The Unending Search for Equity: California Policy, the "Improved School Finance," and the *Williams* Case

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This article applies the logic of the "improved" school finance, arguing the need to understand how resources are used at the school and classroom levels. While California policies and most court cases have been seriously inadequate from this perspective, the recent case of Williams v. California provides new opportunities for equity since it follows the logic of the "improved" school finance.

The search for equity has been constant throughout the history of the United States, starting in many ways from the second sentence of the Declaration of Independence: "We hold these truths to be self-evident, that all men are created equal." Equality itself has seldom been a goal, except for some political rights; instead equality's normative cousin, equity, has usually taken the form of equality of opportunity. As Noah Webster described equality of opportunity in 1793, in one of the earliest and most elegant formulations, "Here [in the United States] every man finds employment, and the road is open for the poorest citizen to amass wealth by labor and economy, and by his talent and virtue to raise himself to the highest offices of the State." So hard work, thriftiness, native abilities, and moral standing might allow some to prosper over others, but family background or gender or location or other irrelevant characteristics should not.

Unfortunately, equality of opportunity is a difficult and abstract concept, and it's hard to define when it exists. It has been easier to identify

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conditions under which opportunity is manifestly *not* equal and then work to clear away these barriers to equity. In the realm of education, equality of educational opportunity has most obviously been violated when some children are excluded from public schooling and when resources are unequal, so efforts over the 20th century to enhance educational equity have tended to concentrate on inclusion at different levels including postsecondary education—of women, minority groups, immigrants and English language learners, the disabled—and on correcting inequalities in resources.[1]

In this article, we focus on the finance of schools as one of the potential solutions to inequity—indeed, as the solution that many advocates focus on first, even as critics complain about throwing (away) money at the problem. Like equity itself, the efforts to reform the methods of financing schools have their own long history of political and judicial efforts, dating at least from the early years of the 20th century (Grubb & Michelson, 1974, Ch. 1); they have been particularly active in California where *Serrano v. Priest* (1971) and three follow-up cases have led to substantial equalization of funding per student. But equity is a moving target, not only because the inequalities underlying schooling have been increasing[2] but also because our conceptions of what equity requires have changed. Inequalities in school resources persist, partly because efforts at equalization in most states have been incomplete—for example, legislatures have not produced funding methods that eliminate the differences among districts within their states. In addition, the resources available are sometimes poorly spent or wasted in some way. And the resources provided by schools are only a fraction of the resources provided to children by their families and communities, so providing equal opportunity might require compensating in some way for the differences in resources among children—a perspective extending back at least to the charity schools of the early nineteenth century. (Recognizing the power of family background is especially crucial in California, where socioeconomically disadvantaged students make up 47% of the school population.) So the prior efforts to equalize resources have been insufficient, and inequities persist not only in the resources at issue in the *Williams* case—qualified teachers, appropriate textbooks, and adequate facilities—but also in the outcomes of schooling like learning, persistence, and overall attainment. And so the question arises once again: Given that prior efforts at equalizing funding have not worked to produce equity, what are the next steps to take?

In this article we identify several kinds of problems with the conventional solution of simply providing additional funding when inequities and inadequacies appear. The first, the subject of Section I, is that states in general and California in particular have developed a large roster of policy instruments, or state mechanisms of directing educational policy. But the funding mechanisms in California are uncoordinated with other policy instruments,

so the attainment of educational outcomes—which generally requires that a number of different elements work in harmony—is undermined. Particularly when funding is necessary but not sufficient (NBNS) on its own—that is, when it has the potential to be effective *as long as* there are complementary policies—then solutions that operate only through funding are inadequate.

A second significant problem is that school finance reforms have always been debated in terms of dollars spent on schooling. The "old" school finance concentrates on the levels and patterns of spending, and usually neglects *how* dollars are used within classrooms and schools. The "improved" school finance (developed in Section II) concentrates on how dollars are actually used within classrooms and schools to produce desirable educational outcomes.[3] One insight of the "improved" school finance is that the effective use of resources is a two-stage process: It is first necessary to ascertain those practices and instructional conditions within schools and classrooms that enhance learning. Then it's necessary to allocate resources to those practices, rather than to other ineffective uses. The implication for state policy is that, if schools are to be more effective or more equitable, the state—and districts as agencies of the state—must develop ways to assure that funds are well spent.

In California the most recent in a long line of litigation intended to establish greater equity is *Williams v. State of California*.[4] This case is a good example of an "improved" school finance lawsuit, since the facts in the case move beyond the level of dollars spent at the district level to the instructional conditions—specifically the qualifications of teachers, the adequacy of textbooks, and the sufficiency of physical facilities—that students experience at the school and classroom levels. The solutions for these inequalities might also be more complicated than simple equalization of dollars. Instead, as we argue in Section III, a more complex combination of top-down funding patterns (the current approach) with a bottom-up process based on identifying inadequacies in either instructional conditions or outputs might be necessary. The *Williams* case therefore provides a vehicle for the state of California to consider more subtle and potentially more effective ways of achieving equity.

I. THE DEVELOPMENT OF STATE POLICY INSTRUMENTS AND THE ROLE OF SCHOOL FINANCE

The history of K–12 education is, *inter alia*, a chronicle of state efforts to improve the extent, quality, and equity of public schooling, moving away from the strictly local efforts that dominated until the early twentieth century. In some cases, these developments have emerged from challenges to inequity, of which the *Serrano* and the *Williams* cases in California are examples; in other cases they emerged from efforts to improve the efficiency of schools,

part of the "movement" for efficiency that developed after 1900 (Callahan, 1962); and in part they represent efforts to improve the effectiveness of schools, notably in school reform efforts since 1983. These developments have meant that the instruments of state policy and the apparatus of state government have become much more complex over the last century. In this section we use a functional analysis of different state instruments in California to trace the consistencies and inconsistencies among different areas of policy.[5] We consider financing first and then move to six other instruments.

FUNDING FOR CURRENT OPERATING EXPENSES

School finance in California has been shaped by many independent efforts. The *Serrano* suit is one example, with its efforts to develop equity in expenditures per student in the state—specifically, in the original case, to bring 95% of districts within $100 per pupil of the state average.[6] However, at least three other major events have intervened to attenuate the equalization effects of *Serrano*. By far the most important has been the passage of Proposition 13 in 1978, which constrained the use of property taxes at the local and district levels, contributing to the perception that resources in many California schools are inadequate. Resources per student—$6,232 in 1999–2000—are considerably lower than the national average of $7,146, even ignoring cross-state cost differentials in the salaries of personnel, the costs of construction, and the like. Because of the lack of local resources, policy and reform initiatives have shifted to the state level, and state policy and funding have become increasingly important. A second aftermath of Proposition 13 has been the explosion of state categorical grants, which now account for about 40 percent of all state aid, as legislators have tended to increase state resources not through general-purpose state aid but through restricted grants for specific purposes.[7] Because most categorical funds are distributed without regard to equalization, they undermine the equalizing effects of other state funds. Finally, Proposition 98 passed in 1988 provides a specified amount of any tax increases to K–12 districts (and community colleges). Unfortunately, the allocation of these revenues among districts, intended to provide a floor for school spending, has instead become more of a ceiling.

Overall, the changes in response to the *Serrano* case have resulted in a financing system that is considerably more equalizing than in most states. In an analysis of the 50 states, California ranked 10th in equalization efforts for the school year 1991–1992 (General Accounting Office, 1997). However, the state system of financing has almost surely become less equalizing over time, as categorical grants have become more important relative to other funds. Finally, and most important, the allocation of state (and local) revenues is not designed to provide overall equity (in any of its many conceptions) or adequacy (as defined in recent court cases) of particular instructional inputs

like qualified teachers, textbooks, or counselors. Instead financing has been constructed through myriad random and disconnected events without an overall plan for providing equitable education. And state funding is allocated to districts; if district policies are wasteful or ineffective, the potential efficacy of state funds is compromised as well.

FACILITIES FUNDING

California generates a pool of resources for facilities—raised through state revenue bonds—that is allocated to local districts according to a complex application process. But it does not necessarily allocate funds to the neediest districts; indeed, there's even some evidence that the funding process works against equity since sophisticated districts are often able to develop more timely and acceptable spending plans. Furthermore, state spending decisions for current expenditures and for capital outlays are not coordinated in any way, even though there are distinct connections between the two. Districts that fail to get capital outlay money must spend more on maintenance; conversely districts squeezed by low resources or high needs are likely to defer maintenance until facilities are in dreadful condition. Finally, funding for capital projects is unrelated to any other element of state policy. The best recent example is the provision of state funds for class size reduction (CSR), which amounted to $1.6 billion in 2001–2002. CSR has created needs for additional classrooms, but funding to provide additional school facilities to support the newly created classrooms was not included in the budget. There is no mechanism in state funding for capital outlays for any modifications when another policy places increased demands on facilities.

TEACHER POLICY

Credentials in California are established by the California Commission on Teacher Credentials (CCTC) to ensure the provision of qualified teachers. However, the shortage of qualified teachers in the state has meant that many teachers work with emergency credentials, with minimal requirements. In effect, the process of granting emergency credentials sidesteps almost entirely the safeguards that CCTC has developed, which is arguably a problem for the effectiveness of California policies in general.[8] In addition, teachers with emergency credentials are not evenly distributed throughout the state; they are concentrated in urban districts with high proportions of low-income and minority students and poor achievement scores (Goe, 2002). The result is considerable variation across districts in the quality of teachers, at least as measured by credentials. And again, there is little coordination of teacher policies with other policies, especially funding efforts.

TEXTBOOK STANDARDS AND REQUIREMENTS

California establishes lists of state-approved textbooks, and state funds can be spent only on these approved texts. But while the state restricts how textbooks are chosen, it does not monitor how textbooks are used or what textbooks are available. The practices that are the subject of complaint in the *Williams* case—that textbooks are frequently out of date or not aligned with California state standards, or insufficient numbers of textbooks prevent students from taking them home—are not covered by state policy.

ACCOUNTABILITY MEASURES

As in many other states, accountability measures have been developed to measure student learning and provide incentives and disincentives intended to improve learning. In California, the foundation of the accountability system is the Academic Performance Index (API), based initially on the SAT-9 tests and now based on the CSTs, California's standards-based test, and the CAT/6, the new norm-referenced test. In 2002, this accountability mechanism was joined by exit exams that students have to pass in English and math before they can receive a high school diploma. While the current tests given to California students may provide useful information, the weighting of various components of combinations of tests has changed drastically each year since the Public Schools Accountability Act was signed into law in 1999, resulting in API scores that are not comparable over time and are questionable in terms of their usefulness as a school-level measure of student progress. The federal No Child Left Behind Act of 2001 includes additional assessment requirements, for which the state uses the API; but Annual Yearly Progress under NCLB is calculated in different ways from progress under the state's system, creating inconsistencies in which schools are "failing"—and all of these tests are poor ways of measuring the quality of individual schools in any event. The prospect over the next decade is therefore inappropriate use of results from assessments that are inconsistent with other aspects of policy.

Among its many problems, the state's accountability system is uncoordinated with other policy instruments. Tests aligned with state standards were incorporated into the API incrementally by subject beginning in the 2001–2002 academic year, and they still count for only a percentage of the API; before then the API and California state standards were only occasionally and coincidentally consistent. The textbooks approved by the state, which have been slowly revised to align with state standards, do not (except coincidentally) incorporate the kinds of narrow skills required by the SAT-9, or that will be required by exit exams. The development of exit exams is almost sure to exacerbate inequalities among districts, since districts with

high concentrations of low-income students must spend additional resources to help improve pass rates on exit exams—but without any additional funding from the state. So an instrument of state policy intended to improve learning is, because of failure to coordinate with other elements of policy including finance, likely to undermine learning and exacerbate various inequalities among California schools.

CATEGORICAL PROGRAMS

Restricted grants in California have proliferated, and each of them is another kind of policy instrument—providing both resources ("capacity building") and regulations determining how these resources are spent ("mandates"). Each of them works in a different way, and some of them are quite complex; for example, Class Size Reduction (CSR) program, the Immediate Intervention/Underperforming Schools (II/USP) program, and the Beginning Teacher Support and Assessment (BTSA) program, all relatively expensive categorical programs, have been intended to improve education in very different ways, with the use of state resources constrained accordingly.

The many categorical grants are in some sense a response to the complexity of education, as well as to different visions of what practices most need improvement. However, three major problems have arisen as a result of the way these instruments have developed:

- These instruments have developed in isolation from one another, often in different agencies or in different pieces of legislation that fail to take other policies into account. As a result, there are many inconsistencies among these instruments. For example, current funding and capital funding are not coordinated; the development of subject standards was not coordinated with funding mechanisms to implement new standards; these new standards are not coordinated with initial accountability mechanisms; policies like CSR have not been coordinated with capital funding provisions, or with policies related to the supply of teachers; and accountability provisions have not been coordinated with funding mechanisms.[9] Furthermore, this pattern is likely to continue. For example, the new exit exams will create obligations for districts to provide additional help to students who fail the first time around; but these funds will have to come from existing resources since there are no proposals for increased state funding. Such "remedial" programs will be relatively larger in districts with concentrations of low-income, minority, and ELL students, exacerbating the inequalities that now exist. Of special interest to us, and the subject of Section II, is that funding provisions are usually uncoordinated with other policy instruments. The deliberations about current funding take place in legislative forums that are

independent of the forums that decide on teacher credentialing, on state subject-matter standards, on the state's accountability system, textbook standards, and capital outlays.[10] It's not surprising, then, that so little consistency among these instruments exists: there's no governance mechanism that can create such coordination.

- Many policies are individually necessary but not sufficient (NBNS) to create effective schools: They have the potential to be effective, but only when other complementary policies are in place. The most general example of NBNS policies is the conclusion, widely known and widely debated, that most school resources have little effect on school outcomes measured by standardized test scores (e.g., Hanushek, 1989). In this case, as we argue in the "improved" school finance, spending is necessary, but it's crucial to create other conditions that are also necessary for resources to be effective. This means that the development of funding policy in isolation from other policies is a potentially fatal flaw.

- Finally, the attention in state policy to the effects on schools and classrooms—as distinct from districts—has varied from inconsistent to non-existent. The largest amounts of state funding go to districts to spend as they see fit, with little oversight unless districts fail to abide by the requirements of categorical funds, or are in danger of becoming insolvent. If districts spend resources unwisely—in any of several ways outlined in Grubb, Huerta, and Goe (2004), and summarized briefly later—this is not currently the state's responsibility. A few state categorical programs direct resources to specific uses within schools and classrooms—for example, for textbooks, for CSR, and for II/USP. But otherwise the state pays relatively little attention to how its resources are used within schools and classrooms. In effect there is a division of labor in the post–Propostion 13 era, where the state concentrates on funding, districts decide on resource allocations among schools (including the allocation of instructional personnel, capital outlays, and students), and schools with little choice over resource levels are supposed to concentrate on using their limited discretion to improve educational outcomes. Given this division of labor, it isn't surprising that the effects of state resources on teaching and learning at the only level where it counts—the school and the classroom—are uneven at best.

A state with a coherent education policy would try not only to make each of its instruments of policy rationally related to learning but would in addition try to align its different instruments so they are consistent with one another. If there were substantial variation in district policies, with evidence that some districts waste their resources, then the state would need to monitor district decisions more carefully. Quite apart from the sheer burden of such

monitoring, under these conditions it would be crucial for the state agency entrusted with monitoring districts to be considered highly competent, a quality that bureaucratic civil service systems often lack. This "consistency agenda" would require a different approach to state policy, one in which the different arms of state government related to K–12 schooling are coordinated with one another and make joint decisions about policy initiatives. But in the absence of such an effort, state efforts are likely to be ineffective in enhancing teaching and learning, for reasons we continue to clarify in the next section.

II. THE PERSPECTIVES OF THE "IMPROVED" SCHOOL FINANCE: THE EFFECTIVENESS OF SPENDING

The assumption of the "old" school finance is that money is inherently a good thing, necessary *and sufficient* to improve the quality of schooling. Practitioners of the "old" school finance have concentrated on spending patterns—for example, the patterns of inequality in school spending at issue in the *Serrano* case, increases in revenues over time, the allocation of resources to functional categories like personnel and capital outlay—and have usually neglected how resources are used within classrooms and schools. However, there are many ways for resources to be misspent, without making the changes that might improve learning. Resources can be spent on cronies, or used to increase salaries without inducing greater efforts, or spent on reform efforts without changing practices, or they can be spent on well-intentioned but ineffective practices. As we have stressed repeatedly, they can be spent on changing practices that are potentially effective but that require other reforms to become effective—for example, computers without training for teachers, class size reduction without adequate numbers of qualified teachers or funds for facilities, or initiatives to make schools more orderly without paying any attention to learning. In many reforms, resources are spent on changes whose effects take time to develop; but if a change takes place—a different reform initiative, a new principal or superintendent with a different priority, a decline in funding—the earlier funding is effectively wasted.

In contrast to the "old" school finance, the central insight of what might be called the "improved" school finance is that the effective use of resources is a two-stage process (Grubb, Huerta, & Goe, 2004). It is first necessary to ascertain those practices and instructional conditions within schools and classrooms that enhance learning. Then it is necessary to allocate resources to those practices, rather than to ineffective uses; this is a process that may go awry at the federal, state, district, or school levels. Therefore, discussions about levels and patterns of funding and discussions of how these resources

are spent should always be joined. To be sure, others frustrated with the limits of the "old" school finance have come to the same insight.[11] But the perspectives of the "improved" school finance perspectives are not yet widespread, either in research, or in the practices of administrators and school reformers, or in legislation and policy-making. Analyses of school resources still concentrate on the dollars spent, rather than how these resources are used (e.g., Ladd, Chalk, & Hansen, 1999). Principals and other school leaders seem to lack the capacity to make cost-effective spending decisions, instead spending in piecemeal ways that respond to immediate needs rather than devising their spending around a set of instructional plans (Boyd & Hartman, 1988). Policy makers continue to increase funding for schooling without clear ideas about how these resources will be spent or what is necessary to make them effective.

The "old" school finance has either assumed that more resources are better than less, or has investigated the effectiveness of additional spending through relatively crude forms of statistical estimation relying on educational production functions. This research often results in findings that the effects of resources are statistically insignificant, often interpreted as showing that "spending doesn't make a difference".[12] Even those studies that have found certain resources to be effective have acknowledged that they cannot tell *why* resources might make a difference, so this kind of empirical analysis may not be particularly helpful to policy-makers and educators even when it does show positive effects of resources. Instead, from the perspective of the "improved" school finance, it is necessary to know more precisely *how* resources are used before one might expect increased revenues to improve test scores or any other outcomes. To know more precisely how resources are used, direct observations of educational practices may be necessary.

A simple model of schooling may help clarify the differences. School resources (R) are presumably useful because they influence instruction conditions (IC) within schools and classrooms; these instructional conditions, not resources themselves, affect school outcomes (SO). In addition, student are resources in their own right, and come to school with different levels of ability (SA) to benefit from instruction—different levels of motivation, of understanding of what school is for. Student ability to benefit is of course influenced not only by family background (FB) in several ways, but also by the resources and the instructional conditions within the school—the nature of teaching, the conditions conducive to engagement, and the like. So a relatively simple model of the effects of resources looks like Figure 1.

In contrast, the conventional approach to educational production functions simply looks at the effects of R and FB on SO, treating what goes within schools—the instructional practices and the conditions facilitating or

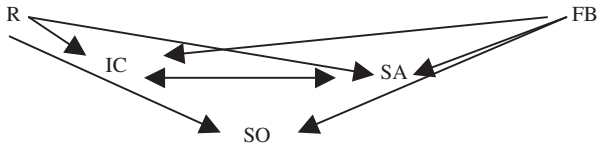

Figure 1. Model of the Effects of Resources.

hampering student ability to benefit—as a black box. The "improved" school finance tries instead to restore the complexity of the school, and of how resources are used, to the analysis.

A second problem with conventional production functions is that they don't help researchers and educators think about the *interactions* among different variables. For example, reduced class size might require staff development in order to enable teachers to adapt their approaches to smaller classes, as well as a supply of qualified teachers and adequate school facilities; improving underperforming schools might require a careful instructional plan and staff development to make sure that additional resources are well spent; and improving outcomes might require both improved instructional conditions and greater student motivation (National Research Council, 2003). But the linear statistical techniques used by researchers are not good at detecting the influences of variables that are *jointly* necessary.

There are many possible way for researchers to examine the use of resources in classrooms, following the insights of the "improved" school finance. One direct implication is that, rather than estimating conventional production functions relating outcomes to resources and family backgrounds, researchers should try estimating more complex models incorporating instructional conditions and student motivation.[13] A different tactic is to examine the effects of a sudden increase in resources available to schools, and to see whether resources are used to change instructional conditions in ways that are arguably effective in enhancing learning. For example, Goe (2001, 2003) examined school responses to the II/USP, which provided a sudden influx of funds accompanied by planning procedures; the question then is whether schools are able to spend these funds with greater attention to their influences on teaching and learning within classrooms, whether the effects of new funds are diluted in some way (including by district restrictions), and whether the amount of funding is enough to make a difference in the instructional program which might contribute to higher levels of student achievement. In addition, there are many implications for educators including principals: an "improved" school finance approach to school-level budgeting is to make sure all spending at the school level is driven by educational plans, rather than spending money haphazardly as many schools seem to do; and a district responsibility is to

give greater discretion to schools *and* to make sure that well-constructed plans rather than impractical notions, untenable theories, or mere convenience guide their spending.[14]

But in this article we want to explore the implications of the "improved" school finance for a range of state policies. One implication is that a simple question, or thought experiment, would be valuable before many policies are enacted: What will happen within schools and classrooms if a particular change involving additional resources is made, and how will such a change contribute to student learning? For example, the pallid results from the initial implementation of class size reduction, and the need to recruit and prepare teachers as well as to support school construction to increase classrooms (CSR Research Consortium, 1999; Stecher & Bornstedt, 2000), could have been anticipated and forestalled by reallocating resources within this reform. Paralleling environmental impact statements, one could envision classroom impact statements required to justify major policy enactments to focus attention on these collateral issues.

A corollary is that the "improved" school finance asks policy makers to think about the complementary policies required to change outcomes, rather than unitary changes. These almost always take the form of resources *plus* some additional requisites—money for computers *plus* resources for professional development, class size reduction *plus* teacher recruitment, the creation of smaller schools (or schools within schools) *plus* resources for construction costs and a vision of how teachers and students interact differently. The perspectives of the "improved" school finance would try to establish a more careful balance among the complementary elements of a reform involving resources.

In terms of funding districts and schools, we see at least two contrary proposals for funding mechanisms that follow the perspectives of the "improved" school finance and are more concerned with outcomes, but that avoid the problems of categorical funding. One is a centralized or top-down approach, exemplified by the work of Clune (1994), Duncombe and Yinger (1999), and the reforms in New Jersey, with the central authority (district or state) determining needs for resources and creating incentives to spend these resources effectively. Implicitly, these plans start from the position, based on the school effectiveness literature and other arguments, that adequate levels of resources are necessary but also require other changes to become effective. The first task is to define what "adequate" resources are, the subject of some effort over the past few years (e.g., Guthrie & Rothstein, 1999; Legislative Council, 1999; Minorini & Sugarman, 1999a). The second task is to try to promote the sufficient conditions for effective schools, usually by imposing some outcome requirements measured by conventional test scores (with all their well-known problems), or by requiring educational plans and state reviews of these plans, as in New Jersey.

A second, more bottom-up approach is one in which individual schools develop their own reform strategies and then find the resources necessary for them (see Miles, 1995; Miles & Darling-Hammond, 1998; Odden & Busch, 1998). In many cases, schools may be able to reallocate existing spending, converting "inert" to "active" resources—for example by replacing nonteaching personnel by classroom teachers to reduce class size and to allow all teachers to know their students well (Cohen, Raudenbusch, & Ball, 1999). In effect, this approach allows the school rather than the state legislature to define what "adequate" resources are, and then relies on the vision behind the school-level reform to assure that the resources are effectively spent. While top-down funding mechanisms are driven by the need to provide basic funding to all schools (or all districts), the bottom-up approach is more appropriate for determining the resources that are necessary in specific schools to carry out the reforms chosen by the school and its community. It's this second school-based component that provides the reasoning about *how* resources should be spent at the school and classroom levels, that can understand the complementarity among different resources and specify the combination of resources that are individually necessary but insufficient, and that can adjust resource needs to the particularities of specific schools. The second, bottom-up component is what converts an "old" school finance plan, based on a formula allocation of funds, into an "improved" school finance approach, reallocating funds according to the conditions in particular schools and classrooms.

Just as there are characteristic problems with formula-driven finding, there are characteristic problems in the "bottom up" component of any school finance plan. This practice might be effective for those schools with clear visions of reform and change, but it doesn't provide any direction for schools that are too disorganized, or harried, or internally contentious, to develop such visions. One question is then whether some hybrid approach is possible, avoiding the inequities of the bottom-up or reform-driven funding while still providing discretionary resources for schools with clear visions, and providing some incentives for reform and guidance for the most disorganized schools. One possibility, for example, might be a three-part funding mechanism: A formula would allocate resources to individual school accounts, with more resources allocated to schools and districts with higher student needs;[15] schools could spend some relatively high fraction of these resources by right—perhaps 90%—subject to performance standards and incentives; and the remaining fraction of funds could be accessed only with a multiyear improvement plan to enhance instructional conditions. Schools with inadequate performance might have higher amounts in this "discretionary" account, or they might be provided additional technical assistance to get around the problem of the neediest schools being unable to apply successfully for their discretionary accounts. Such a strategy places

much greater burdens on district or state officials (or perhaps county officials) to monitor performance and evaluate improvement plans than is now the case. However, this is the spirit of the "improved" school finance—that in the end resources will be much more effectively spent if some fraction of existing funds is reallocated to allow more careful consideration, by individuals within a school as well as "outsiders," of how resources should be used.

Many specific mechanisms of state and district policy require much more judgment about the quality of schooling than is evident in current debates about finance, which tend to emphasize the technical details of funding formulas. But that too is the spirit of the "improved" school finance—that policy makers should start to worry not only about the allocation of resources, but also about how those resources are spent. This in turn requires a certain kind of politics to emerge, one concerned with the quality of education rather than the division of the spoils.

III. THE *WILLIAMS* CASE FROM AN "IMPROVED" SCHOOL FINANCE PERSPECTIVE

Virtually all of the court cases around school finance that have been brought at the state and federal levels (reviewed in Minorini & Sugarman, 1999b) have emerged from an "old" school finance perspective. After complaints about the inadequacy of resources in low-wealth school districts, they turn to a reallocation of dollars among districts as the appropriate solution. The so-called adequacy lawsuits (reviewed in Clune, 1994, and Minorini & Sugarman, 1999a) worry more about what levels of funding are necessary for an "adequate" education, but in the end they too allocate dollars to districts and let districts worry (or not) about what happens in schools and classrooms. The case of *Williams v. State of California* is different, in our interpretation. The complaints in the case focus not on the inadequacy of resources denoted in dollar terms, but rather on the inadequacy of real resources—credentialed teachers, adequate textbooks, and appropriate physical facilities, all elements of instructional conditions (IC) in Figure 1 with effects on outcomes—at the level of schools and classrooms, not at the district level. Reforms must therefore occur at the level of individual schools and classrooms, rather than simply allocating more dollars to particular districts (though that might be a necessary if not sufficient condition for reform). The *Williams* case is, then, an "improved" school finance case, and its solution should follow the pattern of an "improved" school finance solution. An "old" school finance solution, following the pattern of *Serrano*, might deliver more resources to the districts that are the focus of complaints in *Williams*, but it would not ensure that these resources were spent on improving the conditions within schools and classrooms that are the basis of the complaint.

From the standpoint of the *Williams* contention that certain educational inadequacies are the responsibility of the state, it may not matter what the cause of any inadequacy is. But from the viewpoint of reform, it matters a great deal since the solution must address the specific cause. In particular, any inadequacy in instructional conditions could be due to one of at least seven different causes:

1. Levels of state and district resources that are inadequate
2. The failure of state funding to recognize differences in *need* among districts
3. The failure of state funding to recognize differences in *costs* among districts
4. The failure of districts in their methods of allocating resources to individual schools[16] to recognize differences in needs or costs
5. The retention of too much money at the district level, or the incompetence of local districts in conveying resources to their schools
6. Inappropriate district restrictions on how schools spend their resources
7. The inability or unwillingness of schools to spend effectively whatever resources they control

Top-down solutions can handle the first three of these problems, like changing the level and patterns of state funding, but they can do nothing about the last four problems. Therefore—as in all "improved" school finance policies—some bottom-up mechanisms are necessary first to identify and then to correct inadequacies at the school level.

One such mechanism among many that might be feasible would have the following three stages:

1. A top-down formula would allocate resources to individual school districts, where more resources would be allocated to districts and then schools with higher student needs. There are several imperfect ways of determining how much more needy districts should receive: Some states like Oregon (Legislative Council, 1999) have developed models based on different components of educational spending, using some judgment about the costs of programs for high-need students; some have decided to mimic how effective districts spend their funds; and some have tried to use production functions to estimate the resources necessary for equal outcomes (e.g., Duncombe & Yinger, 1999). The Oregon approach has been recommended by the K–12 Finance and Facilities Working Group of the California State Senate Joint Committee to Develop a Master Plan for Education in California. An additional wrinkle that should be

included is some variation for differential costs, since costs for personnel and facilities vary so much in a large state like California.

2. The state would specify targets for both outputs and inputs that it expects districts to meet. The outputs now specified by California are only those in the API; a new and improved API would include more subtle measures of learning and measures of progress and educational attainment as well as learning[17]. The inputs would include those specified in the adequacy formula, including teacher ratios and qualifications, books and computers, and the like. Districts would also be accountable for ensuring the appropriate distribution of inputs to schools. As it stands now, schools within a district can vary widely in terms of such teacher qualifications as in-field teaching and full credentials, and in the appropriateness and sufficiency of classroom space and school facilities. Districts must be held accountable for distribution of such inputs in a manner that ensures that the lowest-performing schools (in terms of student achievement) are first in line for facilities upgrades and last in line for the least qualified teachers.

3. Every district would generate an annual report describing whether they meet each of these input and output standards, for each school within a district.[18] If the district does not meet one or more of these standards, the district would present a plan for meeting such standards within a certain period of time. Then if any group—like parent groups, community advocacy groups, teacher groups, or student groups—believes that the state standards are not being met in a particular school, their first obligation would be to follow the state's Uniform Complaint Procedures to inquire of the district whether there are plans to correct the issue. If the district's response fails to resolve the problem, the group could then trigger an appeal to the county office of education or some other agency of the state, again providing sufficient evidence to justify its case of failing to meet state standards. The county office (or other agency) would then have the authority to investigate the complaint, determine its validity, and investigate which of several possible causes—and therefore resolutions—is appropriate. The third step—a procedure to trigger a state-sponsored investigation—may seem unusual, but it is already in place in California and several other states.[19]

The advantage of this three-part funding mechanism is that—in keeping with the "improved" school finance perspective that money is potentially effective but not necessarily effective by itself—it does not assume that state money is spent well and wisely at either the district or school level. Instead, it provides some rough guidelines, contained both in the top-down funding mechanism based on adequacy calculations and in the input standards, for

how funds should be spent. Then the triggering mechanism provides a way of enforcing the input and output standards, by allowing a complaint procedure if districts do not meet expectations about inputs and outputs. For the problems identified in the *Williams* case, this three-part funding mechanism would in the first stage provide more resources to high-need districts, including the districts in which many of the *Williams* plaintiffs live, but in the event such resources failed to correct inadequacies in schools and classrooms, the third stage would provide a way first to identify the problem and then to devise a response. The response could be tailored to specific situations, rather than being the relatively blunt instrument of a statewide funding formula; it could take into account the interactions among different policies, including the cases where specific reforms (including additional funding) need to be accompanied by other changes. Because of the importance of focusing on schools and classrooms, one of our favorite reforms might be especially important in assuring greater equity and effectiveness in teaching resources: classroom observation or inspection mechanisms, where external and internal observers or inspectors collect information about teaching through observations and interviews.[20]

Two final elements are critically important, for this or any other approach to the inequities that persist in California education. One is the effort to achieve consistency among the instruments of state policy, since policies that are uncoordinated, or work against one another, cannot be very effective. The second is stability of state policy. The instability of policy—particularly when laid on top of instability in district policies, instability in all revenue sources, the mobility of district and school personnel in urban districts, and the extreme mobility of low-income students—has created conditions in which schools limp along from year to year, adjusting as they can to new mandates (including many that come without adequate funding), with teachers justifiably cynical about the "reform du jour" and happiest when they can close their doors and leave the noise and confusion behind. Under these conditions the prospect of long-run reform—of carefully identifying the reforms necessary in a school, getting teachers (and parents and students) to accept these reforms, making the necessary changes and then institutionalizing them so they don't vanish when personnel turn over—is a fantasy. It would be worth a great deal, under these conditions, for state policy to develop some rational and reasonable approaches to equity, and then to stay with these approaches for long enough to institutionalize them. Whether politics in California is up to the challenge of stability remains unclear, particularly in the circus atmosphere of the fall 2003 elections.

The issues of equity in education with which we began this paper are not about to vanish. The claims of equity are too deeply rooted in American history and education, and the consequences of inequity—the miserable

conditions in urban schools, the persistence of achievement and other gaps including the black-white test score gap, the Latino-Anglo attainment gap, the differences in college access, the persistent effects of family background on every imaginable educational outcome—are unacceptable. Earlier efforts to undo inequity—foundation plans, desegregation, the funding of specific compensatory categorical programs, the generation of equity and adequacy lawsuits—have evidently not been enough to overcome these inequities, and so a more complex approach is necessary in the unending search for equity. In that effort, the insights of the "improved" school finance and the pressures of the *Williams* case may be useful in pushing us to a new stage of equity in California schools.

Notes

1 The ideas in these introductory paragraph are more fully developed in Grubb and Lazerson (2004, Ch. 8), drawing on the history of equality in the U.S. by Pole (1978). The quotation from Noah Webster is on p. 118 of Pole.

2 The increasing income inequality since the early 1970s, the increasing amounts of immigration, and the increasing responsibilities for disabled children have made the challenges of achieving equity more difficult since the 1960s.

3 We used to call this the "new" school finance, in an early paper for Policy Analysis for California Education, but this description has been used by Odden (2001) to describe a different conception of school finance that pays more attention to adequacy and costs than to the use of resources within classrooms and schools.

4 The *Williams* complaint can be found at www.aclunc.org/students/ca-school-complaint.html.

5 In their original formulation, McDonnell and Elmore (1987) discussed four instruments: mandates; inducements, especially financial resources; capacity-building; and system-changing efforts like market approaches. For our purposes this four-part categorization is too sparse.

6 By the mid-1990s, general purpose (revenue limit) funding was within about $300 of the mean for 96% of California's students (EdSource, 1998).

7 See Finkelstein, Furry, and Huerta (2000) for an analysis of categorical funding programs in California and their affect on school finance equity.

8 The question of whether teacher credentials improve the quality of instruction has been hotly debated; the evidence is reviewed in Goe (2002). Goe's results show negative effects of both emergency permits and being a first-year teacher on SAT-9 scores in California schools.

9 An exception is the provision of additional revenues to some low-performing schools through the Immediate Intervention/Under-performing Schools Program (II/USP), which benefits only a small number of schools each year.

10 On the problems in the California governance structure, see especially Timar (2001).

11 See especially Cohen, Raudenbush, and Ball (1999), with their discussion of active versus inert resources, and the somewhat different published version (2003), and the articles in Berne and Picus (1994), a volume that explicitly searches for the conditions necessary for outcome equity rather than input equity.

12 The widely cited summary of the evidence by Hanushek (1989) has been followed by two kinds of rejoinders: the technical criticism of Hedges, Laine, and Greenwald (1994),

arguing that Hanushek did not summarize the literature correctly, and the approach of citing "one more study," citing more recent analyses that find significant effects of school resources (like Ferguson, 1991, or the Tennessee experiments reviewed by Mosteller, 1995). The critique of the "improved" school finance is more substantive, since it argues that none of these studies can understand the role of resources if they don't determine how they are used at the school and classroom levels.

13 One of us (Grubb) is currently using the NELS88 data to estimate a version of the "improved" school finance model presented here. For other recent efforts in this vein see Raudenbush, Fotiu, and Cheong (1998) and Elliott (1998).

14 A number of districts (e.g., San Francisco, Sacramento, and Washington D.C.) apparently following a practice developed in Seattle, have required their schools to develop educational plans, and only then to generate budgets, where budget items are then linked to elements of the education plan. While this seems like a rational procedure, there have apparently been substantial difficulties both in the development of educational plans with real content, and in the development of parallel budgets—with the unsurprising result that schools within districts vary substantially in the success of this procedure.

15 A helpful referee noted that district policy may currently be much more important than school initiative in determining how resources are used. It's possible that an allocation of some state resources to schools rather than districts would enhance the ability of schools to make instructional and fiscal decisions. However, this is a difficult area to think about, with little empirical guidance except perhaps the experience of Hawaii, a one-district state. More research is needed.

16 Districts vary enormously in the ways they allocate resources to their schools. At one extreme, some districts allocate real resources—certain number of teachers, a certain number of specialist personnel (counselors, librarians, etc.) and specific budgets for supplies—to schools, which are then constrained in how they can reallocate resources. At the other extreme, some districts are moving to school-based funding, where individual schools are able within certain limits to spend their resources as they see fit, in conjunction with an education plan.

17 The API was originally intended to include other measures such as attendance, completion, and suspension data, but only when such data could be gathered and established to be valid and reliable. Unfortunately, California's antiquated data collection system has prevented the inclusion of additional measures; only test scores have been deemed to be valid and reliable.

18 A reporting system for school-level information, such as Rhode Island's In$ite system, would be helpful here. In$ite collects information at the school level on expenditures for teachers, substitutes, guidance and counseling, and other categories of spending. It could also be extended to include numbers of teachers, salary levels, vacancies and turnover, and many other measures of school quality, as well as student demographic characteristics. See www.ridoe.net/ride_insite/.

19 Under AB1200, a county office (or a local district) can trigger a financial investigation by the Fiscal Crisis and Management Assistance Team (FCMAT), a public agency that scrutinizes spending. In the II/USP program, low performance on the API can trigger additional funds and the other requirements of II/USP. Colorado, Connecticut, Massachusetts, and Texas all include some triggering mechanism, and the No Child Left Behind Act requires that districts respond to low-performing schools by providing additional assistance.

20 The inspection process has a long history in Great Britain (Grubb, 2000; Wilson, 1996), and there have been some American versions including the School Quality Review developed in New York (Ancess, 1996), a SALT (School Accountability for Learning and Teaching) process including a four-day visit in Rhode Island, and a procedure for school visits used by the New England Association of Schools and Colleges (Wilson, 1999). Kentucky, Maine, Illinois, and Oregon have experimented with observation processes based on the British system as part of recent school reforms.

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