(In)**SCHOOL** $= b_0 + b_1State_i + b_2LaborMarket_{ij} + b_3CWI_{ij} + b_4$**FINANCE**$_{ij} + b_5PopulationDensity_{ij} + b_6\ Enrollment_{ij} + b_7$**INDICATORS**$_{ij} + b_8Scale_{ij} + b_9Poverty_{ij} + b_{10}SchlType_{ij} + b_{11}$**DATABASE**$_{ij} + e$

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REPORT FINDS EDUCATION FUNDING IN MOST STATES IS INADEQUATE AND INEQUITABLE

WASHINGTON – Most states' education finance systems deliberately fail to target resources at the districts that need them most, specifically those that serve the highest poverty students. Furthermore, spending levels in virtually all states are below adequate levels (and often far below adequate) in all but the most affluent districts, according to a new report released today by researchers at the Albert Shanker Institute and Rutgers Graduate School of Education.

The past decade has seen the emergence of a political consensus, backed by high-quality empirical research, about the importance of adequate and equitable funding for U.S. public schools. While there is plenty of important debate about how money should be spent, virtually all of the best policy options require investment. The idea that "money doesn't matter" in school quality is no longer defensible.

This new consensus, however, is not reflected in most states' school finance systems. This second edition of the report, "The Adequacy and Fairness of State School Finance Systems," evaluates states' systems using three "core" indicators:

1. **Effort**: How much do states spend as a proportion of their total economic capacity?
2. **Adequacy**: Do states spend enough to meet common outcome goals?
3. **Progressivity**: Do states target more resources at the districts with the most need?

These three measures are calculated using data from roughly a dozen sources, and control for various factors – such as Census poverty, labor market costs, population density, and district size – that affect the value of the education dollar. The most recent data presented in the report apply to the 2016-17 school year, but the results also include long-term trends.

The authors find, predictably, that states vary widely on all three measures. There are states, such as Wyoming, New Jersey, and Massachusetts, in which education funding is relatively adequate and distributed progressively. In most states, however, the results are disappointing and, in some cases, deeply troubling.

Highlights

Effort

- The typical state devotes about 3.5 percent of its capacity (i.e., Gross State Product) to K-12 education.
- Individual states' effort levels range from about 2.4 percent in Nevada to over 5 percent in Vermont. Other higher effort states include Wyoming (4.7), New Jersey (4.6), New York (4.5), and Alaska (4.5). Other lower effort states include Arizona (2.6), North Carolina (2.7), Delaware (2.8), and Tennessee (2.8).
- The U.S. average effort has not rebounded since the Great Recession, and is slightly lower in 2017 than it was in 2004.

Adequacy

- There are only six states (Wyoming, Delaware, New Hampshire, Nebraska, Connecticut, and New York) in which spending on the highest poverty districts is adequate to achieve national average test scores, which the report uses as a common "benchmark" to assess states' funding levels. Conversely, current spending on these highest poverty districts falls far short of adequate levels in most states, including five states in which spending is less than half of the required amount (Arizona, New Mexico, California, Texas, and Mississippi).
- Although our estimates are state by state, a calculation of U.S. average adequacy indicates that spending on the highest poverty districts (80-100th percentile poverty) is approximately 70 percent of estimated adequate amounts. That is, the typical state would have to increase spending more than 40 percent to reach an adequate level.
- Nationally, the situation is not much better in the second highest poverty districts (60-80th percentile district poverty), where spending is, on average, about 78 percent of required amounts.
- In contrast, spending is *above* our estimated adequate levels for the lowest poverty (0-20th percentile) districts and slightly above adequate in the second lowest poverty (20-40th percentile) districts. States spend generously on their affluent districts, while their high poverty districts receive less than they need, in many cases far less.
- There is a relationship between fiscal effort and adequacy -- that is, states that spend more of their "economic pie" on education tend to exhibit more adequate spending levels. Inadequate spending is in no small part a deliberate choice on the part of policymakers.

Progressivity

- On average, state and local education funding in the U.S. is neither progressive nor regressive. That is, the highest poverty districts in the typical state tend to receive similar amounts of revenue, all else being equal, as do the most affluent districts.
- There are only ten states in which high poverty districts (30 percent Census poverty) receive at least 10 percent more revenue than do low poverty districts (0 percent poverty). In three of these states (Wyoming, Alaska, and Utah), high poverty districts receive at least 50 percent more revenue.

- In most states, however, revenue is either essentially non-progressive (roughly the same regardless of district poverty) or regressive. In fact, in 28 states, high poverty districts actually receive *less* revenue than do affluent districts, in some cases shockingly less. For example, in Illinois and Nevada, high poverty districts receive over 25 percent less revenue than do low poverty districts.
- U.S. average progressivity increased very modestly between 1997 and 2017, but education funding has been essentially non-progressive for the past two decades.

In short, the school finance landscape is not completely bleak, and there are some bright spots, but most states' systems fund schools in a manner that is inconsistent with well-established findings from the school finance literature, and incompatible with a commitment to equal educational opportunity.

"When you look at our results, coupled with states continuing to disproportionately label their highest poverty districts as failures, it looks strikingly like a failure by design," says Rutgers University Professor Bruce Baker, one of the report's co-authors. "Year after year, states are not providing their districts, particularly their high poverty districts, with the resources they need, and that's not some accident or confluence of random events. It's a conscious, deliberate policy choice."

The authors do not assign ratings or grades to each state, as the interplay between effort, adequacy, and progressivity is complex and difficult to boil down to a single rating. They do, however, offer recommendations for how researchers, policymakers and the general public can use these results to inform school funding debates and improve finance policy in the U.S.

The Adequacy and Fairness of State School Finance Systems (second edition) *is co-authored by Bruce D. Baker (Rutgers University), Matthew Di Carlo (Albert Shanker Institute), and Mark Weber (New Jersey Policy Perspective and Rutgers University).*

All of the data presented in the report, and much more, are part of the School Finance Indicators Database, a free collection of state and district measures of school revenue and spending, and how those resources are spent (e.g., teacher salary, class size, etc.). The database is designed to be accessible to journalists, policymakers, and the public. The datasets, a non-technical user's guide, and customizable visualizations are all available at: http://schoolfinancedata.org.

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