

The Key to the Future: Educational Funding in Alabama

Brooks Morgan

Not to educate a child well is a sentence to economic death in today's world. (The State of Children 20)

Education is the key to the future. No longer does simple education matter; educational quality makes a huge difference. An undereducated person does not have any chance for success. He cannot compete for employment opportunities, since unskilled and less-skilled labor is becoming a thing of the past. From self-service pumps at fuel stations to automated teller machines at banks, machines are replacing and eliminating jobs. Therefore, an undereducated person cannot support himself, and he becomes a burden on society. In the foreword to a recent report Children's Defense Fund, Marian Wright Edelman states, "Every \$1 invested in quality early childhood care and education saves \$7 by increasing the likelihood that children will be literate, employed, and enrolled in postsecondary education, and less likely to be school dropouts, dependent on welfare, or arrested for criminal activity or delinquency" (xii). Paying more for education now, therefore, actually saves a substantial amount in the future. An increase in monetary spending for education also augments the opportunities found in the school system. In the long run, education benefits society as well as the individual. An undereducated person cannot be expected to provide for herself and her family in today's economy. Therefore, the cycle of poverty can never be broken without education.

Yet, equal education opportunity does not—and arguably cannot—exist for all children in the United States of America. America ranks eighteenth among industrialized nations for the income gap between rich and poor children (The State of Children 15). This gap, which prevents

children from receiving fair and equal opportunities, is currently at its widest point in over thirty years (Edelman v). Partially as a result of the income gap, there is a large disparity in funding for school districts, since local consumption taxes play such an important role. Nationally, the poorest school districts spend fifty-six percent less per student than do the richest districts (Key Facts 1)! This large disparity leads to differences in the type of education received, indicating the need for redistributive efforts by states. Although expenditures do not solely determine the quality of education, lower levels of spending in lower-income school districts deny opportunities to the children who need them the most.

The problem is compounded by the fact that states across the nation are finding themselves in financial crises, and Alabama is no exception. Indeed, Alabama's situation is one of the worst. Approximately nine out of ten (or 90 percent) children in Alabama attend school in one of the 128 public school systems. In order to understand fully the effects of poverty on education, a detailed study of the state's taxation system must be undertaken. The regressiveness of Alabama's tax structure guarantees that equal opportunity will not exist in the near future. The entire tax system must be restructured before educational equality has a chance.

The Problem of Poverty

Education does not begin when a child enters school. Parents and the home environment play a large role in a child's education. For each year that a child spends growing up in poverty, an estimated \$11,800 of future productivity over his working life is lost (Children in Alabama 2). Lower-income parents often do not have as much time to spend with their children as do higher-income parents because they are working longer hours, often at multiple jobs. These children,

consequently, need more attention in the classroom than those children who receive extra attention at home. Hence, poverty certainly affects a child’s education as shown in table 1.

Table 1. Educational Impacts of Poverty; rpt. in The State of Children (4).

Outcome	Low-Income Children’s Higher Risk
Math scores at ages 7 to 8	5 test points lower
Reading scores at ages 7 to 8	4 test points lower
Repeating a grade	2.0 times more likely
Being expelled from school	3.4 times more likely
Being a dropout at ages 16 to 24	3.5 times more likely
Finishing a four-year college	½ as likely

The United States has more children living in poverty than any other industrialized nation in the world. Every *forty-three seconds*, an American child is born into poverty (Edelman iv, emphasis added). This is an astounding rate, and something must be done to help these children break the cycle of poverty. Poverty is enormously multi-faceted, and income poverty is just one aspect of the problem. Yet, income poverty can be studied statistically and thus can serve as a proxy for poverty as a whole. For this reason, the paper will focus on income poverty as a representative of the larger problem.

Amazingly, it would cost only \$34 billion a year to raise every poor family with children out of poverty, a figure that represents merely half of the fully-applied 2001 Bush tax cut for the top one percent of taxpayers (xvii). Thus, the money exists to solve the problem, but it is being used in other ways—as a refund to the top one percent of the population, as opposed to providing education benefits for our poorest children. The parents of wealthy children are having money returned to them that could lift the families of the poor children above the official poverty line.

Unfortunately, these poor children have much more to overcome than just a lack of money; the environment of poverty itself provides an obstacle for the children.

As might be expected by some, Alabama consistently ranks among the bottom ten states for the percentage of its children who live in poor families: only eight states have a greater percentage of children living in poverty than Alabama (The State of Children 42). As a result, it contributes a large number of impoverished children to the national average. According to the United States Census Bureau's website, 25.3 percent of Alabama's estimated 4,464,356 citizens are children. Of these 1,129,482 children, 21.4 percent live in poor families.¹ The educational system has a large burden, since more than one out of every five children comes from an impoverished family.

The Impact of Welfare Assistance

A strikingly large number of families (52,027) receive Temporary Assistance for Needy Families (TANF). However, Alabama gives less cash assistance through TANF aid than any other state or the District of Columbia. The maximum cash assistance a family of three can receive through TANF in Alabama is \$164 per month, or merely 13.5 percent of the poverty level (Children in Alabama 1). This is barely more than one-tenth of the federal poverty line! Families that earn 17.7 percent of the poverty level (or slightly less than \$2,600 for a family of three or \$3,186 for a family of four in 2001) are expected to support their families without any additional cash assistance!² This is certainly not enough money to expect a family to be self-sufficient.

¹ In 2001, the federal poverty line for a family of three was \$14,630 and \$18,000 for a family of four. Any family of three with an income below that level is considered poor. For more information, see Children in Alabama 1.

² For all statistics given in this paragraph, please refer to The State of Children 43.

Additionally, a family must have an income below \$18,048 to qualify for child care assistance, although the federal law allows a family to earn up to \$36,525 (Children in Alabama 1). Alabama's limit is less than one-quarter of the federal limit, leaving more children than necessary ineligible for childcare and early education. These limits place additional burdens on low-income parents, further deteriorating the atmosphere of the home environment.

The Effect of Poverty on Education

The majority of Alabama's poor children attend school in poor districts, posing an even greater problem. When large quantities of poor families are situated in the same school district, substantial problems arise. The school system has no money, and it has no way to raise any. The families of the students attending the school barely have enough money to subsist and have no extra money to spend on education. Therefore, the school cannot turn to local donations to help increase funding. If the poorer children were intermixed with wealthier families, the school would still have local resources in addition to state funding to help support their programs.

The problem of Alabama's impoverished children is clearly reflected in school lunch program participation rates. Almost half (48.8 percent) of the 731,000 students in kindergarten through twelfth grade are designated as poor, meaning they receive full or reduced-price lunches (Archibald and Dean). Federally funded reduced-priced lunches are determined on the individual school level. Out of the 4,500 students enrolled in the Opelika City School System, about 63 percent qualify for free- and reduced-price meals (Alabama Education 5).³ Note that in Perry County, the poorest school district in Alabama, almost 95 percent of the children receive

³ Opelika is located in Lee County, which forms part of the eastern border of Alabama. Approximately 22% of Lee County's 116,572 residents live below the federal poverty line. The per capita income is \$17,158. For statistical information on the Opelika City School System, please refer to Appendix II.

free lunches.⁴ Studies have shown that children who receive free lunches perform significantly lower on achievement tests and are more likely to drop out of school than their peers who pay for their lunches.⁵

The home environment plays a large role in these statistics. As discussed earlier, a child whose parents encourage him at home is much more likely to succeed in school. Unfortunately, the parents of children who receive free lunches are sometimes wondering from whence the money for the next meal will come, leading to a stressful atmosphere in the home. A teacher attempts to counteract the imperfect home-life, but he can only accomplish a certain amount.

The Quality of Education

To further understand the impact of poverty on education, one must determine the quality of education the children receive. Alabama uses a report card system to qualify this data for parental use.⁶ The report card allows parents to know how their children's school ranks in comparison to other public schools in Alabama. Quality is measured in two major ways: standardized test scores and teaching ability.

The Results of Standardized Tests

Statistically, quality of education is measured by using standardized test scores pertaining to reading skills, math skills, and writing skills. In 1998, 76 percent of Alabama fourth graders read below the level of proficiency; in 2000, 86 percent were not considered proficient in math (The State of Children 64). Although this problem is not unique to Alabama, these figures are

⁴ Perry County is located in the mid-west portion of the state. Slightly more than 35% of its 11,676 residents are impoverished. The per capita income is \$10,948. For statistics on free lunches and Perry County, refer to Appendix II.

⁵ For data tables pertaining to the amount of free lunches in Alabama, please see Appendix I-A. For data tables on the performance of students receiving free lunches as compared to those not receiving free lunches, please see Appendix I-B.

⁶ Alabama began releasing report card data in 1996. In 2000, Alabama became the first state to require every public school to send these report cards, complete with letter grades home to parents.

high. Over three-quarters of the children are not learning essential mathematical and reading skills. Across the nation, 38 percent of fourth graders cannot read at a “basic level”; and 77 percent of fourth graders, 73 percent of eighth graders, and 78 percent of twelfth graders are less than proficient in writing (Key Facts). It costs money to improve the scores of students on standardized tests. Without proper funding, these figures will decline instead of increase.

Sixty-two Alabama schools are currently listed as “Academic Priority Schools”, schools that are in need of immediate academic assistance. Schools are placed on the academic priority list based on standardized test scores. The criteria for each of the three tests are as follows: (1) Stanford Achievement Test: the average student percentile is less than 30; (2) Alabama Direct Assessment of Writing: no student in the school met or exceeded the academic content standards; and (3) Alabama High School Graduation Exam: less than 80 percent of high school seniors passed all of the required parts.⁷ The fact that 62 schools meet at least one of these three criteria is very alarming. The quality of education is noticeably declining due to funding problems.

The Number of Teachers

More teachers need to be added to the school systems in Alabama if children are to receive more individualized attention. Twenty-seven percent of classes have more than twenty students, and there are 15.2 students for every teacher (Children in Alabama 1). A child does not need his own teacher, but he does need to have the exclusive attention of the teacher at different times during the day. The teacher should be able to help every child in the classroom throughout

⁷ See Alabama Department of Education 27. For more information on Academic Priority Schools, please see Appendices II and III.

the day with particular activities. Funding must be found to increase the number of teachers hired by the system.

The Grading of Schools

Based on report card data released by the State of Alabama, comparisons can be made between the five wealthiest local school systems (Homewood, Hoover, Mountain Brook, Vestavia Hills, and Decatur, respectively) and the five poorest local systems (Daleville, Bullock County, Bibb County, Dallas County, and Perry County) in Alabama. The report card system assigns grades ranging from A to F to every school in Alabama based on many factors, including student and school test performance, teacher qualifications, per-pupil funding, and dropout statistics.

Interestingly, the lowest score received by Daleville, one of the five poorest systems in the state, was a B-.⁸ Although this school system has some of the lowest funding in the state, it still manages to provide a fairly stable education to its children. Although the per capita income is below average, the percentage of citizens in poverty is also below average. This community has many people who are struggling to make ends meet, but they are not impoverished. These parents have placed strong emphasis on education, likely because they want their children to have the opportunity to do more in life than have been able to do.

Looking at the data, it seems as though the percentage of children receiving free lunches is more highly correlated with school performance (used as a measure of the quality of education) than local spending per child. This makes sense, as children on free lunch programs come from poorer families. This statistic, therefore, tells more about a child's socioeconomic

⁸ Daleville is located in Dale County in the southeastern part of the state. About 15% of the county's 48,985 residents are considered to be impoverished. The per capita income is \$16, 010. For more information, please see Appendix II.

status than does the amount of local spending. Perhaps poorer areas need *more* spending than those areas with wealthier citizens. Extra funding would result in the hiring of better teachers and in the improvement of standardized test scores. Because the children from lower-income families might not have the same support at home as other children, they need extra monies to ensure they receive the best possible education in school.

The Funding of Education

The organization of educational funding has resulted in the appalling situation of the public school system. The localities have no money, and the state has no money with which to supplement local funding. State Superintendent of Education Ed Richardson summarizes the problem, “We are at a precipice. We must find a way to solve our funding problems or all of the progress we have seen will be lost” (qtd. in Archibald and Dean). Three key issues affect education: (1) the organization of the funding, (2) the inadequacy of the funding, and (3) the distribution of the funding.

The Organization of Funding

Education is funded by local, state, and federal taxes. The localities impose local sales and property taxes to receive revenue for education. The poorer areas, therefore, will receive less money for education. The state then steps in to ensure that at least a minimal level of funding per pupil is fulfilled. The federal government also provides a small amount to be used for education.

In Alabama, a minimum foundation plan (MFP) is used to fund education from the state to local level.⁹ Under a MFP, “a state provides the difference between the minimum amount it expects to be spent per pupil in all districts (the ‘foundation level’) and a level of local revenue that a given district is expected to generate” (Card 52-54). This amount is usually based upon an estimate of the district’s property tax base, making the amount per student greater in districts with lower tax bases. In effect, the state makes up a portion of the disparity found among school systems, as it provides enough funds to ensure that a district has a minimum amount of money to use.

For fiscal year 2001, 55.4 percent of school system revenues came from the state level (including the Education Trust Fund), 28.1 percent came from localities, 9.0 percent came from the federal government, and 7.5 percent came from other sources (Alabama Department of Education 14). Thus, the state provided over half of the funds used for education in Alabama.

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Figure 1 on the following page provides this data in an organized chart for easy comprehension.

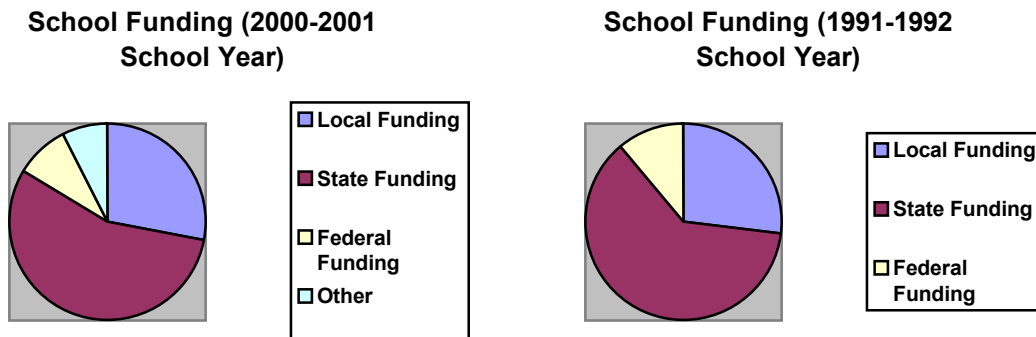


Fig. 1. Sources of School Funding; rpt. in Alabama Department of Education (14) and GAO (84).

⁹ The MFP is separate from the funds raised through local revenues.

This represents a decrease state and federal funding since the 1991-1992 school year, when the state provided 61.9 percent, and the federal government provided 11.1 percent, but an increase in local spending from 27 percent (GAO 84). There was no outside source of revenue in 1992 as there is now. The school system can no longer rely on outside donations to support its budget, as the stock market is not as stable as it has been in the past.

Due to the economic downturn, the state of Alabama is running out of money. The Education Trust Fund has been significantly depleted, and the funds for local districts are currently coming from a “Rainy Day” fund that was approved to prevent proration from occurring two years in a row.¹⁰ The “Rainy Day” fund helps offset financial problems in the state by putting a portion of oil and gas royalties toward education. However, this fund is all they have; there is no way to replenish the fund once it is exhausted (Richardson 2). Although the education budget was reduced by \$174 million in 2001, it appears as though an additional cut of six percent will take place in fiscal year 2004 (1). “From all indications,” according to State Superintendent of Education Ed Richardson, “fiscal years 2003 and 2004 look like they are shaping up to be among the WORST in the state’s history” (2, capitalization original).

The school system cannot handle this type of proration. Approximately 93 percent of a school system’s budget is made up of costs that cannot be reduced (Richardson 2).¹¹ This means that cutbacks must be made in travel, maintenance, instructional supplies, field trips (to save on gasoline), and thermostat-resetting (to save utility costs) (2). How are the school systems supposed to survive when the state itself does not have any money? Alabama already has the shortest school year in the nation, so additional cuts to the length of the year are not an option

¹⁰ Proration is the technical term for a reduction in the state education budget.

¹¹ These costs include 80-85 percent of the budget in salaries and benefits. Items such as utilities, insurance, bond debt payments, and gasoline cannot be prorated.

(2). The state does not have funds to give to local districts, and the local districts that are in desperate need of money have no way to raise any revenue themselves.

The Schedule of Taxation. Although it is one of the poorest states in the nation, Alabama maintains one of the most regressive tax systems in the United States. First, the wealthier citizens pay a lower percentage of income in taxes. Second, a tax deduction is allowed for federal taxes paid, which is worth more to the wealthy.¹² Finally, the system relies heavily on state and local consumption (sales and excise) taxes (Ettlinger 1-2). Alabama consistently ranks in the bottom five states for regressivity among its tax structure. This tax structure exacerbates the education situation by providing inadequate funding and working to keep the poor citizens poor. The poverty itself affects education, as does the lack of substantial funding.

According to a study by the Citizens for Tax Justice and the Institute on Taxation and Economic Policy, when taxes are taken as a percentage of income, the poorest twenty percent of Alabamians are paying 11.6 percent of their incomes in taxes, whereas the richest one percent are paying only 4.8 percent as shown in figure 4 on the next page (Ettlinger 1)! Fifty to seventy-five percent (as compared to a national median of 35 percent for all states) of the total state and local taxes imposed are sales and excise taxes. “Poor families pay [on average] more than six times as high a share of their income in these consumption taxes as do the best-off families” (4). It is no wonder that poorer areas have no funding for education—all of the residents’ money is

¹² “A deduction for federal personal income taxes paid saps a state personal income tax of its progressivity. The federal personal income tax is progressive, taxing the wealthy more heavily than middle- and low-income taxpayers. Thus, a deduction on the state income tax for federal income tax paid is worth more to the wealthy.” For more information, see Ettlinger 2.

being spent on taxes! This extremely regressive system benefits the wealthy much more than the poor.¹³

In a recent study by *Governing* magazine, Alabama ranked forty-eighth in the nation, tying with Tennessee and only receiving a higher score than Nevada, in its ability to raise revenue, its fairness to taxpayers, and its management of the overall tax process (qtd. in “State Ranks” 9). This means that the system is not set up in a manner that makes it easy to raise funds when they are needed. As shown earlier, the system clearly is not fair since it takes a much higher percentage of income from the poor than the wealthy. This does not bode well for a state trying desperately to raise much-needed monetary resources for education.

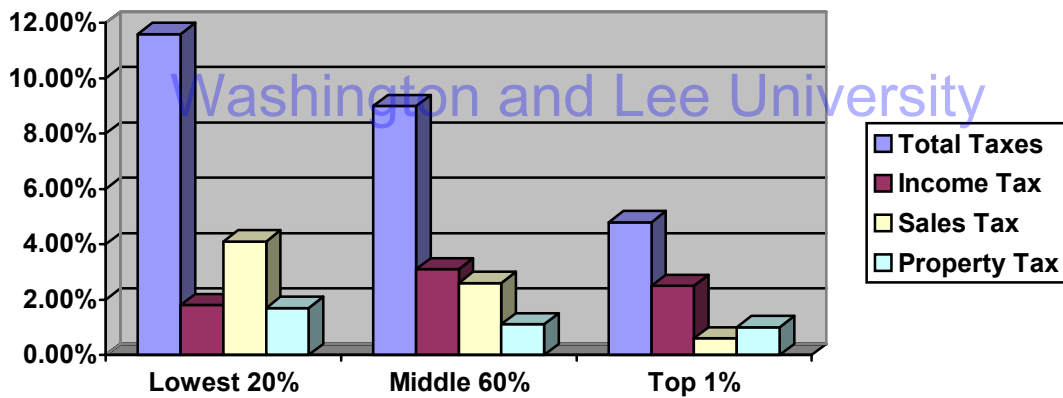


Fig. 4.

Taxes as Shares of Family Income Groups; rpt. in Ettlinger (5-10).

Due to the high sales taxes in the state and the low threshold of the state income tax, “the bottom 20 percent of families [which earn less than \$20,00 per year] pay twice the tax rate in state and local taxes as the top 20 percent of income earners [who earn over \$64,000]” (“Self-Sufficient”). This means that the very families that can barely subsist are paying a tax rate twice

¹³ For more detailed information on statistics in this paragraph, please refer to Table 1 and Figure 4.

as high as those families that can afford luxuries. The regressive tax system seems to drive citizens into poverty rather than lift them out. There is no money left to help support the local school system, and the poor are still trapped in poverty. This hardly seems fair, no matter how one views the situation.

State Income Tax. Alabama has the lowest individual income tax threshold in the United States. In 2001, the federal poverty level for a family of four was \$18,000. In Alabama, however, this same family was taxed at the threshold level of \$4,600 (“State Ranks” 9). The top income tax rate (five percent in Alabama) begins at only \$6,000 in taxable income (Ettlinger 6). The system taxes those people who literally cannot afford it. These families are living at a level well under half of the federal poverty line and are required by the state to give up additional monies needed for survival in order to pay taxes. However, due to deductions for both federal income taxes and state income taxes, “real marginal tax rates in Alabama actually fall off at higher income levels” (6). The poorest twenty percent pay 1.8 percent of their income on income taxes, while the richest one percent pays only 2.5 percent (7). The disparity is clearly visible by looking at figure 4 on the previous page.

Consumption Taxes. The main problem in the Alabama tax scheme lies in its heavy reliance on sales and excise taxes. These consumption taxes appear to be flat-rate taxes, but they are, in reality, extremely regressive taxes. As reported by the Citizens for Tax Justice and the Institute on Taxation and Economic Policy, “Because graduated rates are next to impossible in a sales tax, and because spending as a share of income falls as income rises, sales taxes inevitably take a larger share of income from low- and middle-income families than they take from the

rich” (Ettlinger 7). Just because a person has less wealth, he is not necessarily going to purchase less. He still has to buy those items necessary for daily life, including groceries, sanitary items, and gasoline.

Alabama has one of the twelve most regressive general sales tax systems in the nation, taxing even groceries (7-8). Sales tax takes 4.1 percent of income of the poorest twenty percent, but only 0.6 percent of the wealthiest one percent. The poor pay almost seven times the amount of the wealthy! The data is shown clearly in figure 5 on page 22.

The deep impact of consumption taxes also explains some of the differences in funding on the local level. Local sales tax revenues remain in the localities. The poorer areas are not going to earn as much revenue from sales taxes as are wealthier ones. The lower-income families are going to watch their money and will not buy the expensive items that people with a higher income will not hesitate to buy. The poorer areas, therefore, will need more money from the state to make up for this spending differential.

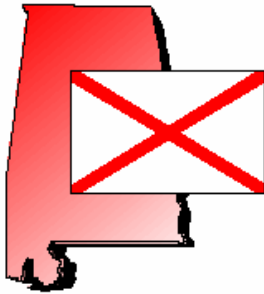
Property Taxes. While it has the lowest individual income tax threshold, Alabama has the lowest state property tax per capita in the United States (“State Ranks” 9). The state sales tax is extremely regressive, but property taxes are almost flat-rate. Granted, property taxes are still somewhat regressive, as they are not adjusted for family income, but at least they are lower overall than they could be. These taxes are based on the value of the land. In most circumstances, a poorer family’s land will not be worth as much as the land of a wealthy family (whether resulting from less acreage or lower property value), leading to lower property taxes for the poorer family. Property tax accounts for 1.7 percent of the poorest twenty percent’s income,

and 1.0 percent of the wealthiest one percent's income (Ettlenger 10). This is the most comparable percentage among the wealthy and the poor found in the entire tax structure.

One main reason for the lack of regressivity in the property tax system is the homestead exemption. This exemption excludes a certain amount of home value from taxation, ensuring that citizens with homes of the lowest value do not have to pay as much in the way of property tax (Ettlenger 9). They can save a little bit of money to use for necessities, instead of having to use it to pay a property tax.

Although the property tax is the least regressive tax levied in Alabama, there is a problem with the scope of the tax. Some districts have a limited property base for taxing. The poorer districts are going to have more residents qualifying for the homestead exemption, resulting in lower revenues for the area. Thus, the state should redistribute the funds received from property taxes to ensure that all localities can maximize the tax.

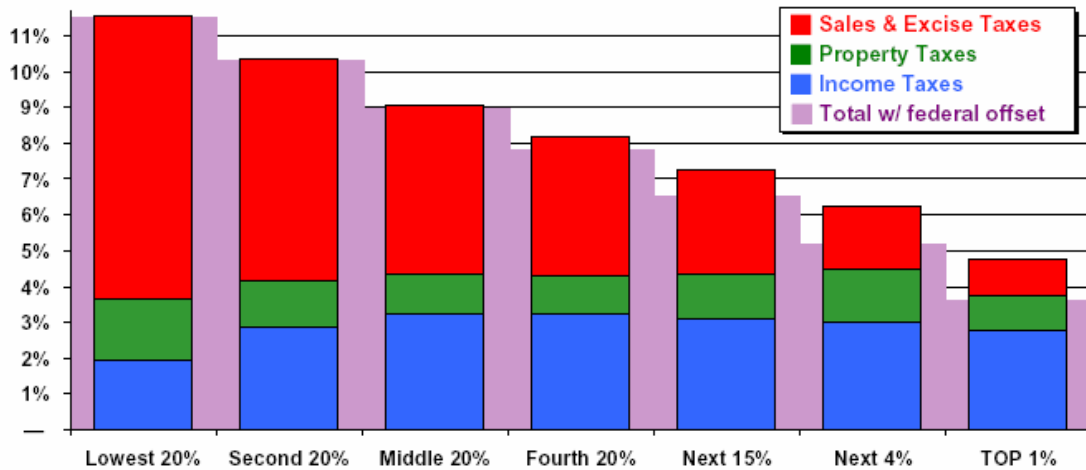
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Alabama

State & Local Taxes in 1995

Shares of family income for non-elderly married couples



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
	Income Range	Income Range	Income Range	Income Range	Next 15%	Next 4%	TOP 1%
	Less than \$20,000	\$20,000 - \$33,000	\$33,000 - \$47,000	\$47,000 - \$64,000	\$64,000 - \$104,000	\$104,000 - \$243,000	\$243,000 or more
Average Income in Group	\$12,200	\$26,500	\$40,100	\$54,800	\$79,000	\$140,000	\$580,000
Sales & Excise Taxes	7.9%	6.2%	4.8%	3.9%	2.9%	1.8%	1.0%
General Sales—Individuals	4.1%	3.3%	2.6%	2.1%	1.6%	1.0%	0.6%
Other Sales & Excise—Ind.	2.3%	1.7%	1.2%	1.0%	0.7%	0.4%	0.2%
Sales & Excise on Business	1.5%	1.2%	0.9%	0.7%	0.6%	0.3%	0.2%
Property Taxes	1.7%	1.3%	1.1%	1.1%	1.2%	1.5%	1.0%
Property Taxes on Families	1.6%	1.2%	1.1%	1.0%	1.2%	1.4%	0.7%
Other Property Taxes	0.1%	0.1%	0.0%	0.0%	0.1%	0.1%	0.3%
Income Taxes	1.9%	2.9%	3.2%	3.2%	3.1%	3.0%	2.8%
Personal Income Tax	1.8%	2.8%	3.2%	3.2%	3.0%	2.9%	2.5%
Corporate Income Tax	0.1%	0.1%	0.0%	0.0%	0.0%	0.1%	0.3%
TOTAL TAXES	11.6%	10.4%	9.1%	8.2%	7.3%	6.3%	4.8%
Federal Deduction Offset	-0.0%	-0.1%	-0.1%	-0.3%	-0.8%	-1.1%	-1.2%
TOTAL AFTER OFFSET	11.5%	10.3%	9.0%	7.8%	6.5%	5.2%	3.6%

Fig. 5. Distribution of State and Local Taxes by Wealth; rpt. by Citizens for Tax Justice (online).

The Inadequacy of Funding

Alabama is one of ten states in the nation whose per pupil spending is at least twenty percent below the national average. Alabama currently spends \$5,188 per pupil in an academic year (Children in Alabama 1). Appallingly, “Alabama spends 1.6 times more per *prisoner* than per *public school pupil*” (Children in Alabama 2, emphasis added). Alabama ranks among the bottom ten states for both “average state spending per poor child” and “average state spending per \$100 of personal income” (Gold 32-33). By ranking among the bottom ten states on *both* measures of spending, Alabama shows it does not have the same commitment to children’s programs as other states. One might expect for one measure to be low, but not both.

For example, a poorer state might spend less on each child than a wealthier state, as it has to spread less funding among a larger percentage of its population. The poor state, however, would be expected to spend a greater proportion of its revenue on aid to poor children. If it wanted the same amount of revenue, the poorer state would have to receive more per \$100 of income than the wealthier state. A poorer state cannot be expected to pay *more* per \$100 of income, but it is realistic to expect the poorer state would put a higher *proportion* of its revenue toward education. A state with lower-income citizens needs more money for education to attempt to combat the effects of poverty on children. Yet, Gold’s findings show the opposite: the states with higher numbers of poor children spend *less* in relation to their wealthier states, implying that some states are more committed to children’s programs than other states (33, emphasis added). Alabama simply places other priorities ahead of education.

The Redistribution of Funding

What little money there is has been redistributed in an attempt to lessen disparities among school districts. Historically, localities raised their own money for education, leading to large gaps between rich and poor school districts in educational funding. During the 2000-2001 school year, most local school systems used any reserves they might have had prior to the budget reduction. The state had to institute a redistribution program, as a result, to salvage these schools. Without redistribution, many school systems would not have survived.

There are many factors that influence the size of the gap between wealthy (low-poverty) and poor (high-poverty) school districts. These factors include tax base differences, tax effort differences, state and federal shares of total funding, targeting of state and federal funding to poorer (high-poverty) districts, and targeting of state funding to districts with low tax bases (GAO 83). The funding gap, consequently, is reduced greatly by redistribution efforts.

During the 1991-1992 school year, the gap between the wealthiest and poorest districts using only local funds was 66 percent. After state funds were added, the gap dropped to 19 percent; with the inclusion of federal funds as well, the gap dropped to only six percent (88). Through the use of federal and state funds, an additional \$0.92 was provided for every one dollar spent per poor student (88). The distribution is easily seen by looking at figure 2 on the next page. A gap still exists because the wealthier school districts are willing and able to raise more local revenue than the poorer ones. Therefore, redistribution is clearly necessary to help provide equal opportunities for all students.

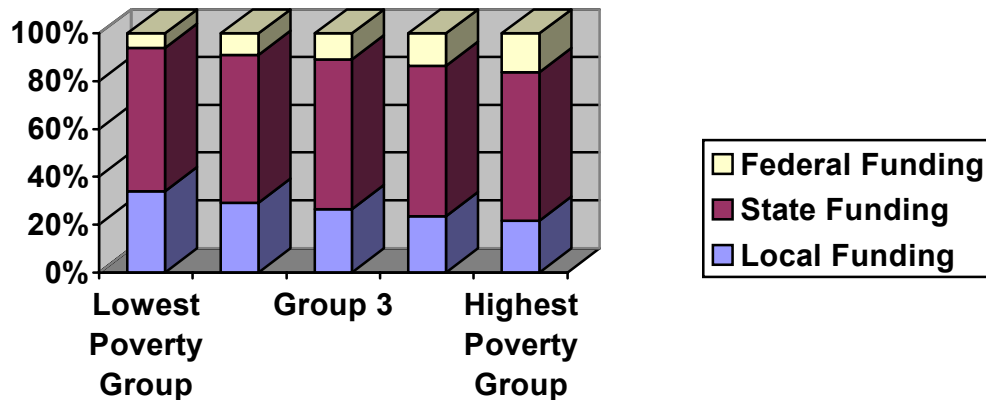


Fig. 2. Funding Distribution in Alabama (1991-1992 School Year); rpt. in GAO (90).

By redistributing funds, the state of Alabama attempts to provide equal educational opportunities for all of its children. This, however, can never truly happen. Parents in the wealthier school districts will send their children to private school if the quality of the education their children are receiving falls. If these parents no longer have children in public schools, they will rarely donate extra funds to public education. Therefore, the school system will not have local revenues upon which to rely.

The school districts in Alabama are, for the most part, segregated by socioeconomic status. The wealthier families live in localities with wealthy school districts. If the public school does not have enough money, these families either donate more money to the school or they will place their children in private schools. If the latter takes place, there is no reason that this community will pass an increase in taxes to support public education—their children are not in the public education system. Therefore, those families who cannot afford to send their children to private school lose. Their children cannot receive private education, and they are not receiving quality public education.

Also, redistribution does not necessarily mean more equality. David Card explains, “While changes in funding formulas shift the relative amounts of state aid received by richer and poorer districts, they do not necessarily lead to corresponding changes in spending. School districts may reduce local taxes in response to an increase in the amount of state aid” (50). Localities are attempting to lessen the burden placed on their citizens. The school districts that receive the most state aid are those that have the lowest local contribution to revenue. These are the poorest districts in Alabama. Their citizens do not have enough money to live off of, much less support education. Card continues,

Consistent with previous research on the ‘flypaper effect’ of targeted grants, our findings suggest that a one-dollar increase in state aid increases district education spending by 50-65 cents. Nevertheless, the inequality of local revenues per student widened between richer and poor districts during the 1980s, offsetting the equalizing effects of changes in the state aid formulas of many states.¹⁴ (50)

The districts are reducing their use of local monies when state funding increases because they need the extra money. Something needs to be in place to ensure that local funding does not drop when state funding is increased. These school systems need the extra funding to ensure the quality of the education they are providing.

Examples of the Problem

The problem of poverty and educational funding can be found throughout the state of Alabama. Two school systems in particular, Escambia County and Birmingham City, exemplify the financial crisis facing Alabama schools today.

¹⁴ The “flypaper effect” says that money sticks where it hits. Essentially, it implies that categorical programs affect governmental budgets.

The Escambia County School System¹⁵

Escambia County is located in southwest Alabama—two counties due east of the northernmost portion of Mobile County. Approximately 21 percent of the 38,181 residents live below the federal poverty level. The per capita income in 1999 was \$14,396, as compared to a state-wide average of \$18,189 (United States Census Bureau).¹⁶ Yet, Escambia County ranks 33 in the state for per-pupil funding—meaning that three-fourths of the state’s schools face worse fiscal situations.

Escambia County is in a dire situation: there is a \$2 million shortfall in funding predicted for next year in addition to a \$271,000 decrease in local sales tax revenues which resulted from the closing of Atmore’s Big K store. As a result, county commissioners have voted to petition the Legislature to approve a countywide referendum on a 10-mill property increase for education. This increase of one-tenth of 1 percent in taxes according to appraised value would generate \$2.5 million for education!¹⁷ Of this \$2.5 million increase, Escambia County schools will receive 77.23%, or about \$1.9 million.

However, there has not been a property tax increase in Escambia County since 1925. The system is currently funded locally through seven mills of property tax, coupled with some sales tax revenue and oil severance taxes. Unfortunately, the sales and oil severance tax revenues have been declining. Cash reserves are virtually non-existent in the \$32 million budget for Escambia County after declining tax revenues and several years of cutbacks in state funding

¹⁵ For statistics on the Escambia County School System, please see Appendix II.

¹⁶ All information contained in this paragraph can be found on the website of the U.S. Census Bureau <<http://www.census.gov>>.

¹⁷ A mill is one-tenth of a cent. When used as a rate of taxation, a mill represents \$1 in taxes for every \$1,000 in assessed value. In Alabama, agricultural property and single-family owner-occupied homes are assessed at 10% of their appraised value. For example, a home would have an assessed value of \$10,000 if it were appraised at \$100,000. Thus, a 1-mill tax for this home would be \$10. Commercial property is assessed at 20% of its appraised value; motor vehicles at 15%; commercial vehicles at 20%. For more information, see Baggett.

(Baggett). The property tax referendum has to pass in order to keep the schools from becoming poorer.

The Birmingham City School System

Birmingham is located in Jefferson County, slightly north of the middle of the state. Only 14.8 percent of its 659,743 residents live below the poverty line, compared to a statewide percentage of 16.1. Much of this poverty, however, is concentrated in the Birmingham city limits. As a result, the school system suffers from the lack of wealth. The per capita income is \$20,892 (United States Census Bureau).

Currently the Birmingham school system is spending \$1.4 million more each month than it takes in. As a result, the Birmingham Board of Education met Monday, March 11, 2003, to vote on a plan that would close nine schools, reconfigure eight more, and eliminate 555 jobs, saving \$30 million from the system's budget beginning with the new school year in August. If the plan is not approved, State Superintendent Ed Richardson will seek approval from the Alabama Board of Education to take over financial control of the system.¹⁸

The Birmingham area provides a unique look at the school system in Alabama. The Birmingham school system, which is in such trouble, is ranked 28 out of 128 school systems in the state in relation to local spending per pupil. However, right over the mountain, the school systems of Homewood, Hoover, Mountain Brook, and Vestavia Hills are ranked one through four, respectively ("Special report"). Please refer to Table 3. Homewood, Hoover, Mountain Brook, and Vestavia Hills are all affluent communities with strong local emphasis on education. They are willing and able to raise extra funds to ensure quality education for their children.

¹⁸ All information in this paragraph can be found in Dean and Temple.

Table 1. How Systems Rank in Local Funding; rpt. in “Special Report.”

Local Funding Rank	System	Local Spending per Pupil	Spending per Pupil
1	Homewood	\$6,275	\$8,156
2	Hoover	\$6,071	\$7,267
3	Mountain Brook	\$5,694	\$8,092
4	Vestavia Hills	\$4,070	\$6,339
28	Birmingham	\$2,213	\$6,502

Possible Remedies of the Problem

A new tax system must be implemented before anything else can be done for education. The current system, built upon the 1901 Constitution of Alabama, is not effective and hinders the budget-making process. The entire process must be reformed if it is to be effective in any way.

Increased property taxes might actually benefit both the citizens and the schools. The property tax is the least regressive tax in Alabama, and it should be increased to maximize its potential. Although the tax itself is less regressive than other taxes, wealthier areas benefit much more than the poorer ones. The state needs to redistribute the funds to ensure that poorer areas receive some proceeds from the property tax.

The property tax, along with local sales tax, applies most directly to specific areas that need additional funding. The sales tax should be decreased because of its exceptionally regressive nature, and the property tax should be increased. Also, the entire tax system must become more progressive to rescue the educational system. The wealthy must bear more of the burden than they currently do.

The state needs to spend more money in the localities with financial difficulties. Rather than just ensure that these school systems have the bare minimum, the state should make sure that they have enough to provide quality education to the children. It has been shown that these

children do not perform as well on standardized tests, and more funding needs to be implemented so that these schools can hire the teachers and aides that they so desperately need. However, progressive taxes cannot solve the problem of family poverty.

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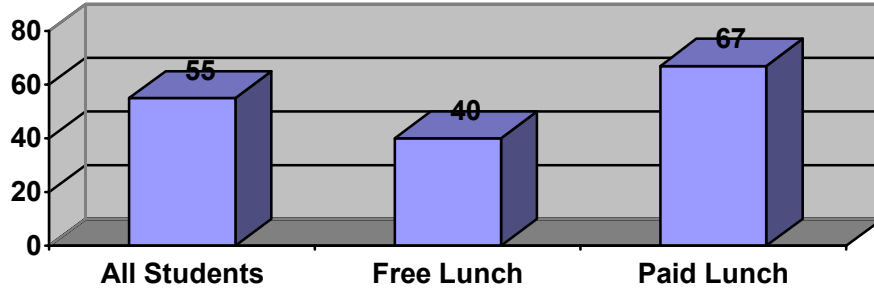
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Appendix I-A

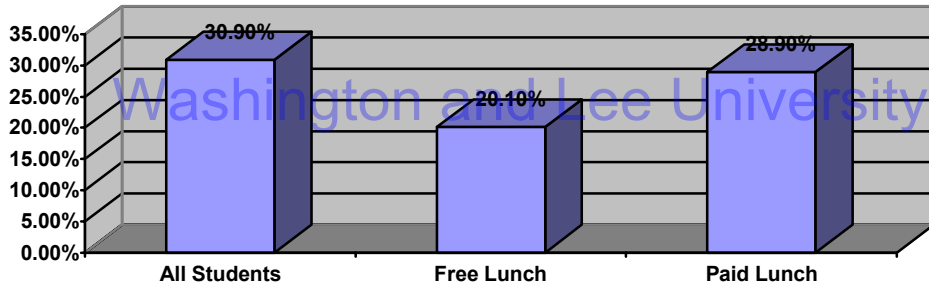
Stanford Achievement Test—Grades 3-8: Average Percentile Across Grades and All Subjects Tested; rpt. in Alabama Department of Education 10.



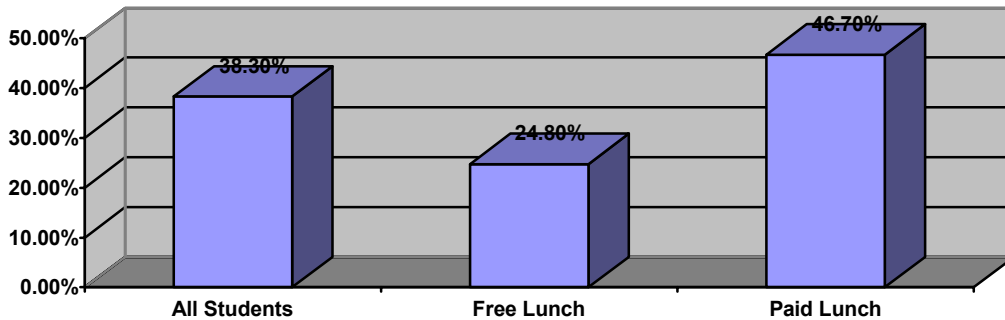
Note:

National Average is 50.

Percent of Students Meeting or Exceeding Standards in Grade 5; rpt. in Alabama Department of Education 11.



Percent of Students Meeting or Exceeding Standards in Grade 7; rpt. in Alabama Department of Education 11.



Local Funding Rank	System	Local Spending per Pupil	Spending per Pupil	Achievement Ability Comparison	Stanford	Writing – Grade 5	Writing – Grade 7	Free Lunch Percent	Dropout Rate Percent
1	Homewood	\$6,275	\$8,156	A	A	A	A	0.177	0.0234
2	Hoover	\$6,071	\$7,267	B+	A	A	A	0.087	0.0604
3	Mountain Brook	\$5,694	\$8,092	A	A	A	A	0	0.0150
4	Vestavia Hills	\$4,070	\$6,339	A-	A	A	A	0.02	0.0290
5	Decatur	\$3,584	\$6,767	B	B	A	A	0.418	0.1126
12	Tuscaloosa	\$2,901	\$6,413	B-	C+	C	C+	0.625	0.1978
13	Morgan County	\$2,879	\$6,606	B	B	B+	B+	0.388	0.1522
25	Jefferson County	\$2,311	\$5,619	B-	B-	B-	B+	0.283	0.187
28	Birmingham	\$2,213	\$6,502	B	C	D-	D+	0.757	0.1103
29	Opelika	\$2,177	\$6,068	B	C+	B-	A	0.556	0.0290
33	Escambia County	\$2,040	\$6,311	B-	C	D+	C+	0.663	0.1621
35	Lee County	\$2,014	\$5,584	B	B-	F	C+	0.419	0.1487
40	Jackson County	\$1,830	\$6,051	B	B	C	B-	0.557	0.1786
47	Gadsden	\$1,761	\$6,198	B	C+	D	B+	0.657	0.2291
48	Bessemer	\$1,738	\$5,751	B	C	F	F	0.565	0.1315
53	Montgomery County	\$1,644	\$5,719	C+	C	D+	D+	0.642	0.201
54	Washington County	\$1,643	\$5,765	B	C+	F	D-	0.612	0.0477
59	Fairfield	\$1,573	\$5,602	B-	C	F	F	0.633	0.0883
62	Mobile County	\$1,553	\$5,341	B-	C+	D	C	0.659	0.1855
63	Lawrence County	\$1,537	\$6,061	B	C+	C+	B	0.443	0.1529
65	Linden	\$1,524	\$7,060	B-	C-	D+	D+	0.938	0.0256
69	Talladega Co.	\$1,501	\$5,727	B	C+	C-	C+	0.62	0.1932
72	Choctaw County	\$1,473	\$6,302	B+	C	F	D+	0.778	0.3008
75	Clarke County	\$1,460	\$6,038	B-	C	F	F	0.675	0.0395
76	Anniston	\$1,448	\$6,487	C+	C-	C	F	0.851	0.2888
79	Autauga County	\$1,428	\$5,061	B-	B	C+	A	0.335	0.1588
85	Lowndes County	\$1,408	\$6,482	C+	C-	F	F	0.895	0.1462
89	Russell County	\$1,377	\$5,770	B-	C	D	D-	0.672	0.2875
97	Etowah County	\$1,312	\$5,368	B+	A-	C	C+	0.364	0.1785
99	Clay County	\$1,290	\$5,567	B	B-	D+	B-	0.558	0.1344
106	Marengo County	\$1,182	\$6,132	B-	C	C-	D-	0.839	0.1767
110	Pickens County	\$1,155	\$6,045	B-	C	B	D-	0.711	0.1969
115	Conecuh County	\$1,090	\$5,954	C+	C	D	B-	0.819	0.2707
116	Greene County	\$1,065	\$7,165	B-	C-	F	D+	0.918	0.3389
117	Coosa County	\$1,065	\$5,558	B-	C	F	B-	0.624	0.1602
118	Butler County	\$1,052	\$5,923	B-	C	C-	D+	0.769	0.2188
122	Hale County	\$1,018	\$5,760	B-	C	D-	D-	0.752	0.1673
123	Barbour County	\$989	\$6,247	C+	D+	C-	D+	0.903	0.2712
124	Daleville	\$989	\$5,658	B-	B-	B-	A-	0.488	0.1494
125	Bullock County	\$886	\$5,926	B-	C-	F	F	0.901	0.1520
126	Bibb County	\$883	\$5,514	B-	C+	C	D-	0.594	0.1483
127	Dallas County	\$843	\$5,755	C+	C	D+	C-	0.789	0.1361
128	Perry County	\$838	\$5,851	B	C	F	F	0.944	0.2689

Appendix III

Academic Priority Schools; rpt. in 2001-2002 Report Card 27.

System Name	School Name	Test
Autauga County	Autaugaville School	W
Barbour County	Barbour County HS	H
Barbour County	Clio School	W
Barbour County	Rebecca Corner School	S
Bibb County	West Blocton HS	H
Bullock County	Bullock County HS	SH
Butler County	Georgiana HS	H
Choctaw County	Choctaw County HS	H
Choctaw County	Southern Choctaw ES	W
Clarke County	Clarke County HS	H
Clarke County	Coffeeville ES	W
Clarke County	Coffeeville HS	H
Clay County	Lineville HS	H
Conecuh County	Conecuh County JHS	W
Coosa County	Goodwater ES	S
Dallas County	Southside HS	H
Escambia County	Escambia County HS	H
Escambia County	Pollard-McCall JHS	W
Etowah County	Whitesboro ES	W
Greene County	Eutaw Primary School	S
Greene County	Greene County HS	H
Hale County	Greensboro East HS	H
Jackson County	Paint Rock Valley HS	W
Jefferson County	McAdory HS	H
Jefferson County	Warrior HS	H
Jefferson County	West Jefferson ES	W
Lawrence County	Courtland HS	S
Lee County	Loachapoka HS	S
Lowndes County	Calhoun HS	H
Lowndes County	Central HS	SH
Marengo County	Amelia L. Johnson HS	H

System Name	School Name	Test
Mobile County	Ben C Rain HS	H
Mobile County	Mattie T Blount HS	H
Mobile County	Calloway Smith MS	S
Mobile County	Mobile Co Training MS	S
Mobile County	Lillie B Williamson HS	H
Montgomery County	Bellingrath JHS	S
Montgomery County	Chisholm ES	S
Montgomery County	Hayneville Road ES	S
Montgomery County	Houston Hill JHS	S
Montgomery County	Lanier Senior HS	H
Montgomery County	McIntyre MS	S
Montgomery County	Montgomery County HS	H
Montgomery County	Southlawn ES	S
Morgan County	Falkville HS	H
Pickens County	Carrollton HS	H
Russell County	Russell County HS	H
Talladega County	Talladega Co Central HS	H
Talladega County	Winterboro HS	H
Talladega County	Edward Bell HS	WH
Washington County	McIntosh HS	H
Anniston City	Anniston HS	H
Bessemer City	Jess Lanier HS	H
Birmingham City	Ensley HS-Magnet	H
Birmingham City	Huffman HS-Magnet	H
Birmingham City	Lincoln MS	S
Birmingham City	Powell ES	W
Birmingham City	Woodlawn HS-Magnet	H
Fairfield City	Robinson ES	W
Gadsden City	Litchfield HS	H
Linden City	Linden HS	H
Tuscaloosa City	Stillment Heights ES	S

Abbreviations

High School [HS]

Junior High School [JHS]

Middle School [MS]

Elementary School [ES]

Stanford Achievement Test [S]

Alabama Direct Assessment of Writing [W]

Alabama High School Graduation Exam [H]