

Expanding the Knowledge Base: A Rejoinder to Townsend (1998)

Brian O. Brent

University of Rochester

Perhaps the most common way to reply to a comment on one's article is to claim that the critic misunderstood the initial argument and is lost in the conceptual thicket. Such an approach would be inappropriate in this instance. Townsend's (1998) comments are not only thoughtful and instructive, but they support my view that policymakers should consider seriously the use of nonresidential expanded tax base approaches to fund public school systems. Thus, I will use this space to address, rather than dismiss, Townsend's concerns. I am hopeful that our exchange will benefit future analyses.

Townsend recognizes that the ability of nonresidential expanded tax bases approaches to improve measures of student equity is directly dependent on the distribution formula employed. He is concerned, however, that the formulae employed in my analysis "understate the potential equity gains from a carefully designed nonresidential ETB." Had I used the "kind of equity-generating formulae already used in some states to distribute general aid to education," Townsend argues, I would have "concluded that virtually any equity objective can be achieved by a nonresidential ETB system." Townsend goes on to offer Maine's state aid formula (1985, p. 184) as one such example.

Let me respond to Townsend's comments in two ways. First, I do not believe that Townsend is "quibbling" when he recommends alternative distribution formulae. As I explained in my article, however, the distribution formulae I selected for this analysis represented only a few of an infinite number of mechanisms that could be devised to distribute pooled nonresidential taxes back to local districts. I designed each formula to capture a different measure of a district's fiscal capacity to support education services, thereby, offering policymakers insight into the efficacy of a variety of formulae types. Second, I also designed the formulae to be conceptually straightforward. My intent here was to focus policymakers' attention on the school finance approach, expanding nonresidential tax bases. Once policymakers recognize the potential of this reform strategy, researchers can then examine the efficacy of more complex, and perhaps more equitable, distribution formulae.

However, I do not share Townsend's optimism that more equitable distribution formulae can be found in existing state aid systems. After all, I examined a school finance policy that was designed to address the inability of New York's state aid system to produce an equitable distribution of resources. There is also strong evidence that aid formulae in other states have failed to remedy school resource inequities. Since 1990, more than half of the states have been involved in litigation dealing with the distribution of state aid to schools (Brent & Monk, in press). My point is not that researchers should dismiss existing state aid formulae. Rather, researchers should consider what we have learned about the efficacy of state aid formulae and then define nonresidential ETB distribution mechanisms accordingly.

Townsend is also concerned that the specification of the distribution formulae will be subject to political manipulation. The impetus behind nonresidential ETB approaches to school finance, however, is to remedy existing inequities in the distribution of educational resources. Although policymakers will not always adopt formulae that produce the most equitable distribution of resources, it does not follow that policymakers would further undermine equity by designing dubious formulae.

Townsend also argues that given the "implementation problems" that accompany nonresidential ETB approaches, the policy change "may not make sense if equity gains are modest" (p. 184). I agree. However, policymakers should also consider the collateral benefits that accompany nonresidential ETB approaches to school finance. For example, the public finance literature suggests that expanded tax bases do the following: ameliorate the distorting effects of the property tax on the location decisions of firms (Carlton, 1979; Oakland, 1978), limit fiscal competition among neighboring jurisdictions for economic development (Mullen, 1990), limit the ability of firms to export a portion of the tax burden to consumers residing outside the taxing jurisdiction (Gold, 1994), discourage districts with large amounts of nonresidential property to over invest in public services (Ladd & Harris, 1995), insulate jurisdictions from adverse effects of deterioration and changes in the composition of the local property tax base (e.g., industrial plant closing, exempt property), and improve the administration of the property tax with respect to assessment and valuation standards (Netzer & Berne, 1995).

Correspondence concerning this article should be addressed to Brian O. Brent, Warner Graduate School of Education and Human Development, University of Rochester, Dewey Hall 1-335, Rochester, NY 14627. (bnbt@troi.cc.rochester.edu)

The findings reported in my study represent early and still quite incomplete attempts to determine the effects of nonresidential ETB approaches on measures of student equity. Indeed, several avenues exist that might guide future inquiries. For instance, because the policy change would produce large shifts in spending, a possible extension of this work would be to model a nonresidential ETB proposal that is phased in over a number of years (e.g., 3 or 5 years). It would be also interesting to construct a nonresidential ETB approach that focuses only on growth in the nonresidential tax base. However, the greatest potential for extending this work would be to examine the impact of nonresidential ETB approaches on measures of student outcomes. In recent years, the primary objective of policymakers in ordering or enacting a school finance reform has been to design a system that produces "adequate" levels of student performance. My study fell short of uncovering what we would like to know about how the policy change would influence student learning. Part of the problem stems from the fact that consensus has yet to emerge with regard to what outcomes school should pursue, how these outcomes should be measured, and what costs are required to produce these outcomes. As education policymakers continue to discover to answers to these questions, additional opportunities to examine nonresidential ETB approaches will arise.

References

- Brent, B. O., & Monk, D. H. (in press). Public schools and public dollars. In T. A. Hirschl & T. B. Heaton (Eds.), *New York in the 21st Century*, Westport, CT: Greenwood Press.
- Carlton, D. (1979). Why new firms locate where they do: An econometric model. In W. Wheaton (Ed.), *Interregional movements and regional growth* (pp. 13-50). Washington, DC: The Urban Institute.
- Gold, S. (1994). Tax options for states needing more school revenues. West Haven, CT: National Education Association.
- Ladd, H. F., & Harris, E. W. (1995). Statewide taxation of nonresidential property for education. *Journal of Education Finance*, 21, 103-122.
- Mullen, J. K. (1990). Property tax exemptions and local fiscal stress. *National Tax Journal*, 43, 467-479.
- Netzer, D., & Berne, R. (1995). Discrepancies between ideal characteristics of a property tax system and current practice in New York. *Journal of Education Finance*, 21, 38-56.
- Oakland, W. H. (1978). Local taxes and intra-urban industrial location: A survey. In G. Break (Ed.), *Metropolitan financing and growth management policies* (pp. 13-30). Madison, WI: University of Wisconsin Press.
- Townsend, R. E. (1998). Reply to Brent (1998). *Journal of Research in Rural Education*, 14, 183-184.