

## School Foundations: Compromising Equity or Saving Public Schools

Sheldon Frankel, Professor, Seattle University School of Law  
Carol Merz Frankel, Professor Emerita, University of Puget Sound

National School Foundations Association: San Francisco, CA April 12, 2007

The political, social and legal consequences of school foundations can challenge our notions of public schooling in America today. At first these foundations seem to undo the gains in equity in school funding brought about in courts and legislatures over the last thirty years. But if we question this conclusion more carefully, we may change our minds. What is the source of their money? Could that money be otherwise allocated to public schools through the usual routes of taxation and distribution? How does the existence of these groups change the general make-up of public education?

In our own study in 1995 (1) we found foundation activity in all of the ten states we surveyed, but very few foundations raised more than \$100,000. Very few funded teaching positions. We concluded at that time that these foundations did not constitute a threat to equity because amount raised was so small compared to total budgets of school districts. We also saw many benefits in the foundations, even those raising modest amounts, in that they created new ties between the community and the schools. At that time school foundation money made very little difference, if any, in the student/teacher ratio of schools.

Since 1995 there have been many changes in factors influencing school funding. More states have implemented equity requirements stemming from court decisions based on state constitutions. The burden of funding schools has then been shifted from the local community to the state, and states have been asked to establish a level of funding for all schools. It is clear that if existing funds were just reallocated, affluent districts that had been receiving the benefits of taxing themselves based on their property valuations, would receive less revenue for their local schools than they previously enjoyed. States generally made some provision for the local taxing effort that had been in place before state redistribution occurred, but in general it did not make up for the loss due to redistribution.

Shortly after equity decisions were implemented states began to see a flurry of tax-payer revolts of varying magnitude which meant that schools had to compete harder for tax dollars. These have taken the form of tax roll-back initiatives, tax limitation measures, and spending caps. Taxpayers saw decreased return for their tax dollars as they were shared across the state, and their willingness to pay taxes dramatically decreased. There were other effects as well; for example, school districts were left with an impossibly high super-majority of 75% voter approval rate for local tax measures. Some of the implications of equity decisions were not immediately evident during the economic boom in the 1980's and 1990's.

The effects of tax limitation measures became clear when the stock market took a major downturn in 2000. States that relied heavily on income tax and sales tax were especially hard hit. By the summer of 2003 it began to be clear that affluent school districts, many with long established foundations, were raising enough local money to replace the money lost in state cuts. *The San Francisco Chronicle* reported that Los Gatos had mounted a phone campaign and raised enough money in six days to replace the ten teaching positions they would have lost to state cuts. Similar levels of fund raising had been occurring, albeit without the fanfare in the national press, in many of the school districts in such communities.

By this level of results, school foundations have moved into a different position in relation to state funding of public schools. These communities are no longer simply adding enrichments to the basic program funded by the state, but are able to fund a different and much richer educational program in their schools, a program that can be visibly different in day-to-day instruction of children. They are in fact paying a voluntary tax to the school district to fund the kind of educational program they desire.

It is difficult to know exactly how wide spread this level of fundraising is. A recent study by the Urban Institute (2) reports 1,267 school foundations filed Forms 990 with the IRS in 2001. The study reports that only 8%, or about 100 of these organizations nationwide spent over \$1 million.

What are the implications of this kind of fundraising for public education? Several researchers have studied the relationship between equity decisions, spending caps, and tax caps most notably in California in which Proposition 13 passed on the heels of the Serrano decision which equalized school spending across the state. They have concluded that *Serrano* caused the huge decline in school spending which took California from 11<sup>th</sup> among states in per pupil spending in 1970 to 30<sup>th</sup> among states in 1990. When districts were allowed to tax themselves directly for their local schools, many communities were willing to tax themselves at a fairly high level because they wanted exemplary educational programs for their children, and they saw the quality of their schools to be a defining quality of their community. The level of school funding was often even reflected in increased value of their homes and property. However after equity decisions were implemented, property owners saw the same tax dollars going to the state only to be returned in a lower per student amount. It appears that people will tax themselves at a higher level when they get immediate and visible returns on their tax dollar; if their tax results are diluted by sharing the revenue with other communities, their tax effort will be lower.

There is a gap between what a community would raise in taxes for its own use and what that same community would raise if there is a requirement for equitable sharing across the state. This gap is the money that is tapped by the local school foundations. From this conclusion, we can say that the money raised by local foundations is not money that would be otherwise available to schools under current legislation. Moreover, families in these communities have access to private schools. If through their foundation affluent parents are able to create the kinds of schools they want for their children, it keeps them among the supporters and constituents of public schools.

In this time of short public resources, even with our goal of equity, we should encourage affluent families to remain in the public schools. Public schools should serve all kinds of families and all kinds of communities. If we eliminated affluent families, the constituent communities of our public schools will gradually be made up of families with greater financial need. Schools would become primarily a social service agency, not the unifying common experience envisioned by Horace Mann and John Dewey as the foundation of our democracy. We would in fact develop an educational system more like that of England, where a leadership class is educated quite separately from the education provided by the state.

We must continue to take seriously our responsibility to educate all children. We must take seriously our responsibility to educate children of poverty and understand that to do so will make all our futures brighter. But if we truly believe in public education, we must not create systems that will drive out members of the public who have resources. We need these families within the system to create schools that truly serve our nation. This may mean that we must come to tolerate a certain level of inequity. Keeping all levels of the public fully in a position to benefit from the decisions to fund schools may be necessary to achieve an adequate level of basic funding from the citizens of the state as a whole.

1. Carol Merz and Sheldon Frankel, *Private Funds for Public Schools*, (Tacoma, WA: University of Puget Sound, 1995).

2. Linda Lampkin, and David Stern, *Who helps public schools: A portrait of local education funds 1991-2001*. (Washington, DC: The Urban Institute, 2003).

3. See for example, William Fischel, "Did Serrano Cause Proposition 13?" *National Tax Journal* 42(4), 1988) and Fabio Silva and Jon Sonstelie, "Did Serrano Cause a Decline in School Spending?" *National Tax Journal*, vol.48, no. 2, 1995).

- Urban Inst - @ 100 funds raised \$1M+ annually and fund  
- Voluntary staff