Guest Commentator Foreword

The authors of the eight essays in the issue of *Educational Considerations* focus on some of the cutting edge problems in education finance. The problems they discuss, their methods of analysis, and the technical terms they use differ markedly from the standard school finance textbooks of an earlier period. This volume is a contemporary treatment of a topic that has been with us since the earliest schools were established.

Despite the broad range of problems represented by the essay titles in this volume, a few themes are repeated in most of them. First, there is the argument that greater equity in school funding is needed. Although this is not a "cutting edge" problem, some of the authors have advanced new arguments for school finance equity, and their language has become more strident. For instance, Mueller believes that "children are the 'walking wounded' of the school finance equity wars." Further, he speculates that children could "become casualties of the choice movement." McLoone examines this issue from the perspective of an economist. He writes, "Schools are responsible for some of the growing inequality in the income distributions. . . If schools are failing, they are doing so for persons at the lower end of the ability scale or the income scale. Schools do not seem to fail the talented."

Wood and Thompson explore the notion that schools are "consumers" of goods and services in their essay, *Funding Public Education Based on the Concept of Cost of Living.* Their identification of education cost factors that are somewhat independent of cost of living variables adds a refinement that is certain to attract the attention of education finance scholars. Moreover, their discussion of cost of living/education provisions in school finance formulae in Florida and Texas demonstrates that the idea of a cost of education index has reached some level of diffusion in public policy.

At the core of all these pronouncements about the need for greater equity in education is an implied definition of equity. McLoone equates equity to "equal results," while others speak of equity as equal access to schools of comparable quality. Wood and Thompson imply that the search for equity in school spending, which is presumably related to school quality, would be enhanced if researchers could develop a satisfactory cost of education index. Mueller, quoting favorably from Jonathan Kozol's *Savage Inequalities,* implies in his message that equality of education cannot be realized as long as persons of greater means or with a different set of priorities are allowed to purchase a private school education for their children. How Mueller and Kozol would achieve their goal of equality in education without either a reversal of the United States Supreme Court's 1925 ruling in *Pierce v Society of Sisters,* or the enactment of a constitutional amendment, is not explained. With this plethora of definitions, the reader of this volume is treated to a host of suggestions about what ought to be done to solve the problems that the authors identify.

A second major issue that is discussed in these essays is the flip side of the education equality issue. Is there fairness in the tax structure that supports education? Brent and Monk say that the tax structure should have "horizontal and vertical equity." They explain "Horizontal equity requires that equals be treated as equals. Conversely, vertical equity requires that unequals be treated unequally." Kearney describes how the Michigan Legislature discarded school property taxes entirely in 1993 because, after years of endless tinkering with property taxes, the inequities in tax rates continued to grow. Thus Michigan became the first state to implement tax expert E.R.A. Seligman's proposal to discard property taxes when he wrote seventy years ago, "The property tax's retention can be explained only through ignorance or inertia."

Nevertheless, many of the authors of this issue of *Educational Considerations* explain refinements in property tax systems. They write about "circuit breakers" and "homestead credits" which provide targeted tax relief for property owners who do not have sufficient liquid resources to satisfy their property tax liabilities. One proposed solution to the dilemma of the "property-rich/cash-poor" elderly is the Reverse Equity Mortgage (REM). Through implementation of REMs, lending institutions allow elderly homeowners to systematically "convert" the equity in their homes to liquid resources to pay their bills, including property taxes for schools. Understandably, elderly homeowners have shown little enthusiasm for this scheme that has the potential to evict them from their homes if their needs for cash are great and they live longer than expected. Ironically, Brent and Monk discuss the REM at some length and then report research showing that most low income elderly are not "property-rich and cash-poor." The authors cite U.S. Bureau of Census data showing that housing wealth and income are directly related. The median housing wealth of households within the 65–70 age range is but $38,000. Thus the authors conclude that the monthly advances of money through REM distribution are unlikely to significantly improve the ability of the low income, low housing equity elderly to pay taxes on their homes.

The authors of *Resource Accessibility, Wealth Neutrality, and Tax Yield in Montana* take research and model building one step beyond the theoretical level. Thompson, Wood, Honeyman, and Miller develop a conceptual framework for evaluating a state fiscal support system for education and put their model to test in Montana in the context of a legal challenge to the state's school finance system. The authors begin with a statement of three generally accepted principles of equity in the research literature of education finance—resource accessibility, wealth neutrality, and equal tax yield. The authors use correlational analysis and regression, the McLoone Index, and the Gini coefficient to seek answers to critical questions about disengaging wealth from educational opportunity in Montana. Their work provides a model for monitoring school finance systems by state departments of education and a framework for a defense if the system is challenged in court.

The essays discussed to this point focus on how dollars are distributed to school districts, with little attention to how to put dollars to productive use in districts, schools, and classrooms. The essay by Picus, *Estimating Determinants of Pupil/Teacher Ratios. . . ,* addresses this issue and provides an important balance to this publication. Picus reports the current state of knowledge regarding resource allocation patterns in schools; describes the research methodology he used in a national investigation of the topic; and reports his findings and conclusions. His conclusion on the relationship between pupil/teacher ratios, district and student characteristics, and community types will provoke great interest in school finance circles.

Financing Public Education in the American Heartland by Ward stands alone in this collection of essays in that it focuses on the willingness and ability of a group of states to support education. All of the other essays include elements of theory contributions, model building, or statistical analysis. Ward simply looks at the efforts that taxpayers are making and the school revenue generated in the American Heartland to support the education in grades K–12 and in postsecondary education. He uses two important indicators of the willingness of a populace to support public services. One is the overall level of state and local government revenue from "own sources" per capita, which provides a measure of overall fiscal support. The second indicator is revenues from "own sources as a percent of personal income." Ward reports some interesting discrepancies between the effort and ability of a state to support public services and how resources are allocated to K–12 school systems, postsecondary institutions, and other public sector spending.

In sum, education finance issues are enmeshed in a complex web of values, priorities, public policies, and educational theories. There are no simple solutions. The authors of these essays have raised issues and discussed possible solutions. They have applied contemporary research methods and economic theories to construct and test school finance models that may be used as guides to future policy developments in school finance.

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