

March 2024

School Funding for Equity: We Have the Mechanisms but Not the Results

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Introduction

In the United States, one individual can say their public schools are well-funded while another can say the opposite - both these statements can be true, even in the same state. Funding levels for school districts vary within states, and low-income districts are oftentimes counterintuitively less funded than their more affluent counterparts.

School districts with less than adequate funds and minimal resources are more likely to provide a low-quality education to their students. This results in the creation of opportunity gaps[1] between well-resourced and under-resourced districts. Unsurprisingly, Black and Latine[2] students are more likely to attend schools in underfunded districts.[3]

Executive Summary

Even with policy decisions made at the federal and state levels designed to ensure that low-income school districts are adequately funded, in many districts these efforts are not enough. Thus, some low-income school districts are still underfunded and under-resourced, which perpetuates the opportunity gap. While the mechanisms to provide more funding to higher-need populations exist, we lack the results.

Background:

In general, school district funding comes from three sources: the federal government, the state, and local funds collected from property taxes. Combining all the revenue of all U.S. school districts from the local, state, and federal levels, the National Center for Education Statistics (NCES) reported that for FY 2021, federal funds constitute nearly 11 percent of overall education revenue.[4] This means that the majority of funding stems from state and local resources.[5]

Given that education in the United States is typically regarded as a hyper-local topic, education finance is thus often viewed from the local- and state-level funding lens. However, this work seeks to expand upon this problem by applying the federal perspective to school funding.

Elementary and Secondary Education Act (ESEA)

In the most basic terms, the Elementary and Secondary Education Act (ESEA), also known by its reauthorized version, Every Student Succeeds Act (ESSA), aims to provide federal support to as well as seek accountability from public schools. In terms of funding, ESEA provides public schools \$27.7 billion through Titles I through VIII which cover:

- Title I: Disadvantaged, migratory, neglected, and delinquent students; funding for state-administered assessments
- Title II: Recruitment and maintaining teachers, principals, and school leaders; funding for literacy, U.S. history, and civics education
- Title III: English acquisition programs for English learners.
- Title IV: Well-rounded education, safe and healthy students, technology, after-school instruction and care, charter schools, magnet schools, family engagement, and national activities
- Title V: Support of rural education
- Title VI: Support of Indian, Native Hawaiian, and Alaska Native education
- Title VII: Impact aid programs
- Title VIII: General provisions

On the surface, one can say that equity has been accounted for both at the state and federal level of funding. All fifty state school funding formulae[7] implement a weight on one or more dimensions based on equity, as demonstrated in Figure 1. In other words, at the state level there have been intentional policy decisions to allocate more funds for students who are disabled, low-income, learning English, or classified as gifted.

Similarly at the federal level, Title I provides school districts the flexibility to implement a weighted per pupil funding paradigm based on equity. Low-income students, among other characteristics, can have additional federal funds directed to their district.[9]

However, even in well-resourced states and with the intervention of federal funding, there are instances of under-resourced school districts; again, this is a reality that typically impacts students of color.[10] Brief profiles on New Jersey, Arkansas, and Florida can illustrate some of these points by using the following measures:[11]

Effort: Measure of how much the state devotes to educational investments as a share of the state's ability to raise money.

Adequacy: Measure if each district's spending per pupil is enough to achieve the modest goal of U.S. average test scores.

Equal opportunity: The width of the funding gap between districts.

Problem Analysis:

New Jersey

The School Finance Indicators Database has identified New Jersey as a high-effort state with high adequacy.[12] This means that at the state and local levels, New Jersey allocates a large amount of its financial capacity to funding its schools, and overall, schools in New Jersey are adequately funded.

Even though New Jersey is number one in the country for investing in public school education, out of its 541 districts, 22 are underfunded. [13] While this amounts to 4 percent of under-funded New Jersey districts, it is important to remember that one of them, Trenton Public School District, is one of the top ten biggest districts

Figure 1

Equity of Features of Education State Funding Formulae⁸		
Cost Adjustment	Total Number of States Applying Adjustment	States Applying Adjustment
<i>Students with Disabilities</i>	50	AK, AL, AR, AZ, CA, CO, CT, DE, FL, GA, HI, IA, ID, IL, IN, KY, LA, MA, ME, MD, MI, MN, MO, MS, MT, NE, NM, NV, NH, NY, NC, ND, NJ, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VA, VT, WA, WI, WV, WY
<i>Economically Disadvantaged/ At-Risk Students</i>	47	AL, AR, AZ, CA, CO, CT, FL, GA, HI, IA, ID, IL, IN, KY, LA, MA, ME, MI, MN, MO, MS, MT, NE, NM, NV, NH, NY, NC, ND, NJ, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VA, VT, WA, WI, WV, WY
<i>English Language Learners</i>	48	AK, AL, AR, CA, CO, CT, DE, FL, GA, HI, IA, ID, IL, IN, KY, LA, MA, ME, MD, MI, MN, MO, NE, NM, NV, NH, NY, NC, ND, NJ, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VA, VT, WA, WI, WV, WY
<i>Gifted and Talented Students</i>	35	AK, AR, AZ, CO, CT, DE, FL, GA, HI, IA, ID, IN, KY, LA, ME, MN, MS, MT, NE, NM, NV, NC, ND, OH, OK, OR, PA, SC, TN, TX, UT, VA, WA, WI, WY

in the state, which is also composed of mainly Black and Latine students. Figure 2 below shows further details.[14] Further-more, the lowest-income districts are funded 19 percent above the adequacy level, while the most affluent districts are funded 138 percent above the adequacy level.

This makes New Jersey highly unequal in terms of equal opportunity funding while both low- and high-income districts are still adequately funded. When it comes to federal funding, New Jersey ranks as number 11 with the most funds allocated from the federal government; this federal funding consists of 5 percent of education revenue dollars for New Jersey.[15][16]

The lesson that New Jersey can offer is that while on the surface it appears like it is achieving adequate funding through high effort, there is still an opportunity gap. Moreover, its ability to fund 96 percent of its school districts can

easily mask the 4 percent of districts that are under-resourced, which disproportionately serve students of color. All this compromises any effort to achieve equity in this state. Jersey ranks as number 11 with the most funds allocated from the federal government; this federal funding consists of 5 percent of education revenue dollars for New Jersey.[15] [16]

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Arkansas

Like New Jersey, Arkansas is a high-effort state. However,

Figure 2

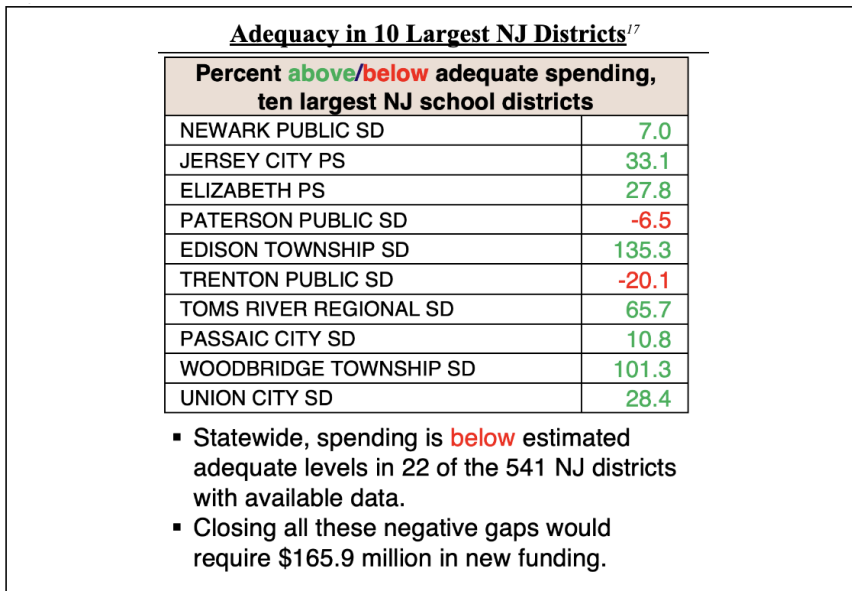
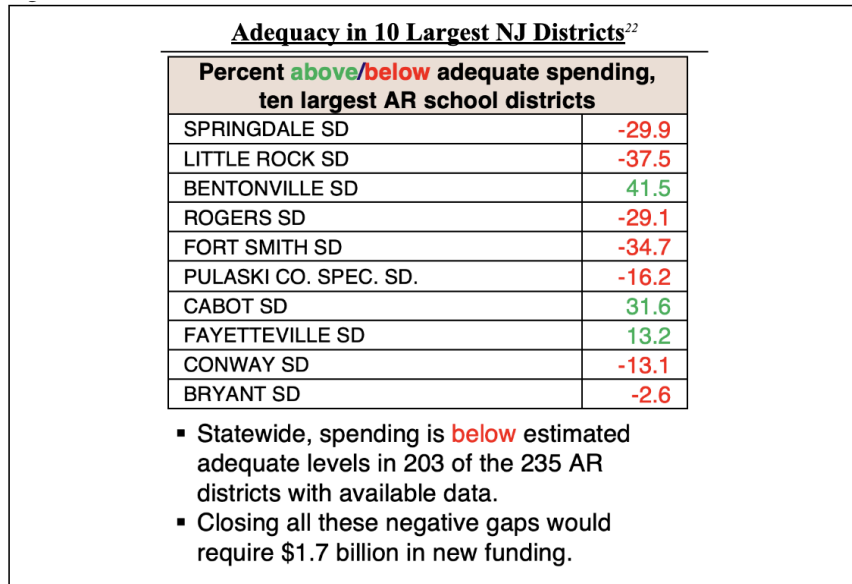


Figure 3



Arkansas' high effort does not translate into high adequacy. As Figure 3 shows, out of the 235 districts, 205 are under-resourced. With 87 percent of districts underfunded, Arkansas is an example of a state with more expensive educational needs alongside smaller state and local economies.[18]

Looking at the largest districts as presented in Figure 3, all the school districts that are above adequate spending are districts in which white students make up the major-

ity of the student body; except for Bryant School District, the districts below adequate spending are mainly made up of students of color.

Unsurprisingly, Arkansas also suffers from highly unequal opportunity funding, with the highest poverty districts being under-resourced by 43.7 percent and more affluent districts being below adequacy by 4.6 percent. Moreover, when it comes to federal funding, the NCES reported that 16 percent of Arkansas' education

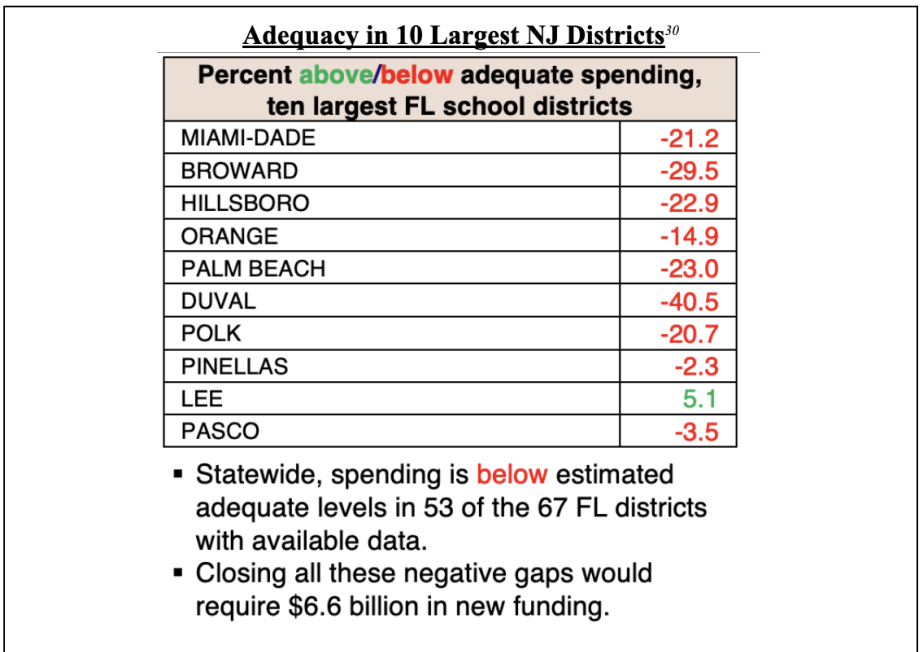
revenue comes from the federal government for FY 2021.[19] School funding in Arkansas is a multivariable issue.[20] One of those issues is a lack of equity when it comes to funding for low-income students. Regardless, even with its high effort as seen with 71 percent of revenues coming from the state,[21] it is clear that most of the state is overall underfunded, making Arkansas a concerning case.

Florida

Florida is considered a low-effort state, which results in a state that achieves low adequacy. As Figure 4 demonstrates, nearly 80 percent of school districts in Florida are underfunded, including most of the biggest districts in the state. However, unlike New Jersey and Arkansas, Florida school districts have a 100 percent county structure. This means that one Florida county equals one school district, whereas one New Jersey or Arkansas county can equal many school districts. This has two outcomes. First, Florida school districts are therefore much bigger. Second, each Florida county has more diversity in terms of low-income and affluent areas, which translates into better distribution of property taxes throughout the school districts but makes it difficult to generate policy that targets poor students.[23]

Even with this 100 percent county structure, the districts presented in Figure 4 are mainly attended by students of color (with the exception of Pasco and Pinellas school districts). This makes Lee County School District an interesting case. The Majority of its students are students of color, and unlike its majority-minority district counterparts, this district has achieved funding adequacy. This presents an exception to the pattern seen in both New Jersey

Figure 4



and Arkansas, in which there is an association between adequacy and majority white student bodies.[24]

With its low effort, low adequacy, and bigger districts, Florida is moderately unequal with opportunity funding. This means that low-income districts are 30 percent below adequacy whereas their affluent counterparts are 11.5 percent below adequacy.[25] It is also important to remember that effort is a result of policy decisions. Florida is ranked 45th for its effort in school funding.[26] In addition, the Education Data Initiative reports “state and local funding is equivalent to 2.03 percent of Florida’s taxpayer income,” the second lowest in the country.[27] Meanwhile, nearly 14 percent of its education revenue comes from the federal government,[28] while half of Florida’s education revenue is locally sourced.[29] This all means that Florida relies heavily on local revenue to fund its districts yet the local taxes generated for this local revenue are low and the effort from the state level is low as well. These decisions result in many under-resourced districts.

Conclusion

There are many efforts and mechanisms in place to address equitable school funding. Even with weighted funding structures at the state and federal levels, we unfortunately see that districts are still underfunded. In addition, despite the best efforts of states that intentionally allot a sizable percentage of their financial capacity towards school funding, like New Jersey and Arkansas, districts mainly populated by low-income students and students of color are receiving an underfunded education.

Moreover, a state like New Jersey on the surface may seem like it is adequately serving all its students, making it easy to miss the cracks in the system. States like Florida are choosing to not invest in school funding, and with their bigger districts it becomes more difficult to implement policy that can target funding that achieves equity. With this in mind, a multi pronged approach may be necessary. At the federal level, the government needs to consider increasing the funds it provides states and school districts

to better help them achieve adequacy. States need to evaluate the structure of their funding formulae to ensure that federal and state funds are being distributed equitably. In addition, states need to assess if they are indeed heavily relying on local funding[31] to resource their schools and measure and respond to inequitable impacts of these policy choices instead of resolving to maintain the status quo.[32]

Overall, a good education can result in good life outcomes, this impacts people both in the short and long term. Therefore, increasing the probability of securing good life outcomes requires both robust education funding and an effective plan for the distribution of these funds.

Endnotes

[1]For this work, the opportunity gap is to be understood as the gap between students with a better resourced education and those with an under-resourced education in terms of access and outcomes of educational attainment, achievement, and aspirations. This gap is more holistic than the achievement gap which only considers quantitative data such as test scores, graduation rates, grades, etc. (Catherine McClellan, Katherine McKnight, Eric Isselhardt, Jennifer Jeffries. “Rebuilding the Ladder of Educational Opportunity,” National Network of State Teachers of the Year, June 2018, <https://files.eric.ed.gov/fulltext/ED595318.pdf>).

[2]For the purposes of this work, the term Latine is to be understood as an all encompassing term that refers to the Hispanic and Latino/a/x community. While this term does identify ethnicity, it does not align with a particular race.

[3]Bruce D. Baker, Mathew DiCarlo, Mark Weber. “The Adequacy and

Fairness of State School Finance System,” School Finance Indicators Database, December 2022, <https://www.schoolfinancedata.org/the-adequacy-and-fairness-of-state-school-finance-systems-2023>

[4]The amount of federal funding each state receives varies as federal funding is based on need. These funds are then distributed by the state to individual districts based on factors such as the number of pupils with additional needs. Thus the amount each district receives from the federal government varies.

[5]“Revenues and Expenditures for Public Elementary and Secondary Education: FY 21,” Institute of Education Sciences, National Center for Education Statistics, May 2023, <https://nces.ed.gov/pubs2023/2023301.pdf>

[6]“Every Student Succeeds Act: Public Law 114-95,” United States Congress, December 2015, <https://www.congress.gov/114/plaws/publ95/PLAW-114publ95.pdf>.

[7]A state school funding formula is a per pupil funding paradigm each state adopts that determines how much educational funds each student should be allotted. While there is variety in how each state designs its formula, overall states allocate each student who is low-income, is an English Language Learner, gifted and/or has a learning disability additional funds. This is separate from funding at the district level, which is typically determined by the revenue collected from local property taxes.

[8]Tammy Kolbe, Drew Atchison, Caitlin Kearns, Jesse Levin. “State Funding Formulas: A National Review,” American Institute for Research, June 2020, https://carsey.unh.edu/sites/default/files/media/2020/06/20-11882_7._primer_policyscan_v3.pdf

[9]“Every Student Succeeds Act: Public Law 114-95”

[10]“K-12 Disparity Facts and Statistics,” United Negro College Fund, <https://uncf.org/pages/k-12-disparity-facts-and-stats>

[11]Bruce D. Baker, Mathew Di Carlo, Mark Weber. “The Adequacy and Fairness of State School Finance System”

[12]“State School Finance Profile: New Jersey,” School Finance Indicators Database, 2022, https://www.schoolfinancedata.org/wp-content/uploads/2022/12/profiles20_NJ.pdf.

[13]“State School Finance Profile: New Jersey”

[14]“State School Finance Profile: New Jersey”

[15]“Revenues and Expenditures for Public Elementary and Secondary Education: FY 21”

[16]The federal dollars include funds from ESEA, Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020, the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act of 2021, and the American Rescue Plan (ARP) Act of 2021.

[17]“State School Finance Profile: New Jersey”

[18]Bruce D. Baker, Mathew Di Carlo, Mark Weber. “The Adequacy and Fairness of State School Finance System”

[19]“Revenues and Expenditures for Public Elementary and Secondary Education: FY 21”

[20]One complex issue for Arkansas is the structure of its school funding formula. Critics state that the current formula underfunds smaller schools, which makes it difficult to educate students with additional needs. In 2023, legislation was introduced to modify the Arkansas’ funding formula. (Michael R. Wickline. “Bill That Would Change Arkansas’ Funding Model for Public Schools Falls Short in the Senate,” Arkansas Democrat Gazette, April 2023,

<https://www.arkansasonline.com/news/>)

[21]“2021 Public Elementary-Secondary Finance Data: Summary Tables,” United States Census Bureau, May 2023, <https://www.census.gov/data/tables/2021/econ/school-finances/secondary-education-finance.html>

[22]“State School Finance Profile: Arkansas,” School Finance Indicators Database, 2022, https://www.schoolfinancedata.org/wp-content/uploads/2022/12/profiles20_AR.pdf

[23]Matthew Chingos, Kristin Blagg. “School Funding: Do Poor Kids Get Their Fair Share?,” Urban Institute, June 2017, <https://apps.urban.org/features/school-funding-do-poor-kids-get-fair-share/>

[24]To understand why Lee County Public Schools is an exemption, it is first important to look at how much funds this school district generates from local property taxes. It would also be useful to dive into how the 100 percent county structure plays a role in Lee County School District’s distribution of funds. However these steps are outside the scope of this work.

[25]“State School Finance Profile: Florida,” School Finance Indicators Database, 2022, https://www.schoolfinancedata.org/wp-content/uploads/2022/12/profiles20_FL.pdf

[26] “State School Finance Profile: Florida”

[27]Melanie Hanson. “U.S. Public Education Spending Statistics,” Education Data Initiative, September 2023, <https://educationdata.org/public-education-spending-statistics>

[28]“Revenues and Expenditures for Public Elementary and Secondary Education: FY 21”

[29]“2021 Public Elementary-Secondary Finance Data: Summary Tables”

[30]“State School Finance Profile: Florida”

[31]Local funding is undistributed. That is, local funds raised by the locality remain and are distributed in that same locality. They are not collected by the state for distribution.

[32]Revenue from local property taxes is reliable yet very regressive. As a result, affluent districts can generate much more local revenue while low-income communities cannot.

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“State School Finance Profile: Florida.” School Finance Indicators Database, 2022. https://www.schoolfinancedata.org/wp-content/uploads/2022/12/profiles20_FL.pdf