WELCOMING REMARKS
By Robert P. Forrestal
President and Chief Executive Officer
Federal Reserve Bank of Atlanta
Federal Reserve Bank of Atlanta and Georgia State University's
School Finance Conference
Atlanta, Georgia
September 22, 1994

It is a pleasure to welcome you to the Federal Reserve Bank of Atlanta for this conference on school finance, a topic that deserves attention from the keenest minds in our nation. We have worked hard to ensure that our speakers and discussants come from a broad range of backgrounds, including academia, state government, and other arenas of public policy. We have worked equally hard to attract knowledgeable audience members who are fully capable in their own right of advancing the debate on school finance reform. Let me also add that the moderators for each session, some of whom are prominent members of the business community and the media, also come with strong credentials and a proven interest in the field of education. So I am confident that each of you will come away tomorrow with a deeper understanding of the issues and perhaps some answers to problems in your own states.

This is the second conference on state fiscal policy issues that the Atlanta Fed has cosponsored with the Policy Research Center of Georgia State University. We have found that our partnership works well in many ways. Both entities take a scholarly approach to policy issues, for example, yet we each have different networks with which we typically interact. Be that as it may, many of you may still wonder why the Fed is involved with a conference about school finance. After all, while it seems logical for a university to sponsor such a conference, what does the central bank have to do with the field of education?

Let me answer that question by pointing out that the central bank, of which the Atlanta Fed is part, does much more than formulate monetary policy, clear checks, and supervise commercial banks. In fact, I like to think that this Federal Reserve District Bank acts, in many respects, as a steward for the southeastern economy. That means this Bank attends to the matters that affect the long-term economic well-being of the region, just as, on a national level, the Federal Reserve attends to the long-run health of the economy and the financial system. In that regard, nothing could be more important than education, particularly since the Southeast has habitually fallen behind the rest of the nation in terms of such standards as test scores and graduation rates. In truth, education has been the Achilles' heel of the South, because, historically, the region has spent less money on educating its young people. I believe the situation must be addressed by school finance reform; otherwise, our youngest potential employees will lack the level of analytical abilities necessary for most jobs in the economy of the 21st century. Although the Fed does not have vast expertise in the field of education per se, we *do* have a good deal of expertise in finance.

As you can tell from the program, this conference will cover many issues related to school funding. However, it has been organized largely around two themes that are critical to any reform proposals. First is the problem most recently raised in the state of Alabama: the equitable funding of different public schools in one state. Through a case-study approach, you will hear more about how other states have approached this issue and exactly what challenges Alabama is facing. The second theme is how school funds can be spent most efficiently. A recent article in *American Demographics* magazine about those schools in the nation that got the best results from their students while spending the least amount of money raised some provocative issues. It pointed out that parental involvement was key to those school districts that were able to achieve high test scores with lower spending than other districts. At this point, I think it is also worth mentioning that the South has more money committed to higher education per capita than the rest of the United States, even though it is well known that the return from kindergarten through 12th-grade education is higher. Although I do not pretend to have the answers on how to maximize the efficiency of money spent on schools, I am sure that our speakers will add fresh insights based on their research and experience.

As I close, may I add that every session has been structured to maximize the interaction among the speakers, discussants, moderators, and the audience. I hope that you will contribute to the debate on this most important issue, particularly since so many of you have firsthand information based on experience in your own state. Again, I am delighted to be hosting this gathering, and I hope that each of you takes away many useful ideas from the panelists and from one another.

Let me now turn the program over to Sheila Tschinkel, senior vice president and director of research. As the program indicates, Sheila not only has a vast knowledge of economics and finance but also a keen interest in education. This interest is reflected in her work with such organizations as Literacy Action and the Southern Growth Policies Board through its Commission on the Future of the South. She is thus very well qualified to moderate the first session, which will lay a solid foundation and set forth the issues for much of the discussion to follow.