Overcoming “Savage Inequalities”

The Effects of State Finance Equalization on Inequity in School Spending
The Problem: In many states, the resources provided to schools in high-poverty, high-minority enrollment districts are insufficient to ensure the provision of quality education for all students.
Introduction

- Inequities in school finance not only can, but must be addressed.
- Intervention is required.
- States should have strong educational resource equalization formulas in order to address this persistent need.
Overview

- History of school finance
- Why a need for change is imperative
- Justification for state intervention
- Alternative approaches to school finance
- Critique of alternative approaches
- Conclusions
Current systems of school finance have their roots in the tradition of local responsibility for elementary and secondary schools.
Relationship between school resources and local wealth

- Resources are linked to the value of local funding sources
- Usually the local property tax
- Large disparities in local property values lead to differences in revenues available to schools
Inequity on Two Levels

- For students
- For taxpayers
In *Savage Inequalities*, Jonathan Kozol profiles the resulting inequities and their effects on mostly low-income and minority students.
The Communities

East St. Louis, MO
✓ 75% on welfare
✓ 98% African American
✓ 1/3 of families live on less than $7500/year
✓ 4/5 of children born to single mothers

Camden, NJ
✓ 4th poorest city in the U.S.
✓ 60% receive public assistance
✓ Highest child poverty rate in the U.S.
✓ _ of families live on less than $5000/year
“Industry”

East St. Louis:
- Chemical plants (tax sheltered), sewage treatment facilities, trash incinerators

Camden:
- Sewage treatment, trash incinerators, scrapyards, prisons
- 200 liquor stores, 180 gambling establishments, prostitution
Attendant problems

- Contaminated air, water, soil
- High rates of asthma, low birth weights, untreated chronic illness
- Unemployment
- Homelessness
- Gangs and crime
- Alcohol and drug abuse
School District Funding

- In East St. Louis, despite the highest tax rate in the state, funding is at 50% of that supplied to the wealthiest districts.
- Per pupil expenditure in Camden, at $4000, is $1000 below the state spending average, $2000 below that in neighboring Cherry Hill, and half that in Princeton.
Despite the fact that students in high poverty, high-minority schools cost more to educate, their wealthier peers (with arguable advantages from birth) were benefiting from the additional advantages of increased educational funding.
“You get what you pay for...”
School Buildings

Aging physical facilities in complete disrepair:

- Faulty heating, no air conditioning
- Broken windows
- Bathrooms don’t work
- Fire damage
- No lunchrooms, no playgrounds
- Overcrowded- classes without classrooms
- Dirty, noisy, bleak, dreary
Educational resources

- Not enough books to go around
- Outdated, hand-me down texts
- Broken computers and typewriters
- No lab equipment, running water, gas
- Desks too small
Teachers

- Salaries too low to retain young teachers
- Some dedicated, innovative, resourceful, and ambitious
- Many others unmotivated, “babysitters”
Curriculum

✓ Slim course offerings
✓ Uninspired, unchallenging
✓ Culturally irrelevant
✓ Test-driven
✓ Skills taught in isolation, removed from context
✓ Advising limited, counselors engage in “steering”
Effects on students

- High dropout, nonattendance rates
- Achievement several years below age-level norms
- Diminished aspirations
- High teen pregnancy rates
- Functional illiteracy
- Prepared only for menial employment
In contrast:

Students in wealthier districts benefit from:
lower student/teacher ratios, exposure to an enriched curriculum with advanced placement options, expanded extra-curricular offerings, attending newer schools with up to date equipment, and receiving instruction from higher paid, more qualified teachers.
The solution: state-level equalization of funding to ensure adequate education for all
“Fiscal Equalization and Access to Educational Resources in the New England States”

Jerry C. Fastrup (1997)
Two Approaches-

Foundation Program:

- State grants distributed on a lump sum basis without matching requirements; larger per pupil grants to low-wealth districts

Power-Equalizing Program:

- More generous state matching for poor districts; rates vary so that districts with the same tax effort can provide equal spending
Features

Foundation
- Tax burden is equalized when districts fund the foundation spending level.

Power Equalizing
- Equalization of opportunity, not necessarily of outcome. Sensitive to local effort (reflects local willingness to raise school funds; a ratio of revenue generated relative to capacity).
Methods

- Examines relationship between distribution of state aid and differences in local wealth
Equity on two levels

- Funding equity for local taxpayers
- Disparities in per pupil expenditures related to state/local funding sources
Conclusions

✓ All states studied target more aid to low-wealth districts, decreasing disparities to some degree.

✓ However, only Maine and Vermont were successful in offsetting the fiscal disadvantage of poor districts relative to those with higher levels of wealth.
Policy Implications

True equalization can be achieved through either:

✓ A highly redistributive aid formula
✓ A larger proportion of funding assumed at the state level
Further support:
“Education Finance Reform and the Distribution of Education Resources”

Method

✓ Variation in the distribution of school resources was examined in relation to the timing of school finance litigation between 1971 and 1996

✓ Successful litigation led to court-ordered finance reform in 16 states examined, goal of “fiscal neutrality”

✓ Outcomes were 4 inequality indices
Conclusion

- Court-ordered finance reform reduced within-state inequality in spending by 19-34%.
- Spending was increased in poorest districts by 11% and in median districts by 8%. No changes were observed in funding of higher income districts.
- Owing to no significant reductions in other categorical spending observed at the state level, it was determined that additional revenues were obtained through increases to state taxes.
Limitations

- Within state spending variations account for only 1/3 of variance; 2/3 is between states.
- May not produce student testing gains, but evidence clearer on later outcomes.
- Finance reform may lead to taxpayer revolts (e.g., Proposition 13 in CA).
Savage Inequalities Revisited

Updated comparison:

- 1988-1990 PPE in Camden vs. Cherry Hill: $4000 vs. $6000
- 1999-2000: $13,787 in Camden ($1139 federal, $719 local, $11,929 state) vs. $10,355 ($168 federal, $8497 local, and $1690 state)
Justifications for the Status Quo-Myths Dispelled

Money doesn’t matter

- 1966 Coleman Report widely cited as evidence that schools have little influence on student achievement independent of background characteristics. However, the degree to which the school was able to influence achievement varies across racial groups.
Amount of Explained Variation in Twelfth Grade Verbal Achievement by Racial/Ethnic Group

<table>
<thead>
<tr>
<th>Group</th>
<th>All School to School Variation Linked to Background</th>
<th>School to School Variation Linked to Background</th>
<th>Individual Variation in Background</th>
<th>Individual Variation in Attitude</th>
<th>All Factors Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>7.41%</td>
<td>2.08%</td>
<td>16.94%</td>
<td>13.38%</td>
<td>39.8%</td>
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<tr>
<td>Black</td>
<td>14.83%</td>
<td>6.07%</td>
<td>6.41%</td>
<td>10.87%</td>
<td>38.18%</td>
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<tr>
<td>Puerto Rican</td>
<td>22.69%</td>
<td>.71%</td>
<td>3.35%</td>
<td>4.79%</td>
<td>31.54%</td>
</tr>
<tr>
<td>Indian</td>
<td>23.42%</td>
<td>.71%</td>
<td>10.68%</td>
<td>8.80%</td>
<td>43.61%</td>
</tr>
<tr>
<td>Chicano</td>
<td>17.75%</td>
<td>2.32%</td>
<td>6.02%</td>
<td>8.24%</td>
<td>34.33%</td>
</tr>
<tr>
<td>Asian</td>
<td>2.20%</td>
<td>.13%</td>
<td>19.66%</td>
<td>10.05%</td>
<td>32.04%</td>
</tr>
</tbody>
</table>
Hanushek (1986 & 1997)

- Statistical significance tests to summarize results of a number of production function studies
- No systematic, positive relationship between school resources and student performance
Hedges, Laine, & Greenwald (1994)

- Criticized Hanushek’s methodology
- Money *does* matter when used effectively, e.g., for class size reduction and retaining quality teachers (more experience and higher quality of education)
Other Promising Targets of Expenditure

- More time spent on task, academic interventions for students falling behind, and early learning opportunities
- These matter especially for poor and minority students
Redistribution of resources might lead to a leveling down of expectations, school quality.

Evidence in Murray et al. suggests a leveling up rather than a leveling down.
What change could be achieved is probably not meaningful (blame family values, motivation, distribution of talent, but not the schools)

\[ \text{\textbullet Is an increase of 6\% in H.S. completion as return to an 11\% investment hike insignificant? (estimated influence on labor market outcomes in Card & Krueger)} \]
Poor districts are unwilling to raise the funds required to increase expenditures

- Residents of poor districts often tax themselves at higher rates than those in wealthier communities (despite decreased ability to pay)
- Example of corporations
Funding has risen over the years without corresponding achievement gains; it’s simply too expensive to close the gap.

- Educational expansion and higher completion rates mean more kids are taking tests; most funding increases have been to special education
- Investments in education are cheaper than providing unemployment benefits, welfare assistance, and building prisons
Fierce opposition to change in and of itself belies notion that money doesn’t matter

“If money is inadequate to improve education, the residents of poor districts should at least have an equal opportunity to be disappointed by its failure.”- court opinion cited by Kozol
Alternatives to state sponsored finance equalization:

- Status quo- do nothing; equalization is not necessary. Maintain reliance on local funding- poor districts should tax themselves more heavily.
- Increase federal funding for education
Maintain current reliance on local expenditures: local spending decisions best reflect local priorities, needs of children served.

A biased assessment of the capability of poor and minority children to succeed.
Increase Federal Funding?

- Unlikely. San Antonio v. Rodriguez established that the federal government has no constitutional mandate to provide education. Instead, a responsibility related to state constitutional provisions.
- The federal government could, however, increase funding for compensatory education.
- NCLBA’s expansion of federal role may also provide an inroad for new litigation.
Even if possible, minimal impact. Federal funds are the smallest source of school funding.

School Revenue Sources- 1998-1999*:
Federal: 7%
Local: 44%
State: 49%

State level finance equalization shows the largest potential for minimization of funding disparities.