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ALBERT SHANKER INSTITUTE

RUTGERS Graduate School of Education

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Contact:
Bruce D. Baker
bruce.baker@gse.rutgers.edu
schoolfinancedata.org

MEDIA ADVISORY

NEW REPORT FINDS THAT EDUCATION FUNDING IN MOST STATES FALLS WELL BELOW ADEQUATE LEVELS

WASHINGTON – Most states' education finance systems do not target resources at districts that serve high-poverty students, and funding systems in virtually all states fail to provide adequate support to all but the most affluent districts, according to a new report released today by researchers at the Albert Shanker Institute and Rutgers Graduate School of Education.

Over the past decade or so, a political consensus, backed by high-quality empirical research, has started to emerge about the importance of adequate and equitable funding for U.S. public schools. While there is plenty of important debate about how money should be spent, virtually all of the best policy options require investment. The idea that "money doesn't matter" in school funding is no longer defensible.

This new consensus, however, is not reflected in most states' school finance systems. The report, "The Adequacy and Fairness of State School Funding Systems," evaluates states' systems using three "core" indicators:

1. **Effort**: How much do states spend as a proportion of their total economic capacity?
2. **Adequacy**: Do states spend enough to meet common outcome goals?
3. **Progressivity**: Do states target more resources at the districts with the most need?

These three measures are calculated using data from roughly a dozen sources, and control for various factors – such as Census poverty, labor market costs, population density, and district size – that affect the value of the education dollar. The data presented in the report apply to the 2015-16 school year.

The authors find, predictably, that states vary widely on all three measures. There are states, such as Wyoming, New Jersey, and Massachusetts, in which education funding is relatively adequate and distributed progressively. In most states, however, the results are disappointing and, in some cases, deeply troubling.

Highlights

Effort

- On average, states devote about 3.5 percent of their gross state products to K-12 education.
- These effort levels vary between roughly 2.5 percent in Hawaii and Arizona to over 5 percent in Wyoming and Vermont.

Adequacy

- Virtually all states spend far less than what the authors estimate would be required for students in their higher-poverty districts to achieve national average test scores, which the report uses as a common "benchmark" to assess states' funding levels.
- Although our estimates are state-by-state, a rough calculation of U.S. average adequacy indicates that actual spending on the 20 percent of districts with the highest poverty levels in the typical state is approximately 67 percent of estimated adequate levels. In other words, the typical state would have to increase spending by 50 percent to reach the adequate level.
    - In 32 states, spending on the highest-poverty districts is 70 percent or less of estimated adequate levels. In 7 of these states, spending is less than 50 percent of the adequacy level.
    - There are a handful of exceptions, however. In five states – Vermont, Nebraska, Delaware, New Hampshire and Wyoming – spending on the highest-poverty districts is actually above estimated adequacy levels.
- The situation is only marginally better for districts in the second highest-poverty quintile (the 60-80 percent of highest-poverty districts in each state), which would, on average, have to increase spending by 45 percent.
- In contrast, spending on the most affluent districts (the 20 percent lowest-poverty districts in each state) is above adequacy levels in virtually every state. Affluent districts can and do spend generously, while high-poverty districts cannot and do not.

Progressivity

- On average, across all states, the relationship between revenue and student poverty is almost perfectly flat – neither progressive nor regressive.
- In several states, revenue is distributed in a highly progressive manner. For example, in Alaska, Wyoming, and Utah, revenue in the highest-poverty districts (30 percent Census poverty) is over 50 percent higher than it is in the lowest-poverty districts (0 percent Census poverty).
- In most states, however, revenue is either essentially non-progressive (roughly the same regardless of district poverty) or regressive – with higher-poverty districts actually receiving less revenue than affluent districts, in some cases shockingly less. For example, in Nevada, revenue in the highest-poverty districts is less than half of what it is in the lowest-poverty districts. Illinois' highest-poverty districts receive revenue that is 69 percent of what it is in the lowest-poverty districts.
- Given the well-established fact that districts serving higher-needs students require more resources to provide the same quality of education as districts serving lower-needs students, these findings are a cause for serious concern.

In short, there are a few bright spots on the school finance landscape, but, on the whole, most states' systems fund schools in a manner that is inconsistent with well-established findings from the school finance literature.

"How states fund their schools is not an accident, it is a deliberate policy choice," says Rutgers University Professor Bruce Baker, one of the report's co-authors. "When states fail to provide schools serving high-needs students with the resources they need to improve, that is a choice. Yes, money must be spent wisely, but districts can't do that when there isn't enough money to spend."

The authors do not assign ratings or grades to each state, as the interplay between effort, adequacy, and progressivity is complex and difficult to boil down to a single rating. They do, however, offer recommendations for how researchers, policymakers and the general public can use these results to inform school funding debates and improve finance policy in the U.S.

All of the data presented in this report, and much more, are part of the School Finance Indicators Database, a free collection of state and district measures of school revenue and spending, and how those resources are spent (e.g., teacher salary, class size, etc.). The database is designed to be accessible to journalists, policymakers, and the public. The datasets, a non-technical user's guide and customizable visualizations are all available at: http://schoolfinancedata.org.

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