

Is School Funding Fair? A National Report Card
Fourth Edition –2015

Executive Summary

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

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

The Fourth Edition of the Report Card examines the fiscal condition of the nation's schools as the U.S. emerges from the Great Recession. With federal stimulus dollars spent, states were faced with the obligation to replace that funding with state support, a challenge that many did not meet. The National Report Card examines how states managed these difficult economic circumstances and their impact on the fairness of state school finance systems.

The Fairness Measures

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

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

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- **Coverage:** This measures the proportion of school-aged children attending the state's public schools and also addresses the income disparity between families using public and nonpublic schools. States are ranked according to both the proportion of children in public schools and the income ratio of public and nonpublic school families.

Summary of Findings

The table below presents results for the four fairness indicators in 2012. It is important to consider each of the four measures together to capture the complexity of each state's finance system, which is embedded in a specific economic and political context. The report's findings demonstrate that economic recovery, for the most part, has not yet extended to school funding:

- **Student poverty** across the country is growing, and poor students are even more likely to be isolated in high poverty districts. Since 2007, the student poverty rate grew from 16% to 21%, and the percentage of poor students in high poverty districts (over 30%) grew from 20% to 36%. This growth underscores the dire need for fair school funding in all states.
- **Funding levels** continue to be characterized by wide disparities among states, with gaps between the highest and lowest states actually growing. There is a $12,000 funding differential between the highest (New York) and lowest (Idaho) funded states.
- The majority of states have unfair funding systems with "flat" or "regressive" **funding distribution** patterns that ignore the need for additional funding in high-poverty districts. While the 2012 total of fifteen progressive funding states was a slight improvement over the thirteen in 2011, this number is still down from a high of twenty states in 2008.
- States still appear to be reluctant to return to pre-Recession levels of fiscal **effort**. While total GSP has rebounded to 2008 levels or higher in all states except Nevada and Wyoming, 20 states invested fewer total dollars into their education systems. The effort index remains below 2008 levels in all states except Connecticut, Wyoming, Illinois, and West Virginia.
- **Coverage** is a relatively stable indicator, but it demonstrates the degree to which wealthier families in some states opt out of the public education system, potentially affecting the public and political will necessary to improve school funding. The percentage of school-aged children enrolled in public schools ranges from 79% in the District of Columbia and Hawaii, to a high of 93% in Wyoming and Utah.
- Only two states, New Jersey and Massachusetts, are positioned relatively well on all **four indicators**.
- Missouri, Alabama and Virginia are poorly positioned on all **four fairness measures**. All three states received an "F" in Funding Distribution, were in the lower half of the Funding Level ranking, had below average Effort levels and poor Coverage.

Resource Allocation Indicators

The importance of fair school funding is demonstrated by each state's ability to translate dollars into educational resources that benefit students' academic progress. We explore the

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consequences of funding fairness, or lack thereof, for schools and students through the following three resource allocation indicators:

- **Early Childhood Education**: Enrollment of low-income students in early childhood education lags behind that of their wealthier peers in nearly all states. The states with the greatest disparities in preschool enrollment are more likely to have regressively distributed funding.
- **Wage Competitiveness**: A fair school funding system should provide districts with the opportunity to attract and retain high quality teachers. One way to attain that is for schools to provide competitive salaries for their staff. But average teacher salaries in most states are below those of their non-teacher counterparts. States with higher funding levels are able to offer more competitive salaries, while in the lowest funded states teacher salaries are the least competitive with other professions.
- **Pupil-to-Teacher Ratios**: An equitable distribution of school staff in districts and states is one of the most meaningful outcomes of fair school funding. Thirty states had a flat or regressive distribution, meaning that higher poverty districts had the same number or more pupils per teacher. Unsurprisingly, the states with the fairest distribution of staff were also more likely to have a fair distribution of funding.

This edition of the National Report Card demonstrates that school funding lags behind the country's economic recovery. During the Recession, disinvestment in state education budgets provided a quick fix for limited fiscal capacity. But despite signs of economic recovery, few states are replacing those lost funds. Sustaining investments in the nation's education systems, even in the face of economic downturns, is of crucial importance for the long-term vitality of the U.S. The findings in this report underscore the need for policy discussions at the state and federal level to ensure a commitment to school funding systems that are fair and equitable.

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The National Report Card 4th Edition

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