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ABSTRACT

The purpose of this monograph is to stimulate discussion of vertical equity through an assessment of the funding systems in four states (California, New York, Texas, and Wisconsin) that ascertains how and to what extent at-risk factors are addressed. (In education, children defined as at risk of low academic achievement or of dropping out represent the operationalization of vertical equity.) The paper is divided into six major sections, beginning with a description of the framework for analysis. This is followed by a description of the data and methods used in the study; an overview of the four states' school-funding systems; a description of at-risk funding in each state; and a cross-state comparison analysis. The at-risk funding factors included in the analysis are disability, poverty, urbanicity, race, limited English proficiency, and parental educational attainment. The paper closes with conclusions, policy implications, and recommendations for further research. Included are four tables describing incidence of students with at-risk factors for 1998-99; funding for at-risk factors in the four states' school-funding systems for 1998-99; funding program for at-risk factors for each of the four states; and other funding program for at-risk factors for each of the four states. (WFA)

Revisiting Vertical Equity : The Funding of At-Risk Factors in Four States

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Revisiting Vertical Equity : The Funding of At-Risk Factors in Four States[1]

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Introduction

American society has long realized the importance of education as a tool for social and economic mobility and, as a result, supported free, public education with taxpayer dollars. Understanding that every child is entitled to an education appropriate to his or her needs, state legislatures have, to varying extents, recognized the importance of providing funding for educating children at risk of academic failure. Such children include not only those with disabilities, but also children impacted by poverty, urbanicity, race, limited English proficiency, and family characteristics, such as low parental educational attainment.

Given the range of risk factors facing public schools and their potential for negative impact on academic achievement, the level and extent of state funding for at-risk factors is of growing concern. In particular, the funding of such programs represents an important, but frequently overlooked, theoretical concept in the analysis of state education funding systems: vertical equity. The purpose of this monograph is to stimulate discussion of vertical equity

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[1] This monograph is based upon a paper given at the annual conference of the American Education Finance Association, Orlando, Florida, March 2003.

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through an assessment of the funding systems in four states that ascertains how and to what extent at-risk factors are addressed. The paper is divided into six major sections, beginning with a description of the framework for analysis. This is followed by a description of the data and methods utilized in the study; an overview of the four state school funding systems; a description of at-risk funding programs in each state; and a cross-state comparison and analysis. The paper closes with conclusions, policy implications, and recommendations for further research.

Framework for Analysis

A substantial body of research exists on factors that place students at risk of academic failure. Such students face dim prospects for meaningful employment and are more likely to draw upon social services, as well as the criminal justice system, throughout their lives. The 101st yearbook of the National Society for the Study of Education provides an impressive synthesis of the literature surrounding this issue.[3] Stringfield and Land open the volume with a definition of "at-risk" students as those "...who, through no fault of their own, are at risk of low academic achievement and dropping out before completing high school."[4] The typology of at-risk factors presented in the chapter authored by Land and Legters builds upon that definition, providing a framework for analysis for this study.[5] Based upon a comprehensive review of the

[3] *Educating At-Risk Students*, Sam Stringfield and Deborah Land, eds., One Hundred-First Yearbook of the National Society for the Study of Education, Part II (Chicago, Illinois: University of Chicago Press, 2002).

[4] Stringfield and Land, vii.

[5] Deborah Land and Nettie Legters, "The Extent and Consequences of Risk in U.S. Education," in *Educating At-Risk Children*, Sam Stringfield and Deborah Land, eds., One Hundred-First Yearbook of the National Society for the Study of Education, Part II (Chicago, Illinois: University of Chicago Press, 2002), 1-28.

research literature, they conclude that the five most frequently cited individual or family-level risk factors are poverty, race/ethnicity, limited English proficiency, poorly educated parents, and single parent status.[6] In addition, they note that disabled students are at greater risk of not graduating from high school than nondisabled peers,[7] while urbanicity is a sociodemographic factor associated with academic failure.[8] In all cases, the key to defining these variables as risk factors lies with the fact that they lie outside the school's control. As Land and Legters state: "No school program has the power to change a child's economic status, family structure, or the color of his or her skin."[9] Of these, they found poverty to be the most consistent predictor of academic failure, with the concentration of poverty at the school level exacerbating the problem.[10] At the same time, they note the "compound nature" of risk; that is, some students fall into more than one category. For example, in 1999, 33.1% of Black and 30.3% of Hispanic children lived in poverty in contrast to 9.4% of White children.[11] The disparity in dropout rates mirrored these statistics: In 1999, 12.6% of Black students and 28.6% of Hispanic students dropped out of high school compared to 7.3% of White students.[12]

In contrast, conceptual and operational definitions of at-risk students in education finance research have varied considerably over time. For example, in 1989, Levin noted that prior to the

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[6] Ibid., 4. Note that because single parent family status is highly correlated with poverty, it is not used as a separate at-risk factor in this analysis.

[7] Ibid., 19.

[8] Ibid., 13.

[9] Ibid., 4.

[10] Ibid., 13.

[11] Ibid., 5-6.

[12] Ibid., 7.

latter part of the 1980s, at-risk children were referred to generically as "educationally disadvantaged."[13] He went on to define at-risk students conceptually as "....those who lack the home and community resources to benefit from conventional schooling practices."[14] While his operational definition included many of the factors in the Land and Legters typology, such as poverty, minority status, limited English proficiency, and low parental educational attainment, it did not include urbanicity or disability. On the other hand, in the 1992 Annual Yearbook of the American Education Finance Association,[15] disability was not only classified as a risk factor,[16] but it was also the subject of five of the thirteen chapters.[17] In addition, gifted or academically talented students were considered as potentially at-risk.[18,19] However, the volume lacked an overarching conceptual definition of at-risk students. Later, in a 1994 cost analysis of three

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[13] Henry M. Levin, "Financing the Education of At-Risk Students," *Educational Evaluation and Policy Analysis*, 11(Spring 1989): 47.

[14] Ibid., 47.

[15] Patricia Anthony and Stephen L. Jacobson, eds. *Helping At-Risk Students: What Are the Educational and Financial Costs?* Thirteenth Annual Yearbook of the American Education Finance Association (Newbury Park, California: Corwin Press, 1992).

[16] Patricia Anthony, "Preface," in Anthony and Jacobson, viii.

[17] Patricia Anthony, "Individuals with Disabilities Education Act: The Legacy Continues," in Anthony and Jacobson, 1-11; Deborah Verstegen and Cynthia L. Cox, "State Models for Financing Special Education," in Anthony and Jacobson, 136-165; Thomas Gerald Finlan and William T. Hartman, "Cost Projections for Learning Disabilities," in Anthony and Jacobson, 166-188; David C. Thompson and Robert H. Zabel, "Special Education in Rural Areas," in Anthony and Jacobson, 189-209; and, Stephanie Brown, Marsha Craft-Tripp, Susan Gurganus, Cathy Crossland, and Bettye MacPhail-Wilcox, "Impact of Personnel Policies on Students with Disabilities," in Anthony and Jacobson, 229-252.

[18] John R. Curley, "Reaching Out to Prevent Dropping Out: Financing Programs for Gifted At-Risk Students," in Anthony and Jacobson, 273-291.

[19] Land and Legters found insufficient evidence in their review of research to include giftedness as a risk factor.

education reform models, King noted: "In general, the term *at-risk* refers to students who evidence low academic achievement, retention in grade, poor attendance rates, and high dropout rates. Common background characteristics include single-parent families, low socioeconomic status, minority families, and non-English speaking families."[20] King's definition excluded three factors in the Land and Legters typology: urbanicity, disability, and low parental educational attainment. More recently, Baker defined risk factors primarily in terms of poverty and grouped low income students with limited English proficient and gifted students within the classification of "fringe populations".[21] These variations in definitions, on both the conceptual and operational levels, point up the importance of using a research-based typology so that analysis of state education funding systems will be comprehensive.

That approximately 40% of students in the United States are estimated within the Land and Legters typology to be at-risk raises serious issues of social justice and equity. It behooves policymakers to examine state education funding systems to discern whether they sufficiently target resources to enable such children to be successful academically. In doing so, it is necessary to draw upon theoretical concept of vertical equity.

Historically, education finance research has focused on measurement of the more straightforward concept of horizontal equity, defined as the "equal treatment of equals."[22] Under

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[20] Jennifer A. King, "Meeting the Needs of At-Risk Students: A Cost Analysis of Three Models," *Educational Evaluation and Policy Analysis*, 16(Spring 1994): 17.

[21]Bruce D. Baker, "Living on the Edges of State School-Funding Policies: The Plight of At-Risk, Limited-English-Proficient, and Gifted Children," *Educational Policy* 15 (November 2001): 699-723.

[22] Robert Berne and Leanna Stiefel, *The Measurement of Equity in School Finance: Conceptual, Methodological, and Empirical Dimensions* (Baltimore, Maryland: The Johns Hopkins University Press, 1984), 9.

this concept, greater equality of per-pupil funding across districts indicated higher levels of horizontal equity. On the other hand, vertical equity is defined as the "appropriately unequal treatment of unequals"[23] and recognizes that "differently situated children should be treated differently." [24] As such, vertical equity is a more complex and difficult concept to operationalize than horizontal equity. Over a decade ago, Crampton noted that as a result of this complexity: "The measurement of vertical student equity remains largely undeveloped in the literature..."[25] It remains so up to the present.[26, 27] Yet, it is clear that not all students have the same educational

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[23] Ibid., 2.

[24] Robert Berne and Leanna Stiefel, "Concepts of School Finance Equity: 1970 to the Present," in Equity and Adequacy in Education Finance: Issues and Perspectives," Helen F. Ladd, Rosemary Chalk, and Janet S. Hansen, eds. (Washington, D.C.: National Research Council, 1999), 20.

[25]Faith E. Crampton, "The Measurement of Efficiency and Equity in Oregon School Finance: The Beginning Stages," *Journal of Education Finance* 16 (Winter 1991): 348-359.

[26] Berne and Stiefel, "Concepts of School Finance Equity," 20-21.

[27] While it is beyond the scope of this article to present a review of research on vertical equity in education finance, it is important to note that over the last decade, relatively few studies included vertical equity in equity analyses of state education funding systems, much less, focused on vertical equity. For an example of a study inclusive of horizontal and vertical equity in its analyses of a state education funding system, see, Ross Rubenstein, Dwight Doering, and Larry Gess, "The Equity of Education Funding in Georgia, 1988-1996," *Journal of Education Finance*, 26 (Fall 2000): 187-208. Other studies, while making mention of vertical equity, did not include it in the statistical analysis. See, for example: Deborah A. Verstegen, "Vertical Equity, Adequacy, and Wisconsin School Finance Policy," *Educational Considerations*, 29 (Spring 2002):1-14. In fact, some authors have argued that equity, particularly vertical equity, may be in the process of being replaced by the notion of adequacy. See, for example, Julie K. Underwood, "School Finance Adequacy as Vertical Equity," *University of Michigan Journal of Law Reform*, 28 (Spring 1995): 493-519.

needs, and funding strategies must seek to address students' needs by providing greater resources to those who might require additional or more intensive services to succeed. Operationalizing vertical equity as funding programs that address the risk factors in the Land and Legters typology provides a comprehensive means to assess state education funding systems' commitment to providing vertical equity.

Methods and Data Source

The states analyzed in this study--Wisconsin, California, New York, and Texas--were selected for several reasons. First, the authors have a strong interest in the Wisconsin education finance system, particularly at a time of great political and economic change within the state. At the same time, the authors understand the importance of situating the analysis within a cross-state comparison and analysis that allows for demographic and geographic diversity. In addition, California, New York, and Texas have frequently been viewed as bellwether states politically and economically, factors that have evidenced themselves in their respective education funding systems. Fourth, because these states have substantial at-risk populations, there may be lessons to be learned by Wisconsin policymakers as to the range of funding mechanisms available to address the needs of students at risk of academic failure. The authors are mindful of the limitations of a small, purposive sample and hope to extend this research to include all fifty states at some point in the future as well as to look at longitudinal data to determine whether states' commitment to at-risk funding has varied over time.

Data on the level and extent to which these states fund programs that address risk factors were taken from two data sources compiled by the U.S. Department of Education's National Center for Education Statistics. First was *Public School Finance Programs of the United States*

and Canada: 1998-1999.[28] The second source was "Overview of Public Elementary and Secondary Schools Districts: School Year, 1998-1999."[29] The former is a national database on U.S. state and Canadian province education funding systems compiled approximately every five years. The most recent data, those for the 1998-1999 academic year, were utilized in this study. The second source provided data on the incidence of students with at-risk factors for the 1998-1999 academic year.

Given the exploratory nature of the study and limited number of states studied, statistical analysis was limited to descriptive statistics on key variables, including total student enrollments by state, the number and percentage of these student classified as at risk of academic failure by virtue of disability, poverty, limited English proficiency, race, and urbanicity within their respective state. An additional variable was created to address the compound nature of risk: the percentage of students classified as racial minorities in urban school districts. Descriptive statistics were also calculated for total state funding for education by state, as well as the amount and proportion of such funding for grants-in-aid to address individual risk factors.

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[28] *Public School Finance Programs of the United States and Canada: 1998-1999*, Sielke, Catherine C., John Dayton, C. Thomas Holmes, and Anne Jefferson, eds. (Washington, D.C.: National Center for Education Statistics, Office of Educational Research and Improvement, U.S. Department of Education, 2001) http://nces.ed.gov/edfin/state_finance/StateFinancing.asp. In particular, this research drew upon the relevant state chapters, as follows: "California, " by Lawrence O. Picus, http://nces.ed.gov/edfin/pdf/StFinance/Californ.pdf; "New York," by Brian O. Brent, http://nces.ed.gov/edfin/pdf/StFinance/NewYork.pdf; "Texas," by Catherine Clark, http://nces.ed.gov/edfin/pdf/StFinance/Texas.pdf; and "Wisconsin," by Merry Larsen and Dave Loppnow, http://nces.ed.gov/edfin/pdf/StFinance/Wisconsi.pdf.

[29] U.S. Department of Education, "Overview of Public Elementary and Secondary Schools Districts: School Year, 1998-1999." *Statistics in Brief*, NCES 2000-333R, (Washington, D.C.: Office of Educational Research and Improvement, National Center for Education Statistics, June 2002).

In addition to the limitation of the sample size, the authors acknowledge the potential for inconsistencies in definitions of the individual at-risk variables across the four states; that is, it is possible that the specific definitions of disability, poverty, urbanicity, race, limited English proficiency, and low parental educational attainment used for funding programs may have varied across states. The data sources utilized usually did not define these variables operationally in the descriptions of funding programs although funding programs targeted to low income students usually used federal guidelines for eligibility for free or reduced price lunch as a criterion.

Overview of Four State Funding Formulas

The purpose of this section is to present an overview of funding systems for Wisconsin, California, New York, and Texas. First presented are state-by-state data on pupil population, number of districts, and incidence of at-risk factors. This is followed by information on state/local expenditures and the basic aid formula used to allocate state funding. Finally, the revenue side is explored, identifying state/local revenue sources along with any state-imposed revenue or expenditure limitations.

Wisconsin

Wisconsin educates 879,542 students in its 426 school districts. Of these, 369 are K–12 districts, 47 elementary (K-8), and 10 union high school (9–12). Students attending urban school represent the single largest at-risk category at 369,517 students or 42.0% of the student population. Low income students are the second largest single at-risk category with 224,132 students or 25.5% of the student population classified as poor, based upon eligibility for free or reduced-price lunch. (See Table 1.) It is followed by minority student status, where 18.1% or

159,262 of Wisconsin students are racial minorities. In contrast, minority students constitute 43.1% of urban school district enrollments. Students with disabilities total 115,803 or 13.2% of the student population. Students with limited English proficiency were not reported. Overall, Wisconsin has the lowest incidence of at-risk factors of the four states, with the exception of disability. Here, Wisconsin ranks second with 13.1% of the student population eligible for special education services, behind New York at 14.5%.

In 1998-1999, state and local expenditure on K-12 education totaled $7.028 billion. Of that, $3.90 billion, or 56.8%, was state funding, and $3.039 billion, or 43.2%, was local. State basic aid to school districts equaled $3.47 billion, or 87.1% of total state funding for K-12 education. Basic aid is distributed through a three-tiered guaranteed tax base formula referred to as the "equalization aid formula." Wisconsin is only one of two states in the country, the other being Indiana, that uses a guaranteed tax base or guaranteed tax yield formula.[30] At the first level, the guaranteed tax base is set quite high, at $2.0 million assessed valuation per pupil, such that almost all school districts qualify for aid up to $1,000 per pupil.[31] As such, the first tier acts largely as a flat grant. At the second tier, the guaranteed tax base "floats," i.e., it is set so as to distribute the available state dollars in any given fiscal year. However, aid was capped at $6,285 per pupil in 1998-1999. By capping the allowable state aid per pupil, the state has made the second tier into a *de facto* foundation level program, but one that requires no specific or uniform local tax effort. At the third level, the guaranteed tax base is set at the statewide average for per

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[30] Catherine C. Sielke, "Highlights of the American Education Finance Association's *Public School Finance Programs of the United States and Canada: 1998-1999*, Table 1.3, "1998-1999 Classification of Basic Support Programs," http://www.aefa.cc.

[31] Based upon calculation by the authors of data from the Wisconsin Department of Public Instruction.

pupil assessed valuation. Interestingly, although "recapture" was declared unconstitutional in Wisconsin's most recent court case,[32] the third tier has a component termed "negative aid" whereby more property wealthy school districts may find the basic aid computed at the second tier reduced at the third and final tier.

State revenue sources include personal income tax, general sales and use tax, and corporate income and franchise taxes. Local revenue sources are limited to the real property tax. School districts are restricted in their ability to raise local property tax revenues without voter approval other than a state-set inflation factor and enrollment increases. Although categorical aid spending is exempted from the state-imposed revenue limit when computing allowable increases in combined state-local educational revenues, it important to remember that basic aid represents 87.1% of total funding, so that little funding falls outside the state-imposed revenue limit.

California

California's 5,925,964 students are educated in 988 school districts, of which 323 are unified K–12 districts, 572 elementary (K-8), and 93 high school (9–12). The number and percentage of students attending urban school districts represents the largest single at-risk category in California with 5,004,294 students or 84.5% of the student population. Minority student status is ranked second, as 61.1% or 3,618,105 of California students are racial minorities. Overall, minority students constitute 72.3% of urban school district enrollments. Third is poverty, with 2,770,686 students or 46.8% classified as low income. While California has the highest number and percentage of students classified as limited English proficiency of the

[32] *Vincent v. Voight*, 614 N.W.2d 388 (2000).

four states, it ranks fourth as a risk factor at 23.6 % of the student population or 1,399,210 students. Of the four states, California has the lowest percentage of students with disabilities, totaling 648,404 or 10.9% of the student population.

In the 1998–1999 school year, state and local expenditures on elementary and secondary education in California totaled $36.48 billion. Of that, $24.47 billion dollars or approximately two-thirds (66.5%) was state funding, with the remaining one third or $12.01 billion coming from local sources. At $22.07 billion, state basic aid represented 90.2% of the all state aid. Basic aid is allocated to local school districts through a foundation program, with a flat grant base. All school districts, regardless of local wealth, receive $120 per student in average daily attendance (ADA). Local school districts must levy 10 mills of property tax in order to be eligible for state aid. Unlike a traditional foundation program, California's foundation level is calculated individually for school districts based upon a combined state and local "adjusted revenue limit." This revenue limit in turn is based upon the school district's prior year revenue limit plus a cost-of-living factor. Although there are no weighting factors attached to basic aid, a number of positive and negative adjustments for special factors are included.

State revenue sources include sales and income taxes. The largest local revenue source for school funding is the property tax. Property tax revenues are supplemented by:

> ...supplemental secured roll taxes, timber yield, aircraft taxes, prior year's (delinquent) taxes and impounds, collected property tax penalties, trailer coach fees, and 50% of a district's miscellaneous funds (payments received in lieu of taxes and revenues from royalties or bonuses).[33]

Also districts receive state reimbursement for loss of property tax revenues resulting from a $7,000 homeowner tax exemption. Finally, local school districts draw upon, "...voter approved

[33] Picus, 8-9.

parcel taxes, local sales taxes, local user fees, private support funds for schools, and other miscellaneous revenues including municipality contributions from their own tax sources to local schools."[34]

California is well known for its property tax limitations under Proposition 13 and their dramatic effect on school district revenues and expenditures. Since 1979, property taxes have been limited to 1% of a property's assessed value. Increases in assessed value per year are capped at 2% or the percentage growth in the Consumer Price Index, whichever is less. In addition, as mentioned above, the state basic aid formula, a foundation program, incorporates a local school district revenue limit. However, school districts may levy special taxes to finance general obligation bonds with a two-thirds super-majority approval of local voters.

New York

New York educates 2,877,143 students in 682 school districts (656 K–12 districts and 26 non-K-12 districts).[35] Students attending urban school districts represent the largest single at-risk category with 1,611,282 students or 56.0% of the student population. Minority student status is ranked second as a risk category, where 44.4% or 1,277,747 of New York students are racial minorities. In addition, minority students constitute 79.3% of urban school district enrollments. Over one-third (37.1%) or 1,065,898 students are classified as poor, making poverty the third highest risk factor in New York. It is followed by students with disabilities, totaling 417,112 or 14.5% of the total student population. Data on students with limited English

[34] Ibid., 5.

[35] The total of 682 districts is based upon a count of districts with 8 or more teachers and eligible for regular state aid funding. See, Brent, 1.

proficiency were not reported by the state. New York has the highest percentage of students with disabilities although the total number of disabled students is lower than that for California and Texas. In contrast, it has the highest percentage of minority student in urban school districts.

In 1998-99, New York's combined state and local expenditures for K-12 education were $26.11 billion. The state share was 45.1% or $11.77 billion, with local contributions totaling $14.3 billion or 54.9%. Fifty-eight percent of total state aid, or $6.81 billion, aid is allocated to New York public school districts as basic aid. This represents the lowest percentage of the four states. New York is the only state in the nation to allocate basic aid through a percentage equalization formula.[36] However, for those districts where the formula would generate a lesser amount, a flat grant of $400 per weighted pupil is allocated. The percentage equalizing formula is allocated based on a weighted pupil basis where differing weights are assigned to elementary and secondary students; students considered "at-risk" because of low scores on state tests; students enrolled in summer school; and dual enrollment students. Unlike a traditional percentage equalizing formula, basic aid in New York is capped. In addition to student weighting, the basic aid formula contains a number of adjustments or supplemental programs for special factors. Of the four states, New York is the only one to consider personal income as a factor in local fiscal capacity for the purposes of calculating state aid. Wisconsin, California, and Texas rely on local property wealth.

State revenue sources include personal income tax, general sales tax, and lottery receipts. The local property tax is the primary local revenue source for school district funding. However, some counties share their sales tax revenues with local school districts. In addition, small city school districts are permitted to levy a utility tax. With regard to revenue and expenditure

[36] Sielke, "Highlights," Table 1.3.

limitations, only the five largest school districts in the state--The "Big 5" of New York City, Yonkers, Buffalo, Rochester, and Syracuse--are subject to constitutional tax limits in the sense that the limits apply to the total budget of the municipality in which they are located, although these school districts are not subject to spending limits. However, all school districts face some expenditure limitations in that they are limited in that they may not carry forward an amount greater than 2% of their budget in an unappropriated fund balance.

Texas

The state of Texas enrolls 3,945,367 students in 1,042 school districts. In addition, there are 24 state school districts, which include Department of Corrections schools. Students attending urban school districts are the largest single at-risk category with 3,014,606 students or 76.4% of the student population. Minority student status ranks second, where 55.9% or 2,203,677 of Texas students are racial minorities. Minority students make up 73.1% of urban school district enrollments. Students in poverty follow with 45.0%, or 1,776,765 students, considered low income. Students with limited English proficiency represent the third largest risk category at 13.5 % of the student population, or 533,741 students. Students with disabilities total 483,637 or 12.2% of the student population. It may come as a surprise to some readers that a larger percentage of Texas students attend urban schools than those in New York: 76.4% versus 56.0%, respectively.

State and local expenditures totaled $21.40 billion in 1998-1999, of which $10.48 billion or 48.9% comes directly from state funds and the remaining 51.1% or $10.93 billion from local revenues. Texas utilizes a two-tiered mechanism for basic aid where the first tier is a foundation level program, and the second tier is a guaranteed yield formula. The foundation level program requires a local tax effort of 8.6 mills and is set at $2,396 per student in average daily attendance

(ADA). Several adjustments for special factors, which act as multipliers, are applied to the foundation level amount. These include a cost of education index and adjustments for small and midsize school districts and sparsity. The second tier guarantees school districts with a per pupil assessed valuation less than $210,000 a flat yield of $21 for each mill levied above 8.6. Texas imposes a recapture provision where school districts with an equalized assessed valuation greater than $280,000 per weighted student in average daily attendance must select one of five state-approved "wealth sharing options."

State revenue sources include general sales, corporate franchise taxes, motor fuels tax, natural gas and oil taxes, "sin" taxes, insurance and utilities taxes, and lottery proceeds. Texas has no income tax. Local revenue sources are mostly limited to the real property tax. All real property and business personal property are subject to tax; natural resources, such as oil, gas, and minerals are considered taxable property. School districts are limited in their ability to raise local property tax through two mechanisms. School districts may not levy more than 15 mills for "M&O," a maintenance and operations tax rate for administrative and operational costs. Second is a taxpayer relief option where local voters vote on any tax rate set by the local school board which exceeds the "rollback" rate, which is based either upon the district's prior year's operating levy plus 8 mills, plus the debt service rate; or a tax rate which will yield the same amount of state and local funds per pupil as the prior year, plus 8 mills and the tax rate for debt service.

This section presented an overview of funding systems for Wisconsin, California, New York, and Texas. The states differ in a number of ways. The student populations educated range from 879,542 in Wisconsin to 5.9 million in California. Given this disparity, it is not surprising that the states are divided into vastly different numbers of school districts, from 426 in

Wisconsin to 1,042 in Texas. With regard to the incidence of at-risk factors, there are substantial differences across states as well. The largest difference in incidence lies with of minority student enrollments, with 18.1% in Wisconsin and 61.1% in California, although Texas follows closely at 55.95%. Second is urbanicity which ranges from 42.0% in Wisconsin to 84.5% in California. The incidence of low income students ranges from 25.5% in Wisconsin to 46.8% in California. Again, Texas closely follows with 45.0% of its students considered poor. The incidence of limited English proficiency students was reported only for California and Texas, at 23.6% and 13.5% respectively. The smallest disparity in incidence came with the at-risk factor of disability where 10.9% of students in California receive special education services as opposed to 14.5% in New York.

Overall funding of education differs across the states. State aid to education ranges from $3.99 billion in Wisconsin to $24.47 billion in California. State/local shares also differ. In California, the state share is highest at 66.5% as compared to New York, the lowest at 45.1%. State basic aid varies from 90.2% of state funding in California to 58.0% in New York.[37] The form of basic aid is dramatically different across the fours states. Wisconsin uses a three-tiered guaranteed tax base formula while California combines a foundation level program with a flat grant. Texas uses a foundation level formula as well but adds a second tier with a guaranteed yield formula. New York remains the only state in the country to use a percentage equalizing formula. On the revenue side, all four states limit local school districts to use of the property tax, for the most part. At the state level, Wisconsin, California, and New York rely upon traditional revenue sources, such as income and sales taxes. Texas has no state income tax. In addition, all four states impose some kind of revenue or expenditure limitation upon local school districts.

[37] This information was not reported for Texas.

At-Risk Factors in State Education Funding Formulas

In contrast to the previous section which provided a thumbnail sketch of state education funding system components like general aid, revenue sources, and expenditure levels, this section focuses how each state funds the specific at-risk factors of disability, poverty, urbanicity, race, limited English proficiency, and parental education attainment. Normally, these are addressed via categorical aid programs or weighting mechanisms attached to basic aid.

Wisconsin

In 1998-1999, the state of Wisconsin spent $417.9 million or 10.5% of its preK-12 education budget for funding programs for at-risk students. (See Table 2.) These covered the at-risk factors of disability, poverty, urbanicity, race, and limited English proficiency. The at-risk factor of parental educational attainment was not addressed. However, Wisconsin provided funding for drop-out prevention and alcohol and drug abuse prevention, the former captured under a generic heading of "Children At-Risk Programs." All of these programs were funded as categorical aid as opposed to weighting mechanisms. Funding for the at-risk factor of minority status was funded through the basic aid program.

Funding for students with disabilities was provided through two programs: special education and early childhood education. The special education program is the largest of the at-risk funding programs at $280.5 million or 7.0% of total state aid. Special education funding represents a fixed percentage of district costs and includes the following:

> "...cost of salaries for special education teachers; physical and occupational therapists; teacher and therapy aides; and program supervisors and coordinators...transportation...school psychologists and social workers... board, lodging and transportation of nonresident children enrolled in a district's special

> education program... in hospitals and convalescent homes for the orthopedically disabled children."[38]

The early childhood education program provides funding for children ages three or older with exceptional education needs who are enrolled in Head Start programs. The program received $5.0 million in state funding.

Four categorical programs provide funding for programs for students in poverty: Preschool to grade 5 program; Student Achievement Guarantee in Education (SAGE); nutrition program; and early childhood education program.[39] Together, they totaled $37.0 million, less than one percent of total state aid. The preschool to grade 5 program is the largest of these at $7.0 million. Aid is awarded via a competitive grant process to elementary schools with high concentrations of economically disadvantaged students. The SAGE program is designed to assist school districts concentrations of low income students equal to or greater than 30%. Aid is provided for "class size reduction, extended school hours, community services, curriculum, staff development and accountability programs" in kindergarten through third grade."[40] With a funding level of $4.9 million, the nutrition program supplements federal programs, in particular for economically disadvantaged students with regard to breakfast, lunch, and morning milk. The early childhood education program mentioned above under the at-risk factor of disability also falls under poverty as it is targeted to students enrolled in the federally funded Head Start program which uses the criterion of poverty for participation.

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[38] Larsen and Loppnow, 12.

[39] "Compensatory" aid in Wisconsin lists "Aid to Milwaukee Schools." However, for the purposes of this analysis, it is classified as urban aid.

[40] Ibid., 15.

Although Wisconsin has several urban school districts, only one funding program is targeted to urbanicity: Aid to Milwaukee Public Schools. At $8.0 million, this program is also referred to as Desegregation Settlement Aid. The funding must be used as follows: (1) $5.1 million to expand the number of full day, 5-year-old kindergarten programs available to low-income pupils; (2) $1.1 million to extend the High Scope curriculum model, used in the all-day kindergarten programs, to first grade classes in several elementary schools; (3) $0.9 million to contract with private, nonprofit day care centers for early childhood education; (4) $0.5 million for alternative education programs for pupils subject to Learnfare, a school attendance requirement for children of welfare recipients; and (5) $0.4 million for an extended-day pilot program. Aid to expand kindergarten for low income students also falls under at-risk programs for students in poverty.

Unlike other at-risk programs in Wisconsin, minority status is funded through the basic aid program. Referred to as Integration or "Chapter 220" Aid, this program is funded $79.9 or 2.0% or total state aid. This aid is provided as an incentive to school districts to improve racial balance within and across school districts. For intradistrict transfers, the school district receives a 25% "bonus" in state basic aid. For interdistrict transfers, the receiving school district receives basic aid equal to its average cost while the sending district is allowed to keep the basic aid associated with the transferring student, creating a "win-win" situation.

Under Wisconsin law, school districts are required to provide bilingual education classes for students with limited English proficiency. State funding, at $8.3 million, is provided as a reimbursement of 21% of districts' prior year costs for "salaries, special books, equipment and other state approved expenses..."[41]

[41] Ibid.

In addition to the at-risk factors identified in this study, Wisconsin funds a category referred to as "Children At-Risk Programs" and "Alcohol and Other Drug Abuse Grant Programs" (AODA). The first, funded at $3.5 million, is targeted to school districts with dropout rates exceeding 50 students and 5%. The second aid program is funded on a competitive grant basis for "prevention and intervention including after-school and summer school programs, K-12 curriculum development, family involvement, drug abuse resistance education, and pupil designed AODA prevention and intervention projects."[42]

California

The state of California invests 17.2% of its education funding in at-risk factors, representing approximately $4.2 billion of the $24.5 billion dollar budget. Funding programs exist for disability, poverty, race, and limited English proficiency. No funding was provided in the 1998-1999 school year for urbanicity or parental educational attainment. All funding programs for at-risk factors are categorical in nature; that is, weighting mechanisms were not utilized, and no component of basic aid addressed such factors.

At $2.2 billion or 9.0% of total state aid, special education funding is the largest at-risk funding program in the state. Special education funding, which is adjusted annually for the cost-of-living, is distributed based upon average daily attendance (ADA) and flows through intermediate education entities called Special Education Local Program Agencies.

Three categorical programs, totaling $1.3 billion or 5.3% of total state aid, provide funding for low income students: Compensatory education; child nutrition; and child

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[42] Ibid., 20.

development. Compensatory education, funded at $436.2 million, is subdivided into four additional programs: Economic Impact Aid (EIA) at $400.9 million; the Miller-Unruh Reading program at $21.8 million; Native American Indian Education Program at $0.5; and American Indian Education Centers at $3.0 million. The latter two programs overlap with funding programs for minority students. EIA provides funding to students who are at-risk based upon economic or educational disadvantage or limited English proficiency. Funds may be used to: "(1) supplement educational services, particularly in basic skills, for children who have difficulty in reading, language development, or mathematics, and (2) provide bilingual education programs (EIA-LEP) for children who are classified as limited English-proficient (LEP)."[43] The latter program overlaps with a second category of risk, students with limited English proficiency. The child nutrition plan, funded at $75.6 million, supplements the federally funded National School Lunch and Breakfast Program for low income students. In addition, the child development program provides $794.6 million or 3.2% of state aid to education to subsidize child care and development programs for economically disadvantaged students and those with special needs. Child development program funding for students with special needs overlaps with funding programs for students with disabilities.

California addresses the at-risk factor of minority status through funding of reimbursement claims by school districts for both court-ordered and voluntary desegregation efforts. For 1998-1999, this program was funded at $632.8 million or 2.6% of the preK-12 education budget. In addition, two programs listed under funding to address the risk factor of poverty are related to minority status. These are the Native American Indian Education Program and American Indian Education Centers.

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[43] Picus, 15.

Limited English proficiency is funded through the bilingual education program at $1.5 million, less than one percent of total state aid and is used primarily for bilingual education training. It is important to note that Proposition 227, passed by ballot initiative in 1998, has made substantial changes in the way bilingual education is provided and funded in California, eliminating most bilingual classes although an unspecified portion of EIA funding, mentioned above under funding for students in poverty, may be used for bilingual programs.

New York

The state of New York expends $3.6 billion or 30.5% of its total education budget for preK-12 students to address at-risk factors, such as disability, poverty, urbanicity, race, limited English proficiency, and parental educational attainment. New York also provides categorical funding for a number of additional programs beneficial for at-risk students. The state's basic aid formula contains a weighting mechanism to address low income elementary students and students with limited English proficiency.

In 1998-1999, New York spent $2.9 billion or 25.0% of total state aid to serve students with disabilities through seven categorical aid programs. The largest of these, at $1.58 billion, "Public Excess Cost Aid for Students with Handicapping Conditions," is divided into three subprograms: (1) Basic excess cost aid; (2) high excess cost aid; and (3) declassification support services aid. As the name denotes, high excess cost aid is targeted to those students whose disabilities are particularly costly to school districts. Declassification support services aid is designed to fund services to teachers and students during the first year of a student's transition from special to regular education. All three are allocated on a weighted pupil basis. Private Excess Cost Aid for Pupils with Handicapping Conditions provides funding of $124.4 million for

districts who have placed special education students with approved private schools as well as special school districts and state schools for the blind and deaf.

Other special education aid programs include: (1) Education related support services at $60.2 million; (2) preschool special education at $510.5 million; (3) summer school program for disabled students at $155.9 million; (4) disabled pupil court orders at $19.0 million; and (5) education of Office of Mental Health (OMH) and Office of Mental Retardation and Developmental Disabilities (OMR) pupils at $22.0 million. Education related support services provides funding for students who qualify for special services under the American with Disabilities Act but are not eligible for excess cost aid because they are served in the regular education program. For preschool special education, the state provides 59.5% of the cost for preschool children, aged three and four, with disabilities; while the summer school program is 70% state-funded. Disabled pupil court orders funding represents prior claims owed by the state under the Family Court Act. Education of OMH/OMR pupils provides funding for children in residential and intermediate care facilities.

New York provides an unspecified amount of funding for students in poverty through a weighting mechanism in the basic aid formula. In addition, it provides $91.9 million or less than one percent of total state aid through four categorical programs. Four million dollars in state funding is provided to school districts for the education of homeless children. An experimental pre-kindergarten program, which provides health, psychological, and social services to low income four year olds receives $50.2 million in funding. School Breakfast and lunch programs for students in poverty are subsidized at $31.7 million. Finally, the state provides $6.0 million to school districts through a program titled, "Schools as Community Sites," whose goal is to foster coordination of school and community resources for students in poverty.

With regard to the risk factor of urbanicity, New York funds five categorical aid programs: (1) Categorical reading aid, at $64.0 million; (2) improving pupil performance, at $66.4 million; (3) effective schools consortia, at $1.9 million; (4) magnet and demonstration schools at $134.7 million; and (5) school health demonstration project, at $0.2 million. Together they provide $267.2 million or 2.3% of total state aid. These programs are targeted to the five largest urban school districts in New York, with the exception of the effective schools consortia where funding is limited to the New York City schools and the school health demonstration project targeted to the Buffalo schools.

Two categorical programs are targeted toward minority status in New York, totaling, $16.2 million, less than one percent of total state aid. The urban-suburban transfer program, funded at $1.1 million, is a voluntary desegregation program which includes transportation costs. The state also fully funds the education of Native American students at a cost of $15.1 million.

For the at-risk factor of limited English proficiency, $58.6 million, less than one percent, in state funding is provided. In order to qualify, school districts must have a plan in place for serving these pupils. The formula is based on weighted-pupil basis, and only those students scoring below the 40th percentile on an English assessment are eligible to receive aid.

Unlike the other states reviewed here, New York has two categorical programs that assist in raising parental educational attainment. The basic education for public assistance recipients, funded at $0.5 million, provides support for those 16 or years older reading below the ninth grade level to improve reading skills. In a similar manner, the adult literacy program, funded at $3.3 million, makes grants to community organizations. Together, these two programs total $3.8 million in state funding.

In addition to the risk factors used in this study, New York provides funding for six categorical programs, totaling $31.6 million, beneficial for at-risk students. Aid for incarcerated youth, funded at $10.5 million, provides educational services for youth in correctional facilities. The "AI/DP" grant program allocates funds of $1.0 million annually for attendance improvement and dropout prevention programs. The third program, extended day/school violence prevention, provides $15.2 million for before and after-school programs. Development of education programs for children of migrant works receives a state allocation of $0.1 million while parenting education is funded at $0.5 million. The latter program is targeted toward young parents. Finally, the state provides a generic "youth at-risk fund" of $5.3 million to fund programs based at the intermediate and local school district fostering partnerships between schools, local organizations, social services, and the private sector.

Texas

For the 1998-1999 school year, Texas spent approximately $1.3 billion or 11.9% of its elementary and secondary education budget to fund programs for at-risk students. Funded through weighting mechanisms tied to the general aid formula, these included at-risk factors for disability, poverty, and limited English proficiency. In addition, the general aid formula adjusted for concentrations of low income students through its cost of education index. Not addressed in the Texas funding system are factors for urbanicity, race, and parental education attainment.

Funding for students with disabilities totaled $739.7 million or 7.1% of total state aid.[44] Allocations for students with disabilities are weighted from 1.1 to 5.0. Fully mainstreamed

[44] Texas combines state and local funding for "categorical programs." However, an overview of the funding systems breaks out total state and local funding with state funding comprising, on

students are weighted one-tenth (1.1) more than a regular student (1.0) in the Texas funding system. Students requiring self-contained classrooms, whether classified mildly, moderately, or severely disabled, are weighted 3.0 while those requiring homebound instruction are weighted 5.0. Other categories, with weights in parentheses, include: Non-public day school (1.7); vocational adjustment class (2.3); off home campus (2.7); resource room (3.0); hospital class (3.0); and speech therapy (5.0).

Funding for students in poverty is provided through compensatory funding of $454.7 million of 4.3% of total state aid. For the purposes of the funding formula, students in poverty are defined as those meeting federal guidelines for free or reduced-price school lunches. These students then receive additional state funding through a weighting system where they are counted as 1.2. Texas provides $56.3 million in funding for students with limited English proficiency through a weighting system as well, where qualifying students are counted as 1.1 for funding purposes.

Table 3 provides a summary of funding programs by state for each at-risk factor.[45] Most of these fall into two broad categories: They are either weighting factors added to the basic aid formula or categorical grants-in-aid. Texas made use of basic aid weighting for the funding the at-risk factors of disability and poverty while New York used it for poverty and limited English proficiency. Twenty-six categorical programs were utilized by the four states across the six at-risk factors. New York made the broadest use of categorical aid programs, 15 in all, with six alone for students with disabilities and three for low income students. Two funding programs

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average, 48.9% of the total. Totals for categorical funding were multiplied times this percentage to yield the amounts used in this section of the paper.

[45] Note that it is not possible to list the funding for each of these as the data sources sometimes collapsed several types of funding programs for an at-risk category into a total funding amount.

were found in each of the categories of urbanicity and race. New York was the only state within the comparison that addressed parental educational attainment even though there is a substantial body of research that demonstrates a link between parental education level and student academic success. In addition, New York funded six programs for at-risk students that fall outside the typology used in this study. (See Table 4.) Among the latter, were funding for migrant students and incarcerated youth. Wisconsin also funded programs targeted to at-risk students that fall outside the typology used for this study. These included a generic "Children At-Risk Program" and "Alcohol and Other Drug Abuse Grant Programs" (AODA).

Cross-State Comparison and Analysis

The purpose of this section is to provide a cross-state comparison and analysis of at-risk funding factors in the four states. Included are subsections on disability, poverty, urbanicity, race, limited English proficiency, and parental educational attainment. Each subsection explores first the magnitude or incidence of the particular risk factor and then describes expenditure levels as well as the number and types of programs states use to address that particular risk factor. It is important to note that some at-risk factors may fall within more than one category of funding, for example, funding programs that target desegregation may also address the risk factors of urbanicity and race.

Disability

The percentage of students identified as disabled ranges from 10.9% to 14.5% of the total student population within the four states. At the same time, funding for disability programs is the largest at-risk funding category. New York, with 14.5% of its total student population

identified as disabled, spends $3.6 billion or 30.5% of its total education budget for special needs children. Wisconsin ranks second with 13.1% of its total student population identified as disabled, but spends only 7.0% or $280.5 million in total state aid to support special education. Ranking third, Texas has 483,637 disabled students, representing 12.2% of the state's student population. Texas also ranks third in funding for students with disabilities at $739.7 million or 7.1% of total state aid. California has the lowest percentage of disabled students at 10.9% or 648,404 students identified as special needs. In contrast, California ranks second in spending on this category, at $2.2 billion or 9.0% of total state aid.

Wisconsin children with disabilities are educated through two categorical programs: special education and early childhood education. Special education funding is structured as a reimbursement program of a fixed percentage of school district costs. Early childhood education funding is targeted to children ages three or older with exceptional needs who are also enrolled in the Head Start program. In California, funding for students with disabilities, based upon average daily attendance (ADA), is not distributed directly to local school districts. Instead, it flows through intermediate education agencies or Special Education Local Program Agencies. New York funds seven categorical programs to address the needs of students with disabilities. "Public Excess Cost Aid for Students with Handicapping Conditions" is the largest of these and consists of three subprograms: (1) Basic excess cost aid; (2) high excess cost aid; and (3) declassification support services aid. These are distributed on a weighted pupil basis. Other categorical programs include: (1) Private excess Cost Aid for Pupils with Handicapping Conditions; (2) education related support services; (3) summer school programs for disabled students; (4) disabled pupil court orders; and (5) aid to students in residential and intermediate

care facilities. In Texas, funding for special needs students is provided through weighting factors associated with the basic aid formula. These weights range from 1.1 to 5.0.

Poverty

Students identified as impoverished constitute a significant percentage and number of student populations in all four states. In California, 46.8% of its student population, or 2,770,686 students, are identified as poor. Texas follows at 45.0% or 1,776,756 students. At just over a third, 37.1% or 1,065,898 of New York's student population are low income. Wisconsin ranks fourth at 25.5% or 224,132 students. In terms of expenditure, California also leads with 5.3% or $1.3 billion of total state aid allocated to programs for students in poverty. The state of Texas ranks second, with 4.3% or $454.7 million. Wisconsin is third, with a slightly higher percentage than New York, at 0.9% or $37.0 million. At fourth, New York spends only 0.8% of total state aid on programs for students in poverty, or $91.9 million.

In Wisconsin, services are provided to poor students through four categorical programs: (1) Preschool to grade program compensatory education; (2) Student Achievement Guarantee in Education (SAGE); (3) nutrition program; and (4) an early childhood education program. The compensatory education program aid is awarded via a competitive grant process to elementary schools with high concentrations of low income students. The SAGE program's objective is improvement of student achievement in the early grades (K-3) through class size reduction; school and community collaboration; curriculum; professional development; and teacher evaluation. California has three categorical programs that provide services for low income students: (1) Compensatory education; (2) child nutrition; and (3) child development. Compensatory education is divided into four programs: (1) Economic Impact Aid (EIA); (2)

Miller-Unruh Reading program; (3) Native American Indian Education Program; and (4) American Indian Education Centers. New York addresses the needs of students in poverty both through a weighting mechanism attached to basic aid and four categorical aid programs. The categorical aid programs are as follows: (1) Aid to homeless children; (2) experimental preschool program; (3) nutrition; and (4) schools as community sites. The goal of the latter program is to coordinate school and community services for low income student. In Texas, funding for students in poverty is allocated through a compensatory education program where poor students, defined as those meeting federal guidelines for free or reduced-price lunches, are weighted 1.2 in the basic aid formula.

Urbanicity

In California, 84.5% or 5,004,294 students attend urban schools. Texas follows with 76.4% or 3,014,606 of the state's students educated in urban schools districts. Fifty-six percent or 1,611,282 New York students attend urban schools. With the lowest percentage in the four state comparison, Wisconsin educates 369,517 students or 42.0% of the student population in urban schools. Only two of the four states, Wisconsin and New York, provide direct funding to urban students. At 2.6% of total state aid, California provides the highest percentage of funding to urban students, totaling $632.8 million. Wisconsin dedicates less than one percent of state aid, or $79.9 million in funding, for urban students. California and Texas have no specific funding programs for these students even though the vast majority attend urban schools.

Wisconsin funds a categorical program titled Aid to Milwaukee Public Schools. Funds distributed through this program are limited to the following five initiatives: (1) Expansion of full-day kindergarten to low income students; (2) specialized curriculum in the early grades; (3)

early childhood education provided by private, nonprofit day care centers; (4) alternative education programs; and (5) an extended school day pilot program. This program is also referred to as Desegregation Settlement Aid. New York provides funding targeted to urban school students through five categorical programs: (1) Reading; (2) improving pupil performance; (3) effective schools consortia; (4) magnet and demonstration schools; and (5) a school health demonstration project. For the most part, these funding programs are limited to the five largest urban school districts in the state.

Race

In three of the four states studied, students identified as racial minorities constitute a substantial number and percentage of student populations. California leads with 61.1% of its student population, or 3,618,105 students, identified as racial minorities. Texas follows with 55.9% or 2,203,677 students. Almost half, 44.4%, or 1,277,747 of New York's student population, are classified as racial minorities. Wisconsin is a distant fourth with 18.1% or 159,262 students. Of the four states, California spends the highest percentage and amount of state aid on programs related to minority students, dedicating 2.6% at $632.8 million in aid. Wisconsin follows, spending 2.0% or $79.9 million. In comparison, New York spends less than one percent at $16.2 million, and Texas provides no funding at all.

In Wisconsin, California, and New York a large portion of this aid takes the form of funding programs to improve racial balance within and across school districts. Through the basic aid formula, Wisconsin funds integration or "Chapter 220" Aid, which provides incentive aid to improve intradistrict and interdistrict racial balance. California funds court-ordered and voluntary desegregation efforts through a categorical aid program. Like Wisconsin and California, New York funds a voluntary desegregation effort, called the urban-suburban transfer

program, which includes transportation costs. In addition, two smaller programs which California lists under compensatory education apply to minority status. These are the Native American Indian Education Program and American Indian Education Centers. New York fully funds the education of Native American students. In contrast, Texas provides no funding based upon the risk factor of minority status.

Limited English Proficiency

Neither Wisconsin nor New York reported data on the incidence of limited English proficient students in their respective states. California, with 1,399,210 limited English learners, or 23.6% of their total student population, ranks first in the comparison. Texas is second with 13.5% or 533,741 of the student population identified as limited English learners. With regard to funding levels, all four states allocate less than one percent of their education budgets to assist limited English learners. Wisconsin's funding for such students totals $8.3 million while California, which has the highest percentage of limited English proficient students, provides the least amount of funding at $1.5 million. New York allocates $58.6 million in state funding for these students, and Texas reports $56.3 million.

Wisconsin requires school districts to provide bilingual education classes for students with limited English proficiency. Categorical aid is structured as reimbursement for 21% of districts' prior year costs. In California, categorical aid for bilingual education is allocated primarily for the training of bilingual teachers. However, an unspecified portion of Economic Impact Aid funding, mentioned previously under funding for students in poverty, may be used for bilingual programs as well. New York's bilingual funding program requires school districts to have a plan in place before they are eligible to receive funding. Aid is distributed on a

weighted-pupil formula for qualifying students, who are limited to those who score below the 40% percentile on an English assessment. Texas supports students with limited English proficiency through a weighting system attached to the basic aid formula, with qualifying students weighted at 1.1.

Parental Educational Attainment

New York is the only state within the comparison that addresses parental educational attainment although there is a substantial body of research that demonstrates a link between level and parental education and student academic success.[46] This at-risk factor is supported by two categorical programs: (1) basic education for public assistance recipients, which provides support for those 16 or years older reading below the ninth grade level to improve reading skills; and (2) the adult literacy program, which awards grants to community organizations.

The cross-state comparison and analysis of at-risk funding factors in the four states details the varying magnitude or incidence of risk factors from state to state and the range of funding programs utilized by states to address them. Beyond funding programs to address disability, which are offered in each state, the number and types of programs states use to address particular risk factors evinces broad variance, with some at-risk factors engaged by more than one category of funding. For example, in Wisconsin, an early childhood education funding program for children with disabilities also falls under poverty because these students must be enrolled in the federally funded Head Start program, which uses the criterion of poverty for participation, to qualify. In a second example, Aid to Milwaukee Public Schools addresses the

risk factor of urbanicity providing funding for several initiatives, such as full day kindergarten, early childhood education, alternative programs, and specialized curriculum. However, it grew out of funding that was once targeted for desegregation, which falls under the risk category of race. In addition, the portion of aid to expand kindergarten targets low income students and so falls under at-risk programs for students in poverty. Given that a large percentage of urban students are also racial minorities in Wisconsin, as well as the other three states studied, this overlap is not surprising.

In California, there are similar examples. Under compensatory aid, which is directed to students in poverty, the state funds a Native American Indian Education Program and American Indian Education Centers. These programs clearly overlap with funding programs for minority students. Another compensatory subprogram, Economic Incentive Aid, provides funding to students who are economically disadvantaged or limited English proficient. A third subprogram, for child development, provides state aid to subsidize child care and development programs for economically disadvantaged students and those with special needs, the latter overlapping with the risk factor of disability. These "cross-overs" capture the complexity state policymakers face in providing funding for students at risk of academic failure and point up the compound nature of risk.

Conclusions, Policy Implications, and Recommendations for Future Research

In economics, vertical equity is defined as the unequal treatment of unequals. In education, children defined as at risk of low academic achievement or dropping out represent the operationalization of this concept. They include children in urban schools; those with

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[46] Data were not available for parental education attainment levels, for example, the percentage

disabilities; children from low income families; student with limited English proficiency; ethnic minority students; and children from families with low parental education attainment. The four state funding systems analyzed in this monograph address the disparate needs of these children through a variety of mechanisms. Most of these fall into two broad categories: They are either weighting factors added to the basic aid formula or categorical grants-in-aid. Of the four states, New York made the broadest use of categorical aid programs, in contrast to Texas, where at-risk funding was limited to basic aid weighting mechanisms.

For the most part, the incidence of particular groups of at-risk students varied substantially across states as did the funding commitment. For example, there were stark contrasts in the percentage of students attending urban schools, ranging from 42.0% of the student population in Wisconsin to 84.5% in California. In a second illustrative example, with regard to funding commitments, New York spent one-quarter of its total state education aid on students with disabilities, contrasted with Texas and Wisconsin, that spent approximately seven percent.

How does Wisconsin measure up to the other states in this comparison? While Wisconsin had the highest average per-pupil state aid of the four states, it was not the highest spender on at-risk programs, placing third behind New York and California. It might be argued that within this group of states Wisconsin had lower concentrations of at-risk students in some categories such as poverty, race, and urbanicity. Still Wisconsin ranked second, behind New York, in the percentage of students with disabilities, but ranked third in the portion of average per-pupil state aid dedicated to special education. In spite of lower percentages in three of the risk categories mentioned above, Wisconsin provided categorical aid for students in poverty

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and number of parents of school-aged children with less than a high school degree.

through early childhood development and class size reduction. Funding was targeted to students in urban school districts as well for early childhood education, extended school days, and specialized curriculum in the early grades. Of the four states, Wisconsin spent the highest proportion of average per-pupil state aid to address the risk factor of race through a voluntary desegregation program. Of the six risk categories, Wisconsin failed to address only one, parental education attainment. Only New York provided funding for parental education attainment through reading and literacy programs. Given the strong negative relationship between student achievement and low parental educational attainment, Wisconsin may want to consider funding similar efforts in this area.

It is clear that policymakers in all four states are concerned with vertical equity although they have selected different approaches and levels of funding to address meeting the needs of students who are potentially at risk of academic failure. While it is well established in the research literature that students classified as "at-risk" need additional resources in order to be successful, critical questions remain for policymakers, such as, how much more is needed? In addition, what are the best mechanisms to address students with multiple risk factors, e.g., urban, poor, minority children, who typify the compound nature of risk? These questions are beyond the scope of this study, which is admittedly exploratory in nature. Nonetheless, it is hoped that the results presented here will serve to stimulate future research around such questions, for example, by relating particular programs and funding levels for risk factors to student outcomes so as to begin the process of evaluating the cost-effectiveness of existing state funding mechanisms.

In the midst of an educational environment where many schools and districts struggle to meet federal and state mandates with limited funds, it is imperative to build a better

understanding of the ability of funding for at-risk children to increase the vertical equity of state school finance systems. This study provides a first glimpse into this complex policy issue.

Table 1

Incidence of Students with At-Risk Factors, 1998-1999

State	Total Students	Disability	%	Poverty	%	LEP	%	Race	%	Urban	%	Urban/ Race (%)
Wisconsin	879,542	115,803	13.1	224,132	25.5	nr	nr	159,262	18.1	369,517	42.0	43.1
California	5,925,964	648,404	10.9	2,770,686	46.8	1,399,210	23.6	3,618,105	61.1	5,004,294	84.5	72.3
New York	2,877,143	417,112	14.5	1,065,898	37.1	nr	nr	1,277,747	44.4	1,611,282	56.0	79.3
Texas	3,945,367	483,637	12.2	1,776,756	45.0	533,741	13.5	2,203,677	55.9	3,014,606	76.4	73.1

Data source: U.S. Department of Education, "Overview of Public Elementary and Secondary Schools Districts: School Year, 1998-1999." *Statistics in Brief*, June 2002, Office of Educational Research and Improvement, National Center for Education Statistics, NCES 2000-333R.

Table 2

Funding for At-Risk Factors in State School Funding Systems, 1998-1999
(in Millions of Dollars)

State	Total State Aid (TSA)	Total At-Risk	% (TSA)	Disability	% (TSA)	Poverty	% (TSA)	Urban	% (TSA)	Race	% (TSA)	LEP	% (TSA)
Wisconsin	$3,989.0	$417.9	10.5	$280.5	7.0	$37.0	0.9	$8.0	<1.0	$79.9	2.0	$8.3	< 1.0
California	24,472.8	4,216.2	17.2	2,200.0	9.0	1,306.4	5.3	0	0	632.8	2.6	1.5	<1.0
New York	11,773.0	3,590.8	30.5	2,937.6	25.0	91.9	0.8	267.2	2.3	16.2	<1.0	58.6	<1.0
Texas	10,477.4	1,250.6	11.9	739.7	7.1	454.7	4.3	0	0	0	0	56.3	<1.0

Data source: Catherine C. Sielke, John Dayton, C. Thomas Holmes, and Anne Jefferson. *Public School Finance Programs of the United States and Canada: 1998-1999*. Washington, D.C.: U.S. Department of Education, National Center for Education Statistics, 2001.

Table 3: Funding Programs for At-Risk Factors

At-Risk Factor	Wisconsin	California	New York	Texas
Disability				
Special Education Weights/Basic Aid				X
Special Education Categorical				
Reimbursement program	X			
Direct aid program		X	X	
Early childhood education	X		X	
High cost students			X	
Summer School			X	
Transition to Regular Education			X	
Private school special education costs			X	
Poverty				
Basic Aid Weighting			X	X
Compensatory Aid (categorical)		X		
Early childhood development	X	X	X	
Class size reduction	X			
Reading		X		
Homeless students			X	
School/Community Centers			X	
Urbanicity				
Early childhood education	X			
Extended school day	X			
Early elementary (K-1) curriculum	X			
Reading			X	
Demonstration Projects			X	
Race				
Desegregation				
Voluntary	X	X	X	
Mandatory		X		
Native American Education		X	X	
Limited English Proficiency				
Basic Aid Weighting			X	
Bilingual Categorical Aid				
Reimbursement	X			
Direct Aid Program		X		
Parental Education Attainment				
Reading			X	
Adult Literacy			X	

Table 4
Other Funding Programs for At-Risk Factors

Other At-Risk Factors	Wisconsin	California	New York	Texas
At-risk categorical funding (unspecified)	X		X	
Drop-out prevention			X	
Drug and alcohol education	X			
Migrant student education			X	
Incarcerated youth			X	
Parenting education			X	
Violence prevention education			X	

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