

Is School Funding Fair?

America's Most Fiscally Disadvantaged School Districts

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This report identifies the most fiscally disadvantaged school districts in the country — those with higher than average student needs in their labor-market location and lower than average resources when state and local revenues are combined.²

This report is a companion to [Is School Funding Fair? A National Report Card](#) (NRC), in which we evaluate and compare the extent to which state finance systems ensure equality of educational opportunity for all children, regardless of background, family income, place of residence, or school location. The NRC shows that both the overall level of state funding and the extent to which states provide additional resources to districts with higher concentrations of children in poverty vary widely.

The most disadvantaged school districts have child poverty rates that are significantly higher than those of surrounding districts and have fewer resources to meet student needs.

The NRC uses a three-year panel of U.S. Census Bureau Public Elementary-Secondary Education Finance Survey data (2011 – 2013) on state and local revenues per pupil to determine which states are providing systematically greater funding to districts serving higher student poverty concentrations (classified as progressive), and which states are providing fewer resources to higher poverty districts (classified as regressive).³

The same data have been used in this follow-up analysis to identify the most fiscally disadvantaged local public school districts in the states: those that have greater than average student need and less than average state and local revenue.

Major Findings

- Almost 1.5 million children are educated in 47 disadvantaged school districts across 16 states.
- Reading and Allentown, PA face the nation's most extreme disadvantage, with nearly 2.5 times area poverty rates and less than 80 percent of the average state and local revenue per pupil.
- Chicago and Philadelphia are, year after year, the two most fiscally disadvantaged large urban districts in the nation.
- Many of the most disadvantaged districts are in states with regressive funding systems, such as IL, PA and TX, but they also exist in states with both flat funding systems (CA) and more progressive funding systems, such as CO, MA and NC.

Why it Matters: Labor Markets

The value of any given level of education funding, in any given location, is relative. While all districts need a level of funding that is sufficient to meet the needs of their students, relative funding levels are also consequential. How a district's funding compares to that of other districts operating in the same regional labor market, and, in addition, how that money relates to other conditions in the regional labor market, affects a district's ability to compete.

Funding levels matter because schooling is labor intensive. The quality of schooling depends largely on the ability of schools or districts to recruit and retain quality employees. The largest share of a school district's annual operating budget is devoted to the salaries and wages of teachers, support staff, and other school workers. The ability to recruit and retain teachers in a school district in a given labor market depends on the wages a district can pay to teachers relative to surrounding schools or districts and relative to nonteaching alternatives in the same labor market.

Put simply, districts with higher student needs than surrounding districts in the same labor market don't require the same total revenue per pupil to get the job done. They require more. Higher need districts require more money for higher salaries to recruit and retain similar quantities (per pupil) of similar quality teachers. In addition, higher need districts must be able to provide the additional programs, services and supports (including smaller classes and early childhood education) necessary to help students from disadvantaged backgrounds, while still maintaining advanced and enriched course options.

Several large, diverse states still maintain state school finance systems in which the highest need districts receive substantially less state and local revenue per pupil than the lowest need districts. These states include Illinois, New York, Pennsylvania and Texas, among others.

Methodology: Identifying Disadvantaged School Districts

The empirical strategy for identifying fiscally disadvantaged school districts is relatively straightforward. The first step is to estimate the average state and local revenue per pupil for all districts in each labor market within the same year. The focus is on state and local revenues per pupil because these figures capture the full influence of state and local policy and set aside all federal revenues except impact aid, which serves as a replacement for lost local revenues. The next step is to estimate the average poverty rate across all

districts in each labor market. Finally, each district's revenue and poverty levels are expressed as a ratio to the labor market average. This provides a relative measure that expresses whether each district's revenues and poverty are higher or lower than the labor market average.

A fiscally disadvantaged district is one in which the state and local revenue per pupil is lower than the labor-market average while the child poverty rate is higher than the labor-market average. To achieve a manageable list of school districts for further exploration, somewhat arbitrary cutoff levels were applied as follows:

$$\begin{aligned} \text{Fiscally disadvantaged} = \\ \text{State and local revenue per pupil} < 90 \text{ percent labor-market average} \\ \text{and} \\ \text{U.S. Census poverty rate} > 120 \text{ percent labor-market average} \end{aligned}$$

Only those districts enrolling at least 2,000 pupils were considered, as they should be able to operate with efficiency of scale. Non-rural districts were given particular attention. These districts are in either metropolitan areas—based around a population hub of 50,000 or more residents—or micropolitan areas—based around a population hub of 10,000 to 50,000 residents.

The Most Fiscally Disadvantaged Districts in the Country

State	District	Enrollment	State & Local Revenue Ratio	Poverty Ratio
Arizona	Alhambra Elementary District	14,196	77%	2.04
Arizona	Cartwright Elementary District	18,320	73%	1.87
Arizona	Glendale Elementary District	12,998	81%	1.64
Arizona	Sunnyside Unified District	17,469	82%	1.64
California	Alum Rock Union Elementary	12,887	81%	2.02
California	Anaheim Elementary	19,095	88%	1.87
California	Bakersfield City Elementary	28,299	82%	1.43
California	Compton Unified	24,503	85%	1.36
California	Franklin-McKinley Elementary	10,532	75%	1.98
California	Hayward Unified	21,773	85%	1.39
California	Montebello Unified	32,046	80%	1.21
California	Oak Grove Elementary	11,527	75%	1.23
California	Oxnard Elementary	16,326	88%	1.79
California	Porterville Unified	13,656	85%	1.25
California	San Francisco Unified	56,284	83%	1.39
California	Santa Maria-Bonita Elementary	14,619	74%	1.45
California	Victor Elementary	11,665	80%	1.44
California	Victor Valley Union High	14,984	71%	1.51
Colorado	Adams-Arapahoe 28j	39,151	89%	1.77
Colorado	Greeley 6	19,732	88%	1.32
Connecticut	Bridgeport School District	20,166	83%	2.66
Connecticut	Danbury School District	10,482	74%	1.42
Idaho	Nampa School District 131	15,556	86%	1.53
Illinois	City Of Chicago School District 299	401,532	85%	1.65
Illinois	Joliet Public School District 86	11,243	82%	1.36
Massachusetts	New Bedford	12,538	89%	1.57
Michigan	Dearborn City School District	18,915	88%	1.47
Michigan	Kalamazoo Public School District	12,414	90%	1.48
Michigan	Lansing Public School District	12,754	83%	2.05
Missouri	St Louis City	32,364	85%	2.47
Montana	Billings Elementary	11,145	84%	1.20
New Hampshire	Manchester School District	14,954	82%	1.83
North Carolina	Durham Public Schools	32,479	86%	1.22
Oregon	David Douglas School District 40	10,859	88%	2.18
Oregon	Springfield School District 019	10,812	83%	1.21
Pennsylvania	Allentown City School District	17,388	72%	2.35
Pennsylvania	Bethlehem Area School District	14,427	87%	1.26
Pennsylvania	Erie City School District	12,116	89%	1.67
Pennsylvania	Lancaster School District	10,972	89%	2.03
Pennsylvania	Philadelphia City School District	154,798	83%	2.12
Pennsylvania	Reading School District	17,968	71%	2.34
Texas	Beaumont Independent School District	19,850	89%	1.28
Texas	Bryan Independent School District	15,662	81%	1.24
Texas	Irving Independent School District	34,243	89%	1.48
Texas	San Antonio Independent School District	54,755	89%	1.74
Texas	Wichita Falls Independent School District	14,621	89%	1.20
Washington	Kent	27,518	87%	1.42

Findings

A few caveats to interpreting the results of this data. First, there are many other districts in the country that are nearly as disadvantaged as those presented here, but they are not listed because the cut points are, by necessity, somewhat arbitrary. These “districts on the edge” of extreme fiscal disadvantage will make the list in some years but not others, but this does not mean the district has improved its fiscal condition. Second, a district’s relative position might improve simply because its surrounding districts worsened, and not because its finances improved. Third, school districts in countywide systems are less likely to show up in this analysis because fiscal disparities in schools or subsets of schools are often concealed by county aggregation. Finally, districts in states, such as Alabama and Mississippi, where all districts are comparably disadvantaged are also unlikely to appear on this list.

With those caveats, among the key findings from this data include:

- Almost 1.5 million children are educated in school districts with extremely disadvantaged fiscal conditions.
- Fiscally disadvantaged school districts are located in sixteen states across the country.
- Reading and Allentown, Pennsylvania, face the most extreme fiscal conditions, with nearly 2.5 times area poverty rates and less than 80 percent of the average state and local revenue per pupil.
- The cities of Chicago and Philadelphia are, year after year, the two most fiscally disadvantaged large urban districts in the nation. Illinois and Pennsylvania have highly regressive school funding systems and score near the bottom on the NRC funding distribution indicator.
- California has the highest number – 14 – of fiscally disadvantaged districts.
- Connecticut ranks relatively well on the NRC funding distribution indicator, but Bridgeport is one of the most severely disadvantaged districts in the country with a poverty rate 2.6 times higher than surrounding areas and only 83 percent of the average state and local revenue per pupil. This illustrates that even a state with an overall progressive distribution of funding might shortchange individual districts.
- Many of the most disadvantaged districts are in states with regressive funding distribution systems, such as Illinois, Pennsylvania and Texas, but they also are found in states with flat (e.g., California) and more progressive systems (e.g., Colorado, Massachusetts and North Carolina).

Conclusion

This mix of fiscally disadvantaged school districts arrayed across the country underscore the absence of a coherent and fair approach to financing state public education systems. Many districts – especially urban, inner suburban and rural, serving very high-need student populations – continue to struggle from a lack of sufficient funding, which makes it impossible to provide all students with the opportunity for a high quality education. This does not happen by accident.

Many state school finance systems are not designed based on the actual costs of purchasing the teachers, support staff and other resources to deliver rigorous education standards, including the additional resources necessary to meet pressing needs in the nation’s high poverty schools and districts. As a consequence, some states simply fail to provide sufficient support to address student needs across districts and differences in local fiscal capacity to meet those needs. In other cases, states create aid formulas that measure district need and/or local fiscal capacity imprecisely or inaccurately, with the

result that some comparably needy districts are less well-funded than others. Even worse, some states allocate the majority of their aid with little or no sensitivity to either local district need or fiscal capacity.

This list of the most fiscally disadvantaged districts highlights the urgent need for school finance reform in many states. This reform must start with a determination of essential education resources and end with a funding formula that accounts for district poverty concentration and local fiscal capacity. It will require replacing outmoded, arbitrary funding formulas and the historic method of distributing funding based on prior year spending and political, not educational, considerations.

This list also underscores the national imperative for all states to continuously work to ensure that their public education finance systems are meeting the needs of all students and the demands placed on local districts, schools and educators. Some states with deeply regressive funding, such as Illinois and Pennsylvania, need drastic action to improve. Other states, such as Connecticut and Massachusetts, are on the path to fair funding but have more work to do to ensure all children have the opportunity to succeed.

End Notes

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² This report builds on Bruce Baker's Center for American Progress Report, "America's Most Financially Disadvantaged School Districts and How They Got That Way." July 2014, available at <https://cdn.americanprogress.org/wp-content/uploads/2014/07/BakerSchoolDistricts.pdf>

³ In order to identify fiscally disadvantaged school districts, this report refers to a three-year panel of data that combines the U.S. Census Bureau's Fiscal Survey of Local Governments 2011-2013 with the U.S. Census Bureau's Small Area Income and Poverty Estimates, or SAIPE, which provides annually updated estimates of the percentages of school-aged children in families living below the federal income threshold for poverty. It also uses data from the National Center for Education Statistics that identify the labor market within which each local public school district is located and the locale codes for those districts. Labor markets in this report are defined as in the development of the National Center for Education Statistics Education Comparable Wage Index, and essentially represent metropolitan statistical areas, micropolitan statistical areas, or rural areas. These classifications are based on the U.S. Census Bureau Core Based Statistical Area classifications. Locale codes are used for identifying city, suburban, and town districts.