

Financing and Governing America's Schools

FOCUS QUESTIONS

1. Why do teachers need to know about finance and governance?
2. How is the property tax connected to unequal educational funding?
3. What is the distinction between educational equity and educational adequacy?
4. What are the sources of state revenues?
5. How does the federal government influence education?
6. How does commercialization at home and in school affect children?
7. What current trends are shaping educational finance?
8. How do school boards and superintendents manage schools?
9. What is the "hidden" government of schools?
10. How does the business community influence school culture?
11. How are schools being made more responsive to teachers and the community?

The school is that last expenditure upon which Americans should be willing to economize.

—FRANKLIN D. ROOSEVELT

CHAPTER PREVIEW

Do you know who pays for U.S. schools, and how? You might be surprised. In this chapter, we introduce you to the decentralized, politically charged systems of school funding and school governance in the United States. You will become familiar with the sources of financial inequity in schooling and the attempts to keep effective education within the reach of all, not just the very wealthy. Both the formal structure of power in school governance (school boards, school superintendents, and the like) and the informal, hidden government will affect your life in the classroom. By understanding the mechanics behind school finance and governance, you will be more empowered as a classroom teacher and better able to influence decisions that shape the education of our nation's children.

Local and state governments have long grappled with the difficult proposition of raising enough public funds to adequately support education while dodging taxpayer

ire over high taxes. Students in wealthy neighborhoods attend modern, well-equipped schools; poorer children make their way to decaying, ill-equipped school buildings in impoverished communities. Courts have forged solutions aimed at reducing these glaring disparities and bringing a measure of fairness to education. Many states are now focusing on guaranteeing that every student receives an adequate and appropriate education, but a first-class education is often hampered by hard economic times, tight budgets, and funding controversies among public, charter, and private schools.

Day-to-day classroom life is influenced not only by economic issues but also by the ways in which schools are governed. In this chapter, you will learn how schools are managed, officially and unofficially. Your knowledge of educational decision making can be a powerful ally in shaping a successful teaching career. We will also give you a quick look at what Finland has done to construct a successful educational system.

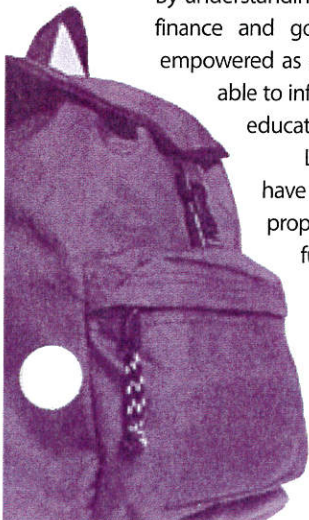
CHAPTER FOCUS During the last decade, states and communities from coast to coast have faced monumental challenges in the ways schools are financed and managed. How districts raise, distribute, and then manage their funds, a system that in no small way will affect the life of every classroom teacher, is a major focus of this chapter. For a chapter outline, see the IM.

CHAPTER 9



www.mhhe.com/sadker10e

WHAT DO YOU THINK? There are three governments involved in funding education, federal, state, and local. Each must decide how much of its budget to spend on education versus other items. Try your hand at estimating what percentage of each government's budget is spent on education.



Follow the Money: Financing America's Schools

GRABBER
A Quick Think
IM

FOCUS QUESTION 1

Why do teachers need to know about finance and governance?

TEACHING TIP

Many of your students are transitioning (we hope) from a life with limited financial awareness to one that is self-sufficient and fiscally sound. Be on the alert. They may know a lot more about education (after all, they have been in schools for a dozen or more years) than they do about dollars.

CRITICAL THINKING QUESTION

As your students ponder all the issues in this chapter, is the financial voice of a teacher (or other decision makers) always, often, or rarely the voice for children?

FOCUS QUESTION 2

How is the property tax connected to unequal educational funding?

GLOBAL VIEW

Most poor countries spend more on servicing foreign debt than on educating their own children. See Oxfam International at www.oxfam.org.

Why Should Teachers Care Where the Money Comes From?

Why should a teacher be concerned about school finance? (Put another way, why should I want to read this chapter?) Doesn't a teacher's responsibility pretty much start and end at the classroom door?

Sounds reasonable, but here is where the authors jump in. We believe that it is unwise, and even dangerous, for teachers to invest their time and talent in a career in which the key decisions are considered beyond their knowledge or influence. Educational finance may well determine not just the quality of life you experience as a teacher but also the very futures of the students you teach. Common sense tells us that the amount of money spent in a school is directly related to how well students learn, but not everyone agrees. What is the wisest way to invest educational dollars—and who should decide?

We believe that teachers should be major participants in financial and governance policy decisions. The current trend toward testing teachers and developing school standards is an example of what happens when teachers are left out of policy circles. The emphasis on standards and testing too often casts the teacher in the role of a technician, implementing other people's goals with the resources other people decide they should have. And in the end, other people evaluate how well teachers (and students) perform. We believe that this system serves neither teachers nor students well. We see teachers as advocates for children, children who themselves are excluded from policy decisions. Teachers and students find themselves the victims of rising educational expectations but limited educational resources. Too many teachers are forced to dig into their own pockets, spending an average of \$475 a year buying classroom materials.¹

Teachers should have a voice, and be a voice for children as well. Consider this chapter a step in that direction, and a primer on both the economics and the governance of schools.

The Property Tax: The Road to Unequal Schools

The method of financing public schools . . . can be fairly described as chaotic and unjust.

(Supreme Court Justice Potter Stewart)

To someone from another country, the way the United States funds its schools must seem bizarre, and certainly unfair. Unlike many other nations, which use a centralized funding system, we have a decentralized system. In fact, we have three levels of government—local, state, and federal—all raising and distributing funds. Currently, the local and state governments share the biggest burden of funding schools, with the federal government responsible for just 6 to 8 percent of the total. What a tangled web we weave when fifty states, 14,000 local governments, and one enormous federal government become involved in funding and managing 100,000 schools.

How did this financial hodgepodge begin? In colonial America, schools were the concern of local communities. Then, at the birth of our nation, the Constitution did not designate a federal role in education, effectively leaving it the responsibility of the states. "Local control" of schools became a well-established tradition, one that still holds sway today.

In the agrarian society of colonial times, wealth was measured by the size of people's farms. So to raise money for schools, colonial towns and districts assessed a **property tax**. Although today only 2 percent of Americans still work the land, the property tax continues to be the major source of school revenue. Today's property taxes are levied on real estate (homes and businesses) and sometimes personal property (cars and boats). Whether a school district will find itself rich in resources or scrambling to make ends meet depends largely on the

wealth of the community being taxed. Not surprisingly, a tax on a Beverly Hills mansion raises many more thousands of dollars than a tax on a house in South Central Los Angeles. Communities blessed with valuable real estate can easily raise funds for their schools. Impoverished communities are not so fortunate. Urban areas struggle the most, suffering not only from lower property values but also from the need to use those limited resources to fund more police officers, hospitals, subways, and other services than their suburban counterparts, a phenomenon known as *municipal overburden*.²

Reforming Education Finance

Unequal school funding results in stark differences. In 1968, 48-year-old sheet-metal worker Demetrio Rodriguez looked with despair at his children's school in a poor Latino section of San Antonio, Texas. Not only did Edgewood Elementary School lack adequate books and air conditioning, the top two floors were condemned, and barely half the teachers were certified.³ Ten minutes away, in affluent Alamo Heights, children were taught by certified teachers, in comfortable surroundings with ample materials. The educational cards were stacked against Rodriguez and his neighbors: even though Edgewood residents paid one of the highest tax rates on their property of any Texas community, their property was not worth much. Edgewood raised only \$37 per student; Alamo Heights raised \$412 per student. Rodriguez went to court, claiming that the system violated the U.S. Constitution's guarantee for equal protection under the law.

In a landmark decision, *San Antonio v. Rodriguez* (1973), the Supreme Court ruled against Rodriguez, deferring to the long history of local communities funding neighborhood schools. The Court declared that education was not a "fundamental right" under the U.S. Constitution and that preserving local control was a legitimate reason to use the property tax system. Although the Court recognized that educational funding through the property tax was a seriously flawed system, it was left up to the states to change it. It took sixteen more years before the Texas Supreme Court would act on the Rodriguez case. By the mid-1980s, Edgewood had neither typewriters nor a playground, but affluent Alamo Heights had computers and a swimming pool. Throughout Texas, per-pupil expenditures ranged from \$2,112 in the poorest community to \$19,333 in the wealthiest. In *Edgewood v. Kirby* (1989), the Texas Supreme Court issued a unanimous decision that such differences violated the Texas constitution and ordered Texas to devise a fairer plan.

Reformers had more courtroom success under state constitutions' equal protection clauses. The California Supreme Court, in *Serrano v. Priest* (1971), struck down the state's financing system as unconstitutional. The court, faced with the glaring differences between Beverly Hills, spending \$1,232 per student, and nearby Baldwin Park, spending only \$577 a student, declared that education was a fundamental right under the California constitution and that the property tax system violated equal protection of that right. The court found that heavy reliance on the local property tax "makes the quality of a child's education a function of the wealth of his parents and neighbors. . . . Districts with small tax bases simply cannot levy taxes at a rate sufficient to produce the revenue that more affluent districts produce with a minimum effort." The *Serrano v. Priest* decision ushered in both a wave of litigation in other states and an increase in the state share of school funding⁴ (see Figures 9.1 and 9.2). **Robin Hood reformers**, as they were called, won a victory as they took funds from wealthy districts and redistributed the monies to the poorer districts, much like the Robin Hood hero of Sherwood Forest fame. States have used different programs to try to equalize funding. In the foundation program, the state provides funds to ensure that each student receives a minimal or "foundation" level of educational services. Unfortunately, the established minimum is frequently far below actual expenditures. Another approach is the guaranteed tax base program, which adds state funds to poorer districts, helping to reduce economic inequities.

RELATED READING

Two Americas, Two Educations: Funding Quality Schools for All Students (2006) by Paul F. Cummins

RELATED READING

Framing Equal Opportunity: Law and the Politics of School Finance Reform (2010) by Michael Paris

CLASS ACTIVITY

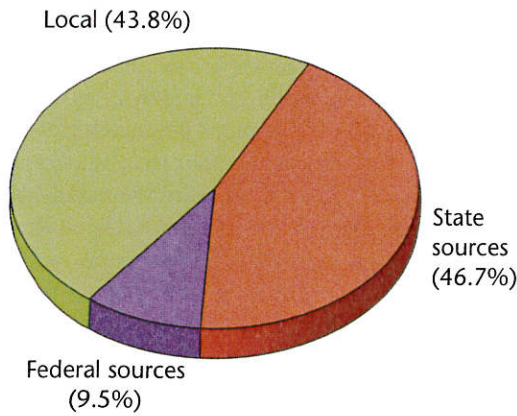
Fundamental Right
IM, Activity 9.1

POWERPOINT 9.1

School Segregation and Poverty

FIGURE 9.1

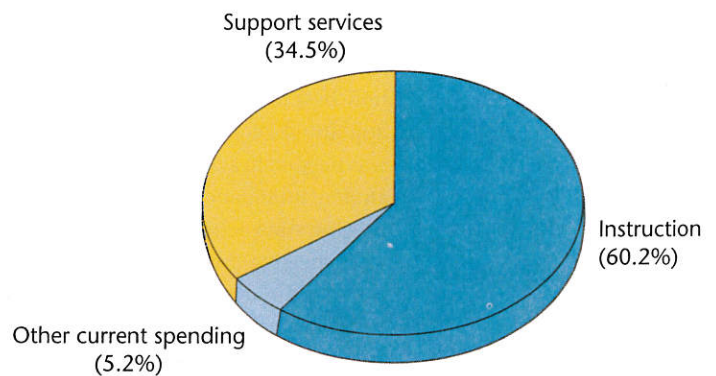
The public education dollar: Where the money comes from.

SOURCE: *Public Education Finances, 2009*, U.S. Census Bureau, issued May 2011.

REFLECTION: Is the proportion of revenue spent by local, state, and federal governments on education different from your initial perceptions? If you were able to suggest changes in this pie graph, what would they be? Why?

FIGURE 9.2

The public education dollar: Where the money goes.



SOURCE: U.S. Census Bureau, February, 2009 Annual Survey of Local Government Finances—School Systems. Issued May 2011.

REFLECTION: Does the distribution of educational funds surprise you? Are there changes that you would suggest?

The *Serrano* victory in California was short-lived. Many voters feared tax increases, and wealthy voters revolted as their tax dollars were transported from their own children's schools to faraway poor schools. Proposition 13 was passed to limit the property tax. With decreased tax revenue, California saw its schools go into a rapid decline. California schools were finally becoming equal, but equally bad.

From Robin Hood to Adequacy

As the effort to equalize funding disparities grew, so did the opposition. In New Jersey, for example, the legislature was dominated by wealthy interests and middle-class communities who fought the Robin Hood idea. The state court shut down the schools to force the legislature to distribute more funds to poorer districts. In *Abbott v. Burke* (1990, 1998), the state court identified twenty-eight failing districts (known as “Abbott districts”) where the rights of poor students were being denied. The court mandated that significantly greater funds be spent to transform their students into “productive members of society.”⁵

The *Abbott* cases in New Jersey contributed to a new line of litigation focusing on *educational outcome* (student achievement) rather than *financial input* (per-pupil expenditures). State constitutions do not guarantee that every student is entitled to either an equal education or equal funding, but they do guarantee a basic education to all. States use different words to express this right. Some states require that every student receives an “efficient” education, others a “sound basic” education or a “thorough” education, or that all schools need to be “free and uniform.”⁶ Together, these constitutional clauses are referred to as **adequate education** guarantees, intended to ensure that all students have the basic skills they need to be effective citizens and compete in the labor market.⁷

States differ dramatically in how they interpret adequate education, and how effective or ineffective their responses are.⁸ In Kentucky, the court ruled that the state’s “entire system of common schools was infirm.”⁹ The Kentucky state legislature launched a new curriculum, statewide performance tests, preschool programs for at-risk students, multiple grades in the

POWERPOINTS 9.2–9.3

The Public Education Dollar:
Where the Money Comes From
The Public Education Dollar:
Where the Money Goes

FOCUS QUESTION 3

What is the distinction between educational equity and educational adequacy?

same class, and economic incentives for educational progress. New York initially took a minimalist approach, but eventually went much further.¹⁰ States from Wyoming to Ohio endured years of litigation as they struggled to define adequate education.

Perhaps the purest example of the adequacy approach is found in Maryland. Historically, states decided how much money they could afford to spend on education and then decided how best to distribute those funds. Maryland turned that approach upside down. The state appointed a commission that defined adequate education, then computed how much money was needed to achieve it. Adequate education was defined as a school with at least 94 percent student attendance, less than a 4 percent dropout rate, and 70 percent or more of the students passing state achievement tests. Then the state commission studied successful schools that were meeting those goals and found that they were spending about \$6,000 per pupil. At the other end of the spectrum, low-performing schools had high numbers of poor children, non-English speakers, and children with special needs. Maryland determined that those schools would require an additional \$4,500 per pupil to reach the goals of an adequate education: Maryland would need to add more than a billion education dollars. The state tackled the problem voluntarily, and without litigation.¹¹ Maryland calls its program “The Bridge to Excellence” and invests about 80 percent of the additional funds for teacher salaries and hiring, particularly teachers working with poor and special education students, as well as English Language Learners. *Education Week* ranks the state’s schools first in the nation.¹²

Maryland is making a big investment in its schools. Is it worth it? When one economist calculated the impact of effective schools on a community, in this case Virginia Beach, Virginia, he found that the school district produced about \$1.53 of community value for every \$1 spent. On a national scale, the cost of poor achievement is beyond the imagination. In 2009, the consulting firm McKinsey & Co. estimated that the under education of poor and minority students costs the United States’ between \$1.3 trillion and \$2.3 trillion (yes, trillion!) in gross domestic product a year.¹³ When communities and nations cut back their educational spending, they lose far more than they save.

CRITICAL THINKING QUESTION

How would your students define an adequate education?

Adequate Education in Difficult Times

While adequate education has become the new rallying cry for more equitable school funding, the worst economic decline since the Great Depression began in 2008 and tested whether adequate education will be sustained. The recession caused most states to make deep cuts to school budgets, often affecting the neediest students.¹⁴ New York, for example, had just created a new formula to ensure adequate education, increasing school funding by billions of dollars, and then the recession hit. At first, the plan was frozen; then it was abandoned as a new round of cut backs began. New York was not alone.¹⁵ Other states made even more devastating cuts. The Center on

Budget and Policy Priorities surveyed twenty-four states and found that twenty-one of them were spending less on education in 2012 than they did in 2011; when the rate of inflation was considered, seventeen of the twenty-four were actually spending less than they did in 2008, even though costs for education and other services had risen. In California, the average per-pupil expenditure dropped by about \$1,500, causing many school districts, including Los Angeles, to cut eight to ten days from the school year. Class size grew to thirty students, and more than forty students in some high schools. Hawaii furloughed teachers and canceled classes for seventeen Fridays in a row. Texas terminated preschool services for 100,000 (mostly at-risk) children.

When local and state budgets get tight, school budgets become a ready target for cuts.





You Be The Judge

"EQUITY" OR "ADEQUACY"

We Should Seek Educational "Equity" Because . . .

MONEY TALKS

The gap between wealthy and poor communities makes a mockery of democracy and fairness. Poor students attend schools with leaking roofs and uncertified teachers; wealthy students learn in schools with computers, swimming pools, and well-paid and qualified teachers. No real democracy can ignore such glaring inequities.

EQUALIZING INPUT IS CRUCIAL

Isn't it strange that those who advocate business values like choice and competition ignore the most fundamental business value of all: money. Wealth creates good schools; poverty creates weak ones. Invest money wisely over a period of time, and watch those once-poor schools thrive.

EQUITY IS POWERFUL

Democracy and equity are powerful words representing powerful ideals. Adequacy is a feeble word subject to interpretation and compromise. What's adequate? Is it the ability to read at a high school level, or at an eighth-grade level? Does an adequate education lead to a minimum wage job? Only "Equity" can serve as a rallying cry.

We Should Seek Educational "Adequacy" Because . . .

MONEY DIVIDES

Robin Hood is dead. Wealthy communities are not going to fund poor ones, happily sending their hard-earned dollars to fund someone else's school. The cornerstone of democracy is local control, and trying to redistribute wealth is fundamentally unfair, and smacks of the approach used by communists (another failed system).

EQUALIZING INPUT IS INEFFECTIVE

We will never make schools more effective by throwing dollars at them. When California moved toward equitable input, the quality of its public schools deteriorated. Our goal is not to increase school budgets and per-pupil expenditures, but to increase student achievement.

ADEQUACY IS ATTAINABLE

Equity is a powerful dream, but adequacy is an attainable one. We are unlikely to achieve a completely equitable school system, but we can demand reasonable and reachable educational standards. Moreover, we are on firmer legal footing, because state constitutions guarantee not identical expenditures but an adequate education for all.



www.mhhe.com/sadker10e

YOU DECIDE . . .

Do you believe that adequacy or equity provides the best foundation for reforming schools? Explain. Can these

approaches be blended, or are they mutually exclusive?

Not surprisingly, it is back to the courts as school districts sued states for their promised funding. As we go to press, we do not know the outcomes of these lawsuits. Some believe that it is likely that the courts will once again require these states to honor their constitutions and fully fund schools. Others wonder if these difficult economic times may force the courts to reinterpret "adequate education" in a more limited way, requiring fewer resources from states that today seem to have fewer resources.¹⁶

Why are states poorer today than in the past? The national economy continues to struggle, and the anti-tax movement is starving both federal and state governments of revenues. Senior citizens are consuming more of the shrinking government budget, the national debt remains high, and all this at a

IMAGINE . . .

School Superintendent Gives Back \$800,000

Fresno County School Superintendent Larry Powell is returning \$800,000 in compensation. Powell manages 325 schools and thirty-five school districts with 195,000 students and will now earn less than a starting California teacher earns. He wants to fund projects close to his heart that were destined to be eliminated through budget cuts. Those projects include kindergarten and preschool, the arts, and a project that steers B and C students into college by teaching them how to take notes and develop learning strategy skills.

"Our goal has never been to have things," Powell said of himself and his wife. "We want to give back."

SOURCE: The Associated Press, August 28, 2011.

CLASS ACTIVITY
Educational Adequacy
 IM, Activity 9.2

time when there are fewer households with school-age children. It is likely that schools will be forced to find new ways of educating children. Perhaps class sizes will grow, because research reports that smaller class size benefits really affect students only in the early years. Rather than base salary on teacher seniority, it may be that young and less experienced teachers with strong teaching ratings will be given increased salaries, increased responsibilities, and larger classes. Greater use of online courses and other technological advances could well reduce school costs. Consolidation is likely to continue, eliminating even more rural and small schools into larger ones considered more cost-effective.¹⁷ Services that were once free, like school supplies, bus transportation, after-school clubs, or course materials, are in some districts already being charged to parents as “fees,” a trend likely to grow.¹⁸ Other changes are more difficult to predict. Just as charter schools are making longer school days and years more commonplace, budget tightening is having the opposite effect. It is difficult to forecast whether the school day and year will be lengthened or shortened. It is even difficult to foresee the future of adequate education laws themselves, because some question whether this approach is working.

The Camden, New Jersey experience raises doubts about using funds to improve achievement. After tens of millions of additional dollars were spent there, academic performance did not improve. Some argued that the reason for the failure was that additional funds were not used wisely. Other districts had similar experiences: court-ordered increases in school funding did not improve academic performance.¹⁹ Perhaps it is time to rethink adequate education, and ask the question: Does money matter?²⁰

Does Money Matter?

To my knowledge, the U.S. is the only nation to fund elementary and secondary education based on local wealth. Other developed countries either equalize funding or provide extra funding for individuals or groups felt to need it.²¹

POWERPOINT 9.4
 Does Money Matter?

Why do Americans tolerate such dramatic inequities in school funding? Here are a few explanations:²²

1. *Local control.* In colonial times, it was left to individual communities in rural America to support their local schools. The Constitution codified this practice, and even after urbanization and suburbanization, Americans continue to believe that local taxes should be used to educate neighborhood children.
2. *Horatio Alger.* The rags-to-riches story of fictional Horatio Alger symbolizes the strongly held American belief that wealth and success are the fruits of individual effort, and that an individual's circumstances are merely obstacles to be overcome. It stands to reason, therefore, that if hard work and motivation alone are responsible for success, poverty comes from a lack of effort and a lack of talent. Individualism absolves communities from any collective responsibility for the poverty of others.
3. *Genetics.* For centuries, genetic differences have been used to explain why some succeed and others fail. The notion that certain groups are genetically deficient is a recurring theme and often promoted in books such as Richard Herrnstein and Charles Murray's *The Bell Curve*.
4. *Culture of poverty.* Some believe that poor people live in and are shaped by the problems inherent in impoverished communities, problems that cannot be remedied through additional school funding.
5. *Flawed studies.* Back in the 1960s, the classic Coleman study reported that school quality and funding had less of an effect on student achievement than family background or peer groups, that schools mattered very little. (Note: Such studies have been cited for major methodological flaws.)

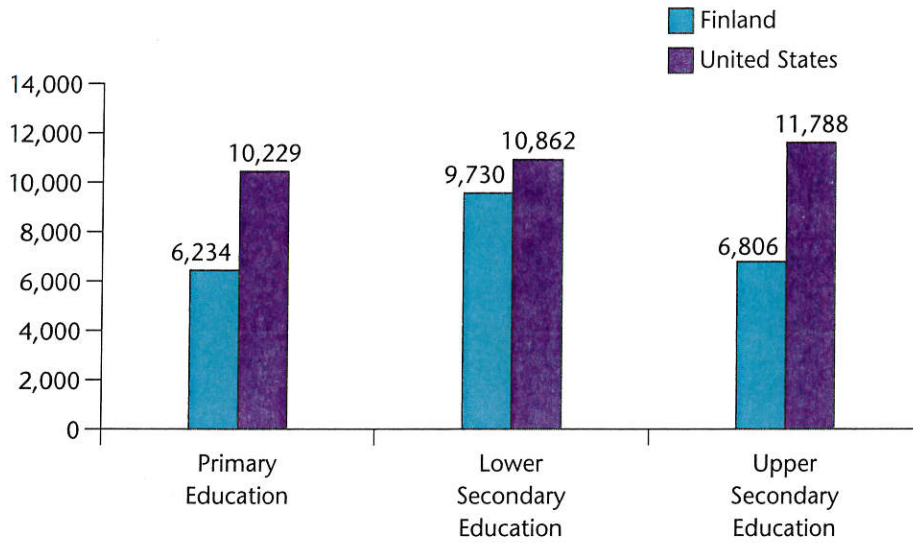


FIGURE 9.3

Comparison of per student expenditures in the United States and Finland.

SOURCE: Adapted with permission from Annual Expenditure by Educational Institutions per Student for All Services. CIEB: Finland. <http://www.ncee.org/programs-affiliates/center-on-international-education-benchmarking/top-performing-countries/finland-overview/finland-system-and-school-organization/>

REFLECTION: How does the way schools are managed affect the impact of the effectiveness of funding? Why is collaboration working in Finland, but not being used here?

6. *Previous funding increases have not resulted in achievement gains.* Critics point out that although education spending has increased, test scores have not. However, most new funds were not for increasing scores, but for specific educational needs, like special education, dropout prevention, expanded school lunch programs, and higher teacher salaries.
7. *Unaware of how other nations fund and manage schools.* Other countries fund and manage schools quite differently, and we can learn much from their methods. Later in this chapter, we will discuss Finland, a nation that approaches education with great freedom and flexibility, spends far less money, and often scores at the very top on international tests. In Finland, the federal government assumes about 57 percent of the costs of education, the local government the remaining 43 percent. Teachers are given great autonomy to decide the direction of education, and the key approach in schools is collaboration: successful schools, managed differently and costing far less. (See Figure 9.3.)

Does money matter? Trick question: It depends on how it is spent. Wealthier schools can attract better prepared teachers and create smaller classes, factors that make a difference.²³ Poorer schools cannot afford this.²⁴ In Illinois, for example, one wealthy district spends about \$20,000 more per student (not \$20,000 per student, which is amazing, but \$20,000 *more* per student) than a poor district in that state.²⁵ All across America, schools with educational everything continue to exist alongside schools struggling to keep the heat in and the rats out. Research suggests that well-spent funds can reduce the achievement gap, but adequate education does not even attempt to equalize spending; it simply tries to ensure a fundamental level of learning for all students.²⁶ Despite the Horatio Alger “rags-to-riches” myth, studies show that children born into poor families in the United States are less likely to rise out of poverty than those in other industrialized nations.²⁷ Schools disappoint the poor, and states need the money to reform them.

POWERPOINTS 9.5

Comparison of per student expenditures in the United States and Finland

CRITICAL THINKING QUESTION

Can your students cite personal examples of one or more of these arguments?

IMAGINE...

That Will Cost You \$36.13

In Scotts Valley, California, children who take a day off from school have to pay up. Students typically skip two days a year for nonillness reasons, such as family vacations. Each of those missed school days costs the local district \$36.13 in lost state aid. In a typical year, that is about \$250,000. The school district is asking families to make up the difference, \$36.13 for each non-sick day the student skips school.

SOURCE: *Mercury News*, February 14, 2007.

FOCUS QUESTION 4

What are the sources of state revenues?

CLASS ACTIVITY
The School Budget
 IM, Activity 9.3

CRITICAL THINKING
QUESTION

Ask your students what they think about funding schools (even a small portion of that funding) via lotteries. Are their beliefs about lotteries and their behaviors in agreement? Why do they buy or not buy lottery tickets?

POWERPOINTS 9.6

State Rankings of Per-Pupil Expenditures

FIGURE 9.4

State per-pupil expenditures for elementary and secondary schools: 2009–2010

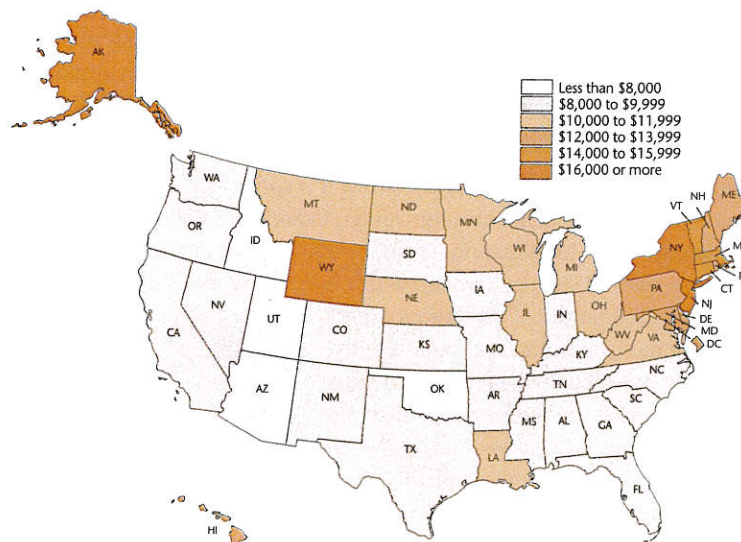
SOURCE: Public Education Finances, 2010, U.S. Census Bureau, Issued June 2012.

States Finding the Money

Let's assume that you have been asked by your (choose one or more of the following) (a) education professor, (b) teacher association, (c) favorite political candidate, or (d) spouse to find out where states find the money for our schools. Here are some common sources:

1. **Sales tax** (a charge added to all sales). Consumers pay a few extra pennies for small purchases or a few extra dollars for large purchases. The sales tax accounts for 30 percent of the typical state's income.²⁸ More than 40 states use a 2 percent to 8 percent sales tax. Sounds easy, but there are problems: Some people avoid the tax by taking their business to a neighboring state. The tax is regressive; that is, it hurts poor families more than rich ones because the poor spend most of their income buying necessities, so most of their money is being taxed.
2. **Personal income tax** (used in more than 40 states). The personal income tax brings in more than 25 percent of state revenues.²⁹ The personal income tax is collected through payroll deductions, money deducted even before you receive your paycheck. The tax is a percentage of income, and each state determines how equally, or unequally, the tax burden falls on the poor, the middle class, and the rich.
3. **Other revenue sources**. Other common state sources of funding include excise taxes (on tobacco, gasoline, and liquor, sometimes known as a *sin tax*), severance tax (based on the state's mineral wealth), motor vehicle license fees, estate or gift taxes, and state lotteries. Although state lotteries offer holders of winning tickets the chance to collect millions in prize money, a disproportionate higher percentage of the poor purchase these long-shot lottery tickets. Most states use lottery revenues to supplement, not fund, parts of an established education budget.³⁰

Your brief course in "State Finance 101" is over. You can see some of the limits of state revenue sources. For extra credit, can you devise an entirely new scheme to raise state funds? As you can tell from Figure 9.4, states vary widely in how much money is invested in education.



REFLECTION: Do your teaching plans include any of the states that spend the most or least amount per-pupil? Will this spending information influence your decision on where to teach? For more information on how different states respond to the needs of children, visit www.childrendefense.org.