Making the Grade 2019

How Fair is School Funding in Your State?

A Guide for Advocates and Policymakers

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About Education Law Center

Founded in 1973, Education Law Center (ELC) is the nation's legal defense fund for public education rights. ELC is widely recognized for successfully advancing equal educational opportunity and education justice in New Jersey, New York, and states across the country. ELC pursues its advocacy mission through litigation, public engagement, policy development, research, and communications.

About ELC's Fair School Funding Research

ELC conducts and publishes research to advance policy and advocacy for fair school funding in the states with support from the Kellogg Foundation and Educational Testing Service. **Visit www.edlawcenter.org to access:**

⇒ an online, interactive version of this report
⇒ a deeper dive into the methodology behind the rankings and numbers in this report
⇒ state-specific research on the impact of school funding on resources, schools and students

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Introduction

Elisabeth Milich teaches elementary school in Phoenix, Arizona. In 2018, her salary was $35,000. Like 94% of public school teachers nationwide,[1] funding for her school was so tight that she had to dip into her own savings to pay for classroom supplies.[2] And she is not alone: In 2018-19, chronic and severe underfunding of K-12 education led educators in Arizona and at least eight other states to publicly protest the lack funding, resources and low wages in their schools.

Making the Grade 2019: How Fair is School Funding in Your State? provides key insights into the difficult working conditions endured by Elisabeth and many of her fellow teachers in Arizona and across the nation. Arizona provides just **$8,569 in per pupil funding** (Fig. 1), the lowest among all states. In fact, Arizona provides **$5,477 *less* per pupil** than the national average. Arizona also invests only **2.5% of its state wealth,** as measured by the gross domestic product of its economy (Fig. 3), in K-12 public education — the lowest percentage in the nation. And Arizona's high-need schools, as measured by district poverty levels, receive the same levels of funding (Fig. 2) as the state's low-need schools.[3]

How Fair is School Funding in Your State?

In this report, we present our analysis of the condition of public school funding in Arizona and 48 other states.[4] Using the most recently available data from the 2016-17 school year, we rank and grade each state on three core measures to answer the question: How fair is school funding in your state?

The measures are:

- *Funding Level* —the cost-adjusted, per-pupil revenue from state and local sources (Fig. 1);
- *Funding Distribution* —the extent to which additional funds are distributed to school districts with high levels of student poverty (Fig. 2);
- *Funding Effort* —the level of investment in K-12 public education as a percentage of state wealth (GDP) allocated to maintain and support the state school system (Fig. 3).

We present each state's rankings and grades on these school funding measures as a tool to inform policymakers, business and community leaders, teachers, parents and students about the condition of public school funding in their state. The report is also designed to assist advocates in their efforts to improve the level and distribution of school funding for students in state public school systems.

What Is Fair School Funding?

We define fair school funding as the funding needed in each state to provide qualified teachers, support staff, programs, services and other resources essential for all students to have a meaningful opportunity to achieve the state's academic standards and graduate high school prepared for citizenship, postsecondary education and the workforce. A fair school funding system is the basic foundational building block for high-performing, effective K-12 public school systems. Fair funding has two basic components: a *sufficient level* of funding for all students and *increased funding* to high-poverty districts to address the additional cost of educating students in those districts.

Why the States?

The United States has no national system of public education. However, the states, under their constitutions, are obligated to support and maintain systems of free public schools for all resident children. States, not school districts, are the units of government in the U.S. legally responsible for operating our nation's public school systems and providing the funding necessary to support and maintain those systems.

The states fund local school districts through a statewide method or "formula" enacted by the state legislature into law. These "school funding formulas" or "school finance systems" determine the amount of revenue school districts are permitted to raise from local property and other taxes, and the amount of funding or "aid" the state is expected to contribute from state taxes. State budgets set the actual amount of funding provided by the state to local school

districts. Some states in their budgets fail to provide the amount of state revenue or "aid" required by the state's own funding formula, a condition called "formula underfunding."

State and local revenue account for, on average, approximately 92% of total funding for public education. The federal government, primarily through programs targeted for low-income students and students with disabilities, contributes the remaining 8%.[5]

Why Does Fair School Funding Matter?

The last few years have witnessed a growing public awareness that, in many states and high poverty districts, public schools are severely and chronically underfunded. In other words, public school funding is unfair to students, especially students at-risk from family and community poverty. Consider the following:

- Public school funding has still not recovered from the sharp and deep cuts enacted during the Great Recession over a decade ago; nearly half of all states have yet to return to pre-2008, inflation-adjusted funding levels.[6]
- Widespread teacher protests and strikes have elevated the issue of school funding reform as a policy and budget priority in numerous states.
- Frustration with elected officials' refusal to revamp funding formulas and increase state investment in their public school systems has triggered lawsuits in at least ten states challenging chronic underfunding, glaring resource deficits and low student outcomes.

Methodology

This report utilizes national data sets to analyze the condition of school funding in the states.

Data sources: The U.S. Census Bureau's Annual Survey of School System Finances (2017); U.S. Census Bureau's Small Area Income and Poverty Estimates (2017); and the U.S. Bureau of Economic Analysis' State Gross Domestic Product reports (2017).

Funding Level: State and local revenue divided by student enrollment. Federal revenue is not included, except for Impact Aid and American Indian education revenue as they are intended to replace state and local funds. We also exclude revenue for capital outlay and debt service programs. These revenues tend to be uneven from year to year; one-time or short-term investments may obscure more prevalent funding patterns. The resulting per-pupil funding levels are adjusted for regional differences using the National Center for Education Statistics' Comparable Wage Index for teachers.

Funding Distribution: We use a regression model to describe the pattern of funding relative to district poverty within each state. The analysis essentially asks, once differences in costs related to district size and geography are accounted for, do states provide more or less funding to districts as the poverty rate increases? Using district-level revenue data (as defined above for funding level), the model predicts funding in a high-poverty (30% Census poverty) relative to a low-poverty (5% Census poverty) district. States that provide higher per-pupil funding levels to high-poverty districts are progressive; states that provide less to high-poverty districts are regressive; and states where there is no meaningful difference are "flat."

Funding Effort: Effort is measured as total state and local revenue (including capital outlay and debt service, excluding all federal funds) divided by the state's gross domestic product. GDP is the value of all goods and services produced by each state's economy and is used here to represent the state's economic capacity to raise funds for schools.

Grades: Grades are assigned using the typical "curve." A standardized score is calculated as the state's difference from the mean or "average," expressed in standard deviations. Grades are as follows: A = 2/3 standard deviation above the mean; B = between 1/3 and 2/3 standard deviations above the mean; C = between 1/3 standard deviation below and 1/3 standard deviation above the mean; D = between 1/3 and 2/3 standard deviations below the mean; F = 2/3 standard deviation below the mean.
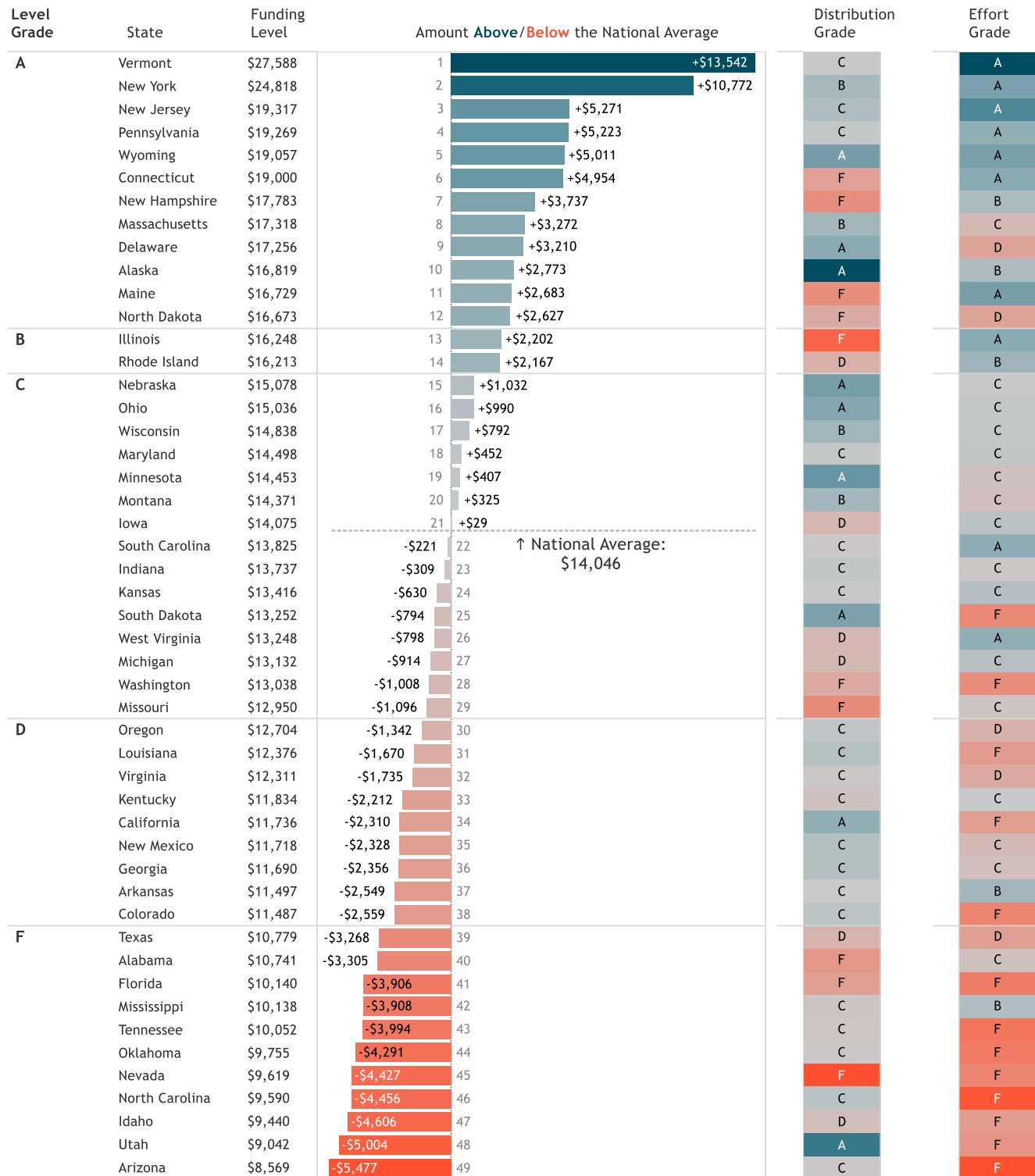
For more detail on the report's methodology, see the Technical Appendix.

Table 1. Making the Grade 2019

State	Poverty Rate of School-Aged Children	Funding Level	Funding Distribution	Funding Effort	State	Poverty Rate of School-Aged Children	Funding Level	Funding Distribution	Funding Effort
Alabama	23%	F	F	C	Nebraska	12%	C	A	C
Alaska	13%	A	A	B	Nevada	17%	F	F	F
Arizona	19%	F	C	F	New Hampshire	9%	A	F	B
Arkansas	21%	D	C	B	New Jersey	13%	A	C	A
California	17%	D	A	F	New Mexico	24%	D	C	C
Colorado	11%	D	C	F	New York	19%	A	B	A
Connecticut	12%	A	F	A	North Carolina	19%	F	C	F
Delaware	16%	A	A	D	North Dakota	10%	A	F	D
Florida	19%	F	F	F	Ohio	18%	C	A	C
Georgia	20%	D	C	C	Oklahoma	20%	F	C	F
Idaho	13%	F	D	F	Oregon	14%	D	C	D
Illinois	16%	B	F	A	Pennsylvania	15%	A	C	A
Indiana	16%	C	C	C	Rhode Island	17%	B	D	B
Iowa	11%	C	D	C	South Carolina	21%	C	C	A
Kansas	13%	C	C	C	South Dakota	15%	C	A	F
Kentucky	20%	D	C	C	Tennessee	19%	F	C	F
Louisiana	26%	D	C	F	Texas	20%	F	D	D
Maine	13%	A	F	A	Utah	9%	F	A	F
Maryland	11%	C	C	C	Vermont	11%	A	C	A
Massachusetts	12%	A	B	C	Virginia	13%	D	C	D
Michigan	17%	C	D	C	Washington	13%	C	F	F
Minnesota	11%	C	A	C	West Virginia	22%	C	D	A
Mississippi	26%	F	C	B	Wisconsin	13%	C	B	C
Missouri	17%	C	F	C	Wyoming	11%	A	A	A
Montana	14%	C	B	C					

Figure 1: Funding Level
Cost-Adjusted Per Pupil Funding Level by State Relative to National Average (2017)

Level Grade	State	Funding Level	Rank	Amount Above/Below the National Average	Distribution Grade	Effort Grade
A	Vermont	$27,588	1	+$13,542	C	A
	New York	$24,818	2	+$10,772	B	A
	New Jersey	$19,317	3	+$5,271	C	A
	Pennsylvania	$19,269	4	+$5,223	C	A
	Wyoming	$19,057	5	+$5,011	A	A
	Connecticut	$19,000	6	+$4,954	F	A
	New Hampshire	$17,783	7	+$3,737	F	B
	Massachusetts	$17,318	8	+$3,272	B	C
	Delaware	$17,256	9	+$3,210	A	D
	Alaska	$16,819	10	+$2,773	A	B
	Maine	$16,729	11	+$2,683	F	A
	North Dakota	$16,673	12	+$2,627	F	D
B	Illinois	$16,248	13	+$2,202	F	A
	Rhode Island	$16,213	14	+$2,167	D	B
C	Nebraska	$15,078	15	+$1,032	A	C
	Ohio	$15,036	16	+$990	A	C
	Wisconsin	$14,838	17	+$792	B	C
	Maryland	$14,498	18	+$452	C	C
	Minnesota	$14,453	19	+$407	A	C
	Montana	$14,371	20	+$325	B	C
	Iowa	$14,075	21	+$29	D	C
	South Carolina	$13,825	22	-$221	C	A
	Indiana	$13,737	23	-$309	C	C
	Kansas	$13,416	24	-$630	C	C
	South Dakota	$13,252	25	-$794	A	F
	West Virginia	$13,248	26	-$798	D	A
	Michigan	$13,132	27	-$914	D	C
	Washington	$13,038	28	-$1,008	F	F
	Missouri	$12,950	29	-$1,096	F	C
D	Oregon	$12,704	30	-$1,342	C	D
	Louisiana	$12,376	31	-$1,670	C	F
	Virginia	$12,311	32	-$1,735	C	D
	Kentucky	$11,834	33	-$2,212	C	C
	California	$11,736	34	-$2,310	A	F
	New Mexico	$11,718	35	-$2,328	C	C
	Georgia	$11,690	36	-$2,356	C	C
	Arkansas	$11,497	37	-$2,549	C	B
	Colorado	$11,487	38	-$2,559	C	F
F	Texas	$10,779	39	-$3,268	D	D
	Alabama	$10,741	40	-$3,305	F	C
	Florida	$10,140	41	-$3,906	F	F
	Mississippi	$10,138	42	-$3,908	C	B
	Tennessee	$10,052	43	-$3,994	C	F
	Oklahoma	$9,755	44	-$4,291	C	F
	Nevada	$9,619	45	-$4,427	F	F
	North Carolina	$9,590	46	-$4,456	C	F
	Idaho	$9,440	47	-$4,606	D	F
	Utah	$9,042	48	-$5,004	A	F
	Arizona	$8,569	49	-$5,477	C	F

↑ National Average: $14,046

Source: ELC analysis of U.S. Census Annual Survey of School System Finances, 2017.

Notes: States are ranked from highest to lowest according to their cost-adjusted per pupil funding level, with the color of the horizontal bar indicating funding above/below the national average. For example, Vermont provides $13,542 per pupil above the national average of $14,046, for a total of $27,588. For context, each state's grades on Distribution (progressive/regressive) and Effort (above/below the national average) are shown in the columns on the right. For more on the methodology for this report, see the Technical Appendix at www.edlawcenter.org/research/making-the-grade.

Funding Level

Key Observations

A sufficient level of funding is critical to ensuring equal educational opportunity for all students. A growing body of multi-state and national research has shown that boosting school funding levels produces statistically significant benefits for students, including higher test scores and high school graduation rates.[7]

To measure funding level, we analyze the combined state and local revenue provided through each state's school finance formula, adjusted to account for regional variations in labor market costs.

The state's funding level grade is determined by ranking its position *relative to other states*; the grade does *not* measure whether a state meets any particular threshold of funding level based on the actual cost of education resources necessary to achieve state or national academic standards.[8]

Figure 1 shows, even after adjusting for regional cost differences, extreme divergence in school funding levels, with the top states nearly doubling, and the bottom states providing two-thirds or less of, the national average funding level of $14,046 per pupil.

Figure 1a shows that states with higher or lower funding levels are highly regionalized, with all the states in the Northeast and much of the Midwest and northern plains regions providing above-average funding levels and states in the rest of the country providing below-average funding levels.

Figure 1a: Funding Disparities
Cost-Adjusted Per Pupil Funding Level by State Relative to National Average (2017)
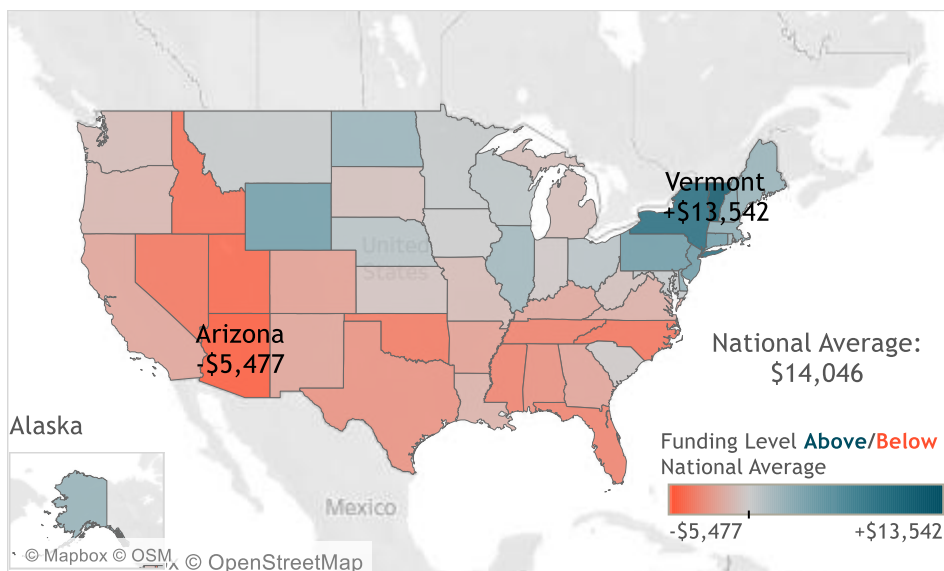
Report Highlight

Arizona provides 39% fewer, and Vermont 96% more, dollars per pupil than the national average of $14,046. (Fig. 1a)

Source: ELC analysis of US Census Annual Survey of School System Finances, 2017.

Notes: States are colored according to their distance above/below the national average ($14,046) using per pupil funding levels adjusted for labor market differences. For more on the methodology for this report, see www.edlawcenter.org/research/making-the-grade.

Funding Level v. Funding Effort: In general, states with higher funding levels scored average or above average on funding effort (A, B or C grade), and states with lower funding levels scored below average on effort (D or F grade). There are exceptions, such as Delaware and North Dakota, with relatively high funding levels but low effort. Conversely, due to its relatively low wealth, Mississippi has a relatively low funding level despite investing greater than 4% of GDP. (Fig. 1)

Funding Level vs. Funding Distribution: States with above-average funding levels do not necessarily distribute greater funds to higher-poverty districts. For example, although Connecticut's funding level is $4,954 per pupil above the national average, the state provides, on average, 15% less funding to high-poverty districts than to low-poverty districts. States with the lowest funding levels also diverge on how they distribute funds to districts based on poverty levels: Utah provides 46% *more* funding, while Nevada provides 30% *less*, to high-poverty districts. (Fig. 1)

Policy Implications

Low funding levels are a strong indicator that a state's school finance system is driven by political and budgetary pressures. Breaking this entrenched pattern requires state lawmakers to enact finance reforms that provide the funding required to give all students a meaningful opportunity to achieve the state's academic requirements. An essential first step is to conduct rigorous education cost studies to align funding level and distribution to deliver the essential resources necessary for students to succeed in school.

Maryland's recent reform effort is instructive. To revise the state's funding formula, the Legislature authorized the Commission on Innovation and Excellence in Education ("Kirwan Commission") to undertake a study of what it would cost to create a "world class" public education system in Maryland. After reviewing the results, obtaining input from education officials and stakeholders, and conducting public hearings, the Commission made detailed recommendations to the Legislature for revamping the state's funding formula and providing additional resources over the next several years.

Improving overall funding levels also requires increasing state investment in the public school system over an extended timeframe. In recent years, California, which experienced significant recession-era cuts, has steadily raised education funding levels in successive state budgets. In addition, lawmakers enacted a companion measure – the Local Control Funding Formula – to require local school districts to allocate the additional funds to schools with high enrollments of low-income students, English learners, and other at-risk students.

Figure 2: Funding Distribution
Difference (%) in Per Pupil Funding in High-Poverty Districts Relative to Low-Poverty Districts, by State (2017)

Distribution Grade	State	Low Poverty Districts	High Poverty Districts	Funding Distribution: Advantage (+) / Disadvantage (-) in High Poverty Districts	Level Grade	Effort Grade
A	Alaska	$12,337	$21,204	1 — 72%	A	B
	Utah	$7,992	$11,460	2 — 43%	F	F
	Minnesota	$12,905	$16,434	3 — 27%	C	C
	Wyoming	$16,402	$20,136	4 — 23%	A	A
	Nebraska	$12,426	$15,108	5 — 22%	C	C
	South Dakota	$10,430	$12,529	6 — 20%	C	F
	Ohio	$12,651	$14,956	7 — 18%	C	C
	Delaware	$15,380	$17,871	8 — 16%	A	D
	California	$10,735	$12,217	9 — 14%	D	F
B	Massachusetts	$16,005	$17,639	10 — 10%	A	C
	Wisconsin	$13,192	$14,537	11 — 10%	C	C
	Montana	$10,909	$11,993	12 — 10%	C	C
	New York	$22,751	$24,663	13 — 8%	A	A
C	New Jersey	$17,938	$19,104	14 — 6%	A	A
	Georgia	$10,673	$11,249	15 — 5%	D	C
	New Mexico	$10,332	$10,890	16 — 5%	D	C
	Louisiana	$11,117	$11,679	17 — 5%	D	F
	North Carolina	$8,835	$9,204	18 — 4%	F	F
	Colorado	$10,774	$11,174	19 — 4%	D	F
	Oregon	$11,720	$12,051	20 — 3%	D	D
	Indiana	$12,561	$12,814	21 — 2%	C	C
	Pennsylvania	$17,775	$18,082	22 — 2%	A	A
	Maryland	$14,221	$14,461	23 — 2%	C	C
	Kansas	$11,900	$12,032	24 — 1%	C	C
	Vermont	$24,170	$24,334	25 — 1%	A	A
	Arkansas	$10,360	$10,403	26 — 0%	D	B
	South Carolina	$12,891	$12,819	-1% — 27	C	A
	Oklahoma	$8,638	$8,571	-1% — 28	F	F
	Arizona	$8,077	$8,013	-1% — 29	F	F
	Virginia	$11,793	$11,680	-1% — 30	D	D
	Tennessee	$9,724	$9,601	-1% — 31	F	F
	Mississippi	$9,359	$9,207	-2% — 32	F	B
	Kentucky	$10,994	$10,686	-3% — 33	D	C
D	Idaho	$8,518	$8,198	-4% — 34	F	F
	Michigan	$12,415	$11,696	-6% — 35	C	C
	West Virginia	$12,612	$11,873	-6% — 36	C	A
	Iowa	$12,805	$11,996	-6% — 37	C	C
	Texas	$10,558	$9,792	-7% — 38	F	D
	Rhode Island	$16,162	$14,835	-8% — 39	B	B
F	North Dakota	$14,481	$13,095	-10% — 40	A	D
	Washington	$12,914	$11,618	-10% — 41	C	F
	Connecticut	$18,821	$16,476	-12% — 42	A	A
	Florida	$10,440	$9,105	-13% — 43	F	F
	Alabama	$11,237	$9,528	-15% — 44	F	C
	New Hampshire	$16,321	$13,556	-17% — 45	A	B
	Maine	$15,942	$13,213	-17% — 46	A	A
	Missouri	$12,672	$10,436	-18% — 47	C	C
	Illinois	$17,028	$12,530	-26% — 48	B	A
	Nevada	$11,218	$7,780	-31% — 49	F	F

Source: ELC analysis of U.S. Census Annual Survey of School System Finances, 2017; U.S. Census Small Area Income and Poverty Estimates, 2017.

Notes: States are ranked from most progressive to most regressive using our Funding Distribution measure. For example, Alaska has a progressive funding distribution so that, on average, its high poverty districts (30% Census poverty) receive 72% more per pupil funding than its low poverty districts (5% Census poverty). For context, each state's grade on Funding Level and Funding Effort (above/below the national average) is shown in the column to the right. For more information on the methodology for this report, see www.edlawcenter.org/research/making-the-grade.

Funding Distribution

Key Observations

Research has made clear that more funding is needed to educate students in high-poverty districts.[9] This means states providing equal or less funding to high-poverty districts are shortchanging the students most in need and at risk of academic failure. A central feature of fair school funding is providing not just equal, but more, funding to students in districts serving large concentrations of students from households with incomes below the federal poverty line.

Figure 2 depicts funding distribution in each state as measured by the funding allocated to high-poverty districts relative to low-poverty districts.[10] States allocating more per pupil funds to high-poverty districts have a "progressive" distribution system, resulting in a higher grade on the funding distribution measure. States that do the opposite – where low-poverty districts receive more funding – have a "regressive" distribution system and earn a lower grade. States with similar funding levels in high- and low-poverty districts have "flat" distribution systems, clustered in the "C" grade range.[11]

As with funding level, states are also highly divergent in the progressivity of their funding distribution. Alaska provides 72% more, and Nevada provides 31% less, funding to high-poverty districts than to low-poverty districts.

(Fig. 2)

> **Report Highlight**
>
> In 2017, seventeen states provided 5% or more *additional* funding to their high-poverty districts; fifteen provided 5% or more *less* funding to their high-poverty districts; and the remaining seventeen had no clear pattern in either direction.

School funding is flat (+/-5%) in a third of the states (17), meaning there is no appreciable increase in funding to address the need for additional resources in high-poverty districts. These "flat funding" states are found across all regions.

Funding Distribution v. Funding Level: There is no consistent correlation between funding level and distribution across states. States with progressive funding distribution may have low funding levels – Utah and California, for example. And states with regressive funding distribution may have relatively high funding levels – Connecticut, Maine, New Hampshire, and North Dakota.

Policy Implications

The hallmark of fair school funding is the provision of higher levels of funding, and therefore resources, to high-poverty districts to address concentrated student poverty. Several states, such as Kansas and New Jersey, have made the distribution of funding more progressive by enacting funding formulas "weighted" for student poverty.[12]

Adopting a weighted student formula is easier said than done. Nevada, which provides no significant additional funding for students in poverty, continues to use a formula adopted 50 years ago, when the size and demographics of the state's public schools were dramatically different. Advocacy in favor of a weighted formula has yet to succeed, despite years of effort. But in Kansas, the Supreme Court in June 2019 signed off on the Legislature's new weighted formula. Aside from the lack of political will, a significant obstacle is that many state legislatures lack the research capacity to analyze deficits in their existing formulas, identify needed reforms, and tackle unique challenges, such as developing a cost-based poverty weight, determining district fiscal capacity to contribute property tax revenue, and allocating additional state revenue to districts with high student need.

Taking a Closer Look: A Tale of Two States

Nebraska and Illinois have similar per pupil funding levels, just above the national average. Yet Nebraska allocates 22% *more*, and Illinois 26% *less*, funding to high-poverty districts than to low-poverty districts. Why?

Illinois has a decades-long history of tolerating very large funding gaps between low-wealth, high-poverty urban districts and high-wealth, low-poverty suburban districts. The reason: the state's policy of over-reliance on local property taxes and insufficient levels of state revenue to fund property-poor, high poverty districts. In 2015–16, Illinois had the highest percentage of revenue for education derived from local property taxes (60%) in the nation.[13]

As a recent report described: "The problem with a school-funding system that relies so heavily on local property taxes is straightforward: Property values vary a lot from neighborhood to neighborhood, district to district. And with them, tax revenues."[14] To make matters worse, the Illinois Supreme Court has declared lawsuits challenging the vast funding disparities between poor and wealthy districts a "political question" left to the elected branches to address.[15]

In August 2017, the Illinois Legislature finally enacted reforms in the "Evidence-Based Funding for Student Success Act." The new funding formula requires $3.5 billion in new state revenue over 10 years targeted to high-need districts; "[in] the long-term . . . [it] stands to level out Illinois' notoriously inequitable way of funding education, by sending more state funds to districts without the local property wealth to 'adequately' support students' learning."[16] Yet the struggle in Illinois is far from over. If the funding increases required by the new formula are not appropriated by state lawmakers in successive state budgets, Illinois will join the list of states with "unfunded" formulas.

The Nebraska Legislature, in 1990, under pressure from a lawsuit,[17] enacted reforms to reduce the state's over-reliance on local property taxes and increase the state contribution. From 1990 to 2018, state revenue rose from 18% to 33%.[18,19] Subsequent reforms improved funding for at-risk students. While Nebraska has reduced its reliance on local property taxes to 52%, lawmakers still face the challenge of investing more state revenue to improve the state's C grade on funding level.[20]

Always Dig Deeper

The funding distribution measure uses district-level data to determine a state's overall pattern of school funding. It is important to recognize that this measure may not capture the variations in a complex system. There will inevitably be districts in some states that do not match the statewide pattern we present (e.g., the presence of poorly funded, high-poverty districts in an otherwise progressive state). View the report online to see district-level data for all states.

There is no substitute for more detailed analysis of the conditions in states that influence the distribution of funding. Such an analysis is beyond the scope of this report, but the findings presented here can serve as a starting point for deeper research and discussion of the need for finance reform. Visit www.edlawcenter.org for examples of state-specific work.

Figure 3: Funding Effort
K-12 Education Revenues as a Percentage of State Wealth (GDP) (2017)

Effort Grade	State	Effort	Effort Above/Below the National Average		GDP per Capita	Level Grade	Distribution Grade
A	Vermont	7.03%	1	+3.24%	$47,467	A	C
	New Jersey	5.39%	2	+1.60%	$61,202	A	C
	Maine	4.78%	3	+0.99%	$41,659	A	F
	Wyoming	4.74%	4	+0.95%	$66,083	A	A
	New York	4.73%	5	+0.94%	$71,831	A	B
	Connecticut	4.53%	6	+0.74%	$67,121	A	F
	Illinois	4.50%	7	+0.71%	$58,513	B	F
	South Carolina	4.45%	8	+0.66%	$39,730	C	C
	West Virginia	4.43%	9	+0.64%	$38,330	C	D
	Pennsylvania	4.41%	10	+0.62%	$54,508	A	C
B	Rhode Island	4.29%	11	+0.50%	$50,549	B	D
	Arkansas	4.25%	12	+0.46%	$38,246	D	C
	New Hampshire	4.13%	13	+0.34%	$54,810	A	F
	Alaska	4.10%	14	+0.31%	$70,956	A	A
	Mississippi	4.07%	15	+0.28%	$33,646	F	C
C	Kansas	4.03%	16	+0.24%	$51,335	C	C
	Michigan	4.01%	17	+0.22%	$45,708	C	D
	Iowa	3.99%	18	+0.20%	$53,547	C	D
	Maryland	3.88%	19	+0.09%	$60,091	C	C
	Ohio	3.87%	20	+0.08%	$50,658	C	A
	Wisconsin	3.86%	21	+0.07%	$50,496	C	B
	Kentucky	3.82%	22	+0.03%	$41,215	D	C
	Nebraska	3.77%	23	-0.02%	$57,639	C	A
	Indiana	3.74%	24	-0.05%	$48,060	C	C
	Missouri	3.72%	25	-0.07%	$45,147	C	F
	Minnesota	3.68%	26	-0.11%	$58,235	C	A
	Alabama	3.68%	27	-0.11%	$39,600	F	F
	Georgia	3.64%	28	-0.15%	$48,921	D	C
	Montana	3.64%	29	-0.15%	$42,158	C	B
	New Mexico	3.57%	30	-0.22%	$43,465	D	C
	Massachusetts	3.57%	31	-0.22%	$71,153	A	B
D	Oregon	3.47%	32	-0.32%	$49,851	D	C
	Virginia	3.39%	33	-0.40%	$54,745	D	C
	Delaware	3.31%	34	-0.48%	$66,506	A	A
	North Dakota	3.31%	35	-0.48%	$66,099	A	F
	Texas	3.27%	36	-0.52%	$57,373	F	D
F	California	3.24%	37	-0.55%	$65,675	D	A
	Louisiana	3.23%	38	-0.57%	$48,959	D	C
	Idaho	3.22%	39	-0.57%	$39,072	F	D
	Utah	3.15%	40	-0.64%	$48,593	F	A
	Washington	3.07%	41	-0.72%	$64,529	C	F
	South Dakota	3.03%	42	-0.76%	$51,832	C	A
	Colorado	3.00%	43	-0.79%	$57,894	D	C
	Nevada	3.00%	44	-0.79%	$47,675	F	F
	Florida	2.91%	45	-0.88%	$42,233	F	F
	Oklahoma	2.89%	46	-0.90%	$48,204	F	C
	Tennessee	2.85%	47	-0.94%	$46,741	F	C
	North Carolina	2.58%	48	-1.21%	$46,930	F	C
	Arizona	2.52%	49	-1.27%	$42,164	F	C

↑ National Average: 3.79%

Source: ELC analysis of US Census Annual Survey of School System Finances, 2017; U.S. Bureau of Economic Analysis, 2017.

Notes: States are ranked by funding effort, with the color of the horizontal bar indicating whether the state's effort was above or below the national average. For example, Vermont's K-12 state and local revenue was 7.03% of the state's total GDP, or 3.24% above the national average of 3.79%. For context, the state's relative wealth (per capita GDP), funding level grade and funding distribution grade are shown in the columns to the right. Shading indicates whether the state is above or below the national average on per capita GDP and funding level and progressive/regressive on distribution. For more on the methodology for this report, see www.edlawcenter.org/research/making-the-grade.

Funding Effort

Key Observations

Figure 3 ranks states on effort as measured by the percentage of state wealth or gross domestic product (GDP) allocated to support the K-12 school system.[21] Depending on a state's overall wealth, every tenth of a percent (0.1%) of state GDP invested in K-12 public education can have a big impact. For example, that figure is $30 million in Vermont and up to $2.6 billion in California. Figure 3 juxtaposes a state's effort with its per capita GDP and funding level grade to underscore the relationship between these additional fair funding measures.

High Funding Effort, High Funding Level: Seven of the nine states receiving an A on effort also received an A on funding level. Vermont and Maine stand out because even with relatively low wealth, they achieved a high funding level by making significant investments in their school systems. (Fig. 3)

> **Report Highlight**
>
> In 2017, Vermont had nearly triple the effort (7.03% of GDP for education) of Arizona (2.52% of GDP for education). If Arizona made the same effort as Vermont, it would increase K-12 spending by $13 billion.

High Funding Effort, Low Funding Level: In contrast, four states with high effort grades (A and B) – West Virginia, South Carolina, Arkansas, and Mississippi – do not have high funding levels. These states have low wealth (<$40,000 GDP per capita) relative to other states. Even though they invest a high percentage of GDP in K-12 education, these states have a smaller pool of overall wealth, resulting in low funding levels. (Fig. 3)

Low Funding Effort, High Funding Level: Most states ranking near the bottom on effort have low funding levels. The few exceptions are states with relatively high wealth – for example, North Dakota and Delaware – that can generate high funding levels with very low effort. (Fig. 3)

Low Funding Effort, Low Funding Level: Most low effort states are also low wealth, which yields a low funding level. Yet, some of the lowest effort states – California, Washington, and South Dakota – have significant wealth to support increasing investment in their public schools. (Fig. 3)

Policy Implications

Figures 2 and 3 show that many states with low funding levels and/or regressive funding distribution are also low effort states. Arizona, Florida, North Carolina, and Nevada exemplify this condition. These states have the fiscal capacity to raise new revenue to increase their funding levels and improve funding distribution.

But some states are nearly twice as wealthy as others. This means that the least wealthy states must make twice the effort to achieve the same funding levels as their wealthier counterparts. While many of these states can – and should – invest more in their public schools, it is important to recognize the difference in tax burdens among states.

The extreme disparities in state wealth highlight the need for a greater federal role to offset the effort required by low wealth states to provide fair school funding. Congress could enact reforms to direct greater federal funds to lower wealth states with low funding levels, such as Mississippi and Arkansas. A 2013 report by a federal commission recommended conditioning receipt of federal funds on a state's commitment to improving funding levels and distribution.[22]

> **Report Highlight**
>
> In 2017, Mississippi received a B grade on effort but an F on funding level due to low GDP per capita. In contrast, Delaware and North Dakota received a grade of D on effort but a grade of A on funding level due to high GDP per capita.

Taking a Closer Look: A Tale of Two States

North and South Carolina: these border states share the fair school funding challenge. Both fail to address district poverty and need to improve funding distribution. This message has been forcefully sent over the past year by the thousands of teachers marching for school funding reform in Raleigh and Columbia. North Carolina urgently needs to boost its overall funding level from its current ranking (grade: F) near the bottom of the nation. Although South Carolina is somewhat better positioned on funding level (grade: C), improvement is still needed.

Where the Carolinas diverge is on effort. North Carolina ranks 48th on effort, while South Carolina ranks 8th. The difference means that South Carolina has funding levels at the national average while North Carolina, the wealthier state, funds students at a level nearly $4,000 per pupil below the national average. This difference is partly due to the divergent paths taken when the economic downturn hit a decade ago. In 2009-10, North Carolina made significant cuts to public education, including a 12% reduction in funding for at-risk students and decreased pre-kindergarten services for at-risk children.[23] Since then, lawmakers have resisted restoring school funding even to pre-recession levels.[24]

South Carolina lawmakers, under prodding from the state's highest court in a school finance lawsuit, increased public school funding by about $600 million beginning in 2014, expanded a full-day pre-kindergarten program for four-year-olds, and allocated $56 million for school building upgrades.[25] Despite these efforts, a 2018 investigation by a major state newspaper found "the system for funding K-12 education in South Carolina remained virtually unchanged while lawmakers continued their reliance on stopgap measures to solve deep and entrenched problems."[26]

The opportunity for reform may be on the horizon in North Carolina. In a longstanding school finance lawsuit, *Leandro v. State*, the judge has ordered a comprehensive study of the funding needed to ensure the state's public school students receive an education that "serve[s] the purpose of preparing students to participate and compete in the society in which they live and work."[27] Based on the study, it is expected that the court will direct lawmakers to enact reforms to boost funding levels and drive more funds to high-poverty districts.

The Carolinas share a common bottom line: both face the hard work of breaking entrenched patterns of underfunding their public schools to give all students a meaningful opportunity to achieve.

Concentrated Student Poverty: Why it Matters

We're often asked: what is the most pressing challenge to fair school funding? Our answer: the growing concentration of student poverty in school districts and in state public school systems. High rates of student poverty have a significant impact on the levels and types of resources, and the funding needed, to give those students a meaningful opportunity for success in school. While most state funding formulas provide some mechanism to boost funding for low-income students, too few states also recognize that the costs associated with student poverty are likely to increase as the concentration of poverty increases.

Students from impoverished communities – urban, rural or otherwise – often come to school academically behind their peers from more affluent towns. To level the playing field, high-poverty districts require additional funding to implement effective strategies and programs to remediate early learning deficits, meet grade-level benchmarks, and enable students to make year-to-year sustained progress toward graduation. Research-proven supports and interventions include high-quality preschool, extended learning time, smaller class sizes, in- and out-of-class tutoring, sufficient guidance counselors and nurses, and access to social and mental health services.

To help understand the magnitude of the "poverty challenge," the map below (Fig. 4) depicts poverty rates for school-aged children for each state. Poverty is defined using the U.S. Census definition, or $24,339 for a family of four with two children.[28] The states shaded orange have poverty rates that are above, and the blue-green states have poverty rates that are below, the national average.

The data are striking. Seventeen states, most clustered in the southeast and southwest regions, have student poverty rates of 20% or higher. That group includes Texas, Florida, and New York, states with public school systems among the largest in the country.

When analyzed alongside our grades on the fair funding measures, it is clear that finance systems in the highest-poverty states are not delivering the necessary funding and resources to their low-income student populations. Instead, these states tend to be the lowest funded. Sixteen of the twenty-five states with above-average poverty rates receive a D or F in this report for funding level. Only a few above-average poverty states – California, New York and Ohio – receive higher than a C in this report in funding distribution, and nine above-average poverty states have regressive finance systems providing less funding to their high-poverty districts.

Figure 4: Percentage of School-Aged Children in Poverty, 2017
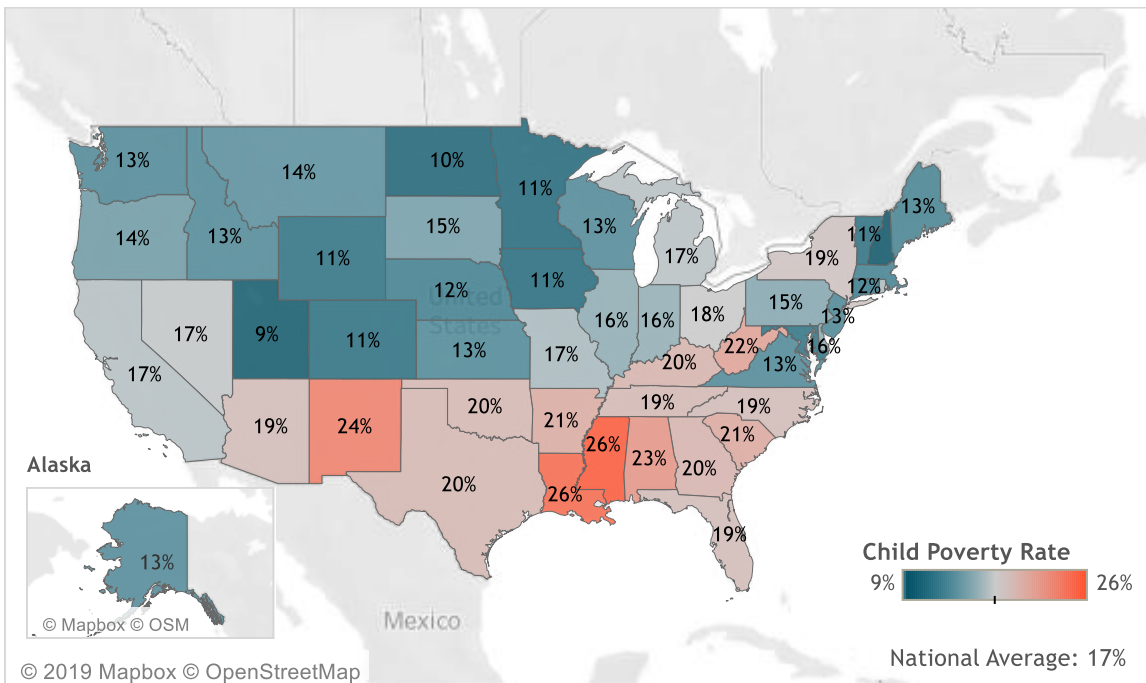
Source: ELC analysis of Census' Small Area Income and Poverty Estimates (SAIPE), 2017.

Notes: Poverty rates are restricted to those aged 5 through 17. Map shading represents whether states are **below** or **above** the national average poverty rate (17%).

The "poverty challenge" is even greater in states with high levels of socio-economic segregation between school districts. These districts often lack the essential education resources for low-income students to succeed in school. And they also are unable to address the challenges associated with serving poor communities, such as limited job opportunities and access to health services, violence, and homelessness.[29] These conditions make the job of educating students more difficult and costly.

The map below (Fig. 5) shows the magnitude of this challenge. We present the percentage of poor students who reside in high-poverty school districts (i.e., districts with a school-aged child poverty rate above 30%) in each state. In the orange states, more than one in every four poor students lives in a district experiencing extreme poverty. As revealed in our report, nearly all these states have below-average funding levels, and over half have funding systems that are regressive or flat.

Figures 4 and 5 show that in some high-poverty states (e.g., Florida), poor children are not heavily concentrated in specific school districts, but in others (e.g., Mississippi) particular districts educate very high enrollments of students in poverty. In the latter states, the poverty challenge is not only significant statewide but is also particularly acute in high poverty, or socio-economically segregated, districts.

Figure 5: Concentrated Student Poverty, 2017
Percentage of Poor Students Living in High-Poverty (>30%) Districts
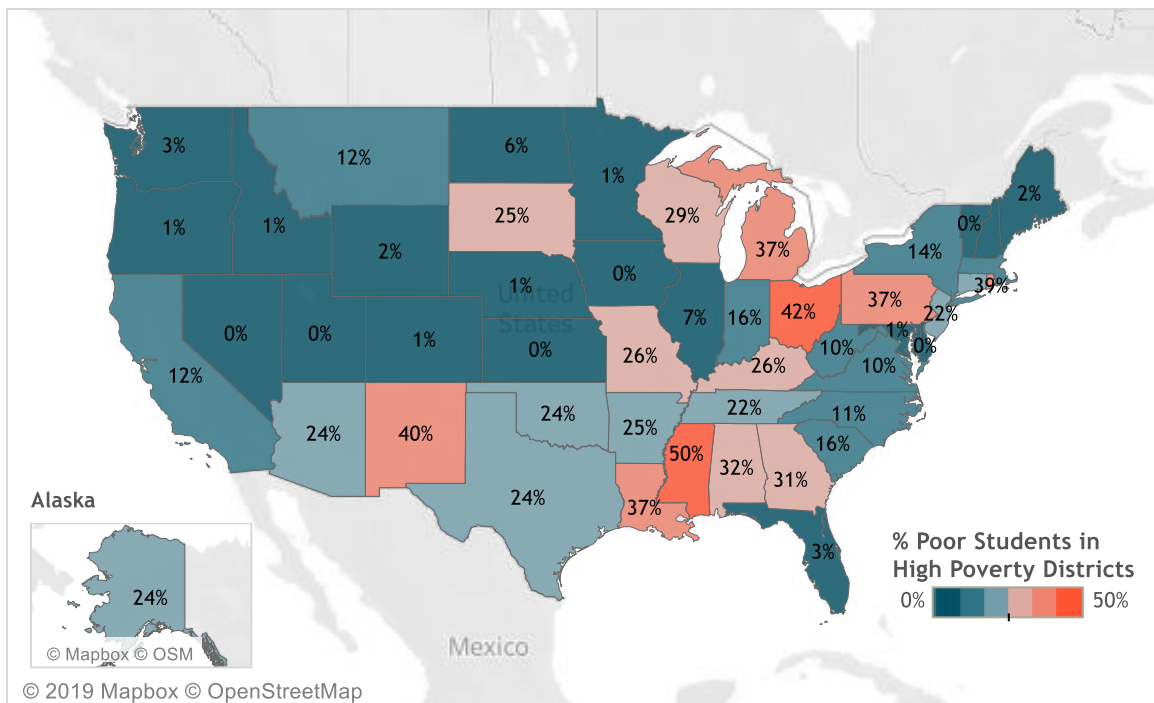
Source: ELC analysis of Census' Small Area Income and Poverty Estimates (SAIPE), 2017.

Notes: Map represents the percentage of poor students in the state who live in high poverty (>30% Census poverty) school districts. In **orange** states, at least 1 in 4 poor students (>=25%) lives in a high poverty district.

A Note to Advocates and Policymakers

Far too many states are failing the basic test of school finance: providing fair funding to support all students, especially students in high-poverty districts.

Public school underfunding is the reason why too many of the nation's public schools do not have the teachers, support staff, programs and other resources essential to give students a meaningful opportunity to succeed.

As *Making the Grade 2019* shows, our public schools are underfunded through the persistence of state finance systems that are flawed, outmoded and budget-driven. Public school underfunding is now so chronic and severe that a growing movement of parents, students, teachers and concerned citizens is demanding reform in many state capitols.

The good news: this widespread outcry over underfunded public schools has created the most significant opportunity for school funding reform in decades.

Making the Grade 2019 is intended to help those on the front lines of advocacy campaigns for fair school funding in their states. Advocates know that school finance reform is exceedingly difficult, as it implicates taxes, socio-economic status, race, student segregation, privilege, district boundaries, and other "fault lines" within states.

Experience from states where lawmakers have enacted fair finance systems, or where lawmakers have moved in that direction, demonstrates the compelling need to build the capacity of state-based advocacy campaigns for finance reform involving key stakeholders. Successful campaigns use multiple strategies encompassing research, policy, parent and community engagement, communications and, where feasible, litigation. These campaigns often must be sustained over many years and tailored to the unique history, culture and politics of each state.

Policymakers, too, need reliable research and data to understand the condition of school finance in their jurisdictions and to enable them and their constituents to compare their state with other states and the nation as a whole on key measures of fair school funding.

Making the Grade 2019 is intended to assist advocates and policymakers across the country as they work to improve educational resources, opportunities and outcomes for public school children in their states. We hope this report contributes to your efforts.

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ENDNOTES

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[1] A federal study found that teachers spend $479 of their own money, without reimbursement, to pay for classroom supplies. *See* Madeline Will, *The Average Teacher Spends $479 a Year on Classroom Supplies, National Data Show*, EDUCATION WEEK (MAY 15, 2018), https://www.edweek.org/ew/articles/2018/05/15/the-average-teacher-spends-479-a-year.html.

[2] Emily S. Rueb, *A Teacher Shared Her Salary, and a Stranger Started a School Supplies Wish List*, NEW YORK TIMES (May 3, 2019), https://www.nytimes.com/2019/05/03/education/arizona-teacher-salary-facebook-post.html. In Elisabeth's case, at least, a benefactor learned of her situation and provided her students with pencils, paper clips, books, and snacks (crackers and Hershey's Kisses). The teacher's benefactor also created a website to enable other do-gooders to donate supplies for other under-resourced classrooms across the U.S, which can be accessed at the following address: https://sites.google.com/site/classroomgiving/home.

[3] *See* page 2 of this report; Arizona did increase school funding in 2019, but the funding level remains well below what the state provided in 2008 (adjusted for inflation). *See* Lily Altavena, *A year after tens of thousands of Arizona teachers walked out, the funding fight continues*, ARIZONA REPUBLIC (April 20, 2019), https://www.azcentral.com/story/news/local/arizona-education/2019/04/18/redfored-battle-over-school-funding-is-still-raging-a-year-later-funding-options/3481118002/.

[4] This report does not include figures for Hawaii, the District of Columbia, and outlying territories of the U.S. *See* the Technical Appendix for more information, available at https://edlawcenter.org/assets/Making_the_Grade/TechnicalAppendix.pdf.

[5] *See* Table 9. Stephen Q. Cornman, Lei Zhou, Malia R. Howell & Jumaane Young, *Revenues and Expenditures for Public Elementary and Secondary Education: School Year 2015–16 (Fiscal Year 2016): First Look*, NATIONAL CENTER FOR EDUCATION STATISTICS (2018), https://nces.ed.gov/pubs2019/2019301.pdf.

[6] *See* Michael Leachman, *K-12 Funding Still Lagging in Many States*, CENTER ON BUDGET AND POLICY PRIORITIES (May 29, 2019), https://www.cbpp.org/blog/k-12-funding-still-lagging-in-many-states.

[7] Matt Barnum, *Does money matter for schools? Why one researcher says the question is 'essentially settled'*, CHALKBEAT (Dec. 17, 2018), https://www.chalkbeat.org/posts/us/2018/12/17/does-money-matter-education-schools-research/; C. Kirabo Jackson, *Does School Spending Matter? The New Literature on an Old Question* (2018), http://works.bepress.com/c_kirabo_jackson/38.

[8] The United States has no established "opportunity to learn" standards that define the resources needed to ensure students have the opportunity to achieve common outcomes. It is, therefore, impossible to determine the cost of those resources and funding levels across states.

[9] Bruce D. Baker et al., *In Brief: The Real Shame of the Nation, The Causes and Consequences of Interstate Inequity in Public School Investments*, RUTGERS UNIVERSITY AND EDUCATION LAW CENTER (2018).

[10] Poverty is measured using the Census definition due to reporting inconsistencies for the National School Lunch Program, the more commonly used metric of school poverty. Census poverty is a more severe measure than either free lunch (130% of Census poverty) or reduced lunch (185%) eligibility. We define high-poverty districts as having a 30% Census poverty rate among school-aged children and low-poverty districts having a 5% poverty rate. For more detail, see the Technical Appendix.

[11] We utilize a modified version of the regression-based method developed by Baker and published in Baker, Farrie and Sciarra, *Is School Funding Fair? A National Report Card (eds 1 -7)* available at www.schoolfundingfairness.org. More detail can be found in the Technical Appendix.

[12] See also Linda Darling-Hammond, *Investing for student success: Lessons from state school finance reforms* (policy brief), LEARNING POLICY INSTITUTE, (August 5, 2019), https://learningpolicyinstitute.org/sites/default/files/product-files/Investing_Student_Success_BRIEF.pdf

[13] *See* Figure 3. *Public School Revenue Sources*, NATIONAL CENTER FOR EDUCATION STATISTICS (May 2019), https://nces.ed.gov/programs/coe/pdf/coe_cma.pdf.

[14] *Why America's Schools Have a Money Problem*, NATIONAL PUBLIC RADIO (April 18, 2016), https://www.npr.org/2016/04/18/474256366/why-americas-schools-have-a-money-problem.

[15] *Comm. for Educ. Rights v. Edgar*, 672 N.E.2d 1178, 1191 (Ill. 1996).

[16] Amanda Vinicky, *Illinois Passes 'Historic' Education Funding Bill*, WTTW (Aug. 28, 2017), https://news.wttw.com/2017/08/28/illinois-house-passes-historic-education-funding-bill.

[17] *Gould v. Orr*, 506 N.W.2d 349 (Neb. 1993).

[18] Victoria Rosenboom et al., *School District Funding in Nebraska: Computing the Effects of Changes to the TEEOSA Formula*, URBAN INSTITUTE (Oct. 2018).

[19] *See* Figure 2. Public School Revenue Sources, NATIONAL CENTER FOR EDUCATION STATISTICS (May 2019), https://nces.ed.gov/programs/coe/pdf/coe_cma.pdf.

[20] *See* Figure 3. Public School Revenue Sources, NATIONAL CENTER FOR EDUCATION STATISTICS (May 2019), https://nces.ed.gov/programs/coe/pdf/coe_cma.pdf.

[21] Gross domestic product (GDP) is the value of all goods and services produced by each state's economy. In this report is serves as a measure of each state's *capacity* to raise revenue to fund schools.

[22] *For Each and Every Child—A Strategy for Education Equity and Excellence*, U.S. DEPARTMENT OF EDUCATION (2013).

[23] *Overview of Litigation History: North Carolina*, CENTER FOR EDUCATIONAL EQUITY, http://schoolfunding.info/litigation-map/north-carolina/.

[24] *See* Michael Leachman, *K-12 Funding Still Lagging in Many States*, CENTER ON BUDGET AND POLICY PRIORITIES (May 29, 2019), https://www.cbpp.org/blog/k-12-funding-still-lagging-in-many-states.

[25] Seanna Adcox and Paul Bowers, *Three Years Ago, South Carolina's Poorest Schools Won a Landmark Ruling: Did It Matter?*, POST AND COURIER (Nov. 26, 2017), https://www.postandcourier.com/news/three-years-ago-south-carolina-s-poorest-schools-won-a/article_e7836bce-ced4-11e7-ba6c-0ba144c0fe06.html.

[26] Jennifer Berry Hawes, Seanna Adcox, Paul Bowers, Thad Moore & Glenn Smith, *No accident of history*, POST AND COURIER (Nov. 14, 2018), https://data.postandcourier.com/saga/minimally-adequate/page/2.

[27] *Leandro v. State*, 488 S.E.2d 249, 254 (N.C. 1997).

[28] We use the Census definition of poverty due to reporting inconsistencies for the National School Lunch Program, the more commonly used metric of school poverty. Census poverty is a more severe measure than either free lunch (130% of Census poverty) or reduced lunch (185%) eligibility.

[29] See Paul Jargowsky, *Concentration of Poverty: An Update*, THE CENTURY FOUNDATION (April 9, 2014), https://tcf.org/content/commentary/concentration-of-poverty-an-update