



What Is School Finance Equity and Why Does It Matter?

#1 IN THE SERIES • OCTOBER 2021 (updated October 2023)

School finance equity is an essential component of educational equity. In an equitable system, public schools receive funds to provide a high-quality education for all based on the needs of students, not on the property wealth of communities.

Across the U.S., almost no states have fully achieved this goal.

Inequity in school finance thwarts countless efforts to improve educational outcomes. We know that certain groups of students, such as students with disabilities, low-income students, and English language learners, need additional resources and support in school.² Yet in only nine states do high-poverty districts receive at least 10% more funding than low-poverty districts.³

Funding inequity also disproportionately affects students of color. Districts serving the largest populations of Black, Latino, or Native American students received 16% less funding per student in state and local funding than those serving the fewest students of color.⁴

Achieving both **adequacy** (enough funding) and **equity** (funding distributed to where it is most needed) in school finance will not solve every educational problem, but it is a significant part of solving deeply rooted challenges.

“The longstanding and persistent reality is that vast funding inequities in our state public education systems render the education available to millions of American public school students profoundly unequal.”

—U.S. COMMISSION ON CIVIL RIGHTS, 2018¹

Money Matters

Schools with more resources can do more for their students. Some students need additional resources and supports to achieve their best. But for a long time, researchers found no clear correlations between school spending and overall student achievement.⁵

Recent research has used lawsuits and policy changes to measure student outcomes before and after large-scale funding changes. These studies suggest **more money does improve student outcomes**, including significantly improved test scores, graduation rates, and college-going rates, especially for low-income students.⁶

- Increasing school spending by \$1,000 per student increased graduation rates by 1.9 percentage points and college-going rates by 2.7 percentage points.⁷
- Effects of school finance reforms on student achievement in lower-income districts accumulates for at least a decade after the reform and can help close achievement gaps between lower-income and middle-income districts.⁸
- Raising state funding for low-income districts translates to higher rates of educational attainment in high school and beyond, especially for Black students, and higher earnings in adulthood.⁹

Evaluating school spending and student achievement in the real world is messy and complex. Even with evolving research, we believe that **adequate and equitable funding will make a difference in learning**, especially for students most in need of extra educational support.

But How Money Is Spent Also Matters

One factor complicating school spending research is that not all types of spending have similar effects. The most “effective” use for money depends on context, student needs, and measures of success.¹⁰

Imagine two schools each get an additional \$100,000. School One enhances its facilities, while School Two hires an additional teacher for students with disabilities. School Two’s teacher investment could have a more direct impact on student learning, especially for historically underserved students. But if the facilities investment prevents School One’s roof from collapsing, that also benefits the learning environment. Both kinds of expenditures have merit, but their effects are not felt in the same way.

Questions for Advocates

- *How adequate and equitable is your state’s school finance system?*
- *What data can you use to show how state funding lines up with student needs, especially for low-income students, students with disabilities, and English language learners?*
- *What would need to change in your state to improve state school finance equity?*

Endnotes

- 1 "Public Education Funding Inequity—In an Era of Increasing Concentration of Poverty and Resegregation," U.S. Commission on Civil Rights, January 2018, <https://www.usccr.gov/pubs/2018/2018-01-10-Education-Inequity.pdf>.
- 2 Bruce D. Baker, "School Finance Series: How Money Matters for Schools," Learning Policy Institute, December 2017, https://learningpolicyinstitute.org/sites/default/files/product-files/How_Money_Matters_REPORT.pdf.
- 3 *Equal Is Not Good Enough: An Analysis of School Funding Equity Across the U.S. and Within Each State*, The Education Trust, December 2022, <https://edtrust.org/wp-content/uploads/2014/09/Equal-Is-Not-Good-Enough-December-2022.pdf>.
- 4 "School Districts That Serve Students of Color Receive Significantly Less Funding," The Education Trust, December 8, 2022, <https://edtrust.org/press-release/school-districts-that-serve-students-of-color-receive-significantly-less-funding/>.
- 5 Eric A. Hanushek, "The Failure of Input-Based Schooling Policies," *Economic Journal* 113, no. 485 (February 2003): F64-F98, <https://doi.org/10.1111/1468-0297.00092>.
- 6 For example: C. Kirabo Jackson, "Does School Spending Matter? The New Literature on An Old Question," in *Confronting Inequality: How Policies and Practices Shape Children's Opportunities*, eds. L. Tach, R. Dunifon, and D. L. Miller (Washington: American Psychological Association, 2018), 165-186; C. Kirabo Jackson and Claire Mackevicius, "The Distribution of School Spending Impacts, Working Paper 28517," National Bureau of Economic Research, July 2021, https://www.nber.org/system/files/working_papers/w28517/w28517.pdf; Julien Lafortune, Jesse Rothstein, and Diane Whitmore Schanzenbach, "School Finance Reform and the Distribution of Student Achievement," *American Economic Journal: Applied Economics* 10, no. 2 (2018): 1-26, <https://pubs.aeaweb.org/doi/pdfplus/10.1257/app.20160567>; Mark Dynarski, "It's Not Nothing: The Role of Money in Improving Education," Brookings, March 2, 2017, <https://www.brookings.edu/research/its-not-nothing-the-role-of-money-in-improving-education/>.
- 7 Kirabo Jackson and Mackevicius, "The Distribution of School Spending Impacts," https://www.nber.org/system/files/working_papers/w28517/w28517.pdf.
- 8 Lafortune, Rothstein, and Whitmore Schanzenbach, "School Finance Reform," <https://pubs.aeaweb.org/doi/pdfplus/10.1257/app.20160567>.
- 9 Jessie Rothstein and Diane Whitmore Schanzenbach, "Does Money Still Matter? Attainment and Earnings Effects of Post-1990 School Finance, Working Paper 29177" National Bureau of Economic Research, August 2021, <https://www.nber.org/papers/w29177>.
- 10 Rothstein and Whitmore Schanzenbach, "Does Money Still Matter?" <https://www.nber.org/papers/w29177>.

About the Authors



INDIRA DAMMU

Indira Dammu is an associate partner at Bellwether in the Policy and Evaluation practice area. She can be reached at indira.dammu@bellwether.org.



BONNIE O'KEEFE

Bonnie O'Keefe is a senior associate partner at Bellwether in the Policy and Evaluation practice area. She can be reached at bonnie.okeefe@bellwether.org.



JENNIFER O'NEAL SCHIESS

Jennifer O'Neal Schiess is a senior partner at Bellwether and leads the Policy and Evaluation practice area. She can be reached at jennifer.schiess@bellwether.org.

ACKNOWLEDGMENTS

Thank you to the Bill & Melinda Gates Foundation for its financial support of this project, to Super Copy Editors, and to Five Line Creative for graphic design on the original series.

Thank you to our colleague Linea Koehler for supporting reviews and updates to this publication. Thank you to Alyssa Schwenk, Andy Jacob, Zoe Campbell, Julie Nguyen, and Amber Walker for shepherding and disseminating this work.

Any errors in fact or analysis are the responsibility of the authors alone.

ABOUT THE SERIES

Splitting the Bill is a crash course in the essentials of school finance equity for advocates and others interested in reforming state education finance systems. Learn more and read the other briefs in this series [here](#).

About Bellwether

Bellwether is a national nonprofit that exists to transform education to ensure systemically marginalized young people achieve outcomes that lead to fulfilling lives and flourishing communities. Founded in 2010, we work hand in hand with education leaders and organizations to accelerate their impact, inform and influence policy and program design, and share what we learn along the way. For more, visit bellwether.org.

© 2023 Bellwether

- © This report carries a Creative Commons license, which permits noncommercial re-use of content when proper attribution is provided. This means you are free to copy, display and distribute this work, or include content from this report in derivative works, under the following conditions:
- ① **Attribution.** You must clearly attribute the work to Bellwether and provide a link back to the publication at www.bellwether.org.
- ③ **Noncommercial.** You may not use this work for commercial purposes without explicit prior permission from Bellwether.
- ③ **Share Alike.** If you alter, transform, or build upon this work, you may distribute the resulting work only under a license identical to this one.

For the full legal code of this Creative Commons license, please visit www.creativecommons.org. If you have any questions about citing or reusing Bellwether content, please contact us.