THE COST-REVENUE SQUEEZE

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If I understand the tone that has been set for this conference, it is that we should look upon a variety of possibilities for the raising and distribution of funds for education. I will, since those presenting these possibilities are far better informed than I, quite deliberately consider some other aspects of the financial problem in order to put it into context.

For example, one of the questions frequently asked is, "How will the money be allocated equitably?" The context in which that question usually is placed suggests equitably for children, for learning. I will presume another context for that question – equitably for the taxpayer.

I have taken a set of statistics from recent publications of the Tax Foundation and the Office of Education. They must be, by political definition, conservative. Before looking at them, however, let us test our group mood. Are we optimistic or pessimistic about the 1970s? What management and control problems do we foresee in the next decade? Do we expect the cost-revenue squeeze to be a continuing fact of educational life? Or can we expect a loosening of that painful girdle?

There can be little doubt that today the local taxpayer feels painfully squeezed. The enthusiasm with which he votes "no" on local bond issues and school budgets whenever he gets a chance is a marked change from the mid-1960s. In those days he voted "yes" three times out of four. Today the school board that goes to the people's well comes back with an empty pail more often than not – and the pail tends to get smaller on each trip.

In more than a few districts the only solution to shortage of revenue has been to close down the schools for a while, a process which probably makes the voter-parents still angrier at the schools,

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even if it pleases many of the non-voting students. In New York City thousands of teachers were "laid off" because of the squeeze between built-in escalating costs and inadequate tax revenues. (In all candor, one must report that in this case at least it is hard to tell whether the enforced economy has made much difference in the performance of the schools and the learning of the pupils.) In Philadelphia, the city of not-so-brotherly love, ex-Superintendent Mark Shedd tested the local value system and found that athletic programs apparently are exempt from economy, but nothing else is. The state and local taxpayer, in short, is thrashing around a good deal in order to get out of his girdle or cost-revenue squeeze. It does not help him much to remind him that the reason for his discomfort is not necessarily a bad girdle but rather that he has grown and he has not changed his girdle size.

The most fashionable explanation for the trouble is that a taxpayers' revolt is underway – that the already overburdened middle class and working class will no longer stand for open-ended government expenditure. A cursory analysis of the California school revenue election shows that the traditional patterns of support and opposition to school funding are intact. Parents of school age children favor increased outlays; non-parents do not. In California, at least, this division cuts across religious lines with Catholic parents supporting money for public schools in the same proportion as their Protestant and Jewish neighbors. Those with the most to gain from good schools, the black and the poor, endorse increases overwhelmingly. The taxpayer revolt theory is attractive because schools are one thing about which voters are occasionally able to express themselves directly. How, we may ask, would social welfare programs or defense expenditures fare if they faced public referenda? On this theory outraged taxpayers are simply addressing themselves to the most visible target. That is, the schools bear the brunt of the public frustration.

It is equally reasonable to believe, perhaps, that the public and thus the legislatures are tightening the purse strings because the schools are no longer credible, are not doing their job well, and, therefore, do not deserve further support. Legislators who voted more money 5 or 10 years ago are still waiting for the good education the educators promised and did not deliver. So why throw good money after bad? Clearly the argument then is that it is not solely a case of the local taxpayer hitting education, the nearest target, but that it is against a background of a crisis of confidence as well.

How did the taxpayer get into this crisis in the first place? Again let me quote from a conservative source, President Nixon's Message on General Revenue Sharing:

> In the last quarter-century, State and local expenses have increased twelvefold, from a mere $11 billion in 1946 to an estimated $132 billion in 1970. In the same time, our Gross National Product, our personal spending, and even spending by the Federal Government have not climbed at even one-third that rate. How have the states and localities met these growing demands? They have not met them. . . . Some authorities estimated that normal revenue growth will fall some $10 billion short of outlays in the next year alone.[1]

The reason offered as to why the state-local revenues grow so slowly: the usurpation of the most elastic revenue source, the personal income tax, by the Federal government.

The schools and colleges, of course, are a major factor in the twelvefold increase in state and local expenditures. By far the largest category of expenditure, education has inevitably become a center of attention and concern. Will it continue in this situation throughout the decade? The purpose of this conference is to consider strategy and tactics in financing schools. It makes a good deal of difference whether we foresee heavy weather ahead, and for how long, since this estimate will surely help us to chart our course.

The table makes it clear that two quite different trends demand attention. For the first time since 1959, and in fact since 1949, the school age population is decreasing. It will increase a little in the first few years of the coming decade but it will go down to 50.3 million by 1979. Now this is a reasonably solid estimate based on the 1970 census. Most of the children counted in that figure have been born. You may have noticed that more recent analysis of the birth rate figures would suggest, if anything, that this prediction is too high. Many of us here have been living through a period in which our principal argument for more money was an unassailable statement to the taxpayer and to government sources: "Count them. Count their little noses. What do you expect us to do? You must give us buildings, you must give us more room!" Please note the trend in the top line of the table. This seems to me a fundamental change.

[1]U.S. Department of the Treasury, *General Revenue Sharing: The President's Message*, February, 1971, p. 8.

SCHOOL AGE POPULATION, STATE AND LOCAL TAX REVENUES AND EXPENDITURES FOR EDUCATION, 1959 and 1969, WITH PROJECTIONS FOR 1975 and 1979

	1959	1969	1975 (Projected)	1979 (Projected)
School Age Population (millions) (Ages 5-17)	43.2	52.8	n.a.	50.3
State and Local Tax Revenues (billions of dollars)	$ 32.4	$76.7	$90.2	n.a.
Total Expenditure for All Elementary and Secondary Education (billions of dollars)	$ 17.9 (current dollars)	$45.4 (current dollars)	n.a.	$ 55.2 (1969-70 dollars)
Current Expenditures per Pupil in Public Elementary and Secondary Schools (dollars)	$375 (current dollars)	$783 (current dollars)	n.a.	$986 (1969-70 dollars)

n.a. Not Available
Sources: State and local tax revenues and projections – Tax Foundation.
Other data – U.S. Office of Education, *Statistics of Trends in Education, 1956-60 to 1979-80,* March 1971.

Total expenditures for elementary and secondary schools increased, as you can see, at a whopping rate from $17.9 billion in 1959 to $45.4 billion in 1969. That was, of course, associated with a considerable increase in the number of pupils. However, the Office of Education projects a further increase of about 20 percent in expenditures, in constant 1969-70 dollars, between 1969 and 1975. The assumptions on which that projection was made by the Office of Education, which you will find in its publications, are not from my point of view unreasonable. But I would remind you that population goes down and expenditures up. Look at the results of that: current expenditure per pupil, $375 in 1959, $783 in 1969, (and by the way, there is some obvious change in dollar value between those two), and in 1969-70 constant dollars $986 per pupil has been projected for 1979. I do not find that an easy message to take to the state legislature.

The Tax Foundation's data show that state and local revenues totaled $32.4 billion in 1959, (these of course are not 1969-70 dollars), $76.7 billion in 1969, and a projected $90.2 billion in 1975. Therefore, two major trends again leap to the attention: the schools will have fewer pupils to teach in 1979 and governments will have more money to spend. One might assume that we can plan, with shouts of joy, to burn the girdle. But note the prediction of costs of schooling in the form of per pupil expenditures. It looks as though we may get fatter at a lively rate. Perhaps we had better be cautious before we join the free form fashions.

In any case, it is clear that educators can have little control over the numbers of pupils or the rate of growth of the economy. The one area they *can* control (or have control forced on them) is cost and quality of performance. As I read these figures, we had better plan, at least for the first part of the decade of the 1970s, to pay attention to cost control and quality improvements even as we consider various ways to raise and distribute revenues. The predictions for 1979 can be changed. I would suggest to you that an open mind would consider the possibility that we can get better results with the same or less investment, not just with more investment.