Center for American Progress

AP PHOTO/ED ANDRIESKI

Measuring Inequity in School Funding

Diana Epstein August 2011

Center for American Progress

Measuring Inequity in School Funding

Diana Epstein August 2011

Contents

Introduction and summary

Low-income children tend to be concentrated in low-income school districts, and these children often attend schools that receive far fewer resources per pupil despite their greater need.

Since education is primarily a state responsibility, more than 90 percent of school funding comes from state and local sources, and the federal government provides the rest.[1] Districts have traditionally drawn much of their revenue from local property taxes, which means districts in high-wealth parts of a state are often funded more generously than districts in low-wealth areas.

Over time, some states have moved to school finance models in which districts receive more funding from state sources and rely less on local revenue streams. The shift to higher proportions of state funding is aimed at ensuring districts in lower-wealth areas have access to additional resources so funding across districts is more equitable. In other states, however, the level of school funding is still largely driven by local taxes.

This paper discusses the differences in per pupil funding across states by highlighting measures of spending and effort. It then examines the problem of intrastate fiscal inequity and surveys some of the different measures that are used to characterize a state's level of funding equity among districts within a state.[2] It then compares and contrasts the different measures and presents data on states' fiscal equity using a variety of measures. The data demonstrate that many states are not fairly funding their school districts.

Policymakers and advocates should embrace a measure of intrastate equity to promote discussion and reform. We believe a useful fiscal equity measure should express the relative level of funding inequity in a state, adjust for local cost differences and include weights for extra student needs, capture whether or not a state's school finance system is progressive or regressive (providing more or less funding to districts with a high percentage of low-income children), and be relatively simple to use and explain.

The inequity in school funding must be remedied so all children in a state have access to the resources they need to achieve at high levels. States should employ progressive school finance systems so districts with high percentages of low-income children receive more resources than those with fewer low-income children. Those states without progressive finance systems should therefore undertake reforms, a process that is both technically difficult and politically challenging since it is likely to create funding winners and losers as funds are distributed in new ways. Because states may be reluctant to undertake such a process, the federal government should consider playing a role in incentivizing states to reform their school finance systems.

Background

Decades of lawsuits and court interventions have aimed to remedy some of the inequities in states' school finance systems.[3] The earliest cases invoked the federal Constitution's equal protection clause; plaintiffs asserted that education was a fundamental constitutional right and students had a right to school funding that met their needs. The courts, however, did not agree.

Plaintiffs then began to challenge state finance systems based on the idea that financing schools should be wealth neutral and not dependent on local wealth. These cases focused on the notion of equity and the funding disparities among districts in a state. In the 1971 *Serrano v. Priest* case, the court ruled that California's school finance system violated the equal protection clauses of both the federal and state constitutions. The 1973 *San Antonio v. Rodriguez* case in Texas, and the subsequent Supreme Court decision, affirmed that school finance cases could be successful at the state level but that such cases would not succeed on federal constitutional grounds. The *Serrano* and *Rodriguez* decisions led to a series of victories against states in New Jersey, Washington, and West Virginia, though plaintiffs suffered defeats in other states where courts upheld state finance systems as constitutional.

The next set of cases focused on adequacy rather than equity, with plaintiffs arguing that state education clauses required the state to provide an adequate education—with adequate funding—for all students. In 1989 courts in Texas, Montana, and Kentucky ruled against the state on adequacy grounds. More recently, in 2006 plaintiffs in New York won an adequacy-based case and the courts ordered the state legislature to provide $2 billion more in funding for the schools in New York City.

Despite the litigation, tremendous funding disparities still exist among school districts within many states. The distribution of state revenues often does not fully remedy—and some state funding formulas may even exacerbate—inequities among districts due to their location in richer or poorer parts of a state. This skewed funding of districts means that the resources provided for a child's education may be largely dependent on where that child lives.

In recognition of this problem, this year the Department of Education is overseeing a congressionally created Equity and Excellence Commission composed of education advocates, civil rights leaders, scholars, and lawyers. The commission's charge is to "collect information, analyze issues, and obtain broad public input regarding how the Federal government can increase educational opportunity by improving school funding equity. The commission will also make recommendations for restructuring school finance systems to achieve equity in the distribution of educational resources and further student performance, especially for the students at the lower end of the achievement gap."[4] A report is due out in early 2012.

Inequity among states: Funding level and effort

The most basic measure of fiscal equity looks across states and reports the state average per pupil expenditure. In computing the adjusted per pupil expenditure measure, the annual "Quality Counts" report, from the widely read publication *Education Week*, adjusts for local costs using the NCES Comparable Wage Index, while the funding level measure in the "National Report Card on Fair School Funding" from Bruce Baker at Rutgers and his colleagues at the Education Law Center includes adjustments for regional wages, poverty, economies of scale, and population density.[5]

The implicit assumption in comparing funding levels between states is that "more is better." This may or may not be true, and it is also worth noting that these simple comparisons ignore any discussion of whether or not the money is being used effectively or efficiently. Nonetheless, the dramatic differences in per pupil expenditures between states should give us pause. The education received by children in a state such as New York that spends an average of $15,012 per pupil may be different than that of children in Tennessee who receive only $8,507 per pupil.[6]

Another way to make fiscal comparisons among states is to consider how much of its available resources a state devotes to education. This is conventionally known as "effort." *Ed Week*'s "Quality Counts" measures effort as the percent of total taxable state and local resources spent on pre-K-12 education, and The Education Trust, an education policy organization, uses a similar effort metric in its "Funding Gaps" reports. The measure in Baker's "Report Card" defines effort as the ratio of state spending to state per capita gross domestic product.[7].

Comparing states' effort can be a crude way to gauge which states are more—or less—committed to funding education as compared to all their other priorities. Figure 1 shows the variation in effort among states; on average, states spend 3.8 percent of their resources on education. Some difficulty in interpreting the consequences of state effort arises, however, if we assume a national average cost of

providing a minimally adequate education. To meet this average cost, a poorer state would have to exert much higher effort than would a rich state. Simply using an effort metric for comparison without considering overall wealth would theoretically penalize a rich state for being able to exert less effort, fund education appropriately, and have money left over. In this case, giving sole credence to effort rankings could create perverse incentives for rich states to spend more money on education but not necessarily use that money in ways that actually improve student achievement.

FIGURE 1

Percent of total taxable resources spent on education (2008)

Alabama	4.1%	Indiana	4.5%	Nebraska	3.6%	South Carolina	4.5%
Alaska	4.1%	Iowa	3.6%	Nevada	3.1%	South Dakota	2.8%
Arizona	3.7%	Kansas	4.1%	New Hampshire	4.1%	Tennessee	2.9%
Arkansas	4.2%	Kentucky	3.7%	New Jersey	5.0%	Texas	3.4%
California	3.5%	Louisiana	2.9%	New Mexico	4.0%	Utah	3.7%
Colorado	3.0%	Maine	4.8%	New York	4.3%	Vermont	5.5%
Connecticut	4.2%	Maryland	4.5%	North Carolina	2.8%	Virginia	3.4%
Delaware	2.5%	Massachusetts	3.8%	North Dakota	2.9%	Washington	3.2%
Florida	3.6%	Michigan	4.7%	Ohio	4.5%	West Virginia	4.6%
Georgia	4.3%	Minnesota	3.7%	Oklahoma	3.3%	Wisconsin	4.1%
Hawaii	3.5%	Mississippi	4.0%	Oregon	3.4%	Wyoming	4.2%
Idaho	3.7%	Missouri	3.8%	Pennsylvania	4.2%		
Illinois	3.7%	Montana	3.8%	Rhode Island	4.3%		

Source: "Education Counts," available at **http://www.edcounts.org.**

Inequity within states: Why intrastate fiscal equity matters

Numerous studies demonstrate that school districts in many states are not funded equitably; that is, within a state some districts receive more state and local money per pupil than do others. This paper focuses only on state and local funds because most federal funding (for example, Title I) is designed to provide supplemental resources on top of whatever the state and district are already providing. An analysis of 2004 data by The Education Trust demonstrated that the highest-poverty districts in 26 states received less state and local per pupil funding than the lowest-poverty districts.[8] The differences varied widely among states; for example, while Illinois provided $1,924 less per pupil in the highest-poverty districts, Minnesota provided $1,349 more.

Inequity among districts means that children in lower-funded districts do not have access to the same resources—modern buildings, technology, highly effective teachers, supplemental supports, etc.—than do their peers in districts with higher levels of funding. Furthermore, low-income children and English language learners need extra resources to overcome disadvantages due to socioeconomic status or lack of English language proficiency. In many cases, not only are these children not receiving equal resources but they are also not receiving the extra supports they need in order to succeed.

The Great Recession has exacerbated inequalities by diminishing state revenues, resulting in budget cuts to education across the country. Without extra funds to devote to education, states have to make difficult choices about how to spend the funds that remain. A district that receives more money from local sources and less from the state is in a better position to weather this storm than is a district reliant on a diminishing pool of state funds.[9] A district that already has low per pupil funding is now likely to be hurt even more since it cannot depend on robust local support to fill in the gaps, making funding inequities even worse.

All intrastate equity measures are not the same

A number of different researchers have created metrics that describe the level of each state's fiscal equity and then rank or grade the states on that measure. The general idea behind these equity measures is to compare the average state and local per pupil revenues in each school district within a state and see how similarly or dissimilarly the state's districts are funded. Federal funds are typically excluded because they are intended to be supplemental, and these measures are designed to analyze how the state chooses to allocate the resources directly under its control. Each state receives a single number to express its equity/inequity, which allows for comparisons to be made among states.

Though these measures are certainly not perfect, they do highlight the large differences in intrastate equity that exist among states. They also serve as a useful way to acknowledge "good" states that we might want others to emulate, as well as shame those who fund their school districts inequitably. Some of the measures capture similar underlying concepts of equity, yet some are quite different, and it is important to understand what the measures mean and why we might favor using one over another.

Cost adjustments

Researchers usually make certain adjustments to the school finance data that are used in these equity measures. In most cases, dollar figures are adjusted for local cost differences using the NCES Comparable Wage Index, or CWI.[10] The CWI adjusts school finance data within and between states so that comparisons can be made among different parts of the country in a way that reflects variation in the cost of providing education. It is based on the wages of college graduates in a local labor market who are not teachers and has been computed each year from 1997 through 2005.

Weights

In addition, most—but not all—of the equity measures use weights to account for different kinds of student needs. The rationale behind using weights is that it costs more to educate children with extra needs, therefore a child in poverty or a child with disabilities should "count" more than a high-income child or a child with no special needs. For example, the measures used by *Ed Week* in its "Quality Counts"

reports make adjustments such that students in poverty receive a weight of 1.2 and students in special education receive a weight of 1.9 (or 2.3 for years prior to 2001).[11] The Education Trust's "Funding Gaps" report uses weights of 1.6 for students in poverty, 1.9 for students with disabilities, and 1.2 for English language learners.[12] These examples demonstrate that the weights vary between different approaches, and the equity measure values will differ depending on which weights are used. While there is a broad consensus that it costs more to educate children with higher levels of need, research has not definitively established how much extra it actually costs to educate these children.

Measures of spread

Some intrastate equity measures assess how funding varies within a state by measuring how much each district's per pupil funding differs from the state mean and then aggregating those deviations. For example, in its "Quality Counts" indicators, *Ed Week* reports the coefficient of variation, or CV, as a measure of funding disparity among districts within a state. The U.S. Department of Education uses a similar measure in its calculation of the equity factor for Title I Education Finance Incentive Grants. The coefficient of variation illustrates the extent to which districts in a state are funded similarly or not, and it is computed by dividing the standard deviation in district funding by the mean average funding for that state. A value of zero means that all districts are funding equally, and a larger coefficient indicates greater disparity in funding among districts.

Our conception of equitably funding districts does not necessarily mean across-the-board equal per pupil funding. Some students have greater needs and thus it costs more to provide these children with a high-quality education. A state might actually prefer a funding scheme that allocates more resources to districts that serve many low-income children to one that funds all districts equally. The downside to using a statistic such as the CV is that it cannot distinguish between a state in which rich districts receive more state and local resources than poor districts and a state in which poor districts receive more state and local resources than rich districts. The CV statistic could be similar in either case because it is only measuring absolute differences without specifying a direction. For example, rich districts in Illinois tend to receive more state and local resources than do poor districts, whereas the opposite is the case in Minnesota. The CV for Illinois in 2007 was 0.151 and it was a very similar 0.154 for Minnesota. (see Figure 4) This feature of the statistic has implications for any calculation—including the federal Title I formula—that uses the CV as the basis for funding allocations.

Ed Week also reports a different measure of spread called the restricted range, which is defined as the difference between spending levels of the district at the 95th percentile in spending and that of the district at the 5th percentile. A low value for this statistic means that that state's districts are funded more similarly than they are in a state with a large difference in per pupil funding between high- and low-spending districts. A similar measure called the restricted range ratio is the restricted range statistic divided by the spending of the district at the 5th percentile.

Both of these measures have the advantage of excluding the very high and very low spending districts at each end of the distribution so that the overall score for the state is not skewed by any potential outliers. The disadvantage to these measures is that they do not consider the spending levels of any of the districts in between the 5th and 95th percentile, so they may not provide a complete picture of a state's school finance system.

Measures of progressivity

It costs more to educate children who come from low-income families, are English language learners, or who qualify for special education services to the same level as those children who do not have these extra needs. This paper focuses primarily on school funding equity as it relates to children from low-income families. For this purpose, the most useful equity measures are those that assess whether a state's finance system is progressive—providing more funding to districts with a high percentage of low-income children—or regressive—providing more funding to districts serving fewer low-income children. Unlike the measures of spread discussed above, these progressivity measures explicitly distinguish between progressive and regressive school finance systems and subsequently assign more favorable scores to those that are progressive.

One of the simplest measures of progressivity is the wealth-neutrality score *Ed Week* uses. This metric assesses whether—and how much—state and local revenue is related to a district's property wealth. Negative numbers correspond to a negative correlation between revenue and wealth such that poorer districts in a state tend to receive more funding per pupil than do wealthy districts. Positive numbers correspond to a positive correlation between revenue and wealth; that is, wealthier districts tend to have more per pupil funding than poorer districts.

In its "Funding Gaps" reports, Ed Trust measures funding progressivity by comparing the average per pupil state and local revenues in the 25 percent of districts with the highest poverty with that of the districts in the 25 percent of districts with the

lowest poverty.[13] The funding gap is negative when the highest-poverty districts receive comparatively less revenue, corresponding to a regressive funding scheme, whereas a positive funding gap indicates a progressive system where the highest-poverty districts receive more revenue per pupil. This poverty gap is calculated both without a weighted adjustment for low-income students and also with a 40 percent weight adjustment for low-income students.

The U.S. Department of Education uses a similar metric in its new online data Dashboard, again comparing state and local revenues in the highest-poverty and lowest-poverty quartiles of districts.[14] To compute this measure, the difference in average revenue between the highest-poverty and lowest-poverty districts is divided by that of the lowest-poverty districts. This calculation yields a percentage; a positive percentage represents progressive funding and a negative percentage represents regressive funding. The Dashboard interface allows the user to adjust the student weight for low-income students from zero percent to 100 percent, and the results for each state change accordingly.

The downside to using either of these quartile-based measures is that they exclude the middle 50 percent of districts and cannot evaluate whether the funding patterns are systematic across all of a state's districts.[15] A more complex measure of progressivity is the funding distribution metric in Baker's "Report Card."[16] A regression model estimates the relationship between student poverty concentration in a district and state and local revenues, and then predicts district funding levels at zero percent, 10 percent, and 30 percent poverty. The model estimates whether funding levels increase or decrease on average as a district's concentration of poverty increases and computes the ratio of predicted funding at 30 percent poverty to that at zero percent poverty. The higher the ratio, the more progressive is the state's funding scheme. While this measure provides a more complete picture of a state's funding across districts, its complexity is a disadvantage and thus may not be accessible to a broad audience.

How the intrastate measures are related

Simple correlations can describe how the equity measures are related to each other. Since the measures are somewhat idiosyncratic in terms of how they define negative or positive numbers, the easiest way to interpret these correlations is to look at the absolute value. A large number (in absolute value) means that the two equity measures are likely measuring the same underlying aspect of a school finance system. As one measure increases, the other measure increases by a similar amount. A small number (in absolute value) implies that the two equity measures are likely measur-

ing different aspects of a school finance system. As one measure increases, the other measure increases by a much larger—or much smaller—amount. The values for correlation coefficients can range from -1 to +1.

Figure 2 displays the correlation coefficients between each pair of measures.[17] As expected, the progressivity measures (wealth neutrality, funding gap, Department of Education, and distribution) are fairly well correlated with each other. For example, the correlation between the adjusted funding gap measure and the Department of Education's adjusted Dashboard measure is a sizeable 0.71. On the other hand, while the coefficient of variation and restricted range are highly correlated with each other, the correlations to progressivity measures are much weaker. For example, the correlation between the CV and the adjusted funding gap measure is only 0.25. This is not surprising considering that the measures of spread and the measures of progressivity are evaluating different aspects of a state's school finance system.

FIGURE 2

Correlations between fiscal equity measures

Correlations	Coefficient of variation	Restricted range	Wealth neutrality	FG unadjusted	FG adjusted	ED unadjusted	ED 40% weight	Baker (distribution)
Coefficient of variation		0.62	-0.36	0.26	0.25	0.47	0.48	0.17
Restricted range			-0.32	0.22	0.14	0.31	0.29	0.09
Wealth neutrality				-0.48	-0.45	-0.59	-0.58	-0.50
FG unadjusted					0.98	0.67	0.68	0.69
FG adjusted						0.67	0.71	0.64
ED unadjusted							0.97	0.67
ED 40% weight								0.63
Baker (distribution)								

Using the correlation data, we can divide the intrastate equity measures into the two categories shown below in Figure 3. The measures of spread are useful in demonstrating the level of equality in how a state funds its school districts, while the measures of progressivity show how the level of funding is related to a district's level of poverty.

FIGURE 3

Categories of intrastate equity measures

Measures of spread	Measures of progressivity
Coefficient of variation	Wealth neutrality
Restricted range	Funding gap (unadjusted and adjusted)
	Department of Education Dashboard equity measure (with or without weights)
	Distribution (Baker)

How equitable is your state?

While all these metrics assess some aspect of fiscal equity, they are clearly capturing different features of a state's school finance system. A simple measure of spread does not consider any goals other than pure funding equity between districts, while progressivity measures reward states that fund high-poverty districts at levels higher than low-poverty districts. Figure 4 compares the states' rankings (with 1 being the smallest spread, or the most progressive, depending on the measure) on various equity measures from different sources and demonstrates that the rankings can be quite different depending on the measure used.[18] Comparing equity measures in this way is helpful in raising questions about which kind of fiscal equity policymakers and advocates prefer to use. The choice of measure matters, and the specific equity goal should be explicitly identified before passing judgment on the relative equity among states.

For example, take the state of New Jersey. Looking at just the CV or the restricted range would lead one to believe that the state is highly inequitable, and in terms of per pupil resource equality between districts, it is. As the measures of progressivity demonstrate, however, New Jersey provides significantly more funding to its highest-poverty districts.[19] On the other hand, Florida and West Virginia rank highly on the measures of spread, meaning that most of their districts receive about the same amount of per pupil funding. In terms of progressivity, though, these states are in the middle (or worse) of the U.S. rankings.

Finally, some states such as New York and Illinois display fairly wide variation using measures like the CV or restricted range but rank just as badly—if not worse—using measures of progressivity such as the funding gap or Department of Education measure. These highly regressive states are providing fewer resources to their high-poverty districts even though those districts serve many disadvantaged children with high levels of need.

FIGURE 4

State rankings on different fiscal equity measures

	2007		2007		2007		2004		2007		2006	
State	CV	Rank	Restricted range	Rank	Wealth neutrality	Rank	Funding gap (40% weight)	Rank	Dept. Ed. (40% weight)	Rank	Baker (distribution)	Rank
Alabama	0.105	4	$2,510.00	6	0.185	42	-$656.00	38	-16.2	44	0.89	36
Alaska	0.336	49	$10,806.00	49	-0.253	1	$2,054.00	1	35.9	1	NA	NA
Arizona	0.193	40	$2,902.00	17	0.069	22	-$736.00	39	-8.5	37	1.04	16
Arkansas	0.119	5	$2,878.00	15	0.060	20	-$500.00	34	-1.2	19	1.04	17
California	0.161	30	$2,901.00	16	0.022	11	-$259.00	21	-0.1	16	1.03	19
Colorado	0.140	17	$2,679.00	9	0.121	30	-$440.00	31	15.6	2	0.92	32
Connecticut	0.139	15	$5,331.00	41	0.035	12	$59.00	14	-9.8	39	1.14	10
Delaware	0.141	18	$5,357.00	42	0.336	49	-$371.00	26	-1.5	20	0.89	37
Florida	0.095	2	$2,218.00	3	0.196	43	-$461.00	32	1.0	14	0.91	34
Georgia	0.127	10	$3,472.00	24	0.130	33	-$292.00	23	-5.3	27	1.03	20
Idaho	0.218	45	$2,816.00	12	0.314	48	-$257.00	20	-6.8	32	0.88	38
Illinois	0.151	22	$5,079.00	40	0.165	38	-$2,355.00	48	-23.3	46	0.78	46
Indiana	0.159	28	$3,778.00	31	-0.003	7	$93.00	13	5.7	11	1.17	8
Iowa	0.123	7	$2,673.00	8	0.050	18	-$176.00	17	-2.1	23	1.05	15
Kansas	0.157	26	$3,550.00	26	-0.019	5	-$885.00	42	0.8	15	0.92	31
Kentucky	0.131	11	$2,967.00	19	0.035	13	$448.00	7	-0.1	17	1.03	18
Louisiana	0.190	39	$2,507.00	5	0.272	47	-$481.00	33	-14.4	43	0.91	33
Maine	0.146	20	$4,166.00	36	0.130	34	-$543.00	36	-7.4	35	0.85	40
Maryland	0.120	6	$3,322.00	22	0.166	39	-$432.00	28	-5.9	30	0.89	35
Massachusetts	0.198	43	$7,014.00	46	0.048	17	$694.00	4	8.8	9	1.19	6
Michigan	0.138	13	$3,679.00	28	0.163	37	-$1,072.00	44	-12.0	40	0.93	30
Minnesota	0.154	25	$3,395.00	23	0.045	16	$950.00	3	11.2	6	1.38	3
Mississippi	0.160	29	$4,121.00	35	0.235	45	-$191.00	18	-6.8	34	0.96	27
Missouri	0.157	27	$3,640.00	27	0.090	24	-$271.00	22	-13.0	42	0.88	39
Montana	0.289	48	$5,066.00	39	0.092	25	-$1,148.00	45	11.6	5	1.17	7
Nebraska	0.186	36	$3,784.00	32	-0.178	2	$210.00	10	-1.0	18	0.99	24
Nevada	0.138	14	$2,627.00	7	-0.014	6	-$297.00	24	NA	NA	0.74	47
New Hampshire	0.197	41	$5,758.00	44	0.145	35	-$1,297.00	46	-12.7	41	0.64	48
New Jersey	0.189	38	$8,251.00	48	0	9	$1,069.00	2	13.2	3	1.40	2
New Mexico	0.218	46	$3,911.00	34	0.013	10	$679.00	5	8.4	10	1.14	9
New York	0.152	23	$6,167.00	45	0.107	26	-$2,927.00	49	-22.8	45	0.82	45
North Carolina	0.132	12	$2,849.00	13	0.242	46	-$543.00	37	-5.6	29	0.84	43
North Dakota	0.215	44	$2,869.00	14	0.121	31	$17.00	15	9.9	8	0.82	44
Ohio	0.168	33	$3,729.00	29	0.039	15	$113.00	12	-6.2	31	1.31	4
Oklahoma	0.184	35	$2,914.00	18	0.037	14	-$213.00	19	-1.7	21	1.07	14
Oregon	0.144	19	$3,010.00	20	0.068	21	$302.00	9	2.1	13	1.09	12
Pennsylvania	0.163	31	$4,367.00	38	0.166	40	-$1,511.00	47	-30.4	48	0.84	41
Rhode Island	0.125	9	$4,229.00	37	0.108	27	-$394.00	27	-6.8	33	1.02	22
South Carolina	0.153	24	$3,243.00	21	0.166	41	$127.00	11	-3.0	24	1.02	21
South Dakota	0.183	34	$3,749.00	30	-0.003	8	-$438.00	30	11.0	7	1.26	5
Tennessee	0.123	8	$2,760.00	11	0.154	36	$330.00	8	-5.5	28	1.12	11
Texas	0.197	42	$3,819.00	33	0.118	29	-$757.00	41	-9.1	38	0.93	29
Utah	0.164	32	$1,979.00	1	-0.043	3	$663.00	6	11.8	4	1.51	1
Vermont	0.219	47	$7,073.00	47	0.124	32	-$894.00	43	-1.9	22	0.97	25
Virginia	0.139	16	$3,542.00	25	0.201	44	-$436.00	29	-25.5	47	0.84	42
Washington	0.146	21	$2,332.00	4	0.083	23	-$110.00	16	-4.0	26	0.96	26
West Virginia	0.083	1	$2,105.00	2	0.113	28	-$345.00	25	-7.5	36	1.00	23
Wisconsin	0.101	3	$2,731.00	10	0.059	19	-$742.00	40	-3.9	25	0.96	28
Wyoming	0.188	37	$5,667.00	43	-0.040	4	-$539.00	35	3.0	12	1.08	13

Recommendations

Despite their imperfections, measures of intrastate fiscal equity can—and should—be used to characterize a state's school finance system. Policymakers and advocates should embrace a measure of intrastate equity to promote discussion and reform. We believe that a preferred measure should be one that has the following characteristics:

- **Relative size:** The measure should illustrate the relative size of intrastate funding inequities so that comparisons can be made among states and so that improvements or worsening conditions over time can be documented.

- **Local cost adjustment and weights:** The measure should adjust finance data to properly account for the local cost differentials in providing education, and it should employ weights for students with extra needs.

- **Progressivity:** We favor a measure that captures the direction of inequity, that is, progressivity or regressivity, because low-income children have extra needs. Since it costs more to provide a high-quality education in a district serving a high percentage of low-income children, such districts should receive more state and local resources. In other words, a state's school finance system should be progressive.

- **Simplicity:** There is merit to having a simple measure that is relatively easy to use and explain. Measures that require regressions and simulations may have technical advantages but their complexity makes them poor choices for widespread use by advocates and policymakers.

Of the measures surveyed in this paper, the adjusted Ed Trust "Funding Gaps" measure and the weighted Department of Education Dashboard equity measure most closely meet these criteria. Both unfortunately have the disadvantage of excluding the two middle quartiles of data from the calculation, so we leave open the possibility that a more comprehensive—yet still simple—measure could be developed.

Conclusion

No matter which fiscal equity measure is used, it is clear that districts with a high percentage of low-income children are not receiving their fair share of state and local education funding in many states. While some states have made changes to their finance systems in recent years, we hope that more states will recognize the problem of intrastate inequity and take steps to institute reforms. School finance reform inevitably creates winners and losers, and we recognize that change is easier when flush budgets allow for hold-harmless provisions and transition funding schemes. Nonetheless, difficult fiscal conditions should not be used as an excuse to perpetuate inequity. There will never be a perfect time for school finance reform, so now is as good a time as ever for states to prioritize progressive school funding that can help increase the achievement of disadvantaged students.

In the absence of states' efforts to reform themselves, the federal government could play a role in incentivizing states to create more progressive school finance systems. Since *Brown v. Board of Education*, the federal government has played a critical role in ensuring students have equal access to a quality education, and this role remains important today when inequity persists. The Obama administration's Race to the Top program demonstrated that the federal government can encourage significant reform at the state level as 34 states amended or passed new education laws in response to this competitive funding. Congress and the Department of Education should consider using future competitive funding programs as a mechanism for the federal government to encourage states to engage in school finance reform in exchange for federal dollars.

Endnotes

1 "Federal Education Budget Project," available at http://febp.newamerica.net/background-analysis/school-finance/print (last accessed June 2011).

2 We have included only some of the more commonly used measures in order to illustrate the range of possible ways to measure intra-state equity.

3 For more information on the history of school finance litigation, see: Eloise Pasachoff, "How the Federal Government Can Improve School Financing Systems" (Washington: The Brookings Institution, 2008).

4 "Equity and Excellence Commission," available at http://www2.ed.gov/about/bdscomm/list/eec/index.html.

5 Bruce D. Baker, David G. Sciarra, and Danielle Farrie, "Is School Funding Fair? A National Report Card" (Newark, NJ: Education Law Center, 2010).

6 "School Finance," available at: http://www.edweek.org/media/ew/qc/2011/16sos.h30.finance.pdf.

7 Baker, Sciarra, and Farrie, "Is School Funding Fair?"

8 The Education Trust, "Funding Gaps 2006" (2006).

9 For a comparison of how cuts will affect both a rich and a poor district in New York state, see: "Rich District, Poor District," *The New York Times*, March 26, 2011, available at http://www.nytimes.com/2011/03/27/opinion/27sun1.html.

10 Lori L. Taylor and William J. Fowler Jr., "A Comparable Wage Approach to Geographic Cost Adjustment" (Washington: National Center for Education Statistics, 2006), available at http://www.educationnewyork.com/pdfs/nces-2006321.pdf.

11 "Quality Counts," available at http://www.edweek.org/ew/qc/index.html.

12 The Education Trust, "Funding Gaps 2006."

13 The poverty level of a district refers to the percent of students in the district living below the federal poverty line.

14 For more information see: "United States Education Dashboard," available at http://dashboard.ed.gov/dashboard.aspx.

15 These shortcomings are noted in: Baker, Sciarra, and Farrie, "Is School Funding Fair?"

16 Baker, Sciarra, and Farrie, "Is School Funding Fair?"

17 D.C. and Hawaii have been excluded because each has only one district. The years of data used are the same as shown in Figure 4. FG refers to the Education Trust Funding Gap measure and ED refers to the Department of Education's Dashboard measure.

18 D.C. and Hawaii have been excluded because each has only one district. The Baker (distribution) measure uses a three-year average of data from 2005–2007 and is labeled 2006 for simplicity. The CV, restricted range, and wealth neutrality measures are available for more recent years, but 2007 data are shown here in order to compare measures using similar years.

19 This results from a series of lawsuits and court decisions known as the Abbott cases.

About the author

Diana Epstein is a Senior Education Policy Analyst at American Progress. Her work focuses on issues of fiscal equity and human capital in education. Prior to joining American Progress, she was a senior analyst at Abt Associates where she conducted research and program evaluations in education policy and national service policy. Prior to that she was a doctoral fellow and policy analyst at the RAND Corporation in California. She is also a two-year alum of the AmeriCorps National Civilian Community Corps program.

Diana holds a doctorate in policy analysis from the Pardee RAND Graduate School, a master's in public policy from the Goldman School at UC Berkeley, and a bachelor's of science in applied math-biology from Brown University.

Acknowledgments

The Center for American Progress thanks the Ford Foundation for providing support for this paper.

The Center for American Progress is a nonpartisan research and educational institute dedicated to promoting a strong, just and free America that ensures opportunity for all. We believe that Americans are bound together by a common commitment to these values and we aspire to ensure that our national policies reflect these values. We work to find progressive and pragmatic solutions to significant domestic and international problems and develop policy proposals that foster a government that is "of the people, by the people, and for the people."

Center for American Progress

Made possible with support from FORDFOUNDATION

1333 H STREET, NW, 10TH FLOOR, WASHINGTON, DC 20005 • TEL: 202-682-1611 • FAX: 202-682-1867 • WWW.AMERICANPROGRESS.ORG