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ALBERT SHANKER INSTITUTE

RUTGERS Graduate School of Education

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Contact:
Bruce D. Baker
bruce.baker@gse.rutgers.edu

MEDIA ADVISORY

REPORT FINDS INADEQUATE AND INEQUITABLE SCHOOL FUNDING IN MOST STATES, ECONOMIC CRISIS THREATENS TO MAKE A BAD SITUATION WORSE

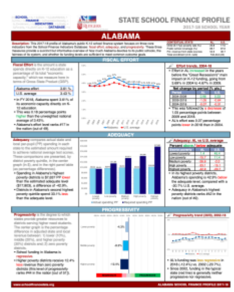
WASHINGTON – In most states, K-12 education funding is not targeted at the districts serving the students most in need of resources, and spending in virtually all states is below adequate levels (often far below) in all but the most affluent districts. In many cases, this is due to a conscious failure to devote sufficient resources to schools, according to a new report released today by researchers at the Albert Shanker Institute and the Rutgers Graduate School of Education.

These findings stand in direct contradiction to the empirical research consensus that adequate and equitable funding is a necessary precondition for school improvement. The report also suggests that most states are in a worse position to weather the current pandemic-fueled economic crisis than they were prior to the "Great Recession" of 2007-09.

This third edition of the annual 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 designed to be easy for non-researchers to understand and interpret, but they are calculated using sophisticated methods and data from roughly a dozen sources. Due to the lag in the release of national school finance data, the most recent estimates presented in the report apply to the 2017-18 school year. However, in addition to summarizing the current situation of state finance systems, the report's authors examine data during and after the 2007-09 recession to offer insights and predictions regarding the current economic downturn's potential impact on school budgets.



Accompanying this report are single page profiles of the school finance systems of all 50 states and D.C. To download your state's profile, visit: schoolfinancedata.org

Overall, states vary widely on all three measures. This is because school funding is largely in the hands of state policymakers. There are states, such as Wyoming, New Jersey, and Massachusetts, in which education funding is relatively adequate and distributed fairly. In most states, however, the results are disappointing and, in some cases, deeply troubling.

Highlights

Effort

- States' effort levels range from about 2.4 percent in Hawaii and Arizona to 4.4-4.5 percent in Wyoming and New Jersey. That is, New Jersey and Wyoming devote almost twice as much of their "economic pies" to public schools as do Hawaii and Arizona.
- Between 2007 and 2018, there was at least a nominal net decrease in effort in all but nine states (and even small changes in effort represent large changes in resources). In several states, such as Florida, Hawaii, Indiana, and Michigan, this decrease was close to or greater than one percentage point. Even as their economies recovered from the Great Recession, states failed to reinvest in their schools.
- As a result, in 40 states, effort was lower in 2018 than it was in 2004.
- High-effort, low-capacity states, such as Arkansas, Mississippi, and South Carolina, are particularly vulnerable in the current pandemic-fueled economic crisis, since they are already spending a relatively large share of their economies on education and are more limited in their ability to raise additional resources.
- Most states' effort levels will likely increase in the short term, and decline afterwards, as it takes some time for education budget cuts to "catch up" with the immediate economic contraction caused by recessions. Without significant federal and state-level policy responses, decreases in effort may once again recur for several years and not subsequently recover, representing another long-term de-facto cut in school funding.

Adequacy

- There are only nine states (Alaska, Connecticut, Delaware, D.C., Nebraska, New Hampshire, New York, North Dakota, and Wyoming) in which spending on the highest-poverty districts—i.e., the 20 percent of districts with the highest Census poverty rates—is adequate to achieve national average test scores (which the report uses as a common "benchmark" to assess states' funding levels).
- Conversely, spending in these highest-poverty districts is at least 20 percent below the adequate level in 28 states, and at least 40 percent lower in eight of these states: Alabama, Arizona, California, Mississippi, Nevada, New Mexico, Oklahoma and Texas.
- Spending in lower-poverty districts, in contrast, is above estimated adequacy targets in the vast majority of states. For example, in their lowest poverty (0-20th percentile) districts, 41 states spend above estimated adequacy targets, by an average of 45 percent.
- There is a positive relationship between adequacy and fiscal effort. That is, states that spend a larger slice of their "economic pies" on education tend to exhibit more adequate spending levels.
- The negative impact of budget cuts on spending adequacy will likely be more severe and persistent in higher-poverty districts, as lower-income districts are

generally harder hit by state revenue cuts, and are less well-equipped to recover from them. This is a troubling prospect given that funding in higher-poverty districts in most states is already inadequate.
- Federal aid should be targeted at states, such as Mississippi and New Mexico, in which funding is inadequate but effort is relatively high, since these states are more constrained in their ability to increase resources. Low-effort states with inadequate funding, in contrast, have more flexibility to generate resources in-state.

Progressivity

- State and local education revenue in most states is either non-progressive or regressive. That is, high-poverty districts, all else being equal, tend to receive revenue that is similar to or less than that allocated to richer districts in the same state.
- There are only ten states in which high-poverty districts receive at least 10 percent more revenue than zero poverty districts. In 25 states, high-poverty districts actually receive less revenue than the richest districts. Funding is particularly regressive in Delaware, Illinois, Maine, Nevada and New Hampshire.
- At the national level, education funding has been non-progressive for the past two decades. On average, state and local revenue in the highest poverty districts has been within 2-3 percentage points of that in the lowest poverty districts since 1998.
- The Great Recession reversed a decade of slow progress in improving the fairness of education funding. Between 1998 and 2008, 35 states saw at least a nominal net increase in progressivity. During and after the recession, however, most states saw a net decrease in revenue fairness—in 32 states, funding was less progressive in 2018 than in 2008.
- Making things worse, due to the current economic downturn, school funding in many states will likely become more regressive during the next 2-4 years. This shift could be even more pronounced and persistent than it was during and after the Great Recession.
- The magnitude of these shifts, and how long they last, is largely in the hands of policymakers. The current distribution of state revenue, how it is cut, and its interplay with local revenue will shape these trends.

In short, most states fund their public schools, particularly those serving high-poverty populations, in a manner that is inconsistent with well-established findings from the school finance literature, and incompatible with a commitment to equal educational opportunity.

"The good news is that we know what a fair and effective school finance system looks like," says Rutgers University Professor Bruce Baker, one of the report's co-authors. "The bad news, which we show in this report, is that most states aren't doing it. Policymakers cannot act surprised when their test scores and other outcomes don't get better when many of these same people have failed—deliberately failed—to provide their districts, especially their higher-poverty districts, with what they need to improve those outcomes."

Moreover, the findings of the report suggest that the vast majority of states are more vulnerable to the current pandemic-induced economic downturn than they were before the Great Recession. Without substantial federal and state action, the current crisis represents a severe threat to our nation's schoolchildren, particularly those with the greatest needs.

"The painful reality is that we are in the middle of a severe school budget crisis when we've barely dug ourselves out of the recession that started almost 15 years ago," says Baker. "If states respond to this current crisis the way most did the last time, yet another generation of children from middle- and low-income families will suffer the consequences of attending under-resourced schools."

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All of the data presented in the report, and much more, are part of the **School Finance Indicators Database**, a free collection of state 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, state profiles, online data visualizations, and more are available at: schoolfinancedata.org.

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

Report URL:
http://schoolfinancedata.org/the-adequacy-and-fairness-of-state-school-finance-systems-2021/

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