gilligan and groups like OEA, the Ohio Farm
Bureau, the Ohio Council of Retail Merchants, organized labor, and the
League of Women Voters stressed that the additional state monies,
already available from the income tax, made possible a more adequate
funding of public services as well as a shifting away from other more
regressive forms of taxation. At the same time, the business community
and the hierarchy of the Republican Party were working quietly to keep
the issue from the ballot. Failing this, they publicly came out in
support of the income tax, hoping to use it as a major campaign issue
against Governor Gilligan in 1974, while taking advantage of the
increased revenues.

When it looked as if the anti-income tax people would prevail in
getting the issue on the November ballot, numerous public officials
and interest groups formed a broad-based citizens group to ward off
repeal. Following a 6 to 1 ruling by the Ohio Supreme Court, about
three weeks before the election, which refused to remove the issue from
the ballot, the Citizens for Fair Taxation went into high gear. They
saturated the television, radio and the press with anti-repeal messages. Each of the member organizations distributed bumper stickers and literature in defense of the income tax. And their cause was aided by other sources as well. Ten of Ohio's largest newspapers across the state also urged a pro-income tax vote. The State Board of Education approved 20 to 1 a resolution calling for support of the income tax. And Superintendent Essex sent a letter to Ohio's 621 local school superintendents warning that repeal of the income tax would cause "a great number of school districts [to] be in a state of shambles in a matter of weeks." Essex also suggested a number of ways in which school officials and school boards could fight against the repeal drive.\(^{108}\)

On November 7, 1972, Ohio voters rejected the proposed amendment to repeal the income tax by more than a two-to-one margin. A majority of voters in all 88 counties had voted to uphold the income tax. Victory for the income tax was aided by at least two factors. The first was the proponents' access to organization and money. Fifty-two groups spent $341,536 to save the income tax including OEA's contribution of $85,250. In contrast, the five maverick Republicans heading the repeal drive had no access to a ready-made constituency and spent only $16,598.\(^{109}\) The second factor aiding the income tax supporters was the wording of Issue 2 on the ballot. A "yes" vote was not a vote for the income tax but a vote for repeal; a "no" vote was a vote in support of the income tax. This reversal may have confused the public, causing some individuals to vote against their intentions.
After the election returns, Gilligan expressed relief at the outcome, calling it a "victory for the people of Ohio." Considering that the Governor had campaigned on an income tax plank in 1970, had to endure a grueling 9-month battle with the state legislature to get it enacted in 1971, and had to weather a 10-month repeal fight to save it in 1972, the outcome was a personal victory as well.

**Aftermath, 1973**

In a very real sense, the state income tax proved a boon to Ohio's economy. In another sense, however, it was a disappointment. To enact and then retain the income tax, its proponents had over-sold it. Now they were faced with the reality that no single source of revenues could finance every demand for public services or make the need for other and/or additional taxes unnecessary. Ohio's standing among the other states in terms of the state share of public school costs is indicative of the problem. Before passage of the income tax, Ohio had ranked 41st in the proportion of revenues going to public, elementary and secondary education from the state level. The state contribution was 27.9 per cent, well below the 40 per cent national average. After the income tax, Ohio's ranking was 34th with the state contributing 33.1 per cent of the school's costs, yet still below the national average of 41 per cent. Thus, the income tax had enabled Ohio to assume more fiscal responsibility for the schools; yet the overall change was, comparatively, not that much larger. Schools no longer had to close down for lack of funds; but the need for additional state monies for education did not vanish either.
Moreover, the 110th General Assembly (1973-74) was not satisfied with the revised school aid formula. In 1973, the foundation program passed in Am. Sub. H.B. 475 was almost completely rewritten. Numerous guarantees and save-harmless provisions were added, making Ohio's school aid program one of, if not the most, complex formulas in the nation. It was a classic example of everyone safeguarding his or her special interests with a result that pleased no one. By the 1974-75 school year, not one of Ohio's school districts would even be on the regular formula, but on one of several existing guarantees. Recognizing the problems, the General Assembly appropriated funds for a joint legislative Education Review Committee to "review the administration of education in Ohio," including "a study of the methods and formulas for allocating state aid." The Education Review Committee has hired a group of outside consultants and has held several public hearings to help it define the problems. At this writing, the Committee is presently meeting in the hopes of coming up with a school aid program that can be acted upon during the next biennium.

Thus, in the final analysis, the Ohio General Assembly in 1971 dealt with the question of tax reform. Education figured heavily in providing a critical reason for increasing taxes in general and in galvanizing support for the income tax in particular. Yet in concentrating on the tax issue and on increasing state revenues, school finance reform was not really addressed -- which is why Ohio is again confronted with the problem in 1974.
FOOTNOTES TO CHAPTER TWO

1 Ohio Education Association, Ohio Schools 9/24/71, p. 9.


3 Ohio Legislative Service Commission, pp. 25, 30-32.


6 Ohio Legislative Service Commission, p. 4.


10 Ohio Education Association, a public document on the schools, 1970.


12 Ibid., p. 3.


14 Thomas Quick, Assistant Superintendent of Public Instruction, Ohio Department of Education, January 21, 1972.


16 Gongwer News Service, Inc., Ohio Report, 10/14/70, p. 1; 11/17/70, p. 3; Ohio Education Association, position paper endorsing John J. Gilligan for Governor, undated.

17 Ohio Education Association, "The Legislative District Committee; Its Function and Operation," undated, p. 5.

18 "OEA in Action," a one-page chart, undated.
Conversation with Tony Warren, a former OEA lobbyist, December, 1971.


Remarks by Governor-elect John J. Gilligan, Meeting of the Citizens' Task Force on Tax Reform, Columbus, Ohio, December 17, 1970.


Interview with JAlan Aufderheide, former president of the Ohio Education Association, May 24, 1974.

Stocker, p. 11; See also Stocker pp. 1-11 for background information on the emergence of the income tax as a public issue in Ohio.

Gongwer's 1/28/71; 2/15/71.

Ohio Education Association, "Legislative Policy Positions" Adopted by the OEA Representative Assembly, December 10-12, 1970, p.3.


John Hauck, Buckeye Association of School Administrators, Submitted to the Citizens' Task Force on Tax Reform, 1/13/71; BASA, 1971 Legislative Positions 10/16/70.


Outline of Proposed Tax Bill to be sponsored by OAPSE in the 109th General Assembly, undated.

Recommendations for Legislative Consideration to the Governor and the 109th General Assembly, Columbus, Ohio, December 14, 1970, p. 2.

Gongwer's, 1/15/71.

Interview with JAlan Aufderheide, then President of the Ohio Education Association, May 24, 1974.

Testimony of Tax Reform Action Committee by Warren J. Smith, Secretary-Treasurer, Ohio AFL-CIO, 1/20/71, p. 5.


For a complete list of the tax recommendations, see Jacob E. Davis, "Report of the Citizens' Task Force on Tax Reform," 2/15/71; and Gongwer's, 2/15/71.

Stocker, p. 11.

Stocker, p. 11.

Stocker, p. 13.

Frank King, President of Ohio AFL-CIO as quoted by David Lore, The Columbus Dispatch, 10/7/72, p. 1.

Stocker, p. 13.

Hoekstra, p. 121.

Interview with Walter Hack, Professor of Educational Administration, The Ohio State University, May 21, 1974; Hoekstra, pp. 127-128.

Hoekstra, pp. 129-130.

Hoekstra, p. 131.

Interview with Walter Hack, 5/21/74.

For details, see Hoekstra, pp. 132-134.


Columbus Dispatch, 10/26/72, p. 8A.

Gongwer's, 3/15/71, p. 6.

Gongwer's, 3/15/71, p. 6.

Gongwer's, 4/19/71, pp. 1-2.

Gongwer's, 5/10/71, p. 1.

Gongwer's, 5/10/71, p. 1.
60 Gongwer's, 5/13/71, p. 3.
61 Gongwer's, 5/14/71, p. 1.
62 Gongwer's, 5/13/71, p. 3.
63 Gongwer's, 5/24/71, p. 3.
64 Ohio Education Association, "Legislative Report" No. 15, 5/20/71.
66 Gongwer's, 5/28/71, p. 3.
67 Gongwer's, 5/28/71, pp. 1-5.
68 Stocker, p. 15
70 Gongwer's, 6/24/71, p. 1.
71 Gongwer's, 7/8/71, p. 2.
73 Gongwer's, 7/14/71, p. 1.
74 Stocker, p. 16.
75 Gongwer's, 7/14/71, p. 3.
77 Ed Troyer, as quoted by Hoekstra, p. 146.
78 Statement of Harold A. Hovey, Director of Finance, before the Senate Education and Health Committee, July 14, 1971; Hoekstra p. 146-147; personal observations of the Senate Education and Health Committee meetings.
80 See Hoekstra, pp. 150-151, 188.
81 Hoekstra, pp. 178-179.
82 Hoekstra, pp. 168-169; 181.
83 John Hall of OEA as reported by Hoekstra, p. 177.

84 John Hauck of BASA, as quoted by Hoekstra, p. 183.

85 Howard Huntzinger, The Columbus Dispatch, 8/22/71.

86 Office of the Governor, The Statehouse, Columbus, Ohio, Special Message by Governor John J. Gilligan, 8/19/71.

87 Gongwer's, 8/20/71, p. 1.

88 Gongwer's, 8/24/71, p. 1.

89 Gongwer's, 9/9/71, p. 2.

90 Ohio Education Association, "Legislative Report" No. 31, 9/10/71.

91 Joint Statement by OEA, BASA, OAPSE, and OSBA, 9/23/71, 8:00 p.m.


93 Gongwer's, 9/9/71, p. 3.

94 Gongwer's, 9/22/71; Tom LaRochelle, Columbus Citizen-Journal, 9/25/71.

95 Stocker, p. 18, 38.


97 Stocker, p. 38.

98 Stocker, p. 41.

99 Stocker, pp. 6-7.

100 Stocker, p. 22.


102 Legislative Service Commission, 12/22/71, Analysis of Am. Sub. HB 475 as enacted by the 109th Ohio General Assembly.

103 Gongwer's, 12/10/71, p. 2.

104 Gongwer's, 12/13/71, p. 2.

105 Ohio Education Association, Ohio Schools, 1/21/72, p. 7.

107 Gongwer's, 8/23/72.


111 Figures are for the 1970-71 school year, NEA Ranking of the States, 1972, p. 51.

112 Figures are for the 1972-73 school year, NEA Ranking of the States, 1973, p. 50.

113 See Amended Substitute House Bill 86, 1973-75 biennium.

CHAPTER THREE

THE POLITICS OF SCHOOL FINANCE REFORM IN MINNESOTA

The following account of the enactment of school finance reform in Minnesota during 1971 was written by Tim L. Mazzoni Jr. as part of the Educational Governance Project. It is presented as written, with the author's permission, for the purpose of expanding the state sample and enlarging the interstate comparison in Chapter Six.

The Omnibus Tax Act (1971)

In October of 1971, after a series of tumultuous regular and special sessions, the Minnesota Legislature enacted comprehensive tax-school finance reforms. These reforms were widely saluted within the state as a "fiscal milestone," and they received considerable national attention as well. For example, the Advisory Commission on Intergovernmental Relations, in its 13th annual report, declared that the reforms were a "Minnesota miracle" and constituted the "outstanding case study of the year." Before attempting to explain how such innovative legislation came into being, it is necessary to describe briefly the system of state-local school finance that existed in Minnesota prior to 1971.

School Finance Background

Minnesota's pre-1971 school finance program is compared in Table 7 with other states on four dimensions: (1) "ability," (2) "effort," (3) "expenditure," and (4) "equity." Commonly-used indices are employed for
### TABLE 7

**MINNESOTA'S PRE-1971 SCHOOL FINANCE SYSTEM COMPARED WITH OTHER STATES ON SELECTED DIMENSIONS**

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Measure</th>
<th>Minnesota (Rank in Parenthesis)</th>
<th>U.S. Average</th>
<th>Low State</th>
<th>High State</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;Ability&quot;</td>
<td>Personal Income Per Child of School Age, 1970</td>
<td>$14,073 (25)</td>
<td>$15,063</td>
<td>Mississippi $8,354</td>
<td>New York $19,758</td>
</tr>
<tr>
<td>&quot;Effort&quot;</td>
<td>Local and State Revenue Receipts for Public Schools in 1970-71 as Per Cent of Personal Income, 1970</td>
<td>6.3% (3 tie)</td>
<td>5.0%</td>
<td>Alabama 3.8%</td>
<td>Alaska 7.7%</td>
</tr>
</tbody>
</table>

*Interpreted as "measuring the extent that state and local funds are being used to equalize the financial resources available for education in a state."


The first three of these dimensions; the fourth is measured by the equalization score computed by the National School Finance Project (NSFP).

These data indicate that Minnesotans were somewhat below the United
States average in 1970 in financial ability, but they made a greater tax effort than did the citizens of all but two states to provide revenues for the public schools. The per pupil expenditure level for Minnesota ranked it 18th nationally in 1970-71. On the NSFP equity measure, however, Minnesota's relative standing was noticeably lower (36th), a reflection in part of the inadequacies in its foundation aid program.

Minnesota's foundation aid program had its legislative origins in 1957. The program, essentially, was intended to accomplish two things. First, it set a minimum spending level for school districts, a level to be funded from both state and local sources. Theoretically, this guaranteed dollar figure represented the cost of providing an adequate basic education. To participate fully in the foundation aid program, a district had to levy a tax at least as high as the state-specified minimum rate. Then the revenue yield from this local levy was subtracted from the amount necessary to support the basic expenditure level in order to determine how much state foundation money the district would receive. For 1970-71, the foundation level for maintenance costs (current operating expenditures) was $404 per pupil unit in average daily attendance (ADA)* and the required district tax rate was 20 EARC mills.**

To finance their ever-mounting costs, school districts depended upon their own property wealth, as well as upon foundation entitlements and other forms of state and federal assistance. Some 43 per cent of

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*Per pupil units reflect a "weighting" scheme. In 1970-71, each kindergarten pupil was multiplied by a factor of .5, each 1-6 pupil by a factor of 1.0, each 7-12 pupil by a factor of 1.4, and each pupil in area vocation-technical schools by a factor of 1.5.

**EARC stands for Equalization Aid Review Committee. Its purpose is to "equalize" assessed valuations from county to county. Levies on EARC valuations result in mill rates about one-third as high as the mill rates computed by county auditors.
district maintenance costs in 1970-71 represented the state contribution, with the balance largely coming from local levies. Throughout the 1960s the dollar gap between the actual operating expenditures of Minnesota school districts and the level established for their foundation support grew wider until by 1970-71 the median maintenance cost per ADA exceeded the foundation aid figure by $332 (see Table 8). Thus, by 1970-71 the foundation formula had become quite unrealistic. Very few districts spent less than the $404 base; none taxed at a rate as low as 20 EARC mills. And as foundation outlays failed to keep pace with soaring educational costs, their potential for equalization across districts steadily diminished. It is to this point that we now turn.

TABLE 8

COMPARISON OF FOUNDATION AID AND MEDIAN MAINTENANCE COSTS IN MINNESOTA HIGH SCHOOL DISTRICTS (1963-71)

<table>
<thead>
<tr>
<th>School Year</th>
<th>Foundation Aid Level</th>
<th>Maintenance Costs per ADA</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>1963-64</td>
<td>$309</td>
<td>$359</td>
<td>$ 50</td>
</tr>
<tr>
<td>1964-65</td>
<td>315</td>
<td>378</td>
<td>63</td>
</tr>
<tr>
<td>1965-66</td>
<td>321</td>
<td>407</td>
<td>86</td>
</tr>
<tr>
<td>1966-67</td>
<td>324</td>
<td>454</td>
<td>130</td>
</tr>
<tr>
<td>1967-68</td>
<td>345</td>
<td>483</td>
<td>138</td>
</tr>
<tr>
<td>1968-69</td>
<td>355</td>
<td>546</td>
<td>191</td>
</tr>
<tr>
<td>1969-70</td>
<td>365</td>
<td>604</td>
<td>239</td>
</tr>
<tr>
<td>1970-71</td>
<td>404</td>
<td>736</td>
<td>332</td>
</tr>
</tbody>
</table>

SOURCE: Data provided by Van D. Mueller, Division of Educational Administration, University of Minnesota (January, 1972).

The second purpose of foundation aid was to compensate for the variations in property wealth among Minnesota school districts. The general principle was that the poorer the district the more such aid it would receive. Yet there also were state provisions for flat grants that were distributed to districts irrespective of their financial ability. The most remunerative of these grants was a minimum pupil unit guarantee
which was calculated as an element in the foundation formula. This guar­
antee for 1970-71 was fixed at $141. This meant that a school district, 
notwithstanding the revenue it could raise through its own levy, was 
entitled to at least $141 per pupil unit in state assistance.* Such 
grants represented some 48 percent of foundation program outlays, while 
the equalization grants made up 33 percent of state payments to school 
districts.3

Minnesota's foundation program, other than the minimum guarantee 
provision, did allocate state aid in an inverse relationship to the tax 
base of local school districts. In 1970-71, the correlation (r) between 
total state aid per pupil and EARC valuation per pupil unit was -.67.4 
Even so, there was virtually no association (r only .13) between state 
aid and local tax effort, and very substantial expenditure disparities 
continued to exist among school districts.5 In Table 9 are contained data 
on the ten highest expenditure districts and the ten lowest expenditure 
districts for the 1970-71 school year. The statistics in column two 
suggest that state foundation payments did have some equalization impact--
the median for the low districts was $294; that for the high districts 
was only $142, slightly above the minimum guarantee. Yet this impact was 
hardly sufficient to negate disparities in local property valuations 
(see column one). And while each of the highest expenditure districts 
had more than $900 per pupil unit available for school services, $1072 
being the largest amount, the lowest expenditure districts were fortunate 
to be spending just over $500, with one district having a figure of $379.

*The guarantee was adjusted downward if a district spent or taxes less 
than required by the foundation aid formula. This formula in 1970-71 was 
($404 per pupil unit in ADA) - (Revenue from 20 mills, .020, times EARC valuation) = (State aid payment, with a guaranteed minimum of $141)
# TABLE 9

SELECTED DATA ON HIGH AND LOW EXPENDITURE
MINNESOTA HIGH SCHOOL DISTRICTS (1970-71)

<table>
<thead>
<tr>
<th>Districts</th>
<th>(Adj.) Assessed Foundation Value Per Pupil Unit (1970)</th>
<th>Aid Per Pupil Unit</th>
<th>State and Local (Adj.) Maintenance Costs Per Pupil Unit</th>
<th>*EARC Mills Necessary to Spend $664</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 Highest Expenditure Districts:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Humboldt</td>
<td>$32,385</td>
<td>$141</td>
<td>$1,072</td>
<td>16.1</td>
</tr>
<tr>
<td>Borup</td>
<td>24,177</td>
<td>141</td>
<td>998</td>
<td>21.6</td>
</tr>
<tr>
<td>St. Louis Park</td>
<td>15,529</td>
<td>168</td>
<td>983</td>
<td>31.9</td>
</tr>
<tr>
<td>Golden Valley</td>
<td>17,942</td>
<td>141</td>
<td>980</td>
<td>29.1</td>
</tr>
<tr>
<td>Mt. Iron</td>
<td>4,972</td>
<td>290</td>
<td>980</td>
<td>75.2</td>
</tr>
<tr>
<td>Hopkins</td>
<td>13,724</td>
<td>198</td>
<td>967</td>
<td>34.0</td>
</tr>
<tr>
<td>Tintah</td>
<td>14,666</td>
<td>152</td>
<td>967</td>
<td>34.9</td>
</tr>
<tr>
<td>Storden</td>
<td>39,685</td>
<td>141</td>
<td>957</td>
<td>13.2</td>
</tr>
<tr>
<td>Cyrus</td>
<td>12,695</td>
<td>144</td>
<td>954</td>
<td>41.0</td>
</tr>
<tr>
<td>Okabena</td>
<td>21,968</td>
<td>141</td>
<td>947</td>
<td>23.8</td>
</tr>
</tbody>
</table>

| 10 Lowest Expenditure Districts: | | | | |
| Foley | 4,189 | 323 | 523 | 81.4 |
| Walker | 11,839 | 206 | 421 | 38.7 |
| Pine City | 5,869 | 291 | 520 | 63.6 |
| Cold Spring | 4,877 | 315 | 519 | 71.6 |
| Grey Eagle | 4,019 | 323 | 518 | 84.8 |
| Osakis | 6,790 | 264 | 518 | 58.9 |
| Pierz | 5,650 | 296 | 509 | 65.1 |
| Randolph | 10,821 | 244 | 506 | 38.8 |
| Brandon | 5,459 | 282 | 495 | 62.6 |
| Red Lake | 54 | 400 | 379 | 4988.9 |

Summary:

| State Median District | -- | 242 | 664 | -- |
| Median High District | 16,735 | 142 | 973 | 30.0 |
| Median Low District | 5,604 | 294 | 518 | 64.3 |

*State Median Expenditure (State/Local) 1970-71 = $664.

SOURCE: Van D. Mueller, "Perspectives on the Relationship of Foundation Aid Programs to Special Education Financing," Financing Special Education in Minnesota, VIII (Division of Educational Administration, University of Minnesota, Fall, 1972), pp. 62-63.
In refusing to dismiss a suit that challenged the Minnesota school finance program (Van Dusartz v. Hatfield), U. S. District Judge Miles Lord offered several clear, albeit hypothetical, illustrations of how that program actually worked to the advantage of rich districts:

The State has assisted the poorer districts with equalizing aid but in a manner which offsets only a portion of the influence of district wealth variations. To be specific, in 1970-71 if a school district's tax rate were at least 20 mills, it was guaranteed a total of $404 spendable dollars by the State. Thus, if the local levy of 20 mills raised only $200 (in a district with $10,000 assessed valuation per pupil) the State supplemented this with a subvention of $204 per pupil. If the district were sufficiently wealthy that a 20-mill levy raised more than the $404 guarantee, it retained the excess collection and now has it available for expenditure. There appear to be a number of districts in this enviable position.

In addition, the State has guaranteed to every district a minimum state subvention of $141 per pupil. Thus a rich district which raised $450 at the 20-mill rate may spend $591 per pupil. What is important about this flat grant is that it is useful only to the richer districts. Even if it were abolished, those districts poor in taxable wealth would receive no less than they now do, because the $141 is counted as part of the equalizing aid. As in our previous example, a poor district raising only $200 with the 20-mill local rate would receive its $204 from the state in equalizing money even if the $141 guaranteed minimum did not exist. Thus this latter guarantee acts in effect as a unique bonus solely for the benefit of rich districts.

Finally, insofar as districts exceed the 20-mill local tax rate (apparently all poor districts do) they are essentially on their own. For every additional mill on its local property a district with $20,000 valuation per pupil adds another $20 per child in spending; a district with $5,000 valuation per pupil adds only $5 in spending. Put another way, above 20 mills there is a high correlation per pupil wealth and the amount available to spend for education for the same mill rate.

To sum up the basic structure, the rich districts may and do enjoy both lower tax rates and higher spending. A district with $20,000 assessed valuation per pupil and a 40 mill tax rate on local property would be able to spend $941 per pupil; to match that level of spending the district with $5,000 taxable wealth per pupil would have to tax itself at more than three times that rate, or 127.4 mills.6

Besides foundation outlays and flat grants, Minnesota's school finance
program incorporated various categorical payments. This form of state school aid (some 20 percent of the total) was distributed primarily to reimburse a portion of local expenses for pupil transportation, educative services for the handicapped, and vocation-technical programs. Additionally, categorical grants were provided to meet special school district needs, such as those resulting from depleted iron ore deposits, military installations, and concentrations of children from AFDC families. The last of these was only a small grant of $500,000 in 1970-71, and it went almost entirely to the two Twin Cities.  

Switching from the allocative side of school finance to a consideration of revenue raising, it must be reiterated that Minnesotans in 1970-71 were making a very substantial state-local tax effort, relative to other states, to support public elementary and secondary education. Some 36 percent of overall state tax receipts went for this purpose. To sustain this effort, heavy emphasis was placed on the property tax, the source of virtually all locally-raised school revenue.* In Table 10 are presented some comparative data on Minnesota's use of the property tax. They indicate that Minnesota's reliance on this mechanism was close to the national average on three of the four measures. Only on the percentage of local property taxes going to support the schools (71.4) did the state rank particularly high (3rd). But these figures, while they depict Minnesota's property tax position relative to other states, do not show changes over time.

Property taxes in Minnesota, as elsewhere, shot upward in the latter  

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*The various state aids were financed from Minnesota's general tax revenues. Personal income and corporation taxes produced 48 percent of the state operating budget, a state sales tax produced 18 percent of this budget, and 7 percent came from excise taxes.  

part of the 1960s. Specifically, gross property taxes rose at an average annual rate of 15 percent from 1966 to 1971, an increase that was double the comparable rate for the decade preceding 1966.9 As for school property taxes, they went up by some 83 percent between 1968 and 1971.10 A Citizens League survey, conducted in 1971 in the Twin Cities Metropolitan Area, found that property taxes had jumped sharply over the course of just a single year for nearly all homeowners in that area.11

<table>
<thead>
<tr>
<th>Measure</th>
<th>Minnesota</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Tax as % of Total State-Local Taxes, 1970</td>
<td>38.7%</td>
<td>39.2%</td>
</tr>
<tr>
<td>Per Capita Property Tax Collection, 1970</td>
<td>$171</td>
<td>$168</td>
</tr>
<tr>
<td>Local Property Taxes for Schools as % of Total Local Property Taxes, 1970</td>
<td>71.4%</td>
<td>51.7%</td>
</tr>
<tr>
<td>Average Effective Property Tax Rate as % of Market Value (Single-Family Homes with FHA Mortgages), 1971</td>
<td>2.05%</td>
<td>1.98%</td>
</tr>
</tbody>
</table>


The residents of Minnesota school districts not only were asked to bear a heavy property tax burden, but also were caught up in a bewildering maze of state-imposed levy limitations. As described in a State
Previously (prior to the 1971 legislation) districts levied property taxes at whatever level they were permitted by state law and their constituencies to provide the education for their children. Very little consistency existed statewide. Districts with low property valuation had to levy high taxes to provide moderate cost programs. High property valuation districts could provide high cost programs with low taxes, but in many cases their potential expenditures were restricted by state-imposed levy limitations. The levy limitations, themselves, varied from two different statewide formulas to a host of differing limitations in the Twin Cities Metropolitan Area, Duluth, and Rochester.12

Such was the property tax situation, in broad outline, that confronted Minnesota lawmakers at the beginning of 1971.

Defining the Issue

Escalating property taxes gave impetus to a broad-based demand for change in Minnesota's fiscal policy. Although there were schoolmen, finance scholars, and civic leaders who had long been critical of the state school aid program, the overriding public concern was clearly taxes, especially those levied on residential property. In 1967 there was a legislative response to this concern in the form of the Tax Reform and Relief Act. It established a general sales tax for the first time in Minnesota, with some of the revenue yield being specifically designated for per capita payments to school districts. The Act also ended local taxation of business personal property. School districts were reimbursed some $40 million each year to compensate for this loss of money. Lastly, the 1967 legislation enacted a "homesteader's credit" of 35 percent of the real estate tax up to a $250 maximum.13

Whatever else can be said about the Tax Reform and Relief Act (its deficiencies were much debated in the 1970 gubernatorial election), it did not prevent a steep rise in property taxes. Within a few years the
signs of public discontent were everywhere to be read. School districts especially felt the wrath of taxpayers who could not have been aware of the fact that sharp boosts in teacher salaries translated into higher and higher mill levies. Board meetings often were jammed with vociferous citizens questioning budget items, and school district officials experienced growing difficulties in winning voter support in bond elections. Many state political leaders undoubtedly shared the estimate made by State Planning Agency Director, Gerald Christenson, who recalled that:

We couldn't have continued on as we were—there would have been an explosion in Minnesota, a backlash which I think would have greatly damaged education in this state. You could see it coming: in Bloomington there were over 1,000 irate taxpayers who showed up at a school board meeting to insist that the school costs be cut; in western Minnesota serious efforts took place to organize a taxpayers' revolt.

Taxpayer anger, in itself, does not constitute a clear-cut policy issue. Countless definitions of "the problem" can be sensibly advanced and proposed solutions can vary from simple tax relief or spending limit schemes to those which urge fundamental reforms of the fiscal system. Indeed, popular rancor with taxes has not infrequently been diverted into status and race politics. What is crucial, then, in policy making is the way that a problem comes to be delineated and the kind of issue definition which receives wide acceptance by the public. Political conflict, as Schattschneider has observed, often is over "what the issue is," and to control this definitional matter is to control in a very basic way the eventual policy outcome.

In Minnesota, the combined issue of taxes and school finance took shape during the 1970 campaign for Governor. Both candidates—Wendell R. Anderson, a DFL Senator from St. Paul, and Douglas E. Head, the Republican Attorney General—sought from the outset to find a politically viable tax
posture. Anderson, in particular, stressed the need for "real" tax relief and he derided the 1967 law for its shortcomings in this regard. The school foundation aid program did not surface publicly as a concomitant of the tax question until the middle of the campaign. This combination occurred not as a result of candidate initiative, but because the prestigious Citizens League took several actions to which both Anderson and Head felt they had to respond.

In the summer of 1970, the Citizens League issued a report on "New Formulas for Revenue Sharing in Minnesota," a report that concentrated on the distribution of revenue, rather than on the mechanisms for raising it.17 (The Citizens League had authored a 1969 study on the property tax base in the Twin Cities area.) Its recommendations were numerous, but emphasis was placed on the need to expand state support for elementary-secondary education "up to the average per pupil unit operating expenditure in each region" and to devise a more equitable basis for the allocation of foundation aid. In this connection, the League proposed that extra assistance be given to districts with socioeconomic disadvantaged pupils, and that more accurate indices be found for measuring a district's financial ability and its revenue-raising effort.

The Citizens League not only prepared a report, but also provided a forum for the two gubernatorial candidates to state their views on the school finance issue. The chronology of events, according to one close observer, was as follows:

The Citizens League report . . . was issued actually in mid-summer. It did not immediately, at that point, stimulate a large discussion: it was one of a number of proposals known to and discussed by the relatively small group of persons involved with the arcane business of school finance. It became a political issue on October 1, 1970 during and after the Citizens League annual meeting dinner. (The League) had
decided to have its annual meeting in St. Paul and— for the program— invite the two candidates for Governor to respond to questions from a panel of very good Citizens League members on major state and metropolitan issues. After some negotiations . . . both Head and Anderson agreed to appear . . . and were questioned in a most sophisticated way . . . In the course of responding to one of the questions, Anderson stated his support for the concept of state assumption of responsibility for school finance mentioned in the League report . . . and in some important respects went beyond what was proposed in the League report. The Republicans . . . met after the session to review Anderson’s comments and decided he was vulnerable on the school finance/property tax issue. Their public attack began the next day, and from there on it became the major issue of the gubernatorial campaign.

Why had Anderson chosen to take an advanced position on school finance? As one of his political advisers remembers it, "the decision to embrace the thrust of the report was not seen by anyone as a major decision." "This was so," he added, "because Head was also expected to support the main ideas of the Citizens League." Furthermore, the Anderson forces evidently believed that an issue like legislative session reform would have more electoral payoff than school finance. Then came the "bombshell" when Head expressed misgivings about the League’s proposal that state government take on a vastly enlarged role in equalizing fiscal resources among school districts. When Anderson suggested that a statewide property tax— replacing, in full or in part, local mill levies— be utilized to fund his plan to more than double state school aid, the verbal battle between him and Head was squarely joined. The Republican candidate vigorously objected to both total state financing and a statewide property tax, predicting that they would lead to big millage increases across the state and the eventual loss of "local control" for school districts. In replying to such arguments, Anderson pledged himself to property tax relief and to resist any attempt to deprive local school boards of their customary authority. Throughout the ensuing
barrage of charges and countercharges, it was evident that taxes, not
state aid to schools, had primacy. This fact, perhaps more than any
other, shaped the process and outcome of the 1971 legislative session. 20

While the emergence of the school finance issue had about it the
color of a political accident, there were several factors that seem
to have contributed to Anderson's personal receptivity to this issue.
First, a few DFL leaders had been concerned for years with the inequities
in the foundation formula. Notable among them was Karl Grittner. This
DFLer, a high school principal in St. Paul, had capped a long legislative
career by serving as Senate Minority Leader from 1966 to 1970. A sponsor-
protege relationship had developed between Grittner and Anderson from the
time the latter entered the Legislature in 1958 as a fledgling politician.
And as Anderson moved to the forefront in DFL party politics, Grittner
continued to be a confidant. 21 Besides counsel from men like Grittner,
Anderson was alert to events in other states. Gerald Christenson wrote
that:

I asked Governor Anderson how he became committed to the idea
that the state ought to provide almost all, or all, of the
finances for elementary and secondary schools. He said that
he had read an article regarding Governor Milliken's efforts
in Michigan to get the state to take over a far greater por-
tion of the educational load of that state and was impressed
with the argument. He began to study the situation in
Minnesota and saw the tremendous disparities that existed . . . 22

In any case, actions taken by the Citizens League put the spotlight on
the state school aid program, and out of the well-publicized exchanges
between the two candidates for Governor the tax-school finance issue took
on definition. These events, it should be added, occurred nearly a year
before the famous Serrano school finance decision in California.
Developing Policy Alternatives

Wendell Anderson won the election in a convincing fashion (54 percent of the vote) and began the task of formulating a budget message. If the Governor and his supporters were certain of anything, it was that their campaign pledges had to be honored. Head and other Republican leaders had been declaring for months that Anderson's proposals were so unworkable that the Governor would be forced to back away from them. This Anderson was determined not to do and in January, 1971, he offered a "Fair School Finance Plan" to the Legislature.

Governor Anderson's proposal recommended major changes in Minnesota's state-local school finance system, including:

- shifting most of the operating costs of the public schools, K-12, from local property revenues to state nonproperty sources, with the recommended state share being 70 percent by 1972-73;

- setting the foundation aid level at $780 for 1971-72, and $819 for 1972-73 (the estimated statewide averages), with the deductible EARC millage rate being 40 in the first year and 33 1/3 in the second;

- raising the minimum pupil unit guarantee to $215 in 1971-72, but eliminating it thereafter;

- reducing state aid payments to districts which levied taxes above the foundation-required minimum by as many dollars as these excess taxes raised, but districts could raise additional revenue if voters approved in a referendum;

- allowing through a "grandfather" clause above-average expenditure districts to tax at whatever millage rate was necessary to maintain their existing expenditures, plus cost-of-living increases;

- allowing below-average districts to tax at a millage rate that over a six-year period would bring them up to the statewide average;

- giving the cities of Minneapolis, St. Paul, and Duluth additional foundation aid in 1972-73 (not 1971-72) by
setting their deductible EARC mills at 28 1/3, not 33 1/3;

- using per pupil units in ADA, as weighted in 1970-71, to distribute state school aid;

- eliminating the provisions of the Tax Reform and Relief Act which earmarked school district payments from the sales tax and as reimbursements for districts not being able to tax business personal property.23

Anderson called for a $3 billion budget for the biennium. Of this amount, $762 million represented new money ($390 million for public elementary and secondary schools), the bulk of which was to be raised by increasing personal and corporate income taxes, a recommendation that was in accord with the traditional DFL tax posture.24

In preparing the "Fair School Finance Plan," the Governor relied upon a handful of trusted advisers organized into an ad hoc committee. Serving primarily as a source of technical expertise were John Haynes, Staff Assistant to the Governor, and Gerald Christenson, Director of the State Planning Agency. Haynes was particularly knowledgeable in the tax field, while Christenson had recently engaged in school finance research. Offering political insights were several DFL legislators—such as Karl Grittner, Senate Minority Leader until his retirement in 1970, and Martin Sabo, Minority Leader in the House for the 1971 session—as well as the Governor's campaign manager, David Lebedoff.25

In describing policy formulation by the Governor's Office, it is important to note the kinds of individuals who were not involved, as well as those who did take part. Conservative Harvey Sathre, Chairman of the House Education Committee and dominant influence on school finance in previous sessions, was ignored. The role of the State Department of Education was confined to the generation of "raw data," and the Commissioner of Education, Howard Casmey, was not a participant in the main policy
decisions. Neither was the State Board of Education. The educational interest groups, with the possible exception of the Minnesota Federation of Teachers, also had little involvement in the development of the Governor's plan.26

All of this represented a significant departure from other sessions in which the House Education Committee, especially its subcommittee on state aids, had drawn up the formula for elementary-secondary school funding within the framework of understandings reached with the various money committees. Key legislators on the Education Committee, such as Sathre, had worked closely with the State Department of Education in making adjustments to the foundation aid program. S. Walter Harvey, Director of the Section on State Aids, Statistics and Research, was a particularly valued source of information and expert advice. While many interest groups had access to the committees, the Minnesota School Boards Association probably was the most influential; its views being sought on all proposed changes.27 Prior to 1971, then, the House Education Committee functioned as the principal "locus of accommodation" on the school finance issue in Minnesota; its proposals being the ones to which the Legislature paid heed. And the alliance among Committee, bureaucracy, and interest group clientele afforded a good illustration of the sort of triangle that political scientists have discovered to be pervasive in public policy making.

Although the Governor's proposal as translated into various legislative bills set both the fiscal and programmatic agenda for the 1971 session, Minnesota lawmakers were by no means passive in their response to this initiative. At one time during the regular session there were six separate bills dealing with the tax-school aid issue. Five of these
bills were in the Senate, one was in the House, and all were active simultaneously. The House measure, sponsored by Representative Sathre, proposed only modest alterations in the foundation program. In the opinion of one reporter:

House Conservatives could not agree on a better aid formula that would avoid cutting the aid given the high-valuation rural districts. So they are proposing the same old approach—the one under which those relatively well-to-do agricultural districts fare best.  

As for property tax relief, the House Conservatives' solution depended on stringent local levy limitations and the "freezing" at 1971 levels of certain financial payments to local governmental units. The Sathre bill was pushed through the House by the controlling Conservative Caucus and sent on to the Senate.

Of the five bills that originated in the Senate, two were akin to the Sathre proposal, though they did stipulate more aid money. A third finance measure was put forward by Senator Wayne Popham, who carried a bill basically embodying the ideas of the Citizens League. Municipal overburden was a central concern of this proposal. It eventually passed the Senate, but no agreement was reached with the House.

A more radical tax-school finance bill was introduced near the close of the regular session by Conservative Senator, Jerome Blatz, Chairman of the Tax Committee. It recommended that the entire state-local tax structure be overhauled. As an element in this, the bill would have had the state assume both welfare costs and 80 percent of school expenditures. Largely because of its complexity, the Blatz proposal did not receive much attention from the Senate. Lastly, there was the Governor's bill, sponsored by DFL Senator Gene Mammenga. It, too, met defeat during the regular session of the Legislature.
The four bills that have been mentioned differed in their approach to property tax relief and more equitable school funding. The House Conservative measure emphasized restrictive limitations on local levies and contained only modest provisions for the equalization of tax or expenditure disparities. The other three proposals, while dissimilar from each other in some important respects, all were aimed at shifting more of the school funding burden to nonproperty sources. And all, by recommending increases in the foundation base and deductible millage rate, held forth the likelihood of greater equalization in the financing of elementary-secondary education. Some comparisons among these bills on selected variables are shown in Table 11.

### TABLE 11

**COMPARISON ON SELECTED VARIABLES AMONG THE MAJOR SCHOOL FINANCE BILLS IN THE 1971 REGULAR LEGISLATIVE SESSION**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Sathre Bill</th>
<th>Popham Bill</th>
<th>Blatz Bill</th>
<th>Governor's Bill</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pupil Unit Weighting</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kindergarten</td>
<td>.5</td>
<td>.5</td>
<td>.5</td>
<td>.5</td>
</tr>
<tr>
<td>Elementary</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Secondary</td>
<td>1.3</td>
<td>1.4</td>
<td>1.4</td>
<td>1.4</td>
</tr>
<tr>
<td>Area Vocational</td>
<td>1.5</td>
<td>1.5</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td>AFDC</td>
<td>None</td>
<td>.4</td>
<td>.1</td>
<td>.5</td>
</tr>
<tr>
<td><strong>Average Daily Attendance (ADA) or Average Daily Membership (ADM)</strong></td>
<td>ADM</td>
<td>ADM</td>
<td>ADM</td>
<td>ADM</td>
</tr>
<tr>
<td>Foundation Base</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1971 - 72</td>
<td>$467</td>
<td>$677</td>
<td>(70-71 Avg.)</td>
<td>$740</td>
</tr>
<tr>
<td>1972 - 73</td>
<td>$500</td>
<td>$715</td>
<td>(71-72 Avg. + 5%)</td>
<td>$780</td>
</tr>
<tr>
<td>Deductible (FARC) Millage</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1971 - 72</td>
<td>20</td>
<td>50</td>
<td>(70 Levy pbl in 71)</td>
<td>52</td>
</tr>
<tr>
<td>1972 - 73</td>
<td>20</td>
<td>33 1/3</td>
<td>1% of Taxable Valuation</td>
<td>33 1/3</td>
</tr>
<tr>
<td>Minimum Pupil Unit Guarantee</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1971 - 72</td>
<td>$141</td>
<td>$181</td>
<td>None</td>
<td>$190</td>
</tr>
<tr>
<td>1972 - 73</td>
<td>$164</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Amount of State Aid for Biennium</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distributed Through Foundation</td>
<td>$660</td>
<td>$872</td>
<td>$733</td>
<td>$970</td>
</tr>
<tr>
<td>Formula</td>
<td>Million</td>
<td>Million</td>
<td>Million</td>
<td>Million</td>
</tr>
</tbody>
</table>

**SOURCE:** Data obtained from Van D. Mueller, Division of Educational Administration, University of Minnesota, May, 1971.
Mobilization of Support

Each of the school finance measures introduced in the 1971 session attracted some legislative support. Still, the primary line of cleavage on this issue came to lie between adherents of the Governor's plan and those who backed the position taken by the House Conservatives.

Soon after his budget address, Governor Anderson sought to build grassroots pressure for his proposal by embarking on a speaking tour of the state. Meetings were held with business, labor, civic, and educational leaders. And the "Fair School Financing Plan" received extensive media coverage. This accomplished, Anderson reverted to a low profile stance, giving his capable aides and top DFL lawmakers the task of moving his bills through the Legislature.

The Governor had a potent asset in a talented and aggressive staff. Chief among these aides was John Haynes. A Florida native who came to Minnesota in 1966 in order to pursue graduate study in economics and history, Haynes became the Governor's expert on taxes and schools. In addition, he functioned as liaison to the Legislature, as well as to the Tax Department and to the State Department of Education. Drawing upon the latter sources, along with data generated by the State Planning Agency, Haynes acquired such a substantive and political grasp of the tax-school finance issue that DFL legislators leaned heavily upon him for information and so did more than a few influential Conservatives in the Senate. (It was such a Conservative who remarked to our interviewers that the Governor's tax aide "never gave him a bum steer.") Haynes did more, though, than just furnish information and expert advice. He also was perceived by legislative leaders as a "horse trader," identifying and testing for the Governor possible tradeoffs.29
Party solidarity was another resource commanded by the Governor. Even though the DFL in the past had been torn by bitter factional fights—for instance, Humphrey versus McCarthy in 1968—its state lawmakers, with rare exceptions, stayed unified behind Anderson throughout the protracted legislative struggle. To some extent this unity was due to the minority status of DFL legislators. The Conservatives held a margin of one vote in the Senate (34-33) and five votes (70-65) in the House in the 1971 session. The DFL, therefore, had to stick together if they were to have much prospect of success. Also, many DFLers were newcomers to the Legislature; anxious to make an impression and responsive to gubernatorial leadership. Finally, Governor Anderson and his staff held frequent meetings with DFL legislators. In these meetings the technical and political facets of the Governor's program were explained and justified. Moreover, according to one participant, "DFL legislators had the opportunity to yell and scream at each other out of the sight of TV and news cameras."30

While maintaining party discipline was crucial to the Anderson forces, it alone could never have gotten a bill through the Legislature. Thus, the situation which had evolved in the Senate was of equal significance. Many of the Conservative stalwarts, who had long dominated the Senate and adamantly resisted changes of the sort proposed by the Governor, had either retired or suffered electoral defeat. Stanley Holmquist had been the Senate Majority Leader since 1967. He was a personal friend of Anderson's and, like many other Conservative Senators, shared the Governor's reformist philosophy. Hence, proposals coming from the Governor's Office often enjoyed considerable bipartisan support in the Senate. This was in marked contrast to the House where the Conservative Caucus was effectively able to frustrate DFLers in getting their tax-school finance
reforms passed.

Many educator organizations were aligned with the Governor, but their role in the legislative process appears not to have been very influential. The Minnesota Federal of Teachers did favor more equitable school aid to be financed by a statewide property tax. And the Minnesota Education Association voiced approval of the Governor's proposal, albeit "with reservations" on the local limitation features. Both of the teacher organizations, however, devoted most of their influence resources to areas such as collective bargaining and a professional standards board, rather than to the school finance issue. As for the State Department of Education, it generated voluminous data on school district taxes and expenditures. An estimated 150 computer runs were printed out for lawmakers during the 1971 session, including continuous bill analyses. Yet the State Department gave no policy direction to the process. The same can be said about the Commissioner of Education, whose role was principally one of enlisting support for the equalization thrust. The State Board of Education was not considered by other participants as having any influence at all on the issue. The organizations that added the most political weight to the Governor's side, at least on tax questions, were not the educational interest groups, but were the traditional DFL power bases: the Minnesota AFL-CIO and the Farmers Union.

Spearheading the opposition to the Governor was the Conservative Caucus in the House. Their confrontation had a strong partisan overtone, with some members of the Caucus stating openly that they were going to "break the Governor" politically by thwarting his major programs. But there also were Conservative Representatives—notably Ernest Lindstrom, the Majority Leader of the House—who adhered to a philosophy of fiscal
bias they attributed to Anderson's legislative recommendations. 37

Final Enactment

After months of futile regular and special session deliberations on taxes and school finance, an agreement was hammered out in mid-October, 1971, at the Governor's mansion by a ten-member Tax Conference Committee, appointed at Anderson's request by the legislative leadership of both houses. This agreement had sufficient DFL and Conservative backing to win approval from the Legislature, and it was signed into law by Governor Anderson, who hailed it as a satisfactory compromise.

The legislative road to compromise had been long and tortuous. Following the Governor's budget message in late January, 1971, little happened for some four and one-half months. Then the House Conservatives pushed through the Sathre bill, while the Senate adopted the measure introduced by Wayne Popham. No agreement was reached between the two houses and the Legislature went into special session. Here the House enacted another measure similar to the existing foundation program, plus new and restrictive local expenditure limitations. The Senate passed a "Senate Summit Bill" sponsored by the Conservative leadership and approved by the Governor. A conference committee endorsed the House version and this measure was accepted by a weary Legislature in late July. At this point, the Governor moved dramatically back into the public limelight. He vetoed the Conservative tax bill, castigating it in searing language for its failure to grant tax relief or to remedy gross inequities. Anderson then announced yet another special session of the Legislature. When this session convened, the Tax Conference Committee set to work on a virtually non-stop basis and after seven days a complicated "package" of
conservatism and who were obviously alarmed by what they saw as a "spend, spend, spend" budget. In fact, Lindstrom traveled from town to town across the state as a one-man "truth squad", proclaiming that the Governor's program for tax relief was a fraud; that "the real dollar saved is the one not spent." Sustained by his caucus, the Majority Leader was determined to trim drastically the Anderson budget and to fix tight limits on local spending. Lastly, there were influential rural legislators such as Harvey Sathre and Aubrey Dirlam, House Speaker, who were outspoken critics of the Governor's school foundation formula, contending that it unfairly discriminated against the outstate districts which had high-value farm lands but whose residents had modest incomes.35

Antagonisms were evident during the session not only between DFLers and Conservatives in the House, but between the latter and their fellow party members in the Senate. House Conservatives bitterly assailed Senate Conservative leaders, especially Stanley Holmquist, for cooperating with DFLers. Conversely, many Senate Conservatives came to believe that House Conservatives were both unrealistic and intransigent.36

Aside from the House Conservative Caucus, there were other groups that sought to blunt the Governor's policy thrust. The lobbyists for business and banking interests attacked proposals to raise the corporate income tax, claiming that such taxes would drive business firms from the state, inhibit economic expansion, and foster unemployment. Spokesmen for high expenditure school districts were apprehensive about excessive equalization as well as about local levy restrictions. The Minnesota School Boards Association actively, though unofficially, worked against such restrictions, seeing them as a basic threat to the "local control" of schools. And rural-oriented groups expressed suspicion of the urban
trade-offs had been put together for final enactment, which came on October 30, 1971.

Unwilling to give in on the tax relief issue, Governor Anderson had drawn upon his formal powers to call special sessions and to veto bills in order to force a legislative situation where a favorable compromise, from his standpoint, was likely to be forthcoming. Conservative lawmakers had no possibility of overriding his veto and each passing day intensified public pressure for a settlement. Time became an especially scarce resource when the State Auditor, a Republican, warned that as of November 15 the state would run out of money unless a tax measure was adopted. Public opinion polls indicated that the Governor's veto had popular support and the House Conservatives' opposition to tax-school finance reform was further undercut by an opinion rendered by U. S. District Judge Miles Lord.

Three suits had been filed in the federal district court in St. Paul. The Minnesota Federation of Teachers, apparently after consulting with the Governor's Office, filed the first. Subsequently, actions were brought by the Van Dusartzes, whose children were students in a suburban (White Bear Lake) school district, and by the Minnesota Real Estate Property Taxpayers Association. No trial was ever held on these suits; hence, no binding ruling was issued. Judge Miles Lord, however, was confronted by a motion for dismissal by the State of Minnesota on the grounds that the inequities which existed were not unconstitutional. In response, he wrote a lengthy memorandum which rejected the motion and advanced the opinion that conditions in Minnesota were essentially like those in California; that such a system" which makes spending per pupil a function of the school district's wealth" violated the equal protection clause of
the 14th Amendment. Lord concluded by declaring that his court would retain jurisdiction of the case until after the 1971 legislative session. Coming as it did in mid-October, at a time when the Tax Conference Committee was meeting, this opinion could only serve to weaken the Conservatives' position.

The sessions of the Tax Conference Committee were held in the privacy of the Governor's mansion in "a sealed-off world where taxes ruled." Several of Anderson's aides handled the person-to-person bargaining for the Governor, with John Haynes being unusually adept, according to participants, in detecting possible accommodations. The pivotal actor among the ten legislative leaders was Stanley Holmquist. A man of boundless exuberance and patience, it was Holmquist that other participants credited with holding the group together when tempers became frayed and compromise seemed impossible. Interest groups, educational or otherwise, had little access to the final negotiations. Surprisingly enough, the only one mentioned by legislators as having an impact was the Minneapolis school district whose legislative liaison, through John Haynes, was able to get updated AFDC statistics into the bargaining process. And these figures, as will be discussed, did play a part in the major compromise that was struck on the school finance issue.

While many conflicts had to be overcome in devising a settlement, the principal division on school finance came to be between the big city representatives on one side and those who spoke for outstate districts on the other. The Anderson forces had been arguing for a year that Minneapolis, St. Paul, and Duluth had "special problems"—such as low student density, a high percentage of disadvantaged children, and greater competition for the tax dollar from noneducation services—that warranted extra
state aid. In his budget address, Governor Anderson requested that the big cities be given a break on the required EARC tax rate for 1972-73, 28 1/3 mills rather than 33 1/3. An alternative approach was later incorporated in the bill developed by the Governor's Office. This gave each pupil from an AFDC family an additional .5 "weighting" in the foundation formula. It was the latter approach that was at issue during the meetings of the Tax Conference Committee.

Despite the money that would go to poor rural districts from an AFDC provision (only 56 percent of AFDC children were in the three big cities), many of its legislators insisted on some quid pro quo if they were to accept this urban-oriented provision. Several actions were taken to mollify the rural interest, the main one being a revision in the agricultural property differential. Minnesota for some forty years had levied a school tax on agricultural lands that was lower by 25 county auditor mills (8 1/3 EARC mills) than the tax rate on other property. But the statutory "ag differential" traditionally had been absorbed by non-farm homeowners and businesses in the district. The differential was retained in the compromise, but the state was required to compensate the district with a direct payment for the revenue that a 25-mill levy would have yielded.42

The main changes in Minnesota's school financing system instituted by the Omnibus Tax Act were these:

1. State aid to schools was substantially increased (to an estimated 65 percent of current operating costs in the 1972-73 school year). The new foundation formula set state aid equal to $600 minus 30 EARC mills in 1971-72, and $750 minus 30 EARC mills in 1972-73. The minimum pupil unit guarantee was set at $215 for both school years.
2. A "hold harmless" clause was included. This said, essentially, that no district would receive less in 1971-72 than it received in 1970-71, nor less in 1972-73 than it received in 1971-72. Sales tax per capita aid was discontinued as was the reimbursement for exempt business personal property. The tax burden of the "ag differential" was shifted to the state.

3. Aid was provided for districts with children from AFDC families. An extra .5 pupil unit was to be added for all public school children who were from AFDC families.

4. Pupil unit computations were to be based on average daily membership (ADM), not on average daily attendance (ADA).

5. School districts that had declining enrollments were allowed to average old and new enrollment figures.

6. A statewide system of school district levy limitations was established. Districts were prohibited from increasing their per pupil current operating costs more than $87 per pupil over the 1971-72 and 1972-73 school years. For above-average expenditure districts that amount was to be reduced by the per pupil special education grants received. A school district could exceed these levy limitations if the majority of its voters approved in a referendum.

7. The use of capital outlay funds was restricted and new limitations were placed on levies for this purpose.43

In Table 12 are reported some comparisons among the provisions of the pre-1971 foundation program, the Governor's original bill, and the Omnibus Tax Act.

An examination of the figures in Table 12 shows that while the Omnibus Tax Act represented a noticeable improvement over the pre-1971 formula, Governor Anderson had made substantial concessions on the issue of equalizing school district expenditures. Compared to the Governor's original bill, the compromise measure established a somewhat lower foundation base and deductible millage rate, as well as a higher minimum pupil unit guarantee, a guarantee that Anderson had recommended be terminated entirely in 1972-73. More important, the Omnibus Tax Act did not contain
### TABLE 12
COMPARISON ON SELECTED VARIABLES AMONG THE PRE-1971 STATE SCHOOL AID PROGRAM, THE GOVERNOR'S ORIGINAL BILL, AND OMNIBUS TAX ACT

<table>
<thead>
<tr>
<th>Variables</th>
<th>Pre-1971 Foundation Program</th>
<th>Governor's Bill</th>
<th>Omnibus Tax Bill</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pupil Unit Weighting</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kindergarten</td>
<td>.5</td>
<td>.5</td>
<td>.5</td>
</tr>
<tr>
<td>Elementary</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Secondary</td>
<td>1.4</td>
<td>1.4</td>
<td>1.4</td>
</tr>
<tr>
<td>Area Vocational</td>
<td>1.5</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td>AFDC</td>
<td>None(^a)</td>
<td>.5</td>
<td>.5</td>
</tr>
<tr>
<td><strong>Average Daily Membership (ADM)</strong></td>
<td>ADA</td>
<td>ADM</td>
<td>ADM</td>
</tr>
<tr>
<td>or Average Daily Attendance (ADA)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foundation Base</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1970-71</td>
<td>$404</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1971-72</td>
<td>-</td>
<td>$740</td>
<td>$600</td>
</tr>
<tr>
<td>1972-73</td>
<td>-</td>
<td>$780</td>
<td>$750</td>
</tr>
<tr>
<td><strong>Deductible (EARC) Millage</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1970-71</td>
<td>20</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1971-72</td>
<td>-</td>
<td>52</td>
<td>30</td>
</tr>
<tr>
<td>1972-73</td>
<td>-</td>
<td>33 1/3</td>
<td>30</td>
</tr>
<tr>
<td><strong>Minimum Pupil Unit Guarantee</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1970-71</td>
<td>$140</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1971-72</td>
<td>-</td>
<td>$190</td>
<td>$210</td>
</tr>
<tr>
<td>1972-73</td>
<td>-</td>
<td>None</td>
<td>$210</td>
</tr>
<tr>
<td><strong>Special Equalization Provisions</strong></td>
<td>None</td>
<td>Below-average expenditure districts to level up to statewide average after six years</td>
<td>None(^b)</td>
</tr>
</tbody>
</table>

---

\(^a\) There was an AFDC payment of some $500,000 that went almost entirely to Minneapolis and St. Paul.

\(^b\) The above-average expenditure districts did have to subtract special education payments from their foundation aid payments. The special education grants averaged some $20 per pupil unit in 1971-72.

The Governor's key equalization provision which allowed below-average expenditure districts to bring their spending over a six-year period up...
to the statewide average. Consequently, the expenditure disparities among Minnesota school districts were not much different in 1971-72 or 1972-73 from what they had been in 1970-71. Indeed, the author of one study found "the importance of property wealth in determining the level of expenditures actually increased between fiscal 1971 and 1972."\textsuperscript{44} And a second report concluded that "the new funding system has not greatly reduced disparities in school district maintenance revenues . . . districts that had relatively low maintenance revenues in 1970-71 continue to have them in 1972-73."\textsuperscript{45}

From the vantage point of the taxpayer, the 1971 compromise brought more far-reaching changes. Governor Anderson did have to act counter to the DFL's historic opposition to the sales tax, not to mention his own campaign promise, when he accepted an increase in the tax from three to four percent. (It might be noted, however, that the Minnesota sales tax excludes food, clothing, and drugs.) This provided some 26 percent of the $581 million net increase in the $2.8 billion state budget. But over a third of the new money came from raising the personal income tax, and another 25 percent was derived from corporate income or bank excise taxes.\textsuperscript{46} Both of these increases came from the revenue sources which Anderson had stressed in his budget address.

The effect of the tax changes was a pronounced shift in the revenue-raising burden away from residential property and toward income or income-related purchases. The boost in state school aid, coupled with uniform limitations on district tax levies, not only halted the escalation of property taxes, but also made for a noticeable reduction. School mills for the state went down by 18.7 percent between fiscal 1971 and 1972, while the average total mill rate dropped by 11.4 percent.\textsuperscript{47} And there
was a substantial leveling across districts of millage rates for operating costs.\textsuperscript{48} In respect to taxes, then, if not the equalization of school district expenditures, the Omnibus Tax Act could rightly be judged a success.\textsuperscript{49}

**Concluding Observations**

Reviewing the events which culminated in the Omnibus Tax Act of 1971 gives rise to several observations. The first concerns the imprint of the "taxpayers' revolt." The popular demand for curbing property taxation was both the impetus for reform and the essential backdrop against which legislative bargaining was undertaken. The "costing out" of competing bills became, as a State Department publication noted, "critical in obtaining support, adopting or eliminating educational provisions, or compromising between educational and non-educational programs."\textsuperscript{50} Unsurprisingly, the final compromise was oriented toward property tax relief, rather than the equalization of school district spending. The discrepancy in public saliency between these two concerns would hardly have permitted any other kind of political result.

A second and related observation is that the politicalization of school finance, as a consequence of its becoming intertwined with the tax issue, radically altered the way in which legislation was enacted in this area. The old triangle of policy influence comprised of the House Education Committee, the State Department of Education, and the educational interest groups was bypassed in the 1971 session and these actors were relegated to the periphery of the decision process. New and powerful participants, such as the Governor and legislative leaders, and different governmental structures, such as the House and Senate Tax Committees,
exercised predominant influence. And, for the first time, "trade-offs were made between educational and non-educational programs, instead of strictly between education programs."^51

A third observation has to do with the crucial role of the Governor's Office in state policy making. Legislative and bureaucratic initiative had produced modest, incremental changes in the foundation aid program. But without the full commitment of the influence resources of the Governor, it is hard to see how a breakthrough in school finance could have been accomplished, unless it had been mandated by the courts. Anderson and his staff were central to the process from the time the issue was defined to the point where a compromise settlement was negotiated. This does not mean, however, that the Governor's proposals could not have been defeated or drastically modified elsewhere in the legislative system. Even if the leadership of this official was necessary to institute major changes in state fiscal policy, it was not sufficient, especially in light of the divided government which prevailed in Minnesota. Without bipartisan support in the Senate and concessions to the House Conservatives, there would not have been reform legislation.

Judicial intervention in state school finance programs is a final point that warrants mention. Speaking generally, the courts have been policy innovators, forcing lawmakers in many states to consider how the Constitutional standard of equal protection might be met by their state school aid programs. There also was such a case in Minnesota (Van Dusartz v. Hatfield) where the Serrano principle of "fiscal neutrality" was proclaimed. Yet the judge's opinion came very late in the process and did not constitute a ruling on the facts. It probably was no more than a contributing factor in the House Conservatives' eventual willingness to
compromise. Certainly, it cannot be said that Minnesota achieved tax and school finance reform only, or even primarily, because of judicial compulsion. This reform came, instead, as a result of the operation of the political process.

Legislative Postscript

In 1973 the question of school finance again confronted Minnesota lawmakers. In this session there was little of the acrimony witnessed in 1971. The DFL was firmly in control of both the House and the Senate. Moreover, the school aid bill was not treated, as it had been in the preceding session, as part of the larger tax-fiscal package. The major changes enacted by the Legislature represented, essentially, an extension of those accomplished two years earlier—with the emphasis being placed on equalization of local district expenditures and greater responsiveness to educational need. As summarized by one official, the Legislature took the following actions with respect to school finance:

1. Increased the per pupil unit (elementary = 1.0 units, high school = 1.4 units) support to $788 in 1973-74, $820 in 1974-75, and $860 in 1975-76, minus a local levy of 30 equalized mills each year.

2. Enacted a six-year plan to bring up expenditures in districts spending below the state mandated aid figure at the rate of one-sixth of the amount below the state aid figure the first year, one-third the second, one-half the third, two-thirds the fourth, five-sixths the fifth year and to equality in the sixth year.

3. Created an additional pupil unit weighted for students from AFDC families as an index of a district's educational overburden to provide for .85 pupil unit additional weighting in districts of 10 percent concentration of AFDC students, .7 pupil units additional in 8 percent to 10 percent concentration, .6 pupil units additional weighting in 5 percent to 8 percent concentration, and .5 pupil units additional weighting in districts below 5 percent.
4. Provided a new additional .25 pupil unit weighting to additional students in districts growing faster than 4 percent a year.

5. Provided for a loss of pupil units of only 50 percent of the total in declining districts to cushion fiscal effects of falling enrollments.

6. Eliminated the disequalizing minimum or flat grant aid.

7. Set up a new equalization formula for transportation aids much like the operating costs formula of 1971, whereby each district levies one equalized mill and the state pays 100 percent of transportation costs above what the one mill brings in.

8. Partially equalized the "capital outlay" property levy used for renovation and minor construction.

9. Continued strict 30 equalized mills levy limit on school districts unless a referendum approves an increase. (Only 6 out of 438 districts have tried a referendum to raise operating levies outside the state aid formula in the two years since the new school aid law was adopted in 1971. Only one passed.) The 1973 amendments enacted a program slowly reducing the fixed "grandfather" levy allowed high cost districts which were spending above the state mandated aid figure when the equalization law was adopted in 1971.

Of the school finance changes instituted in the 1973 session, the most important was the six-year plan to bring the low expenditure districts up to the statewide average (see point two above). Governor Anderson had been forced to put aside this proposal to effect a compromise in 1971. But at his request the equalization plan was back before the Legislature in 1973, and this time it was enacted. As for educational need, a modification of substantial consequence, particularly for Minneapolis and St. Paul, was the additional weighting in the foundation formula for concentrations of pupils from AFDC families (see point three above). In total, the 1973 legislation made over $1.3 billion available for education for the biennium, an amount that was more than double the state support figure for the 1969-71 biennium.
FOOTNOTES TO CHAPTER THREE

1 Tim L. Mazzoni Jr., "State Policy Making for the Public Schools of Minnesota," prepared for the Educational Governance Project, Columbus, Ohio, April, 1974.

2 Sections of the ACIR report are reprinted in Minnesota State Department of Education, Update (March, 1972), p. 5.

3 Percentage figures are from Anthony Morley, "Minnesota," A Legislators Guide to School Finance (Denver: The Education Commission of the States, August 1972), p. 34. Despite a few minor errors, Morley's account of the tax-school finance reform effort in the 1971 Minnesota legislative session is an accurate and insightful one. We have drawn heavily upon it for certain parts of our description.


5 Ibid.

6 Van Dusartz v. Hatfield, U. S. District Court, District of Minnesota, Third Division No. 3-71 Cir. 243, pp 4-5.

7 Wilken, op. cit., p. 3.

8 Percentage figures are from Morley, op. cit., p. 34-35.


11 Results of the study for 49 of the 81 communities surveyed are reported in Minneapolis Tribune, March 8, 1971.


13 Morley, op. cit., p. 36.


15 Gerald W. Christenson, "Planning for Human Resources Development for Minnesota in the 1970's," Financing Special Education in Minnesota (Division of Educational Administration, University of Minnesota, Fall, 1972) p. 83.


18Interview with state legislator, June, 1973.


21Interviews with state legislators, January and June, 1973.

22Christenson, *op. cit.*, p. 81.


24Ibid., p. 40.

25Information based on interviews with state legislators and Governor's aides, January and June, 1973.

26Ibid.

27Information based on interviews with state legislators and educational interest group leaders, January-February, 1973.


30Ibid.

31Morley, *op. cit.*, p. 43.


34Assessments of the impact of the SDE, Commissioner, and State Board are based on interviews with state legislators and educational interest group leaders, January-February, 1973.

35For articles summarizing the legislative conflict, see the *Minneapolis Star*, November 1, 1971.

36Ibid.
This corresponds to Morley's assessment. Morley, op. cit., pp. 43-44.

Minneapolis Star, November 1, 1971.

Van Dusartz V. Hatfield, pp. 3-11.

Minneapolis Star, November 1, 1971.

Information based on interviews with state legislators, January-February, 1973. Six of the ten members of the Tax Conference Committee were interviewed by our research staff.

Ibid.


Wilken, op. cit., pp. 34, 37. Also see the data reported in the Minneapolis Tribune, November 7, 1972.


Minneapolis Tribune, November 11, 1972.


Ibid.


Ibid., p. 5.
CHAPTER FOUR
THE POLITICS OF SCHOOL FINANCE REFORM IN MICHIGAN

Michigan last enacted major school finance reform legislation in 1973. To imply that this was an isolated event evolving in one year would be in error, however. The Bursley Act, as it came to be called after the Senate Education Committee chairman, was actually a statutory decision that spans a number of years and issues—beginning with serious study of school finance during the late sixties, made necessary by increasing fiscal shortcomings and tax inequities at the local level, directed by voter rejection of a constitutional referendum permitting full state funding of education, and culminating in legislative approval of a modified power equalization formula, in August, 1973.

While these events were unique to Michigan, school finance reform and the accompanying call for local property tax relief are concerns which must be addressed by every state. Consequently, before discussing the Michigan process in detail, it would be advantageous to view the Wolverine State from a broader perspective—in comparison with the financial conditions operating in other states. The following rank orders are based on data accumulated before passage of the Bursley Act.

**Comparative School Finance Data**

School finance statistics in the different states are commonly matched on the basis of "need," "ability," "effort," and "equity." One dimension of need is the number of students who require a public education.
As illustrated in Table 13, Michigan ranked relatively high (eighth) in the proportion of students compared to the general population. Moreover, unlike some states, Michigan's pupil population continued to increase steadily during the sixties and into the early seventies, rising to 2.2 million by 1972.\(^1\) In aggregate terms, then, educational need continued to remain at comparatively high levels in Michigan, even though more recent information indicates that enrollments are now beginning to drop at approximately 1 percent a year.\(^2\) Although the student population is slowly decreasing, the cost of the educational bureaucracy continues to rise, which makes the fiscal demand on the public schools a constant one, at least for the present.

**TABLE 13**

**MICHIGAN'S RANKING AMONG THE OTHER STATES ON SELECTED DIMENSIONS OF "NEED" AND "ABILITY"**

<table>
<thead>
<tr>
<th></th>
<th>Michigan (Ranking in U.S. Parenthesis) Average</th>
<th>Highest State</th>
<th>Lowest State</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;Need&quot;: estimated school age population as a percentage of total resident population, 1972</td>
<td>26.6%(8)</td>
<td>24.9%</td>
<td>28.5%</td>
</tr>
<tr>
<td>&quot;Ability&quot;: Per capita personal income, 1971</td>
<td>$4,430 ((12))</td>
<td>$4,156</td>
<td>$5,000</td>
</tr>
<tr>
<td>&quot;Ability&quot;: personal income per child of school age, 1972</td>
<td>$16,352 ((16))</td>
<td>$16,32</td>
<td>$12,153</td>
</tr>
</tbody>
</table>

Table 13 also provides some measures of financial ability, or a state's level of wealth in being able to fund public services. On both dimensions, per capita personal income and the personal income behind each
student, Michigan ranked near the national average and above the majority of states. Thus, strictly in dollar terms, Michigan had a relatively high capability for providing revenues for public services, including the schools.

Table 14 compares the states according to the actual effort, both in taxes and in expenditures, that they devote to public services in general and to education in particular. Michigan ranked at or slightly below the national average in its effort to finance all public services. The Wolverine State ranked higher than the U. S. average when only education was considered. On both dimensions, Michigan came out lower than its financial ability (Table 13) would indicate, except when higher education was included in the computations.

Finally, Table 14 also presents a rough measure of equity, or the attempt that states make to equalize the financial disparities existing between its rich and poor school districts. On this dimension, Michigan's comparative standing was far lower (41st) than on any other financial dimension, a significant reflection of the inadequacies inherent in the old foundation program.

States can also be compared according to the ways in which they divide up the burden of funding education among the three levels of government. Table 15 indicates that for the 1972-73 school year, Michigan portioned out this responsibility almost evenly between its state and local governments. This was less of a local burden, but more of a state burden than the national average. Thus, even before passage of the Bursley Act, Michigan was shouldering a relatively larger share of educational costs at the state level. In addition, the Wolverine State received comparatively little financial assistance for education from the
federal government.

TABLE 14
MICHIGAN'S RANKING AMONG THE OTHER STATES ON SELECTED DIMENSIONS OF "EFFORT" AND "EQUITY"

<table>
<thead>
<tr>
<th></th>
<th>Michigan (Ranking in Parenthesis)</th>
<th>U.S. Average</th>
<th>Highest State</th>
<th>Lowest State</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;General Effort&quot;:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State and local tax</td>
<td>11.1% (24)</td>
<td>11.1%</td>
<td>13.8%</td>
<td>8.7%</td>
</tr>
<tr>
<td>collections in 1970-71 as</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a percent of personal</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>income, 1971</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Per capita total</td>
<td>$441.11 (25)</td>
<td>$443.64</td>
<td>$1519.85</td>
<td>$285.74</td>
</tr>
<tr>
<td>general expenditures</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>for all functions, 1971</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&quot;Educational Effort&quot;:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public school revenue</td>
<td>NEA 5.6% (20)</td>
<td>5.6%</td>
<td>9.1%</td>
<td>4.1%</td>
</tr>
<tr>
<td>receipts, 1971-72, as a</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>percent of personal</td>
<td>6% Research (20) Estimate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>income, 1971</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Per capita state</td>
<td>$191.51 (15)</td>
<td>$170.75</td>
<td>$599.34</td>
<td>$109.66</td>
</tr>
<tr>
<td>expenditures for all</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>education, 1971</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&quot;Equity&quot;:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National School</td>
<td>3.844 (41)</td>
<td>4.131</td>
<td>8.400</td>
<td>2.295</td>
</tr>
<tr>
<td>Finance Project</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equalization Scores,</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1968-69*</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Defined as "measuring the extent that state and local funds are being used to equalize the financial resources available for education in a state."

TABLE 15

DIVISION OF FINANCIAL RESPONSIBILITY TO THE PUBLIC SCHOOLS
BY LEVEL OF GOVERNMENT, MICHIGAN AMONG THE OTHER STATES

<table>
<thead>
<tr>
<th></th>
<th>Michigan (Ranking in Parenthesis)</th>
<th>U.S. Average</th>
<th>Highest State</th>
<th>Lowest State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated percent of revenue for public elementary and secondary schools, 1972-73:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local government</td>
<td>48.6% (27)</td>
<td>51.2%</td>
<td>89.8%</td>
<td>3.0%</td>
</tr>
<tr>
<td>State government</td>
<td>47.6% (18)</td>
<td>41.0%</td>
<td>89.0%</td>
<td>6.1%</td>
</tr>
<tr>
<td>Federal government</td>
<td>3.8% (47)</td>
<td>7.7%</td>
<td>26.9%</td>
<td>3.1%</td>
</tr>
</tbody>
</table>


(In 1971-72, 46 percent of state aid to the public schools came from funds earmarked from half of the state sales tax, a four percent liquor excise tax, and a two cent tax on each package of cigarettes. The balance of state education monies was derived from a variety of tax revenues channeled into the State General Fund. For all practical purposes, the property tax is the sole source of revenue for the public schools at the local and county levels. Total expenditures for public elementary and secondary education exceeded $2.5 billion annually.)

Finally, states can be ranked according to the size of their tax burdens. At a time when the property tax is increasingly under attack, Michigan's relative standing, as shown in Table 16, was higher than the national average. The tax burden on state government was also above the U.S. average. In both cases, Michigan was neither very high nor very low, ranking among the middle third of the states. From a comparative perspective, then, the Wolverine State had the potential to provide property tax relief by having the state assume a larger share of educational costs.)
TABLE 16
MICHIGAN'S RANKING AMONG THE OTHER STATES ON SELECTED MEASURES OF TAX BURDEN

<table>
<thead>
<tr>
<th>Measures of Property Tax Burden:</th>
<th>Michigan (Ranking in Parenthesis)</th>
<th>U.S. Average</th>
<th>Highest State</th>
<th>Lowest State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Per capita property tax revenue of local governments, 1970-71</td>
<td>$192 (18)</td>
<td>$178</td>
<td>$286</td>
<td>$34</td>
</tr>
<tr>
<td>State and local property tax collections in 1970-71 as a percentage of personal income in 1971</td>
<td>4.6% (20)</td>
<td>4.4%</td>
<td>6.9%</td>
<td>1.3%</td>
</tr>
</tbody>
</table>

Measure of State Tax Burden:

| State tax revenue in 1970-71 as a percentage of personal income in 1971 | 6.4% (20)                          | 6.0%         | 10.0%         | 4.0%         |

In summary, according to these figures, Michigan was a relatively wealthy state in which the demand for education had remained consistent; where, during the early seventies, the state had made an above average effort in funding the public schools; but where the equalization of such revenues had been a problem. Such statistics are rough measures at best, however. They do not depict the absolute change over time in each state. And these figures, like any others, must be interpreted within the distinctive context in which educational decisions are made, within the economic, social, and political conditions that set each state apart from all others. Consequently, the following sections of the paper examine the political process through which recent demands for and efforts at passing school finance reform were actualized in Michigan.
School Finance Legislation in Michigan Prior to 1973

The Michigan Legislature enacted a school foundation program, based on a Strayer-Haig deductible millage formula, in the School Aid Act of 1957. Changes over the next fifteen years took the form of annually amending this legislation. In theory, the foundation program called on the state to provide revenue to compensate for disparities in local property tax wealth, as long as the local districts maintained a specified minimum millage rate for the support of its public schools. In practice, however, the results in most states were less than adequate.

Michigan's state foundation program was based on the concept of State Equalized Valuation or SEV per pupil. Because local assessment practices differed, the state adjusted each district's total assessed property valuation to fifty percent of current market value of all real property. This amount, when divided by the student "membership" (full-time equivalent students) in each district resulted in the SEV behind each child.

State aid was used to equalize the wealth and per pupil variations among most of Michigan's 604 school districts. The formula subtracted the amount that a specified millage rate, "the deductible millage," would yield in each local district from a specified state foundation program or "gross allowance." The amount of both the deductible millage and the gross allowance were mandated yearly by the state legislature.

In order to further aid the low SEV districts in approaching the level of spending behind each pupil in the high SEV districts, state assistance was generally allocated through two different formulas. For 1972-73, the formula for low-SEV (poor) districts with a State Equalized Valuation of less than $17,750 was $715 (the gross allowance) minus 20 mills (the
deductible millage). In the same year, the formula for high SEV districts with a State Equalized Valuation of $17,750 or more was $644 minus 16 mills.\textsuperscript{6}

As a result of these calculations, in 1972-73 the average district had a $20,268 SEV behind each student and received $320 per pupil in state assistance. Forty-three districts had SEVs of less than $10,000 and received $515 or more per pupil. At the other extreme, fifty-eight districts with SEVs of $35,000 or more received $84 or less from the state. And the wealthiest districts with SEVs of $40,250 or more received no state aid through this formula.\textsuperscript{7} Thus, the state foundation program in Michigan, which allocated 86 percent of all state grants for education,\textsuperscript{8} had some equalizing effect at the local level.* Even so, significant disparities and inequities between rich and poor districts as well as between high-effort and low-effort districts continued to exist, making demands for change all but inevitable.

**Pressures for Reform**

In the years leading up to passage of the Bursley Act, several factors combined to put pressure on Michigan's executive and legislative branches to abandon the state foundation program. These included the inequities inherent in the formula itself, the rising costs of education, and the frequency with which Michigan voters were willing to defeat property tax levies.

*State assistance in Michigan was also provided through several grant programs outside of the foundation formula. This included aid for pupil transportation, compensatory education, special education, remedial reading, vocational education, and a municipal overburden factor to help the inner cities.*\textsuperscript{9}
1. Basic Problems with the State Foundation Program. The inequities of Michigan’s state aid formula can best be illustrated by comparing data from four local school districts within the Detroit Metropolitan area for the 1970-71 school year, as shown below in Table 17.

**TABLE 17**

**SCHOOL FINANCE DATA FOR FOUR SELECTED DISTRICTS IN MICHIGAN, 1970-71**

<table>
<thead>
<tr>
<th>District</th>
<th>1 Mill Yield ($/Pupil)</th>
<th>Millage Rate</th>
<th>Local Revenue ($/Pupil)</th>
<th>State Aid ($/Pupil)</th>
<th>Total ($/Pupil)</th>
<th>Staff per 1,000 Students</th>
</tr>
</thead>
<tbody>
<tr>
<td>River Rouge</td>
<td>$60</td>
<td>21</td>
<td>$1260</td>
<td>0</td>
<td>$1260</td>
<td>60</td>
</tr>
<tr>
<td>Wayne</td>
<td>13</td>
<td>36</td>
<td>468</td>
<td>362</td>
<td>830</td>
<td>48</td>
</tr>
<tr>
<td>Detroit</td>
<td>18</td>
<td>21</td>
<td>378</td>
<td>278</td>
<td>656</td>
<td>38</td>
</tr>
<tr>
<td>Inkster</td>
<td>8</td>
<td>26</td>
<td>208</td>
<td>463</td>
<td>671</td>
<td>44</td>
</tr>
</tbody>
</table>

SOURCE: "School Finance Reform in Michigan": Bureau of Programs and Budget, Technical Report Clb, April, 1972, p. 5; these figures exclude state categorical aid and federal aid.

As these figures indicate, even with the addition of state aid which attempts to equalize, the richer districts were still able to spend more money per pupil and to provide a smaller pupil/teacher ratio, all with a lower tax effort. Not only could the state foundation formula not compensate for disparities in local wealth; it also placed a damper on taxing incentive, particularly in the poor districts. In a $10,000 SEV district in 1972-73, the difference between a low taxing effort of ten mills and a high effort of thirty mills was $200 per child, while in a $35,000 SEV district the same tax differential yielded $700 per child.10 Local effort was further complicated by Michigan's constitution which,
except for a number of constitutional exemptions placed a fifty mill limitation on all local spending, including that for the schools.

2. **Rising Costs.** In addition to the shortcomings of the foundation formula, the costs of education were rapidly on the rise at the state and local levels. During the period between 1961-62 and 1969-70, total operating expenses of the entire state educational system increased by 167 percent, from $611.6 million to $1.573 billion. In the same period, per pupil expenditures from both state and local sources for public elementary and secondary education went from $375.66 to $726.88. The state's expenditure alone rose in absolute terms from $299 million in 1961-62 to almost $658 million in 1969-70, as well as in the proportion of the total state budget going to K-12 education.¹¹

Increased costs can also be seen in the change in teacher salaries in Michigan, given impetus by a 1965 state law granting public employees the right to collective bargaining. During the period from 1961-62 to 1971-72, the average teacher salary almost doubled, from $5,898 to $11,671.¹² Such expenditures no doubt placed additional strains on the existing foundation formula, leading to a serious search for alternative finance models.

3. **Taxpayer Revolts.** Pressures to change the school foundation program came from yet another source. Public disapproval of additional millage for the public schools had mounted in recent years, as illustrated by Tables 18 and 19. In all of 1970 and through March of 1971, 42 percent of the operating levies and 62 percent of the bond issues were defeated by the Michigan electorate, even though the number of such requests had been substantially reduced from the late sixties.
Whether such evidence of voter disapproval was due to public dissatisfaction with the schools, the property tax, or government in general is difficult to determine. No matter, the end result was the same. Increasing failure of local government to provide funds for public education pointed to either severe financial cut-backs in the schools or to a larger state role. The economic situation became especially critical in Detroit in the spring of 1973. The school system, legally restrained from borrowing funds, was near to closing its doors because of a $75 million deficit.\textsuperscript{13}

\textbf{TABLE 18}

\textbf{SUMMARY OF VOTER RESPONSE TO OPERATIONAL MILLAGE ISSUES IN MICHIGAN BY FISCAL YEAR}

\begin{tabular}{|c|c|c|c|c|c|}
\hline
Fiscal Year & Total & Number Passed & Percent & Number Defeated & Percent \\
\hline
1968-69 & 598 & 366 & 61\% & 232 & 39\% \\
1969-70 & 656 & 458 & 70\% & 198 & 30\% \\
1970-March 1971 & 164 & 95 & 58\% & 69 & 42\% \\
\hline
\end{tabular}


\textbf{TABLE 19}

\textbf{SUMMARY OF VOTER RESPONSE TO BOND ISSUES IN MICHIGAN BY FISCAL YEAR}

\begin{tabular}{|c|c|c|c|c|c|}
\hline
Fiscal Year & Total & Number Passed & Percent & Number Defeated & Percent \\
\hline
1968-69 & 122 & 41 & 34\% & 81 & 66\% \\
1969-70 & 112 & 42 & 37\% & 70 & 63\% \\
\hline
\end{tabular}
It is not surprising, therefore, that voter defeat of property tax millage when combined with rising costs and the problems inherent in Michigan's foundation program, made school finance reform "the single most controversial question before the Michigan Legislature in each session since 1969."^14

Defining the Issue

1967-1968 These pressures for school finance reform in Michigan first gained legislative momentum from a research study during the late sixties. Proposed by the State Board of Education and funded for $200,000 by the Michigan Legislature in 1966, the "Thomas Report,"^15 was the most comprehensive study of lower education in Michigan's history. Reporting back to the Board of Education in December, 1967, the Thomas Report reached a number of conclusions, including the following:^17

- There is a great variation in the educational opportunities available to students in the State of Michigan.

- There exist critical problems in the financing of urban education. These problems demand adequate financial support from the citizens of the state.

- The procedures for distributing state aid to school districts are overly complex, and do not accomplish the purpose of equalizing educational opportunity.

- A revenue crisis also faces Michigan's nonpublic schools. There is a proportional shift in the student body from nonpublic to public school enrollment.

The Thomas Report also concluded that Michigan's problems were historical in nature, that a thorough revision of the financial structure
was called for, and that increased state aid was needed to provide equalization of local district wealth. While it did not recommend a specific school aid proposal, this study outlined the strengths and weaknesses of four general alternatives, which then set the parameters for future legislative consideration:

Alternative 1: A percentage equalizing formula in which the state would fund not less than 10 percent but not more than 90 percent of the operating expenditures in any district. The state's share of the costs would be inversely proportional to the property wealth (equalized valuation per pupil) of each district.

Alternative 2: A power equalization formula in which the wealth of each district would be equalized, guaranteeing an equal amount of combined state and local funds per pupil per mill up to 20 mills, but leaving the choice of millage rates to each local district. (A version of this proposal was eventually adopted in 1973.)

Alternative 3: A Strayer/Haig foundation program (then in effect in Michigan) providing for the sharing of costs between the state and local governments up to a specified amount, with the local districts funding any additional expenditures. The formula would be supplemented by special purpose categorical grants.

Alternative 4: A formula based on a classroom unit, rather than on a per pupil approach, with funding varying according to the different types of students—basic, handicapped, vocational, etc.

According to one government source, the Thomas Report "both stimulated and served as a resource document for practically all subsequent proposals for school financing reform."20

1969-1970 One year after the Thomas Report was published, Lt. Governor William Milliken became Governor when his predecessor, George Romney, accepted a cabinet post in the Nixon Administration. As a former state senator for eight years and chairman of the Senate Education Committee, Milliken had previously displayed an interest and some expertise in educational issues.21 Assuming control of the Executive Office in 1969,
Governor Milliken publicly aligned himself on the side of school finance reform, making it a major goal of his Administration. Since he was not then prepared with a specific proposal, the Governor appointed a Commission on Educational Reform composed of non-educators with himself as chairman. Charged with a broad mandate to take up educational concerns, including review of the Thomas Study proposals and the objective of a "... more equitable and adequate system of financing education," the Commission traveled across the state conducting public hearings for six months. By this time, school finance reform in Michigan was developing a partisan flavor. According to one source:

> From the outset, educational reform became a bone of political contention. The Democrats wanted to be credited with having taken the initiative by commissioning the Thomas study. Now a Republican Governor was threatening to steal the show. His commission was criticized by Democratic leaders in the legislature. Speaker of the House William Ryan said the proposal was "a delaying tactic"... In retrospect, it appears that the Governor's commission was a device to gain time in order to draw up a detailed Republican legislative package for educational reform.24

Actually, many people were getting into the act by 1969. In addition to the Governor's Commission, a group of university professors of educational administration coalesced behind the classroom unit alternative mentioned in the Thomas Report. And the Michigan Board of Education recommended a new state aid formula based on power equalization.25

In September, 1969, the Commission on Educational Reform reported back to Governor Milliken. He, in turn, called a special session of the State Legislature in October in order to submit his proposals, which one source termed "the most radical restructuring of school financing ever officially backed on the U. S. mainland."26 Although the Michigan legislators refused to enact the Governor's major recommendations for school
finance reform, contained in ten bills and two constitutional resolutions, they did support some of his less extensive programs. Moreover, the proposals generated lengthy discussion and served as a preview of Milliken's future attempts at change. The 1969 recommendations included a constitutional amendment to allow the Legislature, following voter approval, to eliminate the local property tax for financing the schools (except for a 3-mill "enrichment" tax whose yield would be equalized by the state) substituting a 16-mill statewide property tax in its place. Governor Milliken also advocated switching to a classroom unit (rather than per pupil) plan based on a proposal developed by the Michigan Association of Professors of Educational Administration. The 1969 proposals reflected Governor Milliken's thinking on education in general. They called for greater "rationality" and accountability in and more centralization over the operation of the public schools. In addition, the Governor's legislative package contained proposals for a student assessment program and the elimination of the elected State Board of Education (then under Democratic control) with appointment of the Superintendent of Public Instruction transferred to the Governor. Milliken also expressed dissatisfaction with education controlled by educators, wishing instead to encourage a more pluralistic educational system and to enlarge general government's responsibilities over the public schools. Faced with these broad-based recommendations for change, the Michigan Legislature decided in 1969 to continue under the existing state foundation program, albeit at increased expenditure levels.

In 1970, school finance reform became intertwined with the parochial issue. According to one source, Governor Milliken conceived of changing the financing of the schools as a long-term process. Hopeful that he
would be elected Governor in his own right in November, 1970, Milliken saw the next four-year term as time in which to plan a complete school finance reform strategy. In the meantime, he appeared content to push for partial changes. Thus, the Governor proposed to provide limited state assistance to the parochial schools. Because of the controversy surrounding parochial aid, established political alignments were factionalized. The majority of the Michigan Board of Education members, by a vote of five-to-three, supported the parochial bill. Then-Superintendent of Public Instruction Ira Polley opposed it, which reportedly prompted the Board to request his resignation. And most of the statewide educational interest groups, particularly the Michigan Education Association, opposed aid to nonpublic schools. As a result, serious attempts at school finance reform became impossible. The resulting legislation was a two-year state aid proposal called the Spencer-Ryan Plan, after Democratic Speaker of the House William Ryan from Detroit and Republican Representative Roy Spencer. In return for their support of Ryan's and Milliken's parochial aid provision, Spencer and the rural Republicans gained legislative approval of a proposal guaranteeing equalization of the revenues derived from local income as well as local property taxes during the second year of enactment. The proposal never went into effect, however, as the additional state taxes needed to finance the plan were never approved. Passage of the parochial aid provision was also nullified by Michigan voters in a Michigan Education Association sponsored referendum during the November, 1970 election. By this time, Governor Milliken had withdrawn his support of the Spencer-Ryan Plan and was backing an alternative proposal. And finally, during the summer of 1971, the State Legislature repealed the Spencer-Ryan Plan and reverted back to a modification of the old state
Thus, the period of 1969-1970 in Michigan can be described as multidirectional. A new Governor was busy defining his educational priorities. The different educational interests were also defining their positions on school finance reform. They had to decide whether or not to support a Governor obviously committed to educational change yet one who also threatened their traditional sphere of influence in the formulation as well as the administration of such reform. Parochial aid was caught up in the more traditional school finance reform issues and influenced, possibly sidetracked, the outcome. And it was becoming increasingly obvious that more equalizing approaches to revising the state aid formula could not be dealt with apart from new methods of funding such approaches. The educational and taxation issues were clearly inseparable.

Alternative Proposals, 1971

Governor Milliken continued to push for major school finance reform during 1971—despite a narrow electoral victory in November, 1970; despite the growing disaffection of conservative members from his own party over his liberal and pro-urban stances; and despite the worsening economic conditions in the state due, in part, to a costly auto strike against General Motors in 1970.35

Initially, however, the economic burden on the state prompted an austerity program. In January, 1971, Governor Milliken announced an estimated $108 million deficit for the current fiscal year and proposed a $110 million reduction in state expenditures, including a 2 percent cut-back in school aid payments. This last provision provoked intense opposition among the legislators, who refused to sustain it. The Governor had also pledged to ask for "no new taxes this year."36
During April, 1971, in a Special Message to the Legislature, Governor Milliken recommended a comprehensive educational program which modified his 1969 proposals. The newer package still stressed greater "rationality" and accountability in the operation of the schools. By this time, the Legislature had enacted a student assessment program, which was already being implemented. The Governor also abandoned his proposal to eliminate the State Board of Education, but wanted instead to appoint the board members. In addition, Milliken requested the legislators to repeal the present state aid program and to approve a constitutional amendment calling for the repeal of the local property tax for the schools, with an accompanying 6-mill local enrichment tax to be equalized by the state. In 1971, he did not specify a method through which state aid would be dispensed to the local districts. This was, according to one researcher, for political reasons:

The major switch from the previous strategy was to leave unspecified how the state funds would be distributed to the school districts. Milliken did not want to open up this Pandora's box at this time, hoping thereby to focus attention on the issue of taxation and to smoke out positions on distribution before he presented his own. He also calculated that by presenting his distribution proposal later in the legislative session, there would be greater pressure on the legislators to pass it without major modification simply because of the time constraints... This new situation with the emphasis on taxation set the stage for the political bargaining that was to dominate the 1971 legislative session.

Interestingly, an executive aide offered another analysis of the Governor's distribution plan. Attributing the absence of a distribution plan to "a lack of staff preparation rather than a conscious strategy," the aide remarked that he was amused "by what some outside observers call 'strategy' when the insiders know all the time that it was 'bungling'..."

In any case, Governor Milliken also relinquished his earlier proposal for a statewide property tax of sixteen mills to replace the local
property tax revenues for education. His reason, in part, was reportedly because a statewide property tax of this dimension could not generate the needed revenues for the state, due to the relative low elasticity of the property tax, thereby necessitating annual increases in the rates of other taxes. The Governor's recommendation ignited the traditional battle in Michigan over a flat rate versus a graduated income tax, the latter championed by the Democratic Party, House Speaker Ryan, and organized labor. Finally, Milliken proposed a 2 percent value added tax (VAT) as a way of delaying any increase in the existing corporate income tax, forestalling an industrial exodus out of Michigan.

Because of the varied political currents in the Legislature, Governor Milliken needed to bargain for his proposals. Debates over educational expenditures meshed with two other expensive programs in the state budget, public welfare and aid to the cities. Party caususes in both houses differed over the order in which budget items should be resolved. House Republicans insisted on some form of property tax relief before they would consider the budget. House Democrats pushed for combining property tax relief with a constitutional referendum allowing for passage of a graduated income tax, while Republicans held out for separating the two issues. In the Senate, the Republicans indicated their opposition to a tax increase devoid of a reduction in the property tax. In mid-June, 1971, Governor Milliken urged that differences over the tax issue be temporarily postponed until after passage of the state budget, allowing the state to meet its financial obligations by the beginning of the fiscal year. This request was denied.

By the end of June, a stalemate existed. Speaker Ryan took a different tack. He recommended the creation of a "super committee," composed
of three leaders from each party and from each legislative house, to hammer out a compromise. Dubbed the "Twelve Disciples" by the Michigan press, the committee held daily, closed sessions, but failed to come up with a solution.

A tax measure was finally accepted by the end of July, 1971. In raising the income tax on both individuals and business, it fulfilled Milliken's request for additional funds needed to avert a reduction in state spending. The bill also made provisions for automatically voiding the tax increase in August, 1972, if the Legislature failed to place the issue of property tax reductions on the ballot by November of that year. While this measure did not resolve the major tax issues, it allowed the state to remain solvent.

Faced with the necessity of enacting a state budget, the Governor had to compromise over some of his earlier proposals. He now favored increasing the income tax on business. He withdrew from the position that tax increases should not be implemented until 1972. Moreover, Milliken accepted Speaker Ryan's proposed constitutional amendment which combined proposals allowing for a graduated income tax and for a limitation on the property tax, losing some of his own party support in the process. The constitutional amendment (House Joint Resolution GG) proposed by Ryan contained two additional propositions—a ceiling on the value added tax, if one would ever be enacted (to assure both business interests and the Democratic Party that it would remain at a low level) and the earmarking of millage limits for specific educational purposes (to appease those who were against the elimination of the property tax in total for education and to prevent the revenues being used for teachers' salaries). Whatever the implications of this multidimensional amend-
ment, it never reached the voters. After passing the Democratic-controlled House by one vote and with Governor Milliken's strong endorsement, Resolution GG was bottled up in Senate committees. With the urgency of enacting a state budget already dissipated, the Senate, following the lead of the Republican caucus, sat on the amendment until after the deadline for placing the referendum on the ballot for November, 1971. The fault was reportedly not entirely the legislators, however. One house leader placed part of the blame for the amendment's failure with Governor Milliken: "The Governor reversed himself a couple of times on the question of whether property tax reform and the graduated income tax should be combined in one issue. His indecision and wavering helped result in legislative refusal."

Pinner, Collins, and Sederburg point to two features of this bargaining process which are particularly significant. First is a reaffirmation of the adage "the squeaky wheel gets the grease." Immediate, short-term considerations (e.g. passage of the state budget) are frequently resolved at the expense of long-range objectives (e.g. tax reform in the form of property tax relief and a graduated income tax). The pressure to pass a state budget within an acceptable time frame could and was used as leverage to bring the sides together, resulting in Resolution GG. Thus, to persuade the Legislature to enact a state budget, Governor Milliken needed the approval of the Democrats in control of the House and of both parties which evenly controlled the Senate. The Democrat's support could only be achieved by the Governor's endorsement of a constitutional amendment to allow for a graduated income tax and his approval of increased welfare expenditures, a key proposal of the Speaker. The Republicans who favored low spending levels would support the budget only
if provision was made for property tax relief. This, in turn, was dependent on Democratic support, obtained through concessions on the graduated income tax. However, once the budget had been enacted, this pressure to bargain dissolved, along with the compromise reached in Resolution GG.

Second is the primacy of the taxation issue over the question of school finance reform. With the exception of Governor Milliken, the major interests in the political bargaining process did not focus on the distribution of state monies to the schools. Perhaps as a result, the educational interests did not play an active role in the compromises. According to Pinner et. al., the educators' major focus was on obtaining adequate expenditure levels for the schools. The particular method of taxation used to raise these revenues was not yet of primary concern.

Thus, the 1971 legislative session in Michigan did end with a state budget. The major tax and educational issues surrounding it, however, went unresolved. But school finance reform could hardly be ignored for long. Seven of Michigan's top ten news stories chosen by the Associated Press in 1971 had dealt with education. Five of these had directly related to the method of school finance. The way in which Michigan would continue to fund its schools was clearly a public issue.

Mobilizing Support, 1972

Following the Legislature's failure to approve Resolution GG, Governor Milliken stumped the state to generate grassroots support for placing the property tax relief amendment on the ballot. When his own independent drive began to falter, the Governor urged the Michigan Education Association (MEA) to step in and circulate petitions to place the property tax limitation and separately the graduated income tax issues before the voters without legislative endorsement. MEA agreed and announced its
decision. The following day, Governor Milliken withdrew his own petitions and joined forces with the teachers. Five-hundred thousand signatures were required to place the issue on the ballot. According to one MEA source, the Governor’s Office collected 100,000 signatures for the property tax relief referendum and MEA gathered 600,000 and contributed $250,000. The Democratic Party also undertook its own petition drive, but was unable to obtain the needed signatures. A constitutional amendment, based on the MEA petitions, was placed on the ballot for voter approval in November, 1972. The amendment included two distinct issues: property tax reform and a graduated income tax:

Proposal C sought to reduce the constitutional ceiling on local property taxes from 50 to 26 mills. All property taxes for the schools would be eliminated except for (within the 26 mills) an optional 6 mill enrichment tax, levied only after voter approval; 4 1/2 allocated mills for vocational, compensatory, and intermediate school district distribution; and an allocated 8 mills for counties and 1 1/2 mills for townships as well as a voted 6 mills for both.

Proposal D sought to amend Michigan’s Constitution which prohibited the enactment of a graduated income tax, allowing instead (but not mandating) the Legislature to enact such a tax.

Following passage of both proposals, the Michigan Legislature would have to enact a new educational finance system in time to provide monies for the schools beginning July 1, 1973. Approximately $1.1 billion would have to be recaptured by the State to replace the revenues lost from the local property tax. Neither constitutional proposal specified the method through which state aid would be distributed nor the revenue source used for such funds. One option, a statewide property tax, however, would be prohibited under the provisions of Proposal C. Various interest, including the Governor, the Michigan Department of Education, the Senate Education Committee, the Michigan Association of School Administrators,
and the Michigan Association of Professors of Educational Administration were developing equitable allocation plans in the event that the constitutional amendment was approved. The various plans centered around the legislative mandate under the proposed constitutional language, to "establish a program of general state taxation" to support the local school districts and "to assure equal and quality educational opportunity for all students." The Senate Education Committee also served as a catalyst in bringing the various interests into tentative agreement on a single allocation plan to the November elections.

As the various interests began to take positions on the constitutional amendment, two additional events contributed to the urgency of school finance reform in Michigan. In August, 1971, the Justices of the California Supreme Court had ruled against the constitutionality of a school finance system which based the quality of a child's education on the wealth of his or her school district. Following their lead, Governor Milliken and the State's Attorney General filed a similar suit in the Michigan courts (Milliken-Kelley v. Green). A second court case involved not financial, but racial discrimination. In September, 1971, a U. S. District Court Judge ruled (in Bradley v. Milliken) that Detroit's school system was racially segregated due to the "unconstitutional practices" of public officials in Michigan. Since school desegregation could no longer be accomplished within the Detroit city limits, rectification would require the cooperation of fifty-two surrounding suburban districts and the possibility of two-way busing and/or district reorganization.

Meanwhile, the different interests in Michigan continued to align around Proposals C and D.* The Michigan Education Association, according *(For a list of some of the organizations in support of Proposal C and/or D, see footnote 57.)
to an earlier agreement with Governor Milliken, had purposely separated the two proposals in order to give each issue equal weight with the voters and to diminish the possibility of the defeat of both property tax reform and the graduated income tax. MEA also hoped to dilute the conflicts which had pulverized legislative compromise the year before. Despite such efforts, controversy developed.

Some organizations—the State Board of Education and Superintendent Porter, as well as MEA and most of the other state education interest groups—supported both issues. A notable exception, the membership of the Michigan Association of School Boards, did not oppose the two proposals until the last minute. It then did so by a 2-to-1 margin.

Certain proponents of Proposal C (the property tax limitation)—the Republican Party and the Michigan Chamber of Commerce—remained adamantly opposed to Proposal D (the graduated income tax). MEA had agreed to work with the Governor in pushing Proposal C if he would not oppose the graduated income tax. Throughout his numerous public appearances and speeches on behalf of the property tax issue, Governor Milliken therefore maintained neutrality on Proposal D.

Other interests—such as the Democratic Party, the United Auto Workers, and the AFL-CIO—endorsed Proposal D, but not Proposal C. And although the major industries came out against both proposals, there seemed to be very little organized opposition.

State leaders generally felt that the graduated income tax had little chance of passage but that citizen support for the property tax limitation was more substantial. Several public opinion polls conducted during October, 1972, appeared to bear this out, at least with regard to Proposal C. Between 60-65 percent of Michigan voters favored the property tax
issue, but 49-51 percent disapproved of a graduated income tax.\textsuperscript{64}

In spite of these early indications of support for property tax relief, on November 7, the voters defeated both Proposals C and D. They voiced their opposition to a graduated income tax by more than a two-to-one margin. On the same day, Detroit residents voted down the renewal of a five-mill school tax for the third time in a row, even though the city's 300 schools faced possible closing several months early for lack of funds.\textsuperscript{65}

There appear to be several reasons for the defeat of Proposals C and D. Once again, school finance was caught up in the general issue of tax reform. Traditional divisions in Michigan were again at work: Republicans and business interests favored property tax limits but not the enactment of a more progressive graduated income tax. Democrats and labor endorsed the graduated income tax but not the property tax reduction for fear of providing a windfall tax break to industry. The unions may not have been deeply supportive of the constitutional amendment, since they reportedly believed that the income tax would fail and they did not want one proposal without the other.\textsuperscript{66} Consequently, advocates of change in school finance and taxation found themselves fighting among each other as much as with their opponents. The cleavages that had killed legislative action in 1971 once again helped to defeat the same issues before the voters in 1972.

Moreover, the educational community did not appear strongly united behind the two proposals. The Michigan Board of Education had voted by only a slim majority to support the constitutional amendments; then they were "rather quiet" and "after the fact" in their support.\textsuperscript{67} A member of the Michigan Federation of Teachers claimed that his organization's
advocacy of Proposals C and D was "on paper only." Even MEA, which had successfully initiated the school finance issue experienced some internal dissension from teachers fearing the advent of statewide collective bargaining with the enactment of full state funding of education. And as recently as the previous year, MEA had been on record as opposed to full state funding, favoring instead the fiscal security of the existing local property tax. Finally, according to one education reporter, "Michigan's educators have been clamoring for reform in the State's system of school finance for years, but they are not flocking to support the constitutional amendment."

The citizens of Michigan apparently shared some of the apprehensions of the educators. These included the dread of terminating local control over the schools and the uncertainty that, once the property tax limit had passed, the Legislature would fund education adequately. Aware of Superintendent Porter's and Governor Milliken's urban orientation, many Michigan voters reportedly feared that most of the money would go to Detroit. Such concerns were amplified by the press which described Detroit's problems in detail. The Detroit News also opposed the two proposals in a Sunday editorial. The influence of the news media was perhaps even more significant than usual because of the complexity of the two issues.

Rich school districts opposed the constitutional changes for fear of having their higher spending levels curtailed. Yet even in the hard-pressed districts, like Detroit, the school board hesitated to support the proposals. This failure to endorse property tax reform reportedly angered the Governor, especially since Detroit had appealed to the State to save it from an $80 million deficit. In November, the amendment
lost by nearly a million votes in a three county area around Detroit, possibly because of the earlier court order calling for a metropolitan desegregation plan. According to several sources, many individuals apparently connected any change in the distribution of aid to the schools with the ability to implement desegregation.75

Finally, the constitutional amendment appeared to fall victim to public feeling against taxes in general. While school finance issues were going down to defeat (across the country as well as in Michigan) Michigan voters also defeated a Vietnam Veteran bonus and capital improvement issues for new criminal facilities in Detroit.76 As one legislative leader in the Michigan House stated emphatically: "C and D were horrible misadventures anyway."77

But Michigan's school finance problems would not go away. Following the defeat of the constitutional amendment, Superintendent Porter requested a $22 million loan from the State to keep the Detroit schools open. At the same time, the Detroit Board of Education appealed for a $22 million bank loan, to be repaid from future state school aid payments. Without these funds, the board would be confronted with closing down the schools at the end of the month. And on November 23, the board members voted to close the Motor City's schools for eight weeks beginning December 21 if faced with insufficient finances.78

On December 29, 1972, the Michigan Supreme Court ruled on the school finance suit brought by Governor Milliken and the State's Attorney General. In a 4-3 decision, the Justices declared the existing method of funding the public schools in Michigan unconstitutional. When added to the possibility that 30-40 school districts would have to close their doors due to lack of operating funds, this court decision provided a powerful inducement
for legislative action. Thus, where school finance reform in Michigan could once have been relegated to the background, overshadowed by the tax issue, in 1973 this was no longer the case.

Legislative Enactment, 1973*

In November, 1972, a Detroit Free Press editorial had summed up the defeat of the constitutional amendment as follows:

We have a growing suspicion that there are more people in Michigan who like to talk about tax reform than want to do something about it. Governor Milliken tried to do something, and he has been politically embarrassed for his efforts. We hope that he will not let this defeat divert him from his goal. 79

Governor Milliken did not give up. Instead he just shifted tactics once again. This time the Governor advocated school finance reform and property tax relief that could be enacted by the Legislature, without voter approval; that could overcome the traditional cleavages surrounding questions of property wealth and taxation; and that could satisfy the court challenge to the existing foundation program.

The November, 1972, elections had increased the Democratic control over the Michigan House by two, to sixty of the 110 seats. None of the 38 senators had been up for re-election, thereby sustaining the 19-19 partisan split, with the Republicans in leadership positions by virtue of a Republican Lt. Governor. Thus the Governor, out of political necessity, had to come up with a proposal that would meet bipartisan

*(Interviews for the Educational Governance Project were conducted in January, 1973, in Michigan, seven months before the passage of school finance reform legislation. Consequently most of the information pertaining to this section relies on secondary sources, notably Gongwer News Service, Inc., Michigan Report, Lansing, Michigan, January-September, 1973; and Gene Caesar, Robert N. McKerr, and Dr. James Phelps "New Equity in Michigan School Finance," the Senate Committee on Education (Lansing, Michigan) September, 1973. Mr. Caesar is consultant to the Senate Education Committee, Mr. McKerr is Associate Superintendent for Business and Finance, Michigan Department of Education, and Dr. James Phelps is Administrative Assistant for Education to Governor Milliken.)
scrutiny, avoiding the old pitfalls of the income tax controversy. This situation may have been brighter than first appears, however, as Governor Milliken was in the habit of cooperating with the House Democrats in passing his more liberally-oriented programs. As one influential Democratic leader in the lower chamber stated: "This is the first year for a real shot at major [school finance] reform . . . and no one questions the Governor's sincerity."80

Immediately following the defeat of Proposals C and D, Gilbert E. Bursley, Republican state senator from Ann Arbor and chairman of the Senate Committee on Education, contacted both Governor Milliken and Superintendent Porter. He urged that the three of them continue their joint efforts to reform Michigan's state aid program. Each man volunteered his school finance advisor to design a workable state aid program which could survive legislative and political differences.81 The product of their collaboration was a modified power equalization measure, known in Michigan as an "Equal Yield" formula, which Senator Bursley introduced late in 1972. Briefly, this formula sought to eventually guarantee every local school district in Michigan the same per pupil amount from the same local millage rate. The plan would be phased in over a three-year period.

Prior to placing the measure into the legislative hopper for the 1973 session, a series of public hearings were held throughout the state. This initial Bursley Bill (S. B. 1495) was reportedly "a trial balloon."82 Dr. James Phelps, educational assistant to Governor Milliken, and Gene Caesar, staff person for the Senate Education Committee, developed the formula. The Governor and Senator Bursley were interested in testing public reaction to the plan during the hearing period. The results prompted the formula's authors to note that the new plan was subjected "to more
discussion and debate than any of the previous decade's annual state aid bills.\textsuperscript{83}

In a statewide television address and in a Special Message to the Legislature on education, Governor Milliken publicly supported the "equal yield" formula introduced by Senator Bursley. The Governor's decision was reportedly shaped by three events: voter rejection of the constitutional amendment in 1972, the Michigan Supreme Court school finance ruling, and the impending closure of Detroit's schools. In abandoning the constitutional route to educational and tax reform, Governor Milliken explained: "In rejecting Proposal C, the people said that they were not ready to accept a major change in the method of collecting and distributing monies for education. However, I do not believe, nor will I accept, that the public was condoning the inequities which the present system imposes on both students and taxpayers."\textsuperscript{84} The Governor recommended an increase of 11.3 percent, or $108 million, for Michigan's K-12 public schools for the coming year, the highest percentage per pupil addition in the state's history. This would increase the expenditures on elementary and secondary education to $1.22 billion, up from the present $1.11 billion.\textsuperscript{85} In a separate proposal, the Governor also recommended property tax relief totalling $370 million for Michigan business and taxpayers over a two-year period.\textsuperscript{86}

Senator Bursley introduced a school aid measure on February 8, 1973, when it became Senate Bill 110. Early indications were that the bill would enjoy relatively easy passage, at least in the upper chamber. Proponents of S. B. 110 included the Governor, MEA, the Michigan Association of School Boards, Superintendent Porter and the State Board of Education, and a bipartisan group of 21 state senators which Senator Bursley had
brought together as co-sponsors. Most significantly, the last group of proponents was a voting majority of Michigan's Senate. Opponents included the Michigan Federation of Teachers and a number of school superintendents and other administrators.87

The following week, the Detroit Board of Education requested a $75 million loan from the state to pay its debt, to be reimbursed from deductions from future state aid payments. The board members asked for either a 2.25 mill property tax or stand-by authority for a 0.3 percent income tax, either one without a vote of the people. The revenues collected would enable the board to obtain loans to keep Detroit's schools open for the remainder of the school year.88 This resolution contained the recommendations of a 56-member task force, including several legislative leaders.89 Bills providing for this authority, which included S. B. 110, had already been submitted to some legislators. Governor Milliken opposed the state's bailing out one school district, preferring instead that the Motor City borrow the funds from commercial lenders. Superintendent Porter supported granting the Detroit Board of Education the power to increase taxes without voter approval and felt that this autonomy should be granted to other hard-pressed districts as well.90 Concerns were also expressed over the use of a property tax to finance a school debt. Some bond specialists argued before the Senate Education Committee that such an action would lower the credit rating of both the schools' and the city's bonds. The results would be higher interest rates and having Detroit become the only major American city unable to market its bonds with commercial banks, which purchase 75 percent of all municipal bonds issued.91

Despite these warnings and due to the urgency of the situation, the
Senate Education Committee approved a separate bill to give the Detroit school district the power to levy either the 2.25 mills or a 0.3 percent income tax without a popular vote. This was to provide a short-term solution to Detroit's fiscal problems. At the same time, S. B. 110 was given a favorable report by this committee. The equal yield formula encountered its first crystallized opposition in the Senate Appropriations Committee to which it was next referred. However, after extensive committee hearings and consideration of alternative school foundation programs, the Bursley measure survived intact. On March 19, S. B. 110 satisfied the members of the fiscal committee, who, by a vote of 6 to 4, recommended it for passage.

A vote by the full Senate, however, was preceded by the U. S. Supreme Court's decision in the Rodriguez case. In a 5-4 ruling, the Justices had found Texas' state aid system for education not in violation of the Federal Constitution, turning the responsibility of school finance reform back to the state. Observers in Michigan anticipated that their own State Supreme Court, with the newly-elected Justices holding the balance of power, would eventually do likewise, reversing its earlier decision on the unconstitutionality of Michigan's school foundation plan. In spite of these concerns, alternative bills which retained the existing formula were defeated conclusively on the Senate floor. On April 5, Michigan's State Senate sent S. B. 110 to the House, by a vote of 22-15.

Once in the lower chamber, the bill was assigned to the House Education Committee. Here it encountered a different challenge in the form of a full state funding formula, including a taxing program to implement it. A number of school superintendents and other administrators had consistently advocated full state funding for Michigan's public schools.
Yet they reportedly did not feel that the alternative being debated in the House Education Committee was adequate. Without broad-based support, this measure, along with any other formula, was not considered by the Education Committee. Senate Bill 110 was approved instead with an amendment extending its power equalizing provision to capital outlay as well as operating millage. It was then sent to the House Appropriations Committee on May 8, by a vote of 9 to 4.

While in this fiscal committee, the equal yield formula met its most formidable resistance. The Democratic leadership of the House presented an alternative proposal sponsored by House Majority Floor Leader Bobby Crim and costing $43 million more than the Bursley bill. This formula, over a three-year period, would bring every district to the same per pupil spending level at 20 mills, with a maximum $100 increase each year. Districts above 20 mills would receive state aid, but not the maximum amount. Originally, this proposal would also have placed a ceiling on maximum per pupil expenditures. But representatives from some high-spending districts objected to the restriction on local spending prerogatives. On June 11, the Appropriations Committee reported out this modified proposal, 10-5 with one Democrat dissenting, recommending it for passage by the full House.

A Democratic party caucus in the House revealed that this bill did not have the votes necessary for passage in the lower chamber. Moreover, the Republican caucus in the House seemed more than likely to unite behind Governor Milliken, who adamantly supported S. B. 110. The Republicans also favored the Bursley Bill because it had been amended in the House Education Committee to extend the power equalizing provision to capital outlay. This amendment proved to be a "critical strategic move," enabling
the Republicans to withstand the Crim bill. Consequently, the House leadership had to try again to reach a new compromise. Representative Crim said that his latest proposal was closer to the dollar figures passed by the Senate. He stated: "It takes care of the Governor's concern on the level of spending, it takes care of my concern with the low-effort districts." Both Mr. Crim and Speaker Ryan were particularly concerned about Detroit. Although the Motor City was a relatively low-effort district in school millage, its total tax millage rate was quite high, which made increasing the millage for schools more difficult.

After considerable debate on different compromise proposals, during which the Speaker even considered resigning his post, the House passed a greatly modified S. B. 110 on June 29, 56-46. In the process, it approved an amendment restricting the bill's effect by omitting the gradual leveling up contained in the second and third year of the three-year measure. Speaker Ryan wanted the school aid plan for one year only, in order to work on a different formula for subsequent years. Republicans contended throughout the five and a half hour House debate that the Democrat's amendments to the Bursley Bill were too expensive. They also argued that the changes thwarted the purpose of the equal yield formula, which was to reward high-effort districts, leaving decisions over millage rates at the local level. Democrats contended that amendments to reduce the penalty to low-effort districts would be fairer to the financially pressed cities, such as Detroit. At the insistence of members of their own party, the House Democratic leaders agreed to another amendment encouraging high-effort districts to lower their millage rates with no loss of spending power.

Since the House bill differed from the one previously passed by the
Senate, a 6-member joint conference committee was appointed in July to iron out the 23 items of contention. During a number of meetings, the members of the conference committee eventually reached consensus, including the reinsertion of the Senate's three-year plan and the original equal yield formula. The amendment allowing high effort districts to reduce their millage rates without a concurrent loss of spending was central in the bargaining. To retain this provision (which was later vetoed) and to begin the equalization of capital outlay a year sooner (which was also vetoed, but for technical reasons) the House Democrats agreed to the three-year formula. Following concurrence by both houses, on August 14, Governor Milliken signed S. B. 110 into law as Public Act 101 of 1973.

Earlier during the same session, the Michigan Legislature had also provided emergency special assistance to Detroit's school system, as well as property tax relief for all of Michigan's needy residents. In two bills enacted in March, the legislators arranged a $75 million state loan for Detroit, requiring the district to either increase its property tax 2.25 mills as security under a special provision in the Michigan Constitution to repay "evidence of indebtedness" or impose a school district 1 percent income tax, the first and only one permitted under Michigan statute. Detroit was authorized to levy a local income tax of up to 1 percent which would be equated to 6 1/2 mills in the state aid formula. These two measures also greatly facilitated passage of the Bursley Bill. According to one source in Governor Milliken's Office:

Detroit was given the power to levy a 1 percent income tax rather than the 0.3 percent. Although Detroit wanted the lesser amount, there was concern by many others that Detroit would not increase its local contribution and would be forced to continue deficit spending. However, with the power to levy a full 1 percent, Detroit would be qualifying for greater state aid under the Bursley formula in addition to its local effort. So as a result, the votes (on the two bills affecting
Detroit) were preliminary votes on the Bursley Bill and were criticized in this regard by representatives from Detroit. There is little question that this was a strategic move on the part of the proponents of the Bursley Bill, and without its inclusion, passage of the Bursley Bill would have been doubtful.107

In May, the Legislature had also enacted two measures which provided the first state tax reduction in memory.108 Public Acts 19 and 20 of 1973 rebated $380 million—$10 million more than the Governor had requested—to the taxpayers of Michigan over a two-year period. These bills included a "circuit-breaker" originally proposed by Governor Milliken in his State of the State Message in January, 1973. The circuit-breaker reduced the property tax burden of all homeowners and renters, senior citizens, and disabled veterans and the blind who own homes when their incomes were low compared to their liability under the property tax. The Legislature also increased the personal state income tax exemption per dependent; reduced the intangibles tax on bank deposits, and savings and loan shares; and granted a tax credit to business.109 The funds were to be replaced by state revenues accruing from a substantial state surplus, but without increasing state taxes. On August 14, Governor Milliken signed the school aid bill. He also vetoed three items: a program permitting high millage districts to reduce their tax rates, a grandfather provision, and a section providing for the equalization of capital outlay similar to the equal yield formula in the first year of operation. However, he left the capital outlay provisions applicable for the next two years.110

At the signing ceremony for S. B. 110, Governor Milliken revealed his hopes and expectations for the new school aid formula. He stated, in part:

This act corrects much of what has been wrong with education in Michigan, as well as in much of America.
It is wrong for three times as much to be spent on the education of children in one school district as in another. This act can and will bring about a dramatic narrowing of the gap without lowering educational quality in high expenditure districts.

It is wrong for taxpayers in one school district to carry four times as heavy a burden of school support as in another. This act will substantially narrow this gap as well—again, without lowering expenditures in wealthy districts.

Above all, it is wrong that the wealth of a school district should affect either the quality of education a child receives or the tax rates paid by his parents and neighbors. This act will virtually eliminate property tax base wealth as a factor in school finance among districts.

After nearly five years of proposals and political debate, Governor Milliken had finally achieved one of the major objectives of his administration—the enactment of school finance reform and property tax relief.

Basic Features and Implications of Michigan's Equal Yield Formula

In aggregate terms, the following comparison illustrates the general fund expenditures for K-12 education for Michigan in 1972-73 and the spending levels at different points during the process of passing the equal yield formula for 1973-74:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (in million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972-73 budget</td>
<td>$618.5</td>
</tr>
<tr>
<td>Governor's</td>
<td>$660.8</td>
</tr>
<tr>
<td>Senate version</td>
<td>$704.6</td>
</tr>
<tr>
<td>House version</td>
<td>$728.6</td>
</tr>
<tr>
<td>Final 1973-74</td>
<td>$684.4</td>
</tr>
</tbody>
</table>

As these figures indicate, the actual compromise reached in Senate Bill 110 was midway between Governor Milliken's request and the initial

measure that passed the Senate.

Although $618.5 million was appropriated for the public schools in the 1972-73 budget, only $593.6 was actually spent. When this latter figure is compared to the $684.4 million in the 1973-74 budget, there is a 15.3 percent increase in state funds for the public schools with passage of the new state aid bill.

Total state and local dollars for public and elementary education reached $1.24 billion under the Bursley Act, compared to $1.11 billion for the previous year. And education funds distributed solely through the equal yield formula increased $44.5 million from 1972-73 to 1973-74. This was accomplished without passage of additional state taxes.

In less general terms, Senate Bill 110 guarantees to each local school district in Michigan an amount of combined state and local educational revenues equal to $38 per pupil per mill up to 22 mills in 1973-74; $39 per pupil per mill up to 25 mills levied in 1974-75; and $40 per pupil per mill without limitation in 1975-76. Thus, the first two years of the formula provide equalization of expenditures but only up to a certain millage rate (22 and 25 mills respectively). After the third year, however, a local school district can tax itself at any rate and be assured of combined state-local revenues for each mill levied. These particular provisions survived the legislative process intact, from the time that Senator Bursley first introduced S. B. 110 until it was signed by Governor Milliken. The lawmakers also provided transitional legislation during the application of the three-year program to insure that local districts did not lose money by switching to the new formula.

Stated a different way, the equal yield formula guarantees that each local district receives in per pupil membership aid an amount computed
first by subtracting the district's State Equalized Valuation behind each pupil from $38,000 in 1973-74, $39,000 in 1974-75, and $40,000 in 1975-76. The difference is then multiplied by each district's operating millage tax rate up to a minimum of 22 mills in 1973-74, 25 mills in 1974-75, and with no millage ceiling after 1975-76.

To illustrate, in 1973-74, at the $38,000 level and with the 22 mill limit:

- in a district with a $19,000 SEV, each mill up to the 22 mill limit will bring in $19 per pupil from local tax sources and $19 from the State.
- in a wealthy district with a $37,000 SEV, each mill will bring in $37 per pupil locally and $1 from the State.
- in a poor district with a $10,000 SEV, each mill will bring in $10 locally and $28 from the State.\(^{114}\)

Each of the three districts, no matter what their local property wealth, receives $38 per pupil per mill from combined state and local sources, with the State providing revenue that cannot be derived locally. Districts above the $38,000 SEV level without state assistance, however, are not required to pay back the additional revenues to the state. Thus, the equal yield formula is a modified version of the true power equalization model.\(^{115}\)

The equalizing effect of Michigan's formula is demonstrated in the following comparison of a poor, medium, and rich district, all making approximately the same local millage effort, illustrated in Table 20.\(^{116}\)

Before passage of S. B. 110, the median school district in 1972-1973 levied 24.6 mills, which generated $818 per pupil in state and local funds, excluding categorical grants. By 1975-76, under the equal yield formula, the median operating levy is projected to be slightly less than 25 mills, which will generate almost $1,000 per pupil for any district.
willing to tax itself at that rate.\textsuperscript{117}

The equal yield formula also provides for some equalization of a local district's debt service obligation, a fiscal function which the State had not exercised in the past. Beginning in 1974-75, a school district will receive state aid for bonding millage rates on a similar basis as for operating millage. However, the previous year's data are used, relative to the 22-25 mill levels and the $38-$39 per pupil per mill amount.

\begin{table}
\centering
\caption{The Effect of the Equal Yield Formula on Three Selected Districts in Michigan}
\begin{tabular}{llllllllll}
\hline
\hline
Tri- County (poor) & $11,506 & 24 & \text{state aid} & $485 & $564 & $618 & $622 \\
& & & \text{local revenue} & $276 & $297 & $318 & $338 \\
& & & & $761 & $861 & $936 & $960 \\
Forest Hills (medium) & $20,543 & 24 & \text{state aid} & $315 & $350 & $369 & $356 \\
& & & \text{local revenue} & $493 & $530 & $567 & $604 \\
& & & & $808 & $880 & $936 & $960 \\
Monroe (rich) & $32,213 & 23.9 & \text{state aid} & $129 & $74 & $47 & $13 \\
& & & \text{local revenue} & $770 & $828 & $886 & $943 \\
& & & & $899 & $902 & $933 & $956 \\
\hline
\end{tabular}
\end{table}

Finally, special programs or need/cost variations are provided outside of the equal yield formula, through state categorical grants. These include, for example, compensatory education, special education, and
vocational education.

Thus, by enacting school finance reform legislation in 1973, Michigan lawmakers accepted a new state aid formula. They did this without increasing taxes or changing the revenue and budgetary structures of both state and local governments. The result was a greater equalization of the existing total property wealth of the State, while retaining the choice of millage rates at the local level.

In doing so, Governor Milliken and the Michigan Legislature managed to circumvent two problems which had proven politically insurmountable in previous efforts. First, by enacting an equal yield formula, the lawmakers did not have to alter the State Constitution. (The local property tax limitation remained at fifty mills; the restriction on a graduated income tax was retained.) The Legislature could therefore approve a school finance reform measure without a vote of the people. Second, the equal yield formula did not alter the fiscal powers of the local school districts. The wealthy districts were not deprived of their superior ability to fund their schools, particularly since the state did not recapture any additional revenues above a set state-local expenditure level. In fact, the rich districts tended to support the equalizing effects of S. B. 110 precisely because they did not threaten the survival of their high expenditure programs. And leaving the selection of millage rates up to the districts appeased local interests which feared a usurpation of their powers by the State. As one of Governor Milliken's aides commented prior to the success of Senate Bill 110: "The rich had been effective in the past in stalemating any educational change. And the loss of local control had been used as an excuse for maintaining the status quo." By avoiding the rich/poor and state/local conflicts, the
Governor and the Legislature were able to diffuse the usual opposition to school finance reform.

The equal yield formula therefore allowed new coalitions to be formed, based on local tax effort instead of wealth. Districts which willingly taxed themselves at high levels, regardless of wealth, found themselves allies. They, in turn, were opposed by low-effort districts, rich and poor.\textsuperscript{119}

The new formula also prompted a realignment among the statewide educational interest groups. During prior attempts at school finance reform, it had reportedly been assumed that the "educational establishment" had to be appeased, often at a high cost. Yet while S. B. 110 factionalized the education groups—teachers and school boards for, administrators against—it remained politically salable.\textsuperscript{120}

The effectiveness of S. B. 110, at this point, remains to be demonstrated. Early indications, however, are positive.\textsuperscript{121} In any case, the extent of its equalizing provisions may just have to suffice. For, as expected, the Michigan Supreme Court nullified its 1972 decision concerning the unconstitutionality of the State's school aid program. The short-term impact will likely be negligible, especially with the passage of the equal yield formula. However, the Court's ruling makes future school finance reform less probable.\textsuperscript{122}

A Concluding Comment

The events described in this section, if anything, highlight the pivotal nature of the Governor in reforming school finance legislation, at least in this time and place. As soon as William Milliken became Governor of Michigan, he made educational reform a primary goal of his Administration. The Governor immediately appointed a Commission on
Educational Reform. He gave numerous public speeches noting the needs of Michigan's schools. He presented special education messages to the Legislature complete with specific recommendations. And Milliken was the only Governor to "sue the system" by bringing a Serrano-type case to the Michigan courts. Each of these actions helped bring education before the public, generating statewide debate on the issues and pressure for change.

Governor Milliken also combined the issues of equalization of public school funds and property tax reform, thereby enlarging the potential coalition for a change in both. In advocating reform, the Governor relied heavily on members of his own staff and on non-educational interests, such as the Chamber of Commerce and the Farm Bureau, for advice on school finance and tax proposals. In contrast, Milliken seemed to purposely shy away from the statewide educational interest groups, except for MEA. Even this latter alliance was late in developing, however. The Governor and the teachers did not join forces until 1972 when Milliken needed their aid in getting property tax reform on the ballot. This tendency for the Governor to advocate educational programs without the input of the educational groups placed them in an interesting position. Here, obviously, was a chief executive who placed a high premium on educational reform, which frequently meant taking substantial political risks. Yet in doing so, he frequently challenged the educator's perceived autonomy over certain considerations. Thus, for example, Milliken had advocated abolishing the State Board of Education. Rather than abandon the subject entirely when this recommendation went ignored by the legislators, the Governor modified his request to a governor-appointed board, a position, incidentally, more in tune with that of the educational interests.
In selecting members for his Commission on Educational Reform, Milliken turned to noneducators. He supported state aid to nonpublic schools. And he advocated greater accountability in the operation of education. Thus, most of the educational groups were placed in a precarious position vis-a-vis the Governor: do they support a Governor committed to education and school finance reform, knowing full well that they were not part of his inner circle and that some of his other proposals would jeopardize their influence over the schools? Or, do they oppose the Governor and risk defeating some of their own legislative objectives? The finance issue brought Milliken and MEA close together. Whether such a coalition will continue for other issues and what position the other groups will take are less clear.

Finally, Governor Milliken seemed committed to certain principles, including equality of educational opportunity, almost without regard to the political consequences. Confronted with much inertia over or defeat of his school finance reform proposals by legislators and citizens alike, Milliken kept plugging away. As one of his own staff people remarked, "The Governor believes that education is the most important problem the State faces. He has been out on an educational limb and has had it sawed off many times." In his State of the State Address in January, 1973, Governor Milliken admitted: "Our major failure in 1972 was in the highest priority of my administration—educational reform and property tax relief."

Although Governor Milliken did not achieve his primary objectives—full-state funding and extensive property tax relief—in 1973 he accomplished reform within the parameters previously set by the legislators in 1971 and by the voters in 1972. This also included a return to emphasizing the distribution of school finance revenues rather than the revision of
Michigan's tax structure. And, finally, in 1973, the Legislature considered and enacted both issues in separate measures.

Even Governor Milliken did not feel that education was a good political issue, at least in the short run. Several months prior to the passage of the Bursley Act, he commented: "Advocating educational finance reform has been a real blood bath, an ordeal. Still I would not change a thing. And I do expect to win." 127

Given the constraints placed upon the situation, it can be concluded that Governor Milliken indeed came out a winner.

2Correspondence with a source inside the Governor's Office, Educational Governance Project, May 7, 1974.


5For a year-by-year review of these figures, see Caesar, et. al., Appendix A.

6Caesar, et. al., Appendix A.

7Caesar, et. al., pp. 5 and 6, Appendix B.

8Johns, p. 162.


10Caesar, et. al., p. 7.

11Pinner, et. al., pp. 31-33.

12Pinner, et. al., p. 32; Caesar, et. al., Appendix D.

13Caesar, et. al., p. 13.

14Caesar, et. al., pp. 8-9.


16Ira Polley, former State Superintendent of Public Instruction as quoted in Thomas, p. 111.

17Thomas, pp. 323-324.
18Thomas, pp. 324-325.
19Thomas, pp. 332-335.
20Caesar, et al., p. 12.
22Pinner, et al., p. 12.
23Pinner, et al., p. 12.
24Pinner, et al., p. 3.
29Pinner, et al., p. 15.
30Pinner, et al., pp. 16-17.
31Correspondence with a MDE source, Educational Governance Project, May, 1974.
33Pinner, et al., p. 17.
34Caesar, et al., p. 15; Pinner, et al., pp. 13, 16-17.
36Pinner, et al., p. 20.
38Pinner, et al., pp. 18, 20.
39Correspondence, Educational Governance Project, May 7, 1974.
40Pinner, et al., p. 20.
41Pinner, et al., pp. 18, 21.
42Pinner, p. 20.
43Gongwer, pp. 5-6.
44Pinner, et. al., p. 22.
45Pinner, et. al., pp. 25, 26.
46Pinner, et. al., pp. 26-27.
50Correspondence with a staff person in the Governor's Office, Educational Governance Project, May 7, 1974.
52Caesar, et. al., p. 16.
54For a summary of the details of these proposals, see Gilbert E. Bursley, "Second Interim Report of the Special Committee on School-Aid Distribution," found in MASB Journal, October, 1972, pp. 27-33, 39.
56Correspondence with a Michigan State Senator, Educational Governance Project, May 7, 1974.
57A list of those organizations in support of Proposal C and/or Proposal D:

<table>
<thead>
<tr>
<th>Organization</th>
<th>Proposal C Property Tax Reform</th>
<th>Proposal D Graduated Income Tax</th>
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<tr>
<td>The Michigan Board of Education</td>
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<td>The AFL-CIO</td>
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60 Interview with an MEA source, Educational Governance Project, January 9, 1973.

61 Interview with a member of the House Education Committee, Educational Governance Project, January 9, 1973.


67 Interviews with a member of the State Board of Education and a spokesperson for the Governor, Educational Governance Project, January 19, 1973.


69 Interview with a member of the House Education Committee, Educational Governance Project, January 11, 1973.
Pinner, et. al., p. 22; interview with a member of the House Education Committee, Educational Governance Project, January 11, 1973.


Interview with a member of the House Education Committee, Educational Governance Project, January 11, 1973.


Grant, September 24, 1972.

Interviews with several legislators and a MEA source, Educational Governance Project, January 1973; Caesar, et. al., p. 17.

Cooper, November 9, 1972, p. 1.


Grant, November 23, 1972, p. 18-A.

Detroit Free Press, editorial, November 9, 1972.


Gilbert E. Bursley, in Caesar, et. al., foreword.

Correspondence with a source on Governor Milliken's staff, Educational Governance Project, May 7, 1974.

Caesar, et. al., p. 30.


Gongwer, March 17, 1973, p. 3 and Caesar, et. al., p. 32.


Gongwer, February 14, 1973, p. 3.


Detroit Free Press, February 16, 1973, p. 5A.


Caesar, et. al., p. 32.

Gongwer, May 8, 1973, p. 3.
Gongwer, June 1, 1973, p. 1 reports that opposition came from the wealthy, high effort districts. According to one senator active in the education fight, however: "The opposition within the House Democratic caucus to the Crim Plan did not come from 'wealthy, high-spending districts.' This was the label that proponents of the Crim Plan applied to such districts which were really high-effort districts and most frequently 'poor,' low SEV districts. The hardcore support for the Bursley Bill in the House Democratic caucus centered in West Wayne County and Macomb County. With the possible exception of a single district--Dearborn--which was 'out of formula' and unaffected by either formula, the districts that held their House Democratic votes for the Bursley Plan were high-effort, low-SEV districts." Correspondence, Educational Governance Project, May 7, 1974.

Correspondence with a source inside Governor Milliken's Office, Educational Governance Project, May 7, 1974.


Correspondence with a source inside Governor Milliken's Office, Educational Governance Project, May 7, 1974.

Caesar, et al., p. 13.

Caesar, et al., p. 22; Gongwer, March 8, 1973, pp. 1-2; March 12, 1973, p. 3.

Correspondence, Educational Governance Project, May 7, 1974.


For details of this law, see Caesar, et al., Appendix G.


Caesar, et al., pp. 34-35.


114Caesar, et. al., p. 21.


116Caesar, et. al., p. 24.

117Caesar, et. al., p. 25.


119Caesar, et. al., p. 28.

120Caesar, et. al., pp. 28-29.

121For a brief analysis of the first year's effects under S. B. 110, see Dr. James L. Phelps and Mr. Gene Caesar, "New Equity in Michigan School Finance," Lansing, Michigan, 1974. Dr. Phelps, Administrative Assistant for Education in Governor Milliken's Office writes that "we are extremely pleased by the effectiveness of Senate Bill 110 at this point."


124Correspondence with a former State Department of Education official, Educational Governance Project, May, 1974.


CHAPTER FIVE
THE POLITICS OF SCHOOL FINANCE REFORM IN WISCONSIN*

In 1973, the Wisconsin legislature approved a major revision of the state's general school aid formula for the first time since it had been enacted 24 years earlier. Like Ohio, the Wisconsin lawmakers purposely decided to retain the basic elements of the existing formula. And like Ohio, school finance reform was contained in Wisconsin's biennial program budget. Unlike Ohio, however, the additional state aid to the public schools could be accomplished without increasing state taxes. The recommendation for changing the funding of the schools came from a governor-appointed task force which studied the dual issues of property tax relief and educational finance reform. Yet Wisconsin is unique among the other three states in that the 1973 legislation provided for the eventual recapture of funds by the state from property-wealthy districts. And this power equalization measure was strongly supported by the Governor and figured prominently in the legislative debates and compromises.

The Old State Aid Formula

Wisconsin enacted its pre-1973 school aid program in 1949. In that year, the state legislature adopted a formula based on a per pupil

*Information for this section was obtained primarily from public documents, newscuttings and interviews with state officials and educational interest group representatives in Wisconsin conducted by the Educational Governance Project in March 1973 and April 1974, of which this writer was a part. All sources were assured of their confidentiality and are accordingly only identified by their professional position.
guaranteed valuation which also recognized local tax effort and quality of the educational program. The legislators established a shared tax base (the state guaranteed valuation) of local property taxes and state general funds. This figure was to sufficiently finance the education of each public school student for one school year, depending on the type of school district.* In 1949-51, the per pupil guaranteed valuation for a K-12 school district with a complete program was $17,000. By 1972-73, the legislators had increased it to $52,000.\textsuperscript{1} This amount was guaranteed to each local district, with the state contributing the difference when a district’s local taxable property (equalized valuation) was below the guaranteed valuation.

Assessment practices also figured importantly into the school aid formula. Wisconsin has 1870 towns, villages, and cities, each responsible for its own property tax assessment rates and practices. With the exception of some larger cities, professional qualifications were not required for the local assessors, who are appointed or elected. After the assessors valued the property, the Wisconsin Department of Revenue equalized these values across the state, which increased the assessed valuation to full

*The Wisconsin Department of Public Instruction annually reviews the programs of each district and classifies them as "basic" or "integrated" for aid purposes. Basic aid districts meet minimum statutory standards and receive a lower level of school funds. Integrated aid districts satisfy higher requirements and, consequently, are granted a higher level of aid. Within these two classifications different guaranteed valuations are given to school districts which offer kindergarten through grade 12; grade 1 through grade 8; and grade 9 through grade 12.

Public school students are referred to as membership, and are counted as the number of students enrolled in a school district on the third Friday of September, plus the number of pupils enrolled during the preceding summer term. Kindergarten students are counted as one-half pupils.
market worth. The locally assessed values were used to distribute school costs among individual taxpayers within each municipality. The state equalized values were used to determine the real property value within each school district and to distribute the costs among the municipalities.

The legislatively-determined shared costs included the expense of operating and maintaining a school district minus its operational receipts (i.e., the net operating costs). It did not extend to capital outlay and debt retirement, which the local districts supported by themselves through property taxes. State assistance for additional programs, including transportation, the employer's share of teacher retirement and social security payments, and handicapped children funds, was provided as categorical aid, outside of the general school aid formula. The basic per pupil formula was as follows:

\[
\text{State Aid} = \frac{\text{Net Operating Cost}}{\text{State Guaranteed Valuation}} \times \left( \frac{\text{State Guaranteed - Equalized Valuation}}{\text{Local School District Valuation}} \right)
\]

In 1949, the Wisconsin legislators also provided a minimum amount of state aid to those local districts sufficiently wealthy not to qualify for as much or for any state monies under the guaranteed valuation. The provision was a flat per pupil grant which averaged $35 in 1949-51 for a K-12 school district with a complete program and $88 in 1972-73. Wisconsin statute also mandated that local districts levy minimum millage rates in order to qualify for state assistance. The minimum was 3 mills for those districts not operating a complete K-12 integrated school system and 5 mills for those who were.

The 1949 school aid act also required periodic bipartisan review of
the formula through the Legislative Council which subsequently made recommendations for full legislative consideration. This insured that Wisconsin lawmakers and staff be directly involved in the policy formulation and revenue of school finance measures. The review has resulted in proposals for increasing some or all of the guaranteed valuations for the different districts. And since the guaranteed valuation formula had been enacted, the Wisconsin legislature has incrementally amended the school aid program by increasing the amount of both the guaranteed valuation and the flat aid.

The costs of providing public education continued to rise at a faster pace than did property valuations, however. This also came at a time when teachers were successfully bargaining for substantial salary increases and when public criticism was beginning to focus on the schools and student "outputs." Between 1965 and 1971, school costs almost doubled and general state aid more than doubled from $96 million to $198 million. Since general state aid provided approximately one-quarter of the total school operating costs, the heaviest burden fell on the local property tax which nearly doubled during the same time period from $319.2 million to $620.2 million. Before 1969, the state had picked up all costs incurred by the school districts over the 17 mill maximum under an "excess cost" provision. In order to avoid making state aid payments due to the rising costs, the 1969 Legislature repealed the existing 17 mill statutory limitation on local operational millage rates. It then imposed cost controls on the amount of educational spending in which the state would share. Local districts were free to spend as much as their school boards requested. The state, however, would no longer contribute to any amount above 110 percent of the state average per pupil net operating
expenditure. The effect of the statute was to place the burden of spiralling costs on the local taxpayers. The 1971 Legislature further reduced the shared cost ceiling to 105 percent except for integrated K-12 districts with per pupil equalized valuations below the state average. For these poorer districts, the limit could be increased by 2 percent for every full $1000 the district fell below the average per pupil valuation, up to a maximum of 120 percent.

But by the early seventies, it was becoming clear that a more extensive reform of the school aid program was needed.

Defining the Issue

In enacting a new school aid formula, the 1949 Wisconsin Legislature also set forth the fundamental purposes of general state assistance to the public schools—local property tax relief and equality of educational opportunity. The law stated:

It is hereby declared to be the policy of this state that education is a STATE FUNCTION and that some RELIEF should be provided from LOCAL GENERAL PROPERTY TAX as a source of school revenues where it is excessive, and that other sources of revenue should contribute a larger percentage of the total funds needed; that in order to provide REASONABLE EQUALITY OF EDUCATIONAL OPPORTUNITY FOR ALL CHILDREN OF THE STATE, the state must guarantee that a basic educational opportunity be available to each student, but that the state should be obligated to contribute to the educational program only if the district provides a program which meets state standards. It is the purpose of the state aid formula set forth in this subchapter to cause the state to assume a greater proportion of the costs of public education and to relieve the general property of some of its tax burden. (Emphasis added)

This statement of purpose was noteworthy for two reasons. First, it addressed itself to the dual concerns of equality of educational opportunity and property tax relief some 20 years before they had become interrelated issues in most other states. Second, it set the context for further consideration of school finance reform in Wisconsin.
During the sixties, at least four citizen task forces or committees had thoroughly analyzed Wisconsin's school aid formula. Substantial modification in both the local property tax and the funding of the public schools had been recommended by the last two task forces appointed by Republican Governor Warren P. Knowles during the late sixties. Although these proposals were never enacted, coming at a time when control of the Governor's Office changed hands, they served to focus on the need for educational and tax reform.

In 1970, the Democrats captured the Executive Office and the Wisconsin Assembly. While he did not make sweeping recommendations for changing school finance in his first budget message, Governor Patrick J. Lucey mentioned two items of significance for education. In 1971, for the first time in a decade, Wisconsin was confronted with "a runaway inflation and a sluggish economy with a high level of unemployment . . . which creates a budget problem of a magnitude unknown in the 1960's." Consequently, a significant increase in state assistance to the public schools for the 1971-1973 biennium was unrealistic. In addition, Governor Lucey announced his intention "to use the budget as the vehicle for implementing major policy changes." Controversial policy reforms which, by themselves, held little chance of passage, were therefore to be combined with the state's operating budget, enhancing the scope of the compromises.

Thus, the state's economic condition delayed a serious redress of school finance reform in 1971. Instead, Governor Lucey recommended that the cost controls on shared state-local school expenditures be lowered from 110 percent to 100 percent of the statewide average per pupil expenditure. This was eventually amended to 105 percent in the 1971-73 budget, with the 2 percent add-ons for poor districts.
Looking ahead to the next biennium, Governor Lucey appointed a 47-member task force to reexamine the entire method of funding elementary and secondary education in Wisconsin. The task force was directed to study and, within one year, make recommendations for relieving the fiscal burden on the local property tax by shifting to other means of public support. In order to build a coalition behind the reforms, Governor Lucey purposely sought out broad-based citizen representation for the task force. There were educators and noneducators: school officials, interest group and citizen group representatives, students, and state legislators from both parties and both houses.

Decisions of the task force were initially influenced by several factors. Wisconsin's economic situation had improved. For 1973-75, there was an expected state surplus of $138.5 million, projected revenue growth from existing taxes of $464 million, and federal revenue sharing funds of $169.9 million. Consequently, the Badger State was in a better position to increase its 37th place ranking among the other states in the state government's share of funding the public schools in 1972-73, provided that other public costs could be held down. At the same time, Wisconsin ranked 10th in the percent of revenue for public elementary and secondary schools coming from the local governments. Wisconsin had witnessed an increase of 166 percent in its property tax revenue for education during the sixties, yet the property tax base had only expanded by 78 percent. Moreover, Wisconsin relied more heavily on the local property tax than did most other states. In 1970-71, it ranked eleventh in per capita property tax revenue. The state could therefore increase its share of educational monies and simultaneously lighten the burden of
the property tax, all without enacting new taxes. Hence the task force's
dual directive: to make recommendations for educational financing and
property tax reform. According to one observer of the task force: "it
all fell into place by 1973."24

The task force also began meeting after the Serrano decision in
California and while the Rodriguez decision was pending before the U. S.
Supreme Court. These cases challenged the constitutionality of school
aid formulas in most states for basing the quality of education on local
district wealth disparities. While Wisconsin's guaranteed valuation
formula did favor the poor districts, the task force members were mindful
of the need to provide further equalization which could withstand 14th
Amendment court challenges. At the same time, support existed for retaining
the current formula: it had been ahead of its time in 1949 and its
basic features were still considered sound.

Alternative formulas were discussed but quickly dismissed since they
had been recommended unsuccessfully by previous task forces. Full state
funding had failed to gain support because it was perceived as diminishing
local control of the schools and because it would have necessitated
new state taxes.25

Moreover, there was a realization that the state could not afford
to replace all of the educational revenues derived from the local property
tax. The task force also had at its disposal a series of computer print-
outs which showed that more districts would have lost money under a full
state funding plan than under power equalization.26 Finally, there was
a shared belief among the task force members that local control of the
public schools was desirable because a community's citizens knew best the
needs of its students.
For these reasons, among others, the task force decided to recommend retaining the existing method of distributing state aid, but with some significant modifications. As one DPI source commented: "What was decided on was rhetoric around the candy bar--different wrapping but the same chocolate and nuts."

During its one-year existence, the task force took a long time in coming to grips with the school finance issue. This was understandable as the task force was, according to an individual on Governor Lucey's staff, "used as the vehicle--a sounding board--to iron out many conflicts." A number of members possessed knowledge and experience from having served on earlier task forces or in previous legislative sessions. The chairperson of the task force, Ms. Ruth Doyle, was also President of the Madison Board of Education. Governor Lucey was actively represented by his Secretary of Administration, Joe Nusbaum, and his Secretary of Revenue, Ed Wiegner, who assumed dominant roles in guiding the task force. Some other members, however, were not professional educators or policymakers and therefore had to familiarize themselves with the intricacies of school finance and taxation issues. In an attempt to define the problems and gain board-based input, the task force held public hearings and brought in consultants. All of this took time.

The task force made some tentative decisions by fall, 1972, and decided to hold public hearings to discuss their preliminary recommendations. Because the task force had, to that time, concentrated more on property tax reform and controlling costs than on equalization of school aid and educational programs, some tensions began to surface among its numerous constituencies. The Wisconsin Education Association Council (WEAC - the state's NEA affiliate) produced a position paper entitled
"A Penny Saved is a Student Burned" in which it had concluded: "property tax relief can be given in ways other than cutting school tax. Surely this Task Force has failed in its charge and has blighted the liberal tradition and progressive leadership for which Wisconsin has national fame."

According to one governmental official, the task force establishment did not want to listen to WEAC. Instead, Ms. Doyle wanted to go public with the task force's earlier, less extensive recommendations. But WEAC's new Executive Secretary, Morris Andrews, was "up for a show of power, so WEAC laundered its own proposals and presented them at the public meetings. This led to a task force compromise." Andrews and the president of WEAC attended all of the public hearings. They criticized the task force members for what they had not accomplished and then presented the association's recommendations. These included softening the cost controls previously adopted by the task force; individual property tax relief based on income and extended to renters (a circuit breaker); a statewide property tax for K-12 education with the state recapturing excess monies from the wealthiest districts (power equalization); the establishment of educational standards; the consolidation of all schools into K-12 districts; and the development of a special needs program by a future task force. These proposals gained some public support and approval from like-minded task force members. And they forced the task force to reconsider its direction "about 180 degrees" according to several WEAC representatives. WEAC also worked behind the scenes with Nusbaum and Wiegner and directly with Governor Lucey to promote the concept of power equalization. The dynamics of the task force also highlighted certain bureaucratic tensions, between the Department of Public Instruction (DPI) and the
Department of Administration (DOA). In one sense, this competition was built into the governmental structure. In Wisconsin, the State Superintendent of Public Instruction is a constitutionally independent officer, normally elected according to different economic and program principles than is the Governor.

DPI employees are, for all purposes, totally civil service and Wisconsin is the one remaining state that has no state board of education. Thus, while the Governor had budgetary control over the DPI through the Department of Administration, he lacks direct control over DPI's program recommendations and, therefore, complete educational legitimacy. As one legislative source observed:

DOA doesn't buy the bit that DPI is a constitutionally immune office. A tight money situation puts DOA in an adversary position. They cut DPI's budget . . . DPI feels that the Governor is saying to them that they should serve strictly as an information center and hand out checks to the schools, but not as educational leaders.

A member of Lucey's own office admitted that the Wisconsin Governor had a dislike and a distrust of bureaucracy, including the Department of Public Instruction—hence his extensive use of task forces to widen citizen input into his policy formulation. With the schools consuming so much legislative attention and state dollars, Governor Lucey also wished to have public education be more directly responsible to the executive branch. This governmental competition became apparent in the task force. Information was jointly provided by the DOA and the DPI, although the latter frequently stayed in the background as a result of the rivalry. William Kahl, then Wisconsin Superintendent of Public Instruction, was a member of the task force and had taken advance positions in support of minimum educational standards and power equalization. While the task force recommendations were not predetermined by the Administration, Secretary of
Administration Nusbaum and Secretary of Revenue Wiegner did play a dominant role in formulating proposals and communicating these to Governor Lucey, thereby insuring that he could live with them. The two cabinet officers, for example, made sure that the task force recommendations stayed within their financial parameters of $340 million, making any increase of state taxes or any inclusion of significant property tax relief unnecessary. These decisions also gave the task force political credibility so that its proposals would be seriously considered by Governor Lucey and the Wisconsin Legislature. As a result, the Governor did incorporate most of the task force recommendations into his biennial budget.

While the task force members chose to retain the guaranteed valuation formula, they faulted the effects under the current system, which resulted in an inequitable distribution of educational funds even with the addition of state aids. The task force listed four ways in which the formula discriminated in favor of wealthy districts at the expense of poorer ones:

(a) Wealthier districts could afford to and did spend more on per pupil expenditures, at a lower tax rate.

(b) Thirty of 436 school districts were not entitled to state aid because their equalized value surpassed the guaranteed state-local value. Yet they received flat aids from the state, allowing them to reduce their tax rates or to spend more.

(c) Equalization aid from the state applied only to school net operating costs. It did not extend to other expensive budgetary items, such as capital outlay costs and principal and interest payments, which the districts had to fund on their own.

(d) The cost controls applied only to shared costs. The wealthy districts could still spend freely without having to pay money to the state.

As a result of these wealth disparities, the task force found that in 1972-73, the local equalized property tax base ranged from $15,000 to $150,000 per pupil. The range of per pupil spending varied from $599 to
$1,506. Omitting the highest and lowest five percent expenditure districts, the per pupil range still remained $615 to $930.39

To remedy the inequalities and provide property tax relief, the task force recommended:40

A. Educational programs:

1. Power equalization: that every school district be guaranteed the same wealth base as measured by per pupil property value. "Equal effort will raise equal dollars for education," regardless of local property tax wealth. The state would recapture excess funds from the wealthier districts over a two-year transitional adjustment period. In 1973-74, the applicable districts would pay one-third of what the formula requires; in 1974-75 they would pay two-thirds; and in 1975-76 the total amount. Power equalization from the beginning, when first proposed until even after enactment, was to become one of the most controversial points in the budget.

2. Temporary spending controls for one year: This would insure that the tax relief money would not be used for higher school expenditures or reduced tax rates. The control would limit spending increases from 1972-73 to 1973-74 to 5 percent of the first year's statewide per pupil average expenditure, estimated at $43.49 per pupil.

3. Permanent indirect spending controls on all aidable costs: The state would determine two guaranteed valuations, one for all costs up to 107 percent of the previous year's average of these costs, and a lower guaranteed valuation
to discourage costs above the 107 percentile.

4. Shared (equalized) costs would be expanded to cover interest and principal on long-term debt and capital outlay now included in local annual budgets.

5. The updating of minimum educational standards to provide equal educational opportunity and services, which also required that all school districts operate complete K-12 programs by July 1, 1975.

6. A $30 million state funded annual special needs program for economically disadvantaged students who were low achievers. (Similar proposals had been introduced into the legislature since 1965. Wisconsin does not provide or compensate for municipal overburden funds. This objective is accomplished through a shared costs non-school local government fund and minimal categorical aid to Milwaukee's disadvantaged students. The task force recommendation would have incorporated and phased out these other funds.)

B. Property tax reform:

1. The reduction of the state averaged local property tax rate to a statewide 15 mill average until the property tax rate yielded $750 million. The property tax yield would then be standardized at a $750 million maximum to allow for property tax relief, with the state providing the difference.

2. Reform of assessment procedures: The establishment of uniform state assessment standards applied at full valuation and by state or county assessors trained and certified by the State with the eventual passage of a statewide
property assessment system.

3. A circuit-breaker: Property tax relief for renters and low income people rather than general property tax reductions which rewarded the wealthy as well as the poor. Wisconsin already had a homestead exemption act for persons aged 65 or over. The task force purposely subordinated this recommendation to school property tax relief "so that the continued quality of education can be protected."\(^{42}\)

The Governor's Budget, February, 1973

As the task force finalized its recommendations, Governor Lucey was preparing his budget for the 1973-75 biennium, with input from DOA and the various agencies, party leaders, and other public officials. The Republicans were also planning a way in which they could benefit from the popular issue of property tax relief. At the end of January, 1973, the Senate Republicans with several Assembly cosponsors got the jump on the Governor's budget by introducing their own bill to provide $388 million of direct and individual property tax relief to taxpayers and corporations.\(^{43}\)

Two Democratic legislators analyzed the upcoming partisan strategies and skirmishes as follows:

An Assembly member on the Joint Finance Committee: "As regards school finance reform, both parties support increased state aid. The questions are how much and how. Both parties are trying to establish themselves for the next election."\(^{44}\)

A member of the Senate HEW Committee: "In the Senate, the Republicans do not want to give the Governor any more credit for cutting the property tax than they have to. They will therefore try to fog the issue and push for tax credits, pulling and hauling on school finance and property tax relief particularly. The Republican oriented papers and television stations will pick this up. After they have finally milked
all of the political mileage they can, then the Republicans will get down to the compromises.

Some legislators are in very tight situations. They may get crucified on this issue when they run for reelection if they don't support the budget but this means they will have to break party ranks. And they may be running in heavily Democratic districts."

As the Governor prepared to introduce his budget on the mandatory February 1 deadline, several factors were apparent. Economic and political conditions at the beginning of 1973 were ripe for increased state aid to education and property tax relief. Both measures were publicly popular and both were supported by the two political parties. The political issue for Governor Lucey and the Democrats was how to pass the budget and gain citizen recognition for the elections in 1974. The political issue for the Republicans was how best to embarrass the Governor, gain concessions from the Democrats and also get credit for whatever became enacted. They hoped to use the publicity to win back the Governor's office and retain control of the Senate. Governor Lucey and the Democrats' main thrust to achieve substantial property tax relief was through the general school aid program, the largest portion of the general purpose revenue funds in the state budget. The Republicans, in turn, wanted direct property tax relief in payments or credits to the taxpayer. Since the Governor had a majority of his party on the Joint Finance Committee and a substantial Democratic majority in the Assembly, it was predictable that the real compromises would come while the budget was in the narrowly Republican controlled Senate or, if necessary, in a joint conference committee. This was the scenario when Governor Lucey introduced his budget on February 1, 1973. While the budget message predated the final report of the task
force by several weeks,* the Governor had incorporated many of his task force's recommendations. These included: 46 (1) a reduction of the state-wide average millage rate from 17.8 to 15 mills; (2) an increase in the per pupil guaranteed valuation from $52,000 to over $70,000 for K-12 school districts; (3) the 105 percent cost control for one year; (4) the permanent reduced guaranteed valuation of districts spending above 107 percent of the prior year's state average per pupil expenditure; (5) the power equalization provision and the one-third transitional payback period; (6) the inclusion of the entire costs of capital outlay, principal and interest as aidable; (7) the reorganization by July 1, 1975, of all union high school and K-8 elementary school districts into K-12 districts; (8) the elimination of basic aids and flat aids with all districts being aided on an integrated basis; (9) the circuit-breaker for all persons earning less than $7,000 per year; and (10) assessment revisions.

Governor Lucey also introduced several other provisions, mainly dealing with property tax relief. These included: (1) state reimbursement to municipalities for services provided to state facilities; (2) $75 million more in general property tax relief; (3) a $5 increase in the personal exemption income tax credit for each taxpayer, spouse, and dependent for 1974; (4) a tax credit on manufacturers, materials and supplies, merchant's inventories and farmers' livestock from 65 to 70 percent in 1973-74 to 75 percent in 1974-75; and (5) repeal of the oleomargarine tax, according to Lucey, "the state's most regressive and discriminatory tax."

*The task force did not meet its deadline because of revision problems of a grammatical and organizational (and not a policy) nature. Since Governor Lucey was well represented on the task force and constantly informed of its decisions while he formulated his own budget proposals, no one accused him of ignoring his own task force or railroading its recommendations.
The Governor also recommended that the employer's share of the teacher retirement and social security payment become a shared cost rather than the largest flat aid paid entirely by the state. Lucey has introduced a similar provision in 1971, which passed the Assembly but not the Senate. In 1973, a big increase in state aid would protect most of the local districts from losing money. A minority of the education groups were opposed to it. WEAC supported it on equity grounds.47

The Governor referred to his proposals as a "no nonsense" budget because it did not call for new taxes and because it contained nearly one-half billion dollars in new property tax relief. Governor Lucey proposed that the state's share of local school district costs be increased from 31 percent to 41 percent, at an additional cost of $349 million over the last biennium. The budget would also provide property tax relief and state assumption of county health and welfare costs.48

As he had in 1971, the Governor again recommended the creation of a gubernatorial appointed State Board of Education with eventual authority over the Superintendent of Public Instruction, although this latter provision required a constitutional change.* This proposal had also been recommended by a previous Republican-appointed task force and by Superintendent Kahl since the 1971 legislature had removed all requirements for running for the superintendent's office.

The Governor gave the legislators a 249-page document containing executive budget policy papers on 47 separate issues. Once the budget was introduced as Assembly Bill (AB) 300, it was referred to the Joint Finance Committee which began public budget hearings in mid-February.

*In 1973, this policy position was abandoned early in the budget process, given precedence to school finance reform. However, it remains an educational priority for Governor Lucey for the next biennium.
Similar to other legislatures, the money committee in Wisconsin is the most powerful committee because its approval is needed before passage of any bills with fiscal implications. However, Wisconsin's Joint Finance Committee is even more significant. It is the only legislative committee to hold hearings on and amend the biennial budget before either house considers it. In recent years, the budget has contained not only the operating funds of the state but the major new policies of the biennium. This money committee is also the only standing policy committee to meet jointly and to have its own complete research arm; the rest of the committees meet separately by house. In 1973, the Joint Finance Committee was composed of eight Democrats and six Republicans. The Democratic margin of control is due to that party's majority in the Assembly, which, as a house, is three times larger than the Republican controlled Senate. Consequently, of the fourteen finance members in 1973, the Assembly sent nine—seven Democrats and two Republicans—and the Senate sent five—four Republicans and one Democrat.

In Wisconsin, the budget bill is never separated according to subject, but remains one package through the legislative process. The base for compromising is therefore enlarged, particularly when such a diverse assortment of policies is contained in the budget. This fact became particularly apparent when Governor Lucey was forced to bargain for the retention of power equalization.

Given the Democratic majority on the Joint Finance Committee, one could predict that it and the Assembly would react favorably to Governor Lucey's budget. After almost three months of public hearings and committee deliberations, the Finance Committee did accept many of the Governor's
recommendations—but not before listening to numerous conflicting testimony and making some significant revisions of its own.

The policy and fiscal implications in the budget were of such magnitude that controversy and compromise became inevitable. According to two statehouse reporters, the school aid formula became "the target of intensive closed door lobbying by officials representing teacher organizations and other educational units." The tensions emerged within the executive branch itself over conflicting sets of data, further widening the ongoing rift between DPI and DOA. In addition, the Governor's budget director named DPI as one of two state agencies not in full agreement with Lucey's proposals.

In the school aid hearings before the Joint Finance Committee, Superintendent Kahl gave his general endorsement to the budget, including the extension of shared costs and power equalization. He also suggested, however, that the two-year phase in period for power equalization be delayed for one year since "the timing for the radical adjustment is too sudden for good planning and cost adjustments." Kahl also endorsed the spending controls but urged that his office be authorized to make exceptions when warranted. Secretary of Administration Joe Nusbaum outlined the school finance proposals to the committee in testimony which indicated the Governor's priorities. The DOA Secretary commented that, despite objections from education groups like WEAC and the Wisconsin Association of School Boards (WASB), Governor Lucey would probably not sign the measure without the one-year cost control. Nusbaum also said that if the Legislature did not reform the formula while excess funds were available, half of the local districts might be forced to increase their millage rates to meet a future court order. He called power equalization the "key policy
issue in the school aid package," in spite of a roomful of opponents representing districts who would lose school aid funds under the plan.  

A conservative senate member of the Joint Finance Committee also voiced opposition to power equalization, which signalled the position that the Senate Republican's were likely to take. This senator claimed that the budget was an example of "the Lucey leveler theory"—that the school aid proposal would "plunder the able and plunder the productive to aid these other areas with a purely marxian egalitarianism." He also indicated a preference for direct property tax relief and for letting "the local districts decide whether they want all the fancy trimmings on top of the three R's." Republican opposition to power equalization, however, was somewhat mitigated by the input of former Senator Ray Heinzen, past chairperson of the Senate Education Committee and an acknowledged expert in school finance. As a former Republican senator who publicly threw his support behind power equalization, Heinzen was credible on educational matters with the moderate Republicans who, with the conservatives, controlled the upper house. According to several observers, Senator Heinzen's support was crucial in getting some of the conservatives "in line." As the unquestioned leader in education on the Senate floor, during the previous legislative session, Heinzen testified before both the Joint Finance Committee and the Assembly Education Committee in favor of power equalization. This, according to one interest group lobbyist, "put the smoke on the Republicans because they wanted to attack power equalization as a public issue and his position moderated their attack. Without his role, there would not have been power equalization to the extent that it passed."

As the Joint Finance Committee was deliberating over fiscal and program proposals, a controversy developed over budget procedures as well.
Legislative rumblings concerning the omniscient powers of the Joint Finance Committee gained momentum. Republican senators on the committee reacted negatively to the placement of numerous policy changes in the budget bill. They expressed hope that other standing committees would involve themselves in reviewing the budget. Reservations were not restricted to the Republicans, as Democrat Assembly Education chairperson Herbert Grover decided to hold a separate hearing on the school aid formula, inviting various legislative, agency, and interest group representatives for their comments. While the Assembly Education Committee did not have the authority to directly amend the budget, the unprecedented meeting signalled the Joint Finance Committee that other legislators would expect at least an input into the deliberations concerning education.

Other events affected the finance committee decisions as well. In mid-March, the U. S. Supreme Court handed down its ruling on the Rodriguez case. The pending decision loomed large while the task force had met and in testimony by proponents and opponents of power equalization. Supporters did not wish to get caught in the situation of having to react to a court order calling for equalization. The task force and the Governor's budget had, in fact, been written on the assumption that Wisconsin's present formula might be found unconstitutional. Opponents of power equalization were more wary. They took a wait-and-see attitude, reflected by WASB lobbyist George Tipler in testimony before the Assembly Education Committee: "We're galloping on in some direction when the decision hasn't been made yet ... Let's not try to do everything all at once ... There's nothing that compels us to go to the point of perfect balance." WASB's overall position on the budget was greatly influenced by their membership, composed of districts set to gain and lose under power equalization. Consequently,
WASB representatives testified in favor of increased state aid to the schools but against power equalization. According to one WASB staff person, their position became "try to accommodate as much as you can live with in the Governor's budget and push to make the necessary adjustment on the other things." Thus, working primarily through the Republicans, WASB pushed for the delay of power equalization, which would give future legislatures a chance to reconsider the proposal.

As the Joint Finance Committee continued to deliberate, the Supreme Court ruled against the plaintiffs in the Texas case, which eliminated much of the pressure to pass power equalization in Wisconsin. It also opened up intense pressure to kill it. To ward this off, Governor Lucey immediately called a press conference to express his disappointment in the court decision but to reiterate his commitment to power equalization which "ought to be mandated by lawmakers if it cannot come from the courts . . . Wisconsin's Constitution places this responsibility on the state." Lucey also wrote the members of the task force to insure them of his continued support. In an attempt to save power equalization, the Governor offered a new $10 million, three-year transitional aid fund to help the loser districts pay the state.

Despite such an offer, power equalization was in trouble. The Rodriguez ruling prompted additional and intense opposition to the proposal, including that of the well-respected and generally bipartisan Senate chairperson of the Joint Finance Committee, Walter Hollander. Other Republican committee members contended that the Governor's budget would necessitate additional taxes, a claim hotly contested by the Democrats. Lucey's proposals also prompted opposition from within his own party. The Democratic County organization in Milwaukee criticized power equalization, urging
instead that education be funded by the income tax, in combination with other progressive taxes. 62

The Rodríguez decision also provided an impetus to the loser districts to form their own coalition to oppose power equalization. a Organized by the West Allis-West Milwaukee and the Wauwatosa School Boards, b superintendents, business managers and school board members from the lower aid school districts met to vote against the Governor's redistribution plan. They voted unanimously to retain the present formula with an increased guaranteed valuation per pupil. They also made plans to express their views through the mass media and to their legislators. 63 Representatives of the four corporations employing the most individuals in W. Allis and W. Milwaukee also told the Governor that power equalization would greatly increase their property taxes. The group urged Lucey to consider exempting manufacturing machinery and equipment from the property tax with state reimbursement to communities set to lose local revenues.

In view of such pressures, it was predictable that power equalization would be greatly moderated, if not eliminated, altogether. Governor Lucey made it known that he did not care so much about the mechanics or the length of the phase-in of power equalization or the dollar amounts. He was more concerned that the concept of power equalization become part of the statutes so that its opponents would have to act to eliminate it. 64 The important modification came at the hands of the Joint Finance Committee which voted according to party lines 65 to extend the phase-in period from

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a Of Wisconsin's 440 school districts, 395 would receive more state aid, 41 would receive less state aid, and four would be subject to power equalization. 66

b Under power equalization, Wauwatosa would pay the state $1.352 million in 1973-74 and $3.012 million in 1974-75. W. Allis would pay $1.724 million and $3.915 million in the next two years. 67
two years to ten years, with a ten percent payback for each year. Power
equalization would survive the legislative process with this ten-year
amendment.

As a result of the Governor's commitment to power equalization and
of his willingness to compromise on other policies; because of the Demo­
cratic majority in the Joint Finance Committee; because of important pro­
ponents like WEAC and former Senator Heinzen; and because a majority of
school districts would receive substantially more state aid from the budget,
the concept was retained. Because of the Rodriguez decision; because of
opposition from the richer school districts and WASB; and because of the
Republican majority in the Senate, the initial provision was compromised
to a more gradual phasing in period.

Before sending the budget bill to the Assembly, the Joint Finance
Committee made several other important changes. Due to the magnitude and
uncertainty of treating capital outlay, principal, and interest entirely
as shared costs, and because of strong WASB opposition, the committee
reduced this to $100 per pupil. It also decided against the fifteen mill
ceiling average proposed by Governor Lucey, deciding instead to continue
to biennially set the guaranteed valuation. This decision gave the legis­
lature more flexibility in determining state aid for each biennium. The
Joint Finance Committee revised the one year 105 percent cost control by
increasing it to a flat $51 per pupil. It reduced the $30 million special
needs program to a pilot project funded for $650,000 the first year and
$5.3 million the second year. Finally, the committee modified the assess­
ment proposal, eliminating mandatory county assessment procedures and
leaving it up to a two-thirds vote of the county boards. While the Joint
Finance Committee added $112 million to the budget, it reduced the amount
going to public instruction by $40.4 million. On a straight party vote, the members of the Joint Finance Committee then recommended the budget for passage, sending it to the Assembly.

The Assembly, May, 1973

On May 1, AB 300 was introduced into the Assembly as a substitute bill amounting to $7.1 billion for the biennium. Both political parties prepared to caucus on the numerous provisions in the 316-page budget before meeting together as a house. Governor Lucey announced his support of the Joint Finance Committee changes, thus enhancing Democratic caucus support. Both he and Superintendent Kahl also sent letters to all local school board presidents and district administrators urging their support for the revised school aid formula.

Since the Governor's party controlled the Assembly by a substantial margin (62 to 37) it was foreseeable that the budget bill would receive a favorable treatment here, with the biggest battles to come later in the Republican controlled Senate. Even so, the Republicans in the lower house tried unsuccessfully to amend AB 300, including the method of property tax relief and power equalization. Most of the GOP amendments, in fact, centered on the education sections of the budget.

On the first day of budget debate, a Republican amendment sought to delete power equalization, the mandated K-12 consolidation of school districts, and the one-year cost control. This was defeated by a vote of 54 to 42. Six Democrats whose districts would be hurt under power equalization joined the bloc of 36 Republicans to vote no. Similar roll calls defeated amendments to reinstate all flat aids and remove power equalization; reinstate state payment of teachers' retirement and social security payments; and provide direct property tax relief to individuals. The
following day, the Assembly debated 11 additional amendments and rejected them all. As the Republicans continued to lose the amendment fight, two Democratic changes were approved on May 10. The first, which passed by a voice vote, required that all funds recaptured by the state from power equalization be used for additional elementary and secondary school aids. A second Democratic amendment modified the property assessment procedures.

After less than a week of floor debate (and within two weeks after having received it from the Joint Finance Committee) the Assembly passed the executive budget bill with only Democratic amendments intact, by a vote of 54 to 42. Although the vote was generally partisan, several Democrats whose districts would have lost funds under power equalization crossed party lines to vote against the measure. They could afford to do so and not seriously threaten passage of the budget because of the large Democratic majority in the lower house. Three Republicans supported the budget because their districts would gain state funds under the formula. Thus, while partisanship certainly became important in determining the budget vote, an equally important factor was its effect on each legislator's district. Under the Assembly approved formula, four districts would be required to pay the state in 1973-74 and fourteen districts the following year. After the vote, the budget bill was immediately sent to the Senate, where the Republicans held an 18 to 15 edge.

The Senate, May, 1973

As the budget was making its way through the legislative process, the educational interest groups intensified their own lobbying efforts. In a legislative bulletin to its members, WEAC encouraged the teachers to contact their representatives or senators to indicate support of property tax relief and power equalization as they had passed the Assembly
as well as making teacher retirement and social security payments an aidable cost. WEAC mailed letters to school superintendents and local association presidents informing them of the amount of state funds their districts would receive under the proposed school aid formula. The newsletter also urged its members to "take cooperative action" with their administrators and school boards to inform the legislators of their united support for the budget. WASB was less enamored with the Assembly version of AB 300. The school board's association, through its executive secretary, decided to work almost exclusively with the Republican senators because they were, according to one WASB spokesperson, "the only can open to them to achieve what they wanted to achieve." Less than a week after it had received the budget, the Senate voted to not concur with the Assembly version which, following a ten hour Democratic filibuster, sent the budget to a Joint Conference Committee. The resolution ordered the six-member committee to report back to the Senate no later than June 20. Its report could not be amended on the floor of either house. This meant that all compromises had to be worked out completely by the conference committee with the potential of passing both houses. In order for any measure to be approved by the conference committee, it had to have the support of two individual members from each house. Membership was evenly split by party, with the Assembly sending three Democrats and the Senate sending three Republicans. Thus, not only had the Senate Democrats been denied a chance to debate and amend the budget; they were also denied representation on the Joint Conference Committee. Republican leaders had followed this strategy because, given their close margin in the Senate, it would be difficult to pass their own budget. Consequently, the Republicans chose to play all of their cards in the
The Assembly-Senate Conference Committee, May-July, 1973

The Senate resolution called for the conference committee to be composed of both chairpersons of the Joint Finance Committee with the four other members selected in the same way that standing committee members were chosen, by the Assembly Speaker and the Senate Committee on Committees. The conference committee therefore consisted of Senate Finance chairperson Walter Hollander, a long-time rural moderate Republican and House Finance chairperson Dennis Conta, a liberal Democrat from Milwaukee and strong supporter of the Governor. Other conferees included from the Assembly, Majority Leader Anthony Earl from Wausau and Education Committee chairperson Herbert Grover, who represented rural Democratic interests; and from the Senate, Majority Leader Raymond Johnson from Eau Claire and Joint Finance Committee member Robert Kasten from the "Gold Coast" of Milwaukee. The latter two senators were fiscal conservatives. A variety of constituencies and political philosophies was therefore represented.

Following Senate action on the budget, the Senate Republicans issued a press release which showed their policy positions and their caucus instructions to the Republican conferees. The document voiced both their opposition to AB 300 and their alternative proposals in general terms. These included direct taxpayer refunds, equalization of state aid to education but without power equalization and "reasonable" cost controls. Given the reserve of pro-local control feeling in Wisconsin, the Republicans' strategy was to paint power equalization as a statewide property tax, which would force the districts to make payments to the state treasury.

The conference committee held its initial meeting on May 23. The
first issue was to decide whether it would amend the Assembly version of the budget or start from scratch. The former alternative would benefit the Governor and the Democrats; the latter alternative would increase the bargaining power of the Republicans. It was here that the large Democratic majority in the Assembly and the close Republican majority in the Senate had its effect. Even with some Democratic defections, the Assembly still had the votes to pass the budget. However, the Senate was badly split philosophically: the more conservative Republican leadership could not afford to lose any Republican votes. Moreover, some Republicans' districts would benefit from power equalization as well as the numerous noneducational policy proposals contained in Governor Lucey's budget. The Republicans also did not want to be put in the position of opposing a school aid package that would bring in more dollars to the school districts. Thus, by accepting AB 300 as the working base of the conference committee, the Republicans decided to pursue the only realistic course open to them—to try to amend the budget more to their liking. By assuming this defensive posture, however, the GOP gave the advantage to the Democrats who already had their specific proposals formulated and contained in the budget.79

As the conference committee began deliberating the more easily resolved issues, Governor Lucey held a press conference. He indicated his continued intentions to hold tough on power equalization, that the ten-year phase-in period was a sufficient compromise. The Governor also commented that while some tradeoffs were possible in the budget negotiations, he would continue to fight for the school aids revisions as long as the spending controls remained tied to them and that to revert back to flat aids would be a "terrible mistake."80
Support for power equalization came from other corners as well. In an "unusual display of harmony," representatives of the city government and the school board of Milwaukee joined together to endorse the school aid formula. They also agreed that cost controls, although undesirable, were inevitable. Prior to this, the school board had opposed power equalization but agreed to reverse its position at the city's urging, to obtain other goodies in the budget, including more than $60 million in aid to Milwaukee's taxpayers.

One week before their June 20 deadline, the conference committee members were still trying to reach agreement over the more controversial policies—welfare reform, school aids, power equalization, and distribution of the state's surplus revenues. "That is the whole ball of wax all in one problem area," admitted Senator Hollander. Another Republican conferee reiterated his party's support of direct property tax relief and opposition to power equalization, but said also that the Republican position was negotiable.

Because of the policies yet to be decided, most sources agreed that the conference committee would not meet its deadline. The Governor's Office therefore acted to speed up the negotiations. On June 19, the Democrats sent the Republican conferees a memorandum which finally loosened the logjam. The proposed compromises relative to school aids included: (1) a two-year delay of the negative aid payments under power equalization until the 1976-1977 biennium; (2) the secondary guarantee would be increased from 107 percent to 110 percent of the previous year's statewide per pupil average; (3) for 1973-75, power equalization would apply to the secondary guarantee only; thereafter to both.

The Democratic compromises regarding tax relief included: (1) a
manufacturing machinery and equipment tax exemption ("m. and e.") in calendar year 1975 of $60 million; (2) an increase in the personal property tax exemption to 80 percent, eventually eliminating it from the assessment rolls altogether; and (3) an increase in the inheritance tax exemption for transfers between spouses.84

After issuing the memo, the Democrats on the conference committee let it be known that they had compromised as much as they intended to on the school aids and taxation issues. Republicans resisted the Democratic proposals maintaining that the school finance sections would have to be negotiated further.85 Their opposition was not only political, but ideological. The Republicans expressed the fear that power equalization would eventually lead to a statewide property tax and to an eroding of local control. And they found abhorrent the idea of taking property tax monies, the last local revenue source, away from the local districts to pay the state.86 Consequently, the Republicans supported an amendment offered by Senate conferee Kasten which would provide for the phasing out of flat aids over the next four years without power equalization.87 Wealthy districts would not have to pay money to the state. This philosophical difference resulted in a partisan standoff with power equalization the last major roadblock to reporting a budget bill to the Senate.

Senate Majority Leader Johnson said that before the Republican conferees would accept power equalization, they wanted additional Democratic concessions in providing tax relief, including direct property tax relief to the taxpayers. Johnson also indicated that dissolving the present conference committee to form a new one or that sending the budget unresolved back to the Legislature were not desirable.

Meanwhile the Governor's Office was working behind-the-scenes to gain
Republican agreement on the budget. Wisconsin has traditionally had the reputation of being a hard tax state for business. The tax climate was thought to encourage the out-migration of industry and dissuade desirable new business from settling in the state. Consequently, the Republicans for years have tried to provide tax relief for their business constituency. When it looked as if Wisconsin would be without a budget by the end of the fiscal year, the Democrats came out with their memorandum, which offered the Republicans the business tax incentives, particularly "m. and e." According to one interest group lobbyist, the Republicans "played it cool. They wanted m.and e. but were unwilling to sell their philosophy on power equalization for it." As a result the Governor had his Secretary of Revenue, Ed Wiegner, a Republican, place calls to the major industries in Wisconsin telling them of Lucey's offer and the Republicans' refusal. The business interests, the backbone of the GOP, then contacted the recalcitrant Republican legislators and directed them to accept the Governor's compromise. Opposition of the "loser" school districts to power equalization was also neutralized by m. and e. Several local school board members from property wealthy areas and also employed by one of Wisconsin's major industries, were reportedly directed by their companies to forego their fight against the budget. Thus, the Governor's strategy proved effective, as one DPI official recalls, because "farmers, business and industry all benefitted from Lucey's budget, plus most of the school districts. Everyone seemed to be winning. The Republican's special interests therefore would not allow them to scuttle the budget over the power equalization proposal." Thus, the Republicans got the business tax relief they had traditionally advocated for years, but Governor Lucey got the credit.
The Republican's most significant impact on power equalization was in delaying the negative aid payments until the 1976-1977 biennium. This gave the GOP chances to repeal the negative aid payments, if they could win control of the Governor's Office in 1974 and the Assembly in 1974 or 1976.

After several days of recess, the Republicans caucused on June 26. They reportedly told their conferees that they were now satisfied with the budget compromises and directed them to work for a settlement. Two days later, the conference committee met and determined the final version of the budget. Some of the compromises included the new compromise version of power equalization, the additional personal property tax and inheritance tax relief, and a moving up of m. and e. to May, 1974, with state reimbursement to the local districts being phased in in 10 percent intervals. The conference committee had also decided to continue the county level assessment; eliminate the requirement that all union high school and K-8 districts reorganize into K-12 districts by 1975; increase the one-year per pupil cost control from $51 to $55; and exempt any cost of teacher retirement and social security payments above $7.50 per pupil from the cost control.*

On July 10, the conference committee recommended the budget for passage by a vote of five to one, with Senator Kasten dissenting. This sent the measure back to the Senate. If the conference committee report was rejected, considered a long shot, the Assembly budget could be reconsidered and amended on the Senate floor. The battles were not over, however. The conference committee might have solved the policy issues,

*For the additional compromises, see the final version of the measure known in Wisconsin as Chapter 90, Laws of 1973.
but the political problems were yet to come.

Find Passage, July-August, 1973

Still smarting from the way that the Senate Democrats had been excluded from the budget process, the Senate Minority Leader attacked the budget as "pork barrel legislation." He claimed that the Senate Democrats were not aligned behind the measure and that the Republicans would "have to produce the votes" to pass it.\(^{95}\) One conservative Republican responded that it was "their" Governor's budget and that "some of the Republicans could do without it very, very well." M. and e. had its intended political effect, however, as both Senate Republicans and Democrats eventually came to laud the budget's implications for business.\(^{96}\)

At this point, the ramifications of a program policy budget became crucial. It enabled the Governor to bargain with individual legislators to assure the needed voting majority in the Senate. For example, the price for at least one Democratic senator's vote was a resolution creating a joint committee to study ways of increasing legislative input into the budget-making process.\(^{97}\) This provided a way for some Senate Democrats to save face for having been deprived of the chance to amend the budget. Individuals were also aware that refusal to pass the budget endangered many of the programs within, programs which had little chance of enactment on their own.

As the Governor worked to get the necessary Senate votes, external events began to pressure for action on the budget. The delay began to run into the local school board's budgetary plans for the upcoming year. Wisconsin statute provides for passage of a tax levy at an annual public meeting of the common school district in July. Approval of the budget is then the function of the school board. However, the tax rates cannot
be determined until passage of the budget so that local boards could figure out how much money they could anticipate from state aid and how much they would have to raise locally.\textsuperscript{98}

After initially rejecting the conference committee report, a vote for reconsideration proved successful. Three weeks of delay and preliminary talks finally resulted in a 16 to 13 vote which sent Senate Substitute Amendment 1 to AB 300 back to the Assembly on July 24 for final legislative approval. The roll call was generally along party lines, with twelve Democrats and four Republicans voting for the budget, including two of the three Republican conferees. Eleven Republicans and two Democrats voted against the budget.\textsuperscript{99}

Given the Democratic margin, the budget outcome in the lower house was never in doubt. In fact, the Assembly only took two days to give its approval to the measure. Confident of having the votes, Governor Lucey issued a press release just prior to the beginning of the Assembly debate, commending the representatives for their action.\textsuperscript{100} The vote in the lower house was also along a near party line. The Democrats were almost silent during the floor debate and no Democrat spoke against adoption.\textsuperscript{101} The final vote was 58 to 38. All the Assembly Democrats, except five, voted for the budget. All the Republicans, except three, voted against the bill.\textsuperscript{102} Perhaps the most powerful inducement for approving the budget was summed up by one Representative who stated, "any legislator can run on this budget and win."\textsuperscript{103}

Governor Lucey signed the budget bill on August 2. It contained $7.2 billion in all funds handled by the state for the biennium. He did not veto any of the substantive education proposals. Thus, the Governor had achieved his major objective for the legislative session--substantial
property tax relief as well as placing power equalization in the statutes. He also received an added bonus—credit for m. and e., which puts him in a particularly good light for the 1974 elections.

Thus, the initiative and impetus for school finance reform in Wisconsin had largely come from the Governor's Office. Superintendent Kahl had argued unsuccessfully for school finance reform and property tax for years. Passage of the proposals, however, depended upon the political clout that could come from the chief executive. Governor Lucey's greatest interest was reportedly in property tax relief, perceived as the biggest political problem of the biennium. Nevertheless, Lucey saw that school finance was a national issue, not necessarily incompatible with his own views of public reform. His strategy, therefore, was to keep the property tax relief and school aid issues together as a package which the policy budget enabled him to do. Moreover, the Governor could hardly ignore education, since he had made the initial decision to include it as the largest item in the budget. Even so, one would have to conclude that Governor Lucey was a "pretty gutsy guy," in the words of one legislative staff person. And according to one senator, "most people that run for Governor don't step on the toes of [the wealthy suburbs]. These areas will all lose money under Lucey's proposals for school aid. This is not smart politics but he has come out with a strong Serrano-type decision." And even after the Rodriguez decision, Lucey decided to tough it out on power equalization. He was able to do so in part because of a legislative program which enabled school districts to offset their losses in state educational funds with increased state aid from non-educational sources.

Governor Lucey was of course aided by other factors: a favorable state economic situation; the publicity for educational reform generated
by his appointed task force; his party's control of the Assembly; the support of powerful political allies such as WEAC; the expertise and political intelligence of members of his own staff; and a policy budget which enabled him to bargain for Republican support, including going around the opposition party to its major special interests. As one legislative staff person summarized the budget process: "It was a real special interest session--something in it for everyone. There wasn't a lobbyist who left here that wasn't happy." The legislators were even able to give themselves nearly a $5,000 pay increase.

Thus, 1973 became the year in which Wisconsin enacted its most significant revision of general school aids since 1949. The matter is hardly settled, however. Because power equalization will not become effective until 1976, the major battles will undoubtedly be replayed--the outcome to determine whether these principles of school finance reform can survive political assaults during the next two bienniums.
FOOTNOTES TO CHAPTER FIVE


4 Reese, p. 3.

5 Wisconsin Department of Instruction, November 7, 1972, p. 10.


7 Bonnie Reese, "A Brief Description of the Wisconsin School Aid Formula," February 1, 1972.

8 For an annual listing of the dollar amounts, see Wisconsin DPI, November 7, 1972, pp. 8 and 10.

9 Buchmiller, p. 1.

10 Wisconsin Department of Public Instruction, "Budget Request Summary 1973-75 Biennium," p. 5.

11 Wisconsin Department of Public Instruction, November 7, 1972, p. 6.

12 Wisconsin Department of Public Instruction, November 7, 1972, p. 6.

13 Laws of Wisconsin, 1949, Chapter 600, p. 537.

14 For a list of these committees, see Wisconsin Department of Public Instruction, November 7, 1972, p. 1.


16 Buchmiller, p. 2.


National Education Association, p. 49.

Doyle, p. 9.

National Education Association, p. 43.


Interview with a Department of Public Instruction official, May 4, 1973.

Interview with a legislative staff person, May 4, 1973.

Interview with a legislative staff person, April 3, 1974.

Interview, Educational Governance Project, March 5, 1973.


Interview with a Department of Public Instruction source, May 4, 1974.


Interview with a WEAC representative, April 5, 1974.

Interview with a source inside the Department of Public Instruction, April 4, 1974.


Interview, April 3, 1974.


Doyle, pp. 17-22.

Governor's Task Force on Educational Finance and Property Tax Reform, recommendations, p. 17 and Doyle, p. 22.
40 Doyle, pp. 5-7, 35, 41, 51, and 57.
41 Interview, legislative staff person, April 4, 1974.
42 Doyle, p. 57.
47 Interviews with a legislative staff person and a representative of WEA, April 3 and 5, 1974.
48 Governor's Budget Message, p. 11.
55 Interviews with two legislative staff people and a WEAC representative, March 16, 1973 and April 3 and 5, 1974.
58 Interview with a WASB staff person, April 4, 1974.
64 Interview with a DOA staff person, April 3, 1974.
66 Doyle, p. 18.
77 Interview with a WASB staff person, April 4, 1974.
78 Gongwer's, May 18, 1973, p. 2.
79 Selected interviews with sources inside the Legislative Council, the Department of Public Instruction, and WEAC, April 3-5, 1974.
83 Gongwer's, June 15, 1973, p. 3.
84 Gongwer's, June 20, 1973, p. 5.
86 Interview with a source inside the Department of Public Instruction, April 4, 1974.
88 Interview with a WEAC official, April 5, 1974.
89 Confidential interview, April 4, 1973.
90 Interview with a Department of Public Instruction representative, April 4, 1974.


Buchmiller, Epilogue, p. 34.


Correspondence with Archie Buchmiller, June, 1974.

Interview with a Department of Public Instruction source and a legislative staff person, April 3 and 4, 1974.


Interview, April 4, 1974.
CHAPTER SIX
THE FOUR STATE COMPARISON

Any analytical construct superimposed on reality is, by nature, arbitrary. Things are never quite that simple. Yet comparative analysis dictates that some order be extended to real phenomena. Accordingly, the process of enacting school finance reform in Ohio, Minnesota, Michigan, and Wisconsin will be organized into four broad conceptual categories, different stages along a time continuum. Although these categories are inter-related and frequently overlap, they make comparative case study research possible.

The four stages presented here are, briefly:

I. **Pressures for Change** - those demands, factors, and events culminating in a recognition that the existing school aid programs are no longer adequate.

II. **Policy Initiation and Formulation** - the point at which pressures for change are translated into actual policy proposals.

III. **Legislative Response** - the bargaining process during which alternatives are posed, political strategies employed, and support or opposition mobilized.

IV. **Final Resolution** - the last stage at which compromises are reached and the existing school aid programs altered.

The reader should keep in mind that the following comparisons are based on a four-state sample. Analysis is therefore qualitative rather than quantitative. And while conclusions are drawn, they do not necessarily extend to all states at all times and under all conditions.
Pressures for Change

The four states in this sample experienced several conditions which made school finance reform possible, if not inevitable. In general, the pressures for change materialized outside of the political system, but focused directly on the executive office and the legislature as the ultimate arbitrators. And these pressures transcended normal partisan differences, thereby increasing the base of support for reform.

Economic factors. The problems had their origin in the way that the schools were funded. By the mid-sixties, educational costs in most states were rising at a faster pace than real estate valuations. Heavy reliance on the local property tax to pay for education meant that school boards and voters were constantly increasing their tax liability to qualify for state aid or simply to keep up with spiraling costs. Property taxes for the schools in Minnesota, for example, escalated by 83 percent between 1968 and 1971.1

As local property taxes skyrocketed, state dollars for education were also multiplying. Even so, allocations from state treasuries comprised proportionately less of the total, magnifying the local property tax burden. In Ohio, the state's educational effort between 1968 and 1971 was greater than the total increases appropriated for the previous twelve years. But by 1970-71, the state's share of school costs had reached a low of 27.9 percent, down from its 50 percent contribution in the mid-1940s.2 The local share was correspondingly high, 65.8 percent.3 State legislatures were also hard-pressed to allocate more money for the schools while they were assuming fiscal responsibility for new and expanded public services, all competing for dollars from the same till.

State funds provided under the school aid formula were supposed to
equalize the wealth disparities among property rich and property poor districts. Frequently, however, the existing programs also institutionalized the discrepancies. The per pupil dollar amounts set by the legislatures were often inadequate. Flat aids were extended to all districts, regardless of wealth. Richer school districts were therefore able to raise more money for their students, provide a smaller teacher/pupil ratio, and offer additional educational services, all with a lower tax effort.

These inter-related conditions—reliance on the regressive, relatively inelastic property tax, the continued escalation of educational costs, competition for state dollars, and the structural inequities in the school aid programs—were built into the system of funding education. Together, they forged a demand that the method of financing be altered.

Concrete evidence of this pressure materialized in the frequency of taxpayer revolts and rumblings. Michigan voters defeated 42 percent of the operating levies and 62 percent of the bond issues from 1970 to March 1971. Over a thousand irate citizens showed up at one school board meeting in Minnesota to insist that school expenditures be cut. Local taxes for education were withheld in Wisconsin. And some schools in Ohio were actually forced to close down because of a lack of operating funds. Disgruntled taxpayer demands for financing education from other revenue sources thus emanated primarily from strident cries for property tax relief. The result was that from the beginning the push for school finance reform became closely linked with property tax reform.

Judicial impact. Fiscal shortcomings of the present system were identified through another channel, the courts. Suits were filed in numerous states challenging the constitutionality of financially discriminatory school aid systems. The most celebrated examples were the premier Serrano case in California and the Rodriguez case in Texas which was appealed to
the U. S. Supreme Court.*

In all four states, the courts played a role in publicizing the fiscal problem, if not in prompting immediate action. Plans for reform in Ohio and Minnesota were well under way when Serrano was decided in August, 1971. Even so, Governor Gilligan was apparently aware of the California Court's ruling. Following passage of the state budget, he admitted that a similar case filed by the Ohio Education Association might conceivably force a further restructuring of Ohio's school finance system and more taxes.\(^7\) Minnesota had its own federal court suit challenging the school finance program in 1971. The court ruled against the state by refusing to dismiss the case and it upheld the Serrano principle of "fiscal neutrality." Yet Van Dusartz v. Hatfield came very late in the process and did not constitute a ruling on the facts, but rather a confirmation that rich districts may and do enjoy both lower tax rates and higher spending. While the judge's opinion may have served as an inducement to support Governor Anderson's omnibus school/tax bill, reform did not come from a direct judicial order, but rather from the operation of the political process.

The courts figured more prominently in Michigan and Wisconsin because of the time lapse between 1971 and 1973. By early 1973, similar suits had

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*Serrano v. Priest (96 Cal. Rp tr 601, 487 P. 2d 1241, 5 Cal. 3d 584) in which the California Supreme Court reversed a judgment of the lower federal district court on August 30, 1971. The Court ruled 5 to 1 that the existing school finance system violated both the state and federal Constitutions by denying the plaintiffs equal protection of the law because it based the quality of a child's education upon the resources of his school district and ultimately upon the pocketbooks of his parents. Because most states had school aid systems resembling California's, based primarily on the local property tax, this case received widespread attention. A similar case out of Texas, San Antonio Independent School District v. Rodriguez (No. 71-1332) was appealed to the U. S. Supreme Court. On March 21, 1973, the Justices ruled 5 to 4 that the existing school finance system in Texas did not violate the Equal Protection Clause of the federal Constitution, in effect turning the responsibility for equalizing school expenditures back to the States.
been filed in more states and the Rodriguez case had successfully made its way to the U. S. Supreme Court. On December 29, 1972, the Michigan Supreme Court in a 4 to 3 decision declared the existing method of funding the public schools unconstitutional. Governor Milliken had filed the case, hoping to use it to persuade the Michigan Legislature to enact a new school aid formula. The Supreme Court's reversal of the Rodriguez decision came in the middle of the legislative debate. Observers in Michigan anticipated that their own State Supreme Court would reverse its original decision, with several newly-elected conservative justices holding the balance of power. This did occur, but only after passage of the new school aid bill.

In Wisconsin, both the Governor's Task Force and Governor Lucey had been counting on the pending Rodriguez decision to increase the support for power equalization. This hope dissipated with the Supreme Court ruling. Opposition forces, which had previously assumed a tentative wait-and-see attitude, coalesced and became activated. And while power equalization was eventually enacted, one of the major compromises occurred shortly after the Rodriguez decision.

Thus, the actions of the court in school finance cases were of varying relevance in the four states. In Ohio and Minnesota, legislation had been passed before the wave of school finance suits were filed. But such court decisions represented a potential impetus for future revisions. Individuals in Michigan and Wisconsin were more emboldened to push for reform in the face of the Michigan ruling and/or the pending Rodriguez decision. In both states, however, an "unfavorable" Supreme Court ruling did not squelch the push for reform. Consequently, it can be concluded that the judicial input, when combined with the more immediate impetus of taxpayer revolts and school closings, added to the growing demand for change. Yet, in and
of themselves, the courts did not provide the most compelling reason for reform.*

*The above conclusion is less true in other states, such as California and New Jersey where the school finance suits have been upheld on state (although different) grounds and where the courts have ordered the Legislatures to come up with acceptable plans.

Research and study. Various studies of each state's school finance and tax systems constituted another pressure for reform. The products differed widely in their scope, their sponsorship, and their authorship. National studies and the policies of other states provided an external source of information. The reports were funded by governmental or private sources and conducted by academicians, tax experts, professional consultants, and/or public officials and staff. Although such studies were generally not as salient nor as effective as tax revolts in galvanizing public support for reform, they had their primary effect on the policy makers themselves. The products offered evidence and a rationale for law-makers intent on developing arguments in favor of reform.

In Michigan, a 1968 study sponsored by the State Department of Education outlined the strengths and weaknesses of four general school aid plans, which then set the parameters for future legislative consideration. Two task forces reporting in the 1960s in Ohio pointed to the need for enactment of a state income tax. An influential citizens group in Minnesota produced several tax/revenue studies during 1969-70. The results enabled this group to extend a forum for the two gubernatorial candidates, strongly encouraging them to take public positions on school finance. In Wisconsin, several Governor-appointed task forces during the 1960s issued recommendations which were never enacted. Their failure helped to define the more successful positions adopted by Governor Lucey's task force in 1972.
At this stage, numerous individuals and groups were working independently to develop reform proposals and thus define the issue for eventual legislative enactment. Informal communications were often established among experts in the field, at the universities, and in state government. They helped to set the boundaries of the issue and ease the transition from pressures for reform to actual policy proposals. It is perhaps during this early stage that the outside "experts" (i.e., individuals with access to the policy makers by virtue of their professional credibility but without real political power) have their greatest impact.

Thus, economic, judicial, and analytical factors all demanded that the question of school finance reform be seriously considered. Such pressures were speeded to fruition by the broad-based nature of the issue itself. Financing schools and tax reform affect everyone. While wealthy districts are obviously better able to afford good schools than are poorer districts, the citizens of all communities notice and respond to great and lasting increases in their taxes—be they rich, poor, urban, rural, suburban, Democrat, or Republican. And while each group may articulate different remedies, the general movement for change is broad and convincing. Pressures for reform also invariably link the school aid issue with the tax issue—not only in increasing state revenues for equalization and additional programs, but also in providing relief from the property tax. And these pressures, once vocalized by such a broad segment of the population, can hardly be ignored by those in or seeking office.

Policy Initiation and Formulation

In all four states, the governors served as the rallying point for initiating school finance reform legislation. Where state departments of education, school finance experts, and/or educational interest groups may
have been promoting change for years, the executive office contributed the political resources to accomplish this end. The governors therefore became the major factor in translating pressures for change into actual pieces of legislation.

Education as a campaign issue. In varying degrees, the governors of Ohio, Minnesota, Michigan, and Wisconsin all capitalized on the need for educational reform in their election races. Both Gilligan and Anderson campaigned strongly on the school finance issue and, after their election, immediately set forth to enact such reforms during their first year in office. In Ohio and Minnesota, the nominees also firmly coupled their education proposals with programs to increase state taxes and offer property tax relief. Education thus became the most popular and broad-based defense for raising taxes. In contrast, Governor Lucey of Wisconsin waited until his second biennium in office, when economic conditions were more amenable, to propose school finance reforms. Here again, school aid programs became the major method of providing property tax relief, reportedly Lucey's foremost concern. Circumstances in Michigan created a slightly different situation. Because Milliken assumed office in 1969 upon the resignation of the former governor, he did not have to campaign for election until 1970. Before and during the race, however, the Michigan Chief Executive seized upon school finance reform as a major objective of his administration. And the education issue, in and of itself, appeared to be Milliken's fundamental concern.

Thus, allowing for different motives and situations, educational reform played a prominent role in all four gubernatorial elections. Acknowledging the mounting pressures for change, the candidates (with the possible exception of Patrick Lucey) adopted school finance reform as a major campaign theme. And in so doing, they further identified the problem, giving it
publicity on a statewide basis. This stance, in turn, enabled the nominees to attract the support of some influential allies, not only during the campaign, but later on.

Task forces and advisors. Once elected, the chief executives proceeded to translate their campaign pledges into specific policies. One tactic was to appoint a task force. Such groups held the potential of accomplishing several objectives. Aside from developing recommendations for legislation, a task force helped to broadcast the issue through public hearings, dubbing it with a "citizen's" legitimacy. A task force could coalesce a wide range of special interests by offering a forum for conflicting views and an opportunity for early compromise. The discussion could also identify the likely points of contention, enabling reform proponents to plan a counter strategy. And by involving the major state interests in deliberations, a task force could mobilize support for the proposals once they reached the legislature.

Given these possibilities, the utilization of task forces differed in the four states. Governor Gilligan appointed a broad-based task force comprised of representatives from the major interests in Ohio. Charged with formulating proposals based on need (i.e., how to raise the revenues, but not how to spend them) the task force was then given its independent rein. Gilligan turned to a less formal, in-house group of key advisors and several university people to develop a school aid program. Governor Lucey allowed his citizens' task force a whole year to come up with both tax and school aid proposals. Membership included not only the important statewide interests, but also several legislators and members of his own administration, the latter providing strong direction to the task force. In both Ohio and Wisconsin, the governors incorporated many of the task force recommendations into their budget proposals.
When he inherited the Governor's Office in 1969, Milliken appointed a small commission of non-educators, with himself as chairman, to study a whole range of educational concerns. After six months, the Commission reported back and Governor Milliken called a special session of the Legislature to introduce a comprehensive package of bills. Most of these proposals were not enacted in 1969. By 1973, the Michigan Governor turned to key educational specialists from his office, the legislature, and the state department of education. These three individuals collaborated to write a new school aid program which the Senate Education Chairman introduced and Milliken supported. Like Gilligan and Milliken, Governor Anderson also relied upon a handful of selected advisors to formulate his school aid program, which he later offered as part of Minnesota's biennial budget. He did not appoint a task force, since the Citizens League had already performed these functions. Thus, in all four states, the chief executives were not equipped with ready-made legislative proposals when they assumed office. Instead, the governors turned to other sources for aid in formulating their school finance programs as well as in emphasizing the issues and in mobilizing extensive support.

Executive proposals. The format in which school finance proposals are presented has a significant impact on the bargaining process and the eventual outcome. In Ohio, Minnesota, and Wisconsin, the governors introduced their school aid revisions as part of the state biennial budget, which included other appropriations and the taxes to fund them. School finance reform legislation is usually comprehensive and controversial. And it requires enlarging the state's share of educational costs. Consequently, its inclusion in the budget enhances its changes of passage by enlarging the negotiating arena. School issues can be traded off against non-school
issues, especially along dollar levels. "Extraneous" or politically sensitive issues can be expended or used as bargaining leverage to gain support for key items. Since each legislator has only one vote on the entire package, numerous considerations enter in. This enables the governor and his supporters to negotiate and compromise for individual votes. Governor Gilligan, for example, was committed to a per pupil distribution formula and Governor Lucey to power equalization. A comprehensive policy budget enabled both chief executives to bargain effectively over funding levels and other proposals in order to insure passage of their priorities. Thus, the budget can be used as a skillful instrument in enacting school finance reform, particularly since education is such a large chunk of most state's appropriations.

Parallel issues. Because school finance reform involves a major change in the state/local funding of education, the question of taxes is invariably involved. More state aid to education enabled the lawmakers to provide substantial relief from the local property tax in all four states. The Governors of Ohio and Minnesota also incorporated new state taxes as part of the mix. A more favorable economic situation in Michigan and Wisconsin, based on surpluses from existing taxes and on federal revenue sharing funds, enabled the chief executives to propose school finance/property tax reform without raising taxes. In addition, emphasis on the local property tax often precipitated an improvement of assessment procedures or an equalizing of the burden among different classes of real property. The impetus came from the courts, as in Ohio, or from the governor's budget, as in Wisconsin.

Other, more tangential policies were caught up in the attempt to build a winning coalition. These smaller interests, like the large urban school districts, vocational education, special education, or school building
assistance proponents, vied for inclusion of their programs in the educational package in return for their overall support. School finance legislation can be defined as much by what programs were excluded as by which were retained. Parochiaid represents an interesting case in point. Several governors—Gilligan and Milliken—labored to provide state assistance to the nonpublic schools, as part of the larger educational package. Wisconsin has a strong tradition against parochiaid, which successfully worked to deflect the issue away from the larger concern of school finance reform. Legislation enacted in Ohio allocated some assistance to the nonpublic schools, but was subsequently ruled unconstitutional and the issue has been in and out of the courts ever since. Parochiaid remains salient at the state level, periodically stirred up by certain vocal segments of the population. And it occasionally bubbles to the surface, particularly when additional school aid is being considered.

Accountability is an issue which has recently sprung to the foreground of state educational politics, frequently in conjunction with school finance reform. The pressure for "better" education comes from at least two sources—the taxpayers and the legislators. Both want to insure an efficient and an effective use of their tax dollars, particularly the lawmaker who climbs out on a political limb to increase taxes for education. The end product is often some type of assessment legislation, to afford proof that the additional expenditures constitute a wise investment. In Ohio, an accountability provision was inserted in the budget during the last conference committee. This was done at the insistence of several Republican House members, much to the chagrin and exasperation of the statewide educational interests. In contrast, the assessment program in Michigan was initiated by the State Department of Education.
An additional push for accountability emanated from within the executive branch. It presents a fundamental challenge to the existing structure of educational decision making. The general trend was apparent in all four states: Governors want more direct control over education policy making. On the one hand, all four chief executives were building up their own research capabilities and expertise by hiring personal staff responsible for education. The governors were then able to seize the initiative for policy formulation from departments of education, especially in school finance legislation. On the other hand, governors were also searching for more direct control over the state educational apparatus. The Governor in Wisconsin, which has no state board of education, wanted to appoint one. The Governor of Michigan, which has an elected state board, wished to appoint it, if he could not abolish it altogether. The Governor of Ohio, claiming that no one bothered to listen to the elected board of education, rhetorically asked, "What need of thee have we?" And the Governor of Minnesota, who already appoints the board members, strongly suggested that agency officials coordinate their legislative proposals through his office. Each illustration indicates that governors who are willing to risk the political consequences of providing more state aid to education also want more direct control over the outcomes.

Thus, formulating school finance proposals is by no means a simple task. Other issues, like taxes, parochiaid, and accountability, become crucial in the bargaining process and are capable of shaping the final product.

Legislative Response

Given the diverse and heterogeneous nature of legislative bodies and the interests they represent, the response stage is where interstate
comparisons become most strained. So much depends upon individual personalities, inclinations, and idiosyncrasies, that qualitative analysis is essential in trying to explain outcomes. For this reason, more space will be devoted to the actual occurrences on a state-by-state basis.

"The governor proposes and the legislature disposes" is a commonly heard phrase in government, particularly within executive offices. The first part of the sentence is true, at least for school finance reform, as demonstrated in Michigan, Minnesota, Ohio, and Wisconsin. The second part is a value judgment, where one's reply depends on one's politics. In any case, as reactors, the legislatures of these four states determined the fate of the school aid measures. While it would be impossible to capture all of the political nuances once school finance reform entered the legislative domain, some comparable features across the states will be highlighted.

A house divided. The process of adopting school finance reform confirms that major legislation can be enacted by a governor of one party and a legislature of another. In all four states, no single party controlled both the executive and legislative branches. In Ohio and Minnesota, Democratic governors played politics with Republican-led legislatures in 1971. Each political party controlled one house in Michigan and Wisconsin in 1973. The following table presents the Republican-Democratic margins in all four states during the year in which school finance reform was passed.

The chief executives had much in common. Anderson, Gilligan, and Lucey were Democrats. Milliken was a Republican; although he frequently relied upon House Democrats in passing his programs. The four governors had liberal-reformist leanings in the context of their particular states. All were freshman governors, if one includes Governor Milliken, who was in his
first elected term. Yet none of the governors were political novices. Collectively, they brought with them a wide range of political experiences which came in handy, since each was the head of a highly competitive two-party state. All the governors sympathized with the needs of urban areas. And all were prone to educational reform without necessarily having been professional educators themselves. (Gilligan once taught literature on the college level.) Most importantly, all four governors had to formulate school finance proposals capable of surviving the legislative scrutiny of the opposing party.

Actually, the governors' strategy needed to encompass more than just education. As previously mentioned, the issue was larger in all four states. Lucey, Anderson, and Gilligan introduced their school aid provisions as part of the biennial budget, which also contained the other state appropriations and property tax relief. In Minnesota and Ohio, education was also coupled with comprehensive tax revisions and increases. The school finance bill in Michigan was passed as separate legislation. However, the Michigan lawmakers concurrently enacted property tax relief, a variety of tax reductions, and enabling legislation to bail out the
Detroit school system. In drumming up support for all of these programs, whatever their latitude, key legislative decisions proved crucial.

The impact of legislative structure. Given the partisan divisions in the legislatures, it was predictable at the outset that the school aid measures would eventually wind up in a joint conference committee for final resolution. The political strategies were also predictable. Each party hoped to gain maximum political mileage for itself while embarrassing the opposition. Yet the nature of the tactics differed, molded by particular legislative structures.

In Ohio, the Republican House Leadership decided to divide up the Governor's budget proposals into three separate bills. The school aid package was assigned to the education committee while the other appropriations and the tax sections each went to other committees. The fiscal committee's deliberations over dollar levels certainly affected what the education committee could do. But the key policy decisions on the school aid package were made by the educational interests, the members of the education committee and administrative spokespersons, without having to go to the fiscal committee for review. The education/appropriations sections of the budget were even passed separately from the tax proposals in the House. Deliberations over the school finance measures in the Senate were also made within the education committee, apart from the rest of the budget—although all three portions of the budget were eventually combined for a floor vote and for the ensuing votes. Leadership decisions superimposed on structure in Ohio therefore enhanced the roles of key legislators on both education committees and the state's major educational interests, with the real battles coming over the tax proposals.

Governor Anderson also introduced his education proposals as part of
the budget in Minnesota. Yet here the school aid measure was never assigned to the education committees. Instead, it was deliberately combined with the other state appropriations and sent to the fiscal committees. The Senate Majority Leader, a Conservative (Republican), was a close personal friend of the Governor and a proponent of his reform measures. He was influential in engineering the circumvention of the education committee which seemed likely to bottle up Anderson's proposals. As a result, the House Education Committee, which had traditionally made revisions in the school finance formula, in conjunction with the State Department of Education and the educational interest groups, especially the Minnesota School Boards Association, was effectively bypassed. The short-circuiting of this committee reduced the influence of the Conservative education chairman, the dominant school finance influence in previous sessions. It also lessened the input of the education lobby which had enjoyed direct access to the education committee. Other educational concerns, such as collective bargaining and professional standards bills, also consumed the attention of the education groups, effectively competing for their effort on the school finance issue. Moreover, because the education proposals went to the same committee as the other appropriations, the bargaining arena was widened. The members of the more prestigious and powerful fiscal committees were directly involved in education decisions. Since the main issue was taxes, the Minnesota Farmers Union and the state AFL-CIO, the traditional mainstays of the DFL and of Anderson, were also crucial in the negotiations.

The budget process was even more centralized in Wisconsin. The legislature has a Joint Finance Committee, which is the only committee to examine the budget before it is voted on in either house. The scope of the bargaining is therefore expanded to include all of the programs in the budget.
While the members of the Joint Finance Committee specialized in various areas, where their input certainly held added weight, the committee's overall impact was magnified with the same legislators making the initial decisions on all the proposals. The structure also meant that key compromises were made right away in the Joint Finance Committee, in the hopes of solidifying the support of the Democrats and minimizing the need for major revisions at the hands of the Republicans during future legislative action.

Prior efforts to combine the school aid and tax revision issues had failed in Michigan, both in the Legislature and at the polls. Governor Milliken and the Senate Education Committee Chairman therefore collaborated on a school aid bill which was introduced as separate legislation. The education and fiscal committees in both houses were involved in the bargaining process.

Thus, once school finance bills were introduced, where they were sent deeply affected the deliberations. In Ohio, the two education committees made the crucial school finance decisions. This function was performed by the two fiscal committees in Minnesota and by the joint committee in Wisconsin. Finally, the education and finance committees shared the responsibility in Michigan. Committee assignments could, therefore, determine the scope and context of the bargaining, the nature of the compromises, and the identity of the important decision makers.

The impact of internal alliances and conflicts. One assumes that partisan politics, being what it is, enables governors to count on their own party for support and the loyal opposition for the headaches. This proved valid in Wisconsin, where Governor Lucey relied heavily on the Democratically-controlled Assembly and experienced his major altercations
with the Republican-led Senate. However, school finance reform in Minnesota, Michigan, and Ohio did not proceed according to the rules.

Some governors received support from unexpected corners. Governor Milliken's liberal pro-urban positions frequently attracted the backing of the Democrats who controlled the Michigan House. Enthusiasm over having elected Wendell Anderson Governor of Minnesota, the involvement of key DFL legislators in the formulation of the budget, and the close party margins in both houses all helped to mold party solidarity in the Governor's favor during the protracted legislative struggles. Yet, Anderson also gained the support of many Conservative caucus members in the Senate who shared his reformist leanings. The Senate Majority Leader in particular was crucial in guiding the Governor's (and his own) priorities through the Legislature. For this he was vilified by members of his own party, capping off an intra-party squabble between House and Senate Conservatives. Opposition to Anderson's proposals was based on partisan, philosophical, and fiscal grounds and centered around the House Conservative Caucus. And for a time, the Conservatives were effectively able to thwart the DFL and the Governor from passing their tax/school finance reforms.

Having the governor and the legislators from the same party does not always guarantee unity or even great affection, however. Conservative Republican legislators in Michigan were beside themselves over some of Governor Milliken's proposals. A schism in the Senate minority caucus between the Democrats loyal to the Ohio AFL-CIO and those loyal to Governor Gilligan temporarily impeded passage of the entire budget, including the school finance proposals. At the same time, Gilligan could take advantage of the situation in the House, where the moderate Republican leadership favored some form of an income tax. Amid the pressure of school
closings, the GOP leaders finally capitulated and supported Gilligan's tax proposals, thereby providing the needed number of votes. This action also brought down the wrath of conservative House Republicans who saved their special condemnation for the House Speaker. Unlike Minnesota, however, GOP cooperation was not induced from any great love for the Governor and his programs, but from economic and political necessity.

Thus, the unique dynamics of any legislature can place its personal stamp on state policies. Aside from the normal partisan differences, other factors can affect the outcome of school finance reform—anywhere from rivalries among members of the same party, competition between the two legislative houses, and executive versus legislative prerogative to longstanding traditions and interpersonal relationships.

A legislator's vote on school finance measures is also conditioned by the response of the people back home. Most lawmakers are primarily concerned about the effects of school aid bills on their own districts. Will their schools win or lose money? What do they hear from local educators and taxpayers? Interest groups which are developing political action arms are also starting to figure heavily in legislative decisions. All of these circumstances may mean that legislative leadership will no longer be able to demand party allegiance where school finance bills are involved. One must be cautious in generalizing about school aid votes, however, particularly when they are combined with larger, tax/appropriation measures.

The posing of alternatives. One strategy used to challenge the Governor's prerogative in initiating policies is to offer counter proposals. The opposition can seek to amend the governor's proposals, obstruct their progress, or substitute successful alternatives of its
own. The choice is often determined by the powers at the opposition's disposal and is illuminated through the nature of its responses.

In Wisconsin, the Republican leadership in the Senate wanted to submit its own tax/school aid alternatives; but it did not have the votes. Instead, the GOP leaders chose to not concur with the Assembly passed budget, immediately sending it to a conference committee. Because the conferees were evenly divided along party lines, the Senate Republicans hoped to elicit enough compromises to make Governor Lucey's package more palatable.

In Michigan and Ohio, one house managed to pass its own version of the Governor's proposals. In Michigan, the House Democrats limited the school aid bill from three years to one year, hoping to enact a different formula later on. They also increased the price tag. In Ohio, and aided by the split in the Democratic caucus, the Senate Republicans substituted a less expensive sales tax package with a teacher unit school aid formula for the House-passed income tax and per pupil formula. The result was the same in both states. The two versions were sent to a joint conference committee to iron out the differences.

The opposition in Minnesota had the most success in obstructing the Governor's proposals, at least in the short run. Faced with numerous school aid and tax alternatives in both houses, the legislators were unable to reach a consensus during the regular legislative session. While Anderson's "Fair School Financing Plan" languished, a Conservative-sponsored bill which had the Governor's approval, passed the Senate during the first special session. The House passed a different bill. A conference committee then endorsed the House version, which was wearily accepted by the Legislature. This measure, however, was unacceptable to
Governor Anderson who vetoed the school aid and tax sections. He then called the legislators back into a second special session.

Thus, the passage of major school finance/tax reform necessitated compromises in all four states. The tactics may have differed, depending on various conditions operative in each state. Yet the conference committee becomes an almost inevitable tool in reconciling the differences.

Final Resolution

Once the school aid bills reached a joint conference committee, the final bargaining stages involved relatively few individuals. The actual decisions were usually made in executive session. Even so, the governors could bring much pressure to bear by focusing on the issues. They could work through sympathetic members of the conference committee. They could also focus public opinion on the legislature in order to prompt a speedy and favorable resolution. For example, following Governor Anderson's veto of the school aid/tax package in Minnesota, a conference committee convened in the Governor's mansion sequestered from public view. Meeting in non-stop marathon sessions, the conferees and the Governor's chief aides proceeded to hammer out a compromise. Given the close partisan margins in both legislative houses, the option of overriding Anderson's veto was never seriously considered. Anderson also played to the press by castigating the Conservative-passed tax bill for failing to grant tax relief or to remedy gross inequities. Public opinion polls indicated that the veto had popular support. A Minnesota court opinion subscribing to Serrano-type principles, coming at this time, also weakened the Conservative position. Finally, the State Auditor, a Republican, warned that the state would soon run out of money. Similarly, Governor Gilligan's bargaining position was enhanced by a fiscal crisis for Ohio's schools
and the necessity to cut back on existing state expenditures. Moreover, in both states, key Republican leaders played a crucial role in the conference committee deliberations. As a conferee, the Senate Majority Leader in Minnesota assumed the function of mediator during the final negotiations. His role was particularly crucial when tempers became frayed and compromises seemed impossible. In Ohio, the House Republican leaders had already gone on record in favor of an income tax. They begrudgingly coalesced with the Democrats to insure its retention in the fourth and final conference committee report.

In Michigan, the conferees had to resolve twenty-three different points of contention. The conference committee eventually retained the original form of the school aid package as it had passed the Senate. However, it granted substantial aid to the urban areas which helped to gain the concurrence of many Democrats from the cities.

Governor Lucey added a creative touch to the conference committee deliberations in Wisconsin. Unable to reach a consensus over the school aid proposals with the Republican Senate conferees, the Governor went behind their backs to offer property tax relief to some of the major business interests in the state. The industrialists, in turn, pressured the Republicans to reach a speedy compromise over the budget.

Unique situations had their effect in all four states. The scope of the legislation, however, was wide enough to allow for leeway and bargaining. Each governor had to attract votes from the opposite party, yet retain the united support of his own party. This necessitated compromise. In the final stages—where a deadlock could easily emerge and where the two sides were most evenly matched—saving face became an important factor. The strategy became one of maximizing gains and minimizing
losses for all parties involved so that everyone who desired could take
credit for the final package. More importantly, the final package had to
be capable of attracting enough votes for passage in both houses since the
conference committee report was not amendable. Thus, in the end, the
process of trade-offs had to encompass the entire legislature with the
governor and his allies keeping a running tally of their votes.

After waiting out this arduous process, the legislatures in all the
states responded and four relieved governors could call it a victory.
FOOTNOTES TO CHAPTER SIX


6 Correspondence, Archie Buchmiller, Assistant Superintendent, Wisconsin Department of Public Instruction, May 21, 1974.


9 Columbus Dispatch, October 26, 1972, p. 8A.
CHAPTER SEVEN

SUMMARY, CONCLUSIONS, AND IMPLICATIONS

Summary

This dissertation has presented a comparative case study of four Midwestern states—Ohio, Minnesota, Michigan, and Wisconsin—which enacted school finance/tax reform legislation during the early 1970s. The lack of a literature or of exploratory hypotheses, the small size of the sample, and the intricate nature of the subject precluded a quantitative treatment of school finance. Instead, a combination of political systems theory and allocative decision making theory became the vehicle from which to view in detail the process of securing school aid reform bills.

From this vantage point, an effort was then made to capture the complexities and variations that made each state a microcosm unto itself. By superimposing a four-state analytic framework on each case study, it then became possible to discover what, if anything, could be said about the process of enacting school aid bills across the four states. Even after allowing for the uniqueness of each state, the similarities in school finance politics are striking. First, the pressures leading up to a change were the same in each state. Rising costs, the inadequacies of the old formula, court decisions, and particularly the vocal opposition of local taxpayers combined to force the issue out into the open. These pressures also invariably linked school finance reform and property tax reform from the beginning of the political process to the end. Second, the transition
from demands for change to proposals which could be acted upon was provided for in each of the four states by the governor's office. Not only could the chief executive provide a forum for the issue and the technical expertise, he could contribute the political tools needed to see the legislation through the rest of the process. Third, as can be expected, the major compromises occurred inside the legislature where diverse interests are magnified and individual personalities become paramount in determining the outcome. Fourth, in the final stages, the fate of school aid measures rested with a legislative conference committee which had the task of resolving the conflicts in order to patch together a minimum winning coalition. And finally, throughout the entire process in all four states, it became apparent that school finance/tax reform transcended what is thought to be normal party distinctions. This reality, in turn, dictated a less partisan strategy in order to achieve legislative success.

The approach of this study was therefore to talk across the states in analyzing the process of enacting school finance reform without losing sight of the specifics of each state. What follows are some conclusions about this process and some implications for those individuals concerned about school finance reform.

Conclusions

Legislatures have the ultimate responsibility for providing state aid to the schools. This situation dictates that lawmakers at the state level will be active in educational decision making. More recently, it also seems to signify that governors—at least in these four states—will assert their own prerogatives in formulating and advocating school finance reform.

Assuming their willingness to take a stand, governors in these four states had numerous resources at their disposal with which to initiate
school finance reform. They could publicize the issues through election campaigns, while also attracting important political allies. They could appoint a citizens' task force to help define the issues, simultaneously giving them more attention and enlarging the pool of potential proponents. And these governors had ready access to the news media or to traveling around their states, thereby highlighting the issues and orchestrating indirect pressure on the legislators for action.

The chief executives also had extensive information and research capabilities within their departments and easy access to outside expertise, frequently overwhelming legislators in this capacity. The governors could define the issues by utilizing their resources to determine which programs to embrace and which to omit. They could therefore construct workable coalitions, organizing and maximizing support and neutralizing or isolating the opposition. And the use of a policy budget enhanced such bargaining strengths.

Once their proposals entered the legislature, the governors seemed to step back, delegating the actual legwork to key administration staff and advisors. The latter were transformed from education or finance experts to political mediators and tacticians. When it appeared that the legislators needed prodding, the governors assumed a more public posture, appealing for citizen pressure to be directed at the lawmakers. Going directly to the public can have problematic results, however. When opponents of the income tax placed it on the ballot, Ohio citizens overwhelmingly upheld the tax. Yet Michigan voters trounced a similar referendum.

The ultimate power in the governor's arsenal is, of course, the veto. But this was used sparingly because it had the potential to arouse the public wrath and turn the legislature against the chief executive. In Governor Anderson's case, the use of the veto was a wise gamble. It turned
out to be publicly popular and it gave the Governor a second chance to achieve his tax and school finance reforms.

' One qualifying comment needs to be made in interpreting the role of governors, however. The chief executives studied in this chapter ranked first (Wisconsin), second (Minnesota), and third (Michigan) in their involvement in educational policy making among the twelve governors analyzed by the Educational Governance Project. (Ohio was not part of the comparative research.) Consequently, this study of school finance reform is biased in favor of educationally active governors. At the same time, it is no coincidence that the three top ranked governors presided over states where major school finance and/or tax reform was enacted, thus helping to account for their high rankings.

These same four governors could also be considered liberal and reformist. This political bent may have led them to initiate new school finance/tax policies rather than patch up existing programs. They set the pace, which cast the legislators in a reactive role.

What all of this comes down to is the centralizing powers potentially inherent in the executive branch. These powers appear especially potent when matched against a heterogeneous, decentralized legislative body which, by its nature, represents multitudinous interests.

At the same time, legislatures are developing countervailing capacities by building up their own independent resources in the form of increased professional staffing and research capabilities. These resources serve as a buffer against the executive branch and various interest groups and as an autonomous evaluator of their proposals. Perhaps this independence will enable more legislatures to initiate school finance reforms, as they have done in Michigan and seem to be gearing up to do in Ohio.
Whoever initiates changes, it is important that governors and legislators be willing to join together to enact something as comprehensive and expensive as school finance/tax reform. Bills which provide more state aid to education, equalization of funds, revision or replacement of the school aid programs, property tax relief, and/or new state taxes require the concerted efforts of both legislators and governors, plus all the powers they can bring to bear.

The process of passing school finance reform is instructive for as much as who is not involved as who is. It also pinpoints the types of functions performed. In all four states, the fact that the governors assumed a more direct role in formulating policies for school finance had important consequences for other sectors of the policy system. State departments of education and interest groups may have been advocating school aid reform for years. But the executive office provided the political clout necessary to provoke serious legislative consideration. In the process, the governors challenged the traditional role of the education department which, except for providing raw data, may be omitted from the crucial formulation stages.

State boards of education appeared to play a minimal role in the actual passing of school finance reform. In an earlier stage, they could attract attention to the issue by sponsoring studies and by supporting legislative resolutions calling for change. However, in Ohio, Michigan, and Minnesota (Wisconsin has no state board) they did not have substantial input into the governor's or legislators' offices. This was especially true when the governor intentionally chose to work with a few close advisors, many of whom were not from the educational community.

Similarly, the state superintendents (or commissioners) and state
departments of education performed a secondary function in the actual passage of school finance reform. Their strength came from being able to provide the raw data showing the effects of each legislative proposal on the local school districts. Yet such data may have to be reinterpreted by sources in the legislature in order to be utilized. And this input can be challenged by other, competing sources of information; the Ohio Education Association, for example, had its own computer sources which it readily utilized during the budget skirmishes. Departments of education may have influence through their legislative liaisons who provide information and can simultaneously promote the department's priorities. But such input was often based on the personal relationships between legislators, governors, and department representatives. The political style and credibility of the state superintendent and the reputation of the department were also important. In any case, the policy making influence allowed the state education agency is becoming more dependent on the lawmakers themselves. Governors in these four states were moving to gain more direct control over the state educational apparatus. They were independently initiating and formulating their own education policies. With no direct constituency and devoid of political clout, the state educational agency appears susceptible to being closed out of important legislative decisions as well. If school finance reform is indicative of a future trend in educational policy making, then the state education agency may be becoming structurally removed from the important fiscal deliberations.

Some educational interest groups faced a similar fate vis-a-vis the governor. Organizations, like the NEA affiliates in Wisconsin and Ohio, that supported a governor during his campaign, however, were in a better position to forestall this trend. For different reasons, both governors
and teachers have a stake in altering the present system. Teachers may advocate change which would also maximize their own power relationships with educational management. Consequently, they could easily align with governors also concerned with change, which placed administrator and school broad groups on the defensive, upholding the status quo. In some cases, the teacher associations therefore had a ready made entree into the governor's office. They helped to shape his educational policies. They also circumvented formal bureaucratic channels and enjoyed direct access to the governor. Other, less politically active groups were not able to capitalize on such circumstances.

Once the school finance proposals were introduced into the legislatures, the role of interest groups presented a mixed bag. Their activity in Ohio, Wisconsin, Michigan, and Minnesota ranged from working together for similar goals, to relative inactivity, to working against each other. In 1971, the state educational interest groups in Ohio were still talking to each other and could coalesce to promote increased state aid to education and the income tax. Their united effort was enhanced politically by the absence of an organized opposition to education. The real fight came over taxes and expenditure levels. The organizations could also afford to work together because the additional money for education enabled all of them to achieve some smaller program objectives. The overall school aid package did not specifically pit rich districts against poor ones, since practically all districts stood to benefit from the increased state assistance. Once the education package was locked in, however, only the Ohio Education Association joined a short-term coalition of major non-educational interests in Ohio to push for the income tax.

In Minnesota, the impact of the education groups in the bargaining
process appeared to be minimal. Many of the statewide groups had aligned with Governor Anderson, but some expressed reservations over his school finance proposals. In addition, the educational interests were concurrently devoting their political resources to other issues, such as collective bargaining and a professional standards board. Because the school aid issue was combined with taxes, the organizations contributing the most political weight to the Governor's side were not the educational groups, but the traditional DFL power bases: the Minnesota AFL-CIO and the Farmers Union. During the final negotiations, however, the Minneapolis school district's legislative liaison was able to interject relevant figures in the bargaining process which bolstered the Governor's case for providing more school aid to the cities. This, in turn, prompted another revision in favor of the agricultural areas.

In Wisconsin, the two major statewide education groups were on opposite sides of many school issues. The Wisconsin Education Association worked closely with Governor Lucey and the Democrats in favor of power equalization. The Wisconsin Association of School Boards aligned with the Senate Republicans in opposition to the local negative aid payments to the state.

The nature of the Michigan education proposals carefully avoided the traditional rich/poor alignments, mobilizing the local districts according to their school tax effort. This break from tradition also caught many educational interest groups off guard and unable to mount an effective opposition.

As long as rich school districts are save-harmlessed and almost all districts receive more state aid, the education groups should be able to take positions reflecting their respective memberships. Or, as in Michigan,
some school aid proposals may force a realignment of traditional education coalitions. Proposals which would help the poor districts at the expense of the rich ones, however, may immobilize the statewide education groups whose constituencies contain all types of districts. As a result, the state groups may be forced to work on more narrow, self-interested issues, leaving the school finance issue to local educators.

An additional factor affecting the interest group role is the developing schism among educators. In the past, the groups could get together with key legislators on the education and appropriations committees to periodically increase the existing state aid formula. Yet the old alliances are breaking apart, at the same time that governors have either included school finance reform as part of their budgets or initiated revisions on their own. The split is enhanced by the education groups themselves which are not the slightest bit shy about airing their labor/management squabbles in public and before the legislators. In these four states, the more active groups in the school finance issue were those that worked with the governors from the beginning and that were involved in political campaigns, contributing endorsements, volunteers, and money to friendly candidates.

Because school finance proposals must run the gamut of the political system, a program which minimizes the losses to local school districts has the most chance of igniting widespread support and, therefore, of success. If true equalization of funds is to be provided, politics therefore dictates that the total pot be substantially sweetened, necessitating a massive dose of more state funds. The use of the state budget seems to be a good strategy in accomplishing major changes because it can provide the additional funds and because it enlarges the bargaining
potential. Yet if Ohio and Minnesota are indicative, true equalization of educational funds may be preempted by the need to get the tax package enacted.* Perhaps the most important conclusion of this study is that the necessity of having to raise state taxes seems to work against the attempt to narrow the wealth gap between rich and poor school districts. The most promising set of circumstances exists when the additional funds are already there as a surplus, as in the case of Wisconsin and Michigan.

Despite the socioeconomic, cultural, political, and structural distinctions of each state, the similarities in passing school finance reform are abundant. Perhaps this is due to the nature of the education finance issue itself. Just like other political issues, school aid reform touches upon many other programs; scarce resources dictate intense competition among those who set the priorities; and there are both winners and losers. Yet school finance is not necessarily partisan. It transcends Democratic-Republican splits because educational finance affects all communities. Every legislator either has kids or constituents with kids in school. Education is also one of the most costly public services so that governors and legislators have to pay attention. School finance reform is therefore broad-based and the pressures for reform general. Yet paradoxically, school finance legislation is highly technical. Information and expertise constitute power and they usually belong only to a select group. Relatively few individuals actually hammer out the mechanics of a school aid

*Interestingly, comprehensive tax revision did not turn out to be a political liability for either Anderson or Gilligan. The DFL took control of both legislative houses in 1972 and the Democrats in Ohio assumed control of the House and came within one vote of taking over the Senate. The Governor of Minnesota was then able to fulfill his initial objectives of school finance reform during the 1973 session. Ohio has yet to take a similar action but seems on the brink of doing so.
The majority of legislators are less concerned with the whole school finance picture, but rather with how their district will fare or what the people back home will say (and vote). Thus, while financing education is among the most salient of public concerns, it is also so specialized that only a few individuals make the key decisions. Advocates of change must therefore be prepared with convincing arguments on both levels.

Inasmuch as school finance reform is accompanied by other "non-educational" issues, the bargaining process expands to take in non-educational arguments. So-called school people's reasons for advocating reform must therefore compete with economic realities and political strategies. The quantitative substance of school and tax proposals is also conditioned by the qualitative nature of decision making. Consequently, whether or not school finance reform emerges as a gubernatorial priority, it faces an even more complex set of inter-relationships within the legislative quarters. The final test therefore becomes simply: who has the votes. Thus, the decision making process for school finance legislation has undergone a fundamental change. In the not so distant past, a few key legislators and representatives from the state department of education and the statewide educational interest groups could periodically sit down and agree upon incremental changes in the school aid formula. The fruits of their endeavors would then be accepted by the full legislature. More recently, however, mounting pressures for a greater state role in funding education have made incremental change insufficient. As a big ticket budget item, education encourages the involvement of not only the traditional educational spokespersons but also of governors and other legislators. And the breakup of educational interests within the school lobby has magnified the influence of some groups, while distilling the impact of others. In
any event, the combined impact of inflation, unanticipated costs, additional school programs, and voter resistance to more property taxes dictates that all states will become more involved in school finance reform decisions than ever before.

Implications

This dissertation has concentrated on the process of enacting school aid proposals. It has purposely shied away from discussing the nature, merits, and shortcomings of specific reform programs; the contents and eventual impact of court cases; and the implementation of various educational statutes. Such issues, of course, need to be addressed. But before they can be effectively answered, it is necessary to study the process that such changes must survive in order to become reality. Certainly, no single answer exists for all times and in all places. Yet it has been the purpose of this study to notify the reader interested in actualizing school finance reform of some of the likely things to expect.

For those individuals interested in doing research on the politics of school finance reform, the complexity of the subject must be acknowledged and comprehended. There exists a need for both quantitative and qualitative research in this area. Quantitative study is necessary in order to expand the generalizations and build a body of literature on the politics of school finance reform. Yet qualitative analysis is also essential in order to account for the unique events, traditions, and personal relationships that set one state apart from all others. Moreover, the researcher in this field should seriously consider expanding the inquiry to include instances in which school finance reform is not successful or where it becomes law, but for non-educational reasons. Finally, comprehensive study is important in this area; yet the researcher
must never lose sight of what makes each example of school finance reform unparalleled.

For those individuals interested in advocating change in existing school aid statutes, it is important to note that the entire educational system at the state level is in flux. Where a small number of educational experts and legislators used to able to sit down in relative ease and privacy and hammer out a school aid formula, this is no longer the case. The educators can no longer agree among themselves on most school issues. Their impact on school finance reform is thus more ambiguous and diversified in each state. The interest of governors in school aid programs, whether self-initiated or thrust upon them because of cost considerations, opens up the access points of the decision making process. This moves the crucial decisions away from the realm of the school people and into a more general governance framework. Consequently, individuals concerned about developing strategies for future change must refrain from thinking about school finance as a separate and unique issue. It would be far wiser to approach the issue as they would any other public policy, planning their arguments, tactics, and alliances accordingly.
APPENDIX A
The Educational Governance Project
The Ohio State University

Interview Schedule for Legislative Leader
(14 pages)
LEGISLATIVE LEADER INTERVIEW SCHEDULE
(HOUSE OR SENATE LEADER)

THIS SCHEDULE IS INTENDED FOR LEADERS OF THE HOUSE OR SENATE, SUCH AS THE SPEAKER, PRESIDENT PRO TEM, MINORITY LEADER, ETC. (IT ALSO MIGHT BE USED WITH MEMBERS OF THEIR STAFF.) ANTICIPATE AN HOUR TO COMPLETE. BEFORE BEGINNING, FILL IN BOX BELOW.

<table>
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<th>INTERVIEWER'S NAME</th>
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LEGISLATOR EXPERIENCE/INFORMATION

Leg. Leader (Institutional) Schedule

1. How many years have you served in the Legislature?  IF THIS IS KNOWN, ASK: I understand you have been in the Legislature for ______ years, am I correct?

2. How many years have you served as the ____________________________?
   (name of House or Senate leadership position)

3. We are interested in which individuals and groups provide you with the most useful information about the public schools. Which individuals and groups are these? (GET SPECIFIC NAMES AND ORGANIZATIONS.)

   a. Which source do you find to be the most useful?
4. Next, I would like to ask you some questions about the different participants in education policy making. Let's begin with the **State Superintendent (Commissioner) of Education**:

a. Does he, or do members of his staff, regularly contact your office?  
   *Yes...*  *No...*  2

   **IF YES:**  
   (1) Who usually contacts your office?  

   (2) For what purposes do they generally make these contacts?  

   (3) What issues produce the most such contacts?  

   **IF NO:**  
   (1) Why is that?  

b. Do you, or people from your office, personally contact the Superintendent (Commissioner) or his staff with regard to legislation affecting the public schools?  

   **IF YES:**  
   (1) Whom do you generally contact?  

   (a) Why that particular person?  

   (2) For what reasons do you usually initiate these contacts?  

   (3) What kinds of legislation produce the most contacts?  

   **IF NO:**  
   (1) Why is that?
3

CSSO INFLUENCE IN LEGISLATURE
Leg. Leader (Institutional) Schedule

c. How successful have the State Superintendent (Commissioner) and his staff been in getting their proposals enacted by the Legislature? Would you say that in the last session or two they have been (HAND CARD #1 TO RESPONDENT):

(CIRCLE ONE)

Almost always successful .................. 1
Successful most of the time .................. 2
Successful about half the time ................. 3
Successful less than half the time ............. 4
Almost always unsuccessful .................. 5

(1) Why is that? (PROBE FOR WHAT CONTRIBUTES MOST TO THE CSSO'S SUCCESS; WITH THE LEGISLATURE; ALSO FOR FACTORS THAT WEAKEN THE CSSO. MAKE SURE RESPONDENT CONSIDERS THE CSSO'S:

Status as an Educational Authority -

Ability to Supply Useful Information -

Position in a Political Party -

Standing With the Governor -

Lobbying Effort -

Political "Know-How" -

d. If the State Superintendent (Commissioner) is strongly opposed to an education bill, are its chances of passage in the legislature greatly diminished?  Yes..1 No.. 2

(1) Why is this? (PROBE TO SEE IF SOURCES OF CSSO'S STRENGTH OR WEAKNESS IN OPPOSING LEGISLATION ARE SAME AS INDICATED IN c. ABOVE.)
CSSO-LEGISLATURE
Leg. Leader (Institutional) Schedule

e. In terms of meeting your needs in deciding upon education and school finance bills, how would you rate the information coming to your office from the State Department of Education. Would you say that it

(CIRCLE ONE)

Almost always meets your needs .................. 1
Usually meets your needs .......................... 2
Sometimes meets your needs ....................... 3
Almost never meets your needs ................. 4

(1) Why is that? (PROBE FOR STRENGTHS AND WEAKNESSES OF SDE INFORMATION.)

f. Do you recall what happened in the passage or defeat of (DESCRIBE THE SCHOOL FINANCE ISSUE IN YOUR STATE)?

IF YES: (1) What part did the State Superintendent (Commissioner) and his staff play in that issue?

IF NO: (1) What part does the State Superintendent (Commissioner) usually play when the legislature is deciding a major school finance issue?
5. I am also interested in the activities of the State Board of Education in public school legislation:

a. Does the State Board communicate legislative positions and recommendations to the legislature? Yes. No. 2

IF YES:  (1) How does the State Board usually do this? (PROBE TO SEE IF THIS IS DONE ENTIRELY BY CSSO AND HIS STAFF; OR WHETHER BOARD MEMBERS TESTIFY BEFORE COMMITTEES, ARRANGE INFORMAL MEETINGS, ETC.)

IF NO:  (1) How are the Board's views on public school legislation made known to the legislature?

b. Do board members, on a personal basis, ever attempt to persuade you regarding their legislative concerns and recommendations? Yes. No. 2

IF YES:  (1) Which board members do this, or is it the Board as a whole?

(2) How do they usually do this? (PROBE FOR CHARACTERISTIC APPROACH AS WELL AS TECHNIQUES.)

IF NO:  (1) Why do you think board members choose not to do this?
c. How would you assess the importance of the State Board in actually formulating and working for education legislation? Would you say it is

(CIRCLE ONE)

The single most important participant .................. 1
One of the most important participants .................. 2
A participant of minor importance ..................... 3
Not important at all as a participant .................. 4

(1) Why is that? (PROBE FOR RESPONDENT'S PERCEPTION OF THE BOARD'S POLITICAL "KNOW-HOW", PRESTIGE, KNOWLEDGE OF EDUCATION, STANDING WITH THE GOVERNOR, AND STATUS AS A REPRESENTATIVE OF THE PUBLIC.)

d. IF RESPONDENT RECALLS THE SCHOOL FINANCE ISSUE, ASK ONLY (1); IF NOT, ASK ONLY (2).

(1) What role did the State Board play in (DESCRIBE THE SCHOOL FINANCE ISSUE)?

(2) What role does the State Board usually play when the legislature is deciding a major school finance issue?
6. Next, I would like to ask you some questions about the Governor.

a. Thinking of the bills that he has really emphasized, would you say that the Governor has given the public schools, including school finance, top priority in his legislative program?

   IF YES: (1) What education measures has the governor specifically emphasized?

   IF NO: (1) What measures has the Governor emphasized?

b. What means of influence does the Governor usually draw upon in trying to win support in the legislature for his major education proposals? (PROBE FOR MOST IMPORTANT MEANS.)
GOVERNOR-LEGISLATURE
Leg. Leader (Institutional) Schedule

C. IF RESPONDENT RECALLS THE SCHOOL FINANCE ISSUE, ASK ONLY (1); IF NOT, ASK ONLY (2):

(1) Turning again to a specific issue, did the Governor and his staff take action to pass or defeat the (DESCRIBE THE SCHOOL FINANCE ISSUE)?
   Yes..1 No..2

   IF YES: (a) What action did they take?

   (b) How did it alter the situation?

   IF NO: (a) Who did provide leadership on this issue?

   (2) What part does the Governor usually play when the legislature is deciding a major school finance issue?
I would like you to consider interest groups for a moment.

a. Overall, which groups would you say are the most influential with regard to legislation in this state? (Emphasize that this includes non-educational, as well as education, legislation.)

b. How do the major education interest groups stack up here? Would you say that, taken together, they are

(CIRCLE ONE)

- The top groups
- Among the top groups
- Among the less important groups
- Not at all influential

(1) Why, in particular, is that group influential? (Probe for means of influence such as votes, money, expertness, information, and status in local community.)
d. To what extent do the major educational groups - that is, teachers, administrators, and school boards - act in unison and speak with one voice? Do they do so on

(CIRCLE ONE)

Nearly all legislative issues .............. 1
Most legislative issues .................... 2
Some legislative issues .................... 3
Almost no legislative issues ............... 4

IF RESPONDENT HAS INDICATED THAT EDUCATIONAL INTEREST GROUPS ARE AT LEAST SOMEWHAT DISUNITED, ASK: (1) AND (2); OTHERWISE GO TO e.

(1) What legislative issues tend to divide educational interest groups the most?

(a) Why is this?

(2) Are there any educational interest groups that almost always act together on legislative issues? Yes..1 No.. 2

IF YES: (a) Which groups are these?

(b) Why do they act together?
e. Have there been major legislative issues in which important non-educational interest groups - for example, business or labor groups - worked closely with education interest groups?

IF YES: (1) What issues were these?

(2) Which non-educational groups were involved?

(3) Why did they become involved?

IF NO: (1) What about school finance legislation where additional funds or tax reform is at stake, do non-educational groups become involved in such legislation? Yes... No... 2

IF YES: (a) Which ones?

(b) Why do they become involved?

def. IF RESPONDENT RECALLS THE SCHOOL FINANCE ISSUE, ASK ONLY (1); IF NOT, ASK ONLY (2)

(1) Which interest groups, educational or otherwise, were most influential in the passage or defeat of (DESCRIBE THE SCHOOL FINANCE ISSUE)?

(2) Which interest groups, educational or otherwise, are usually the most influential when a major school finance bill is being decided by the legislature?
LEG. COMMITTEES/PROCESS
Leg. Leader (Institutional) Schedule

8. We are also interested in the legislature, itself

a. What committees are the decisive ones when it comes to major bills affecting the public schools?

(1) In the years you have been in the legislature, have there been any significant changes in the relative power of the different legislative committees with regard to education legislation?

Yes..1 No..2

IF YES: (a) What has changed?

(b) Why

b. Are non-money education bills treated differently in the legislative process than education bills that require sizeable appropriations?

Yes..1 No..2

IF YES: (1) How, basically, does the legislative process for non-money bills differ from that involved in a money issue? (PROBE FOR DIFFERENT INTEREST GROUP AND PARTY INVOLVEMENT; MAJOR DIFFERENCES IN THE PROCESS OF REACHING AGREEMENT.)
CONFLICT IN LEGISLATURE
Leg. Leader (Institutional) Schedule

We have been told that certain basic conflicts are typically found in state legislatures. (HAND CARD #2 TO RESPONDENT.)

(1) Here are some of the types of conflicts that often are mentioned. How important has each of these usually been when a major school finance bill was being considered by the legislature here in ______? Any others that have been important? (state)

<table>
<thead>
<tr>
<th>TYPE OF CONFLICT</th>
<th>IMPORTANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>GREAT IMPOR</td>
</tr>
<tr>
<td>a. Between the Political Parties</td>
<td></td>
</tr>
<tr>
<td>b. Between the Governor's Supporters and the Governor's Opponents</td>
<td></td>
</tr>
<tr>
<td>c. Between spokesmen for the Cities and those for Suburbs or Rural Areas</td>
<td></td>
</tr>
<tr>
<td>d. Between Liberals and Conservatives</td>
<td></td>
</tr>
<tr>
<td>e. Between Business spokesmen and Labor spokesmen</td>
<td></td>
</tr>
<tr>
<td>f. Between spokesmen for Wealthy School Districts and those spokesmen for Poor School Districts</td>
<td></td>
</tr>
<tr>
<td>g. Other Conflicts (SPECIFY)</td>
<td></td>
</tr>
</tbody>
</table>

For those conflicts indicated as being of "GREAT IMPORTANCE", ask: (1) Why do you say that?
9. What is the greatest obstacle, or "headache", that you run into in carrying out your responsibility as a legislator for the public schools?

INTERVIEWER COMPLETE

<table>
<thead>
<tr>
<th>Respondent seemed</th>
<th>(Uninterested)</th>
<th>(Interested)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respondent seemed</td>
<td>(Devious)</td>
<td>(Straightforward)</td>
</tr>
<tr>
<td>Respondent seemed</td>
<td>(Uninformed)</td>
<td>(Knowledgeable)</td>
</tr>
</tbody>
</table>

Were there any questions that the respondent found very difficult to answer? If so, which ones and why?

Your comments and evaluation of the interview:
APPENDIX B

The following individuals read and reacted to a rough draft of the school finance issue in their respective states:

OHIO

Paul E. Spayde - Assistant Superintendent of Public Instruction, Ohio Department of Education

Oliver Ocasek - State Senator (D)

Norman Murdock - former Chairman, House HEW Committee (R)

Walter Hack - Professor of Educational Administration, Ohio State University

MINNESOTA

Howard B. Casmey - State Commissioner of Education

Gerald W. Christenson - Director, State Planning Agency

Gene Mammenga - Legislative Liaison, St. Paul School District and former State Senator (DFL)

Ted Kolderie - Citizens League of Minneapolis

Van D. Mueller - Chairman, Division of Educational Administration, University of Minnesota

MICHIGAN

John W. Porter - State Superintendent of Public Instruction

C. Philip Kearney - Associate Superintendent of Public Instruction

Gilbert E. Bursley - Chairman, Senate Education Committee (R)

James L. Phelps - Administrative Assistant in Education to the Governor

Ira Polley - Provost, Michigan State University and former State Superintendent of Public Instruction
WISCONSIN

Bonnie Reese - Executive Secretary, Wisconsin Legislative Council

Archie Buchmiller - former Deputy Superintendent of Public Instruction

Ronald Geason - Budget Analyst, Department of Administration

George Tipler - Executive Secretary, Wisconsin Association of School Boards
APPENDIX C

The school finance reform statutes referred to in this study are known in each state as follows:

<table>
<thead>
<tr>
<th>State</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>MINNESOTA</td>
<td>Laws of 1971, Extra Session, Chapter 31 - H.F. No. 262 (The 1973 revisions are found in Laws of 1973, Chapter 683 - S.F. No. 1626.)</td>
</tr>
<tr>
<td>--------------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>School Aid Formula</td>
<td>Foundation</td>
</tr>
<tr>
<td>State Equalized Valuation</td>
<td>No</td>
</tr>
<tr>
<td>Increased State Taxes</td>
<td>Yes</td>
</tr>
<tr>
<td>Property Tax Reform</td>
<td>Homestead exemp-</td>
</tr>
<tr>
<td></td>
<td>tion for elderly</td>
</tr>
<tr>
<td></td>
<td>homeowners; 10%</td>
</tr>
<tr>
<td></td>
<td>general property</td>
</tr>
<tr>
<td></td>
<td>tax rollback</td>
</tr>
<tr>
<td>Court Suit</td>
<td>OHEA v. Gilligan</td>
</tr>
<tr>
<td></td>
<td>dropped after</td>
</tr>
<tr>
<td></td>
<td>Rodriguez</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Method of Determining</td>
<td>$600 per pupil</td>
</tr>
<tr>
<td>Basic State Aid</td>
<td>guarantee minus</td>
</tr>
<tr>
<td></td>
<td>22 1/2 mill charge-</td>
</tr>
<tr>
<td></td>
<td>off in 1971-72</td>
</tr>
<tr>
<td>Minimum Guarantees</td>
<td>A sliding guarantee</td>
</tr>
<tr>
<td></td>
<td>for districts</td>
</tr>
<tr>
<td></td>
<td>meeting 20 mill</td>
</tr>
<tr>
<td></td>
<td>qualifier in 1971-</td>
</tr>
<tr>
<td></td>
<td>72</td>
</tr>
<tr>
<td>Save-harmless provisions</td>
<td>Yes</td>
</tr>
<tr>
<td>State Receipt of Local Funds</td>
<td>No</td>
</tr>
<tr>
<td>Limit on Local Milage Rate</td>
<td>No</td>
</tr>
<tr>
<td>State Aid for Capital or Debt Milage</td>
<td>No</td>
</tr>
<tr>
<td>Municipal Over-burden Factor</td>
<td>Yes, as categori-</td>
</tr>
<tr>
<td></td>
<td>cal aid</td>
</tr>
</tbody>
</table>
BIBLIOGRAPHY


