Is School Funding Fair? A National Report Card

[PRINTER FRIENDLY VERSION]

EXECUTIVE SUMMARY – THIRD EDITION (2014)

"Is School Funding Fair? A National Report Card" analyzes the condition of state school finance systems with a focus on the fair distribution of resources to the neediest students. The Report Card makes a number of assumptions about how school funding systems should be designed:

- a fair funding system should provide levels of funding based on student need;
- student poverty is the most critical variable affecting funding levels and can serve as a proxy for other measures of disadvantage, such as racial segregation, limited English proficiency, and student mobility;
- fair funding systems are designed "progressively" so that funding increases relative to student poverty;
- a sufficient overall level of funding is a crucial starting point for any funding formula to be successful.

This 3rd Edition of the Report Card provides five years of school funding data, from 2007 through 2011, during the critical period before the start of the Great Recession and through the beginning of a slow recovery. Schools across the country were affected by a significant decline in state and local revenues that primarily fund education. To prevent major layoffs and cuts in essential programs and services, the federal government created a stimulus package to support public schools through the American Recovery and Reinvestment Act (ARRA). But when ARRA funding was depleted many states were left with enormous budget shortfalls. The National Report Card examines how states managed these difficult economic circumstances and their impact on the fairness of state school finance systems.

The Fairness Measures

The report evaluates states on the basis of four separate, but interrelated, fairness measures. These measures are designed to provide meaningful comparisons among states by taking into account factors that influence education costs, such as geography, regional labor markets, and population density, when appropriate. The measures are:

- **Funding Level:** Using figures adjusted to account for a variety of interstate differences, this measure allows for a comparison of the average state and local revenue per pupil across states. States are ranked from the highest to lowest per pupil funding.
- **Funding Distribution:** This measure shows whether a state provides more or less funding to schools based on their poverty concentration. States are evaluated as "regressive", "progressive", or "flat" and are given letter grades that correspond to their relative position compared to other states.
- **Effort:** This measures differences in state spending relative to the state's fiscal capacity. States are ranked according to the ratio of state spending on education to gross domestic product.
- **Coverage:** This measures the proportion of school-aged children attending the state's public schools and also addresses the income disparity between families using public and nonpublic schools. States are ranked according to both the proportion of children in public schools and the income ratio of public- and nonpublic-school families.

Summary of Findings

The table below presents results for the four fairness indicators as of 2011, with arrows signifying changes from the baseline year of 2007. It is important to consider each of the

four measures together to capture the complexity of each state's finance system, which is embedded in a specific economic and political context. The report's findings demonstrate that poor economic conditions have a direct impact on school funding:

- Most states have largely stagnant or declining **funding levels**, and vast disparities among states remain. In fourteen states, funding levels in 2011 were below 2007 levels, even without adjusting for inflation. There is over a $10,000 gap between the highest funded state (Wyoming) and the lowest (Idaho).
- The majority of states have funding systems with "flat" or "regressive" **funding distribution** patterns that ignore the need for additional funding in high-poverty districts. Recent trends show an increase in the number of regressive states and a decline in the number of progressive states. For example, Utah and New Jersey, both of which previously were among the most progressive states, experienced a significant erosion of equity.
- Most states experienced a decrease in overall revenue resulting in a declining financial base from which to fund schools; most states also further reduced **effort** by lowering the share of economic productivity dedicated to education. The largest reductions in effort were seen in Maine, Hawaii and Florida.
- **Coverage** is a relatively stable indicator, but it demonstrates the degree to which wealthier families in some states opt out of the public education system, potentially affecting the public and political will necessary to improve school funding. A relatively large share of students in Louisiana and Washington, D.C. attend nonpublic schools. These children tend to come from far wealthier families than their public school counterparts.
- Only Minnesota, New Jersey, and West Virginia are positioned relatively well on all four indicators, though all three have areas in which they could improve.
- Two states -- North Carolina and Missouri -- received low ratings in each of the four indicators.

New Indicators

The 3rd Edition of the National Report Card includes three new indicators that exemplify how state policies on education funding determine the resources available for schools and staff and the families they serve.:

- **Early Childhood Education**: Enrollment of low-income students in early childhood education lags behind that of their wealthier peers in nearly all states. States that rank high on the four main indicators of funding fairness also have greater participation by low-income families in early childhood education programs. These states include Massachusetts, New Jersey and Maryland.
- **Pupil-to-Teacher Ratios**: An equitable distribution of school staff in districts and states is one of the most meaningful outcomes of fair school funding. The majority of states put greater staffing resources in high-poverty districts, though in many cases the differences among high- and low-poverty districts are minimal. States that are labeled "progressive" are able to leverage additional funds to provide greater staffing resources in high-poverty districts and create a fair distribution of teaching staff (for example, Minnesota and South Dakota), while "regressive" states, such as Nevada, Alabama and Illinois, have fewer staffing resources in the highest poverty districts.
- **Wage Competitiveness**: A fair school funding system should provide districts with the opportunity to attract and retain high quality teaching talent. But average teacher salaries in most states are below those of their non-teacher counterparts. States with higher overall funding levels are able to offer teachers more competitive salaries (for example, New York and Wyoming), while poorly funded states have teacher salaries that lag behind other professions (for example, Colorado and Arizona).

This edition of the National Report Card demonstrates the susceptibility of states' school funding systems to larger economic conditions. The fiscal cliff faced by many states after the depletion of federal stimulus funds often resulted in stagnant or declining resources devoted to education, as well as a retreat from the equitable distribution of funds. The data

provide a clear warning to elected officials, education stakeholders and concerned citizens that they must be diligent to ensure that states (even those with the best track record on fair school funding) do not retreat from funding equity.

The National Report Card

State	Funding Distribution		Effort		Funding Level		Coverage	
	Grade	Change from 2007	Grade	Change from 2007	Rank	Change from 2007	Rank	Change from 2007
Alabama	D	↑	C	↓	38	↓	32	↑
Alaska			B	↑	3	↓	3	↑
Arizona	C	↓	F	↓	47	↓	8	↓
Arkansas	B	↑	A	↓	30	↑	19	↑
California	A	↑	F	↓	42	↓	34	↓
Colorado	C	↑	F	↓	35	↑	10	↑
Connecticut	C	↓	B	↓	4	↑	33	↓
Delaware	C	↑	F	↓	12	↓	48	↑
District of Columbia							51	↓
Florida	B	↑	F	↓	43	↓	43	↑
Georgia	A	↑	B	↓	36	↓	37	↑
Hawaii			D	↓			49	↓
Idaho	F	↑	D	↓	49	↓	5	↓
Illinois	F	↑	B	↑	16	↑	35	↑
Indiana	A	↓	A	↑	18	↑	31	↓
Iowa	D	↓	C	↓	17	↑	13	↓
Kansas	C	↑	B	↓	22	↑	14	↑
Kentucky	A	↑	C	→	33	↑	40	↑
Louisiana	A	↑	F	↓	26	↑	50	↓
Maine	D	↑	C	↓	15	↑	11	↓
Maryland	F	↑	A	↓	9	↑	46	↑
Massachusetts	A	↓	C	↓	6	↓	27	↓
Michigan	C	↑	B	↓	24	↑	17	↓
Minnesota	A	↓	C	↓	10	↑	21	↓
Mississippi	C	↓	C	↓	45	↑	44	↓
Missouri	D	↑	C	↓	34	↑	42	↑
Montana	C	↓	C	↓	31	↑	6	↑
Nebraska	D	↓	C	↓	21	↑	30	↓
Nevada	F	↓	F	↓	37	↑	12	↑
New Hampshire	F	↑	A	↑	13	↑	9	↓
New Jersey	B	↓	A	↓	5	↓	18	↑
New Mexico	B	↓	B	↓	29	↑	22	↓
New York	F	↑	A	↑	2	↑	45	↓
North Carolina	F	↓	F	↓	40	↑	36	↓
North Dakota	F	↓	F	↓	23	↑	28	↓
Ohio	A	↓	A	↓	19	↑	39	↓
Oklahoma	B	↓	D	↓	46	↑	16	↑
Oregon	C	↓	F	↓	41	↓	15	↑
Pennsylvania	D	↑	A	↓	8	↑	41	↑
Rhode Island	C	↓	A	↓	11	↑	38	↑
South Carolina	C	↑	A	↓	28	↑	23	↑
South Dakota	A	↑	F	↓	32	↑	25	↓
Tennessee	A	↓	F	→	44	↑	47	↓
Texas	F	↓	C	↓	39	↑	20	↑
Utah	A	↓	F	↓	48	↓	2	↓
Vermont	F	↓	A	↓	7	↓	4	↑
Virginia	D	↑	D	↓	25	↓	26	↑
Washington	C	↑	F	↓	27	↑	24	↑
West Virginia	B	↑	A	→	20	↑	7	↑
Wisconsin	C	↑	A	↑	14	↑	29	↑
Wyoming	D	↓	A	↓	1	↑	1	↑