



# The Funding Gap 2005

Low-Income and Minority Students  
Shortchanged by Most States

*A Special Report by the Education Trust*

**E**very year, thousands of American children enter school already behind. Most Americans are well aware of that fact.

What they often don't know, however, is that instead of organizing our educational systems to make things better for these children, we organize our systems of public education in ways that make things worse. One way we do that is by simply spending less in schools serving high concentrations of low-income and minority children than we do on schools serving more affluent and White children.

In other words, we take children who have less to begin with and give them less in school, too. In the nation as a whole, we spend approximately \$900 less per year on each student in the school districts with the most poor students than we do in the school districts with the fewest poor students -- a gap effectively unchanged over the six years that the Education Trust has examined state and local funding for education.

Fortunately, not all states make the same choice. Indeed, some states -- Massachusetts, Minnesota, and New Jersey among them -- have chosen to spend more on schools serving concentrations of poor children. But as this report shows, not enough states have made those kinds of choices.

This report is unique among funding equity reports in looking not at overall differences between school districts but, rather, on who wins and who loses as a result of state and local financing decisions. The Funding Gap looks at the outcomes of policy choices made in every state and documents that most states continue to shortchange the districts educating the greatest numbers of poor students and students of color.



## Why This Matters

While the reasons for these disparities are many and varied, the effect is undeniable: Most poor children have access to fewer resources and just plain less than non-poor children. The result is that children who have less in their personal lives end up with less in what we would consider to be children's civic lives – that is, their lives spent as students preparing to be educated citizens.

Such unequal resources make it very difficult to say that all children in America have equal opportunities to become educated citizens. The more one studies the disparate resources available to children, in fact, the clearer it becomes that their opportunities are very unequal.

Funding gaps undermine one of our most powerful and core beliefs that we as Americans cling to: that no matter what circumstances children are born into, all have the opportunity to become educated and, if they work hard, to pursue their dreams.

The premise of public schools is to make that belief a reality. For many children, for many years, public schools have provided the opportunity that they needed. In fact, some educators manage – by ingenuity, resourcefulness, and sheer force of will – to get very high achievement for students in high-poverty and high-minority schools despite egregious funding gaps. But it is undeniable that in the aggregate poor children have fewer opportunities in public schools in most states because they have fewer resources available to them.

## How We Did This Analysis

This report analyzes annual financial data from each of the nation's more than 14,000 public school districts, gathered by the U.S. Census Bureau and the U.S. Department of Education. The calculations are based on the total amount of state and local revenues each district received for the 2002-2003 school year, the latest year for which such financial data are available.<sup>1</sup> Federal revenues (which made up 8.5 percent of all public school revenues in 2002-03)<sup>2</sup> are not included because federal education funds are specifically meant to supplement, not supplant, state and local revenues.<sup>3</sup> Concentrating on state and local funding also allows us to isolate the specific effect of state policies on the educational opportunities states provide to poor children and children of color.

To calculate funding gaps for each state, we compare average state and local revenues per student in the highest-poverty school districts – those in

the top 25 percent statewide in terms of the percent of students living below the federal poverty line<sup>4</sup> – to per-student revenues in the lowest-poverty school districts. These quartiles are weighted so each contains approximately the same total number of students. This procedure also is used to compare funding in high- and low-minority school districts.

The analysis takes into account the fact that school districts differ in how much money they need to spend. This variance can be a function of both the different prices districts have to pay for goods and services and the cost of educating different kinds of students. Accordingly, we adjust district revenue for the local cost of living, because some districts have to pay more for teachers, utilities, transportation, etc., than others, reducing their spending power. Similarly, we adjust our calculation of school district revenues based on the number of special education students enrolled, recognizing that districts with more students with disabilities have higher costs and thus, effectively, less money to spend. The formulas we used for these adjustments were developed by the National Center for Education Statistics (adjustment for local cost differences) and the American Institutes of Research (adjustment for students with disabilities) and are widely used in school funding analyses (for more information and citations for these formulas, see the Technical Appendix, available at [www.edtrust.org](http://www.edtrust.org)).

In 27 of the 49 states studied, the highest-poverty school districts receive fewer resources than the lowest-poverty districts. Across the country, \$907 less is spent per student in the highest-poverty districts than in the most affluent districts.<sup>6</sup>

Even more states shortchange their highest-minority districts: In 30 states, high-minority districts receive less money for each child than low-minority districts. Across the country, \$614 less is spent on students in the districts educating the most students of color as compared to the districts educating the fewest students of color.<sup>7</sup>

Because it is generally accepted that poor children need more support to reach the same standards reached by their more advantaged peers, the absolute dollar numbers in Table 1 (on page 3) actually understate the inequity children face in school. Analyses of school funding equity commonly apply a 40-percent adjustment for educating students growing up in poverty.<sup>8</sup> This means, for example, that if a state provides districts with \$5,000 per non-poor student, equity demands that the state provide at least \$7,000 per low-income student. Federal law uses a 40-percent adjustment to determine whether state

<b>Table 1: Funding Gaps 2003</b>		
<b>State</b>	<b>Gap Between Revenues Available per student in the highest- and lowest-poverty districts (zero adjustment for low-income students)</b>	<b>Gap Between Revenues Available per student in the highest- and lowest-minority districts (zero adjustment for low-income students)</b>
Alabama	-\$854	-\$418
Alaska	\$2,040	\$4,173
Arizona	-\$108	-\$283
Arkansas	\$24	\$482
California	\$8	-\$317
Colorado	-\$101	-\$529
Connecticut	-\$239	-\$450
Delaware	\$234	-\$1,092
Florida	-\$295	\$21
Georgia	-\$90	\$365
Hawaii	*	*
Idaho	\$20	-\$506
Illinois	-\$2,065	-\$1,154
Indiana	\$405	\$159
Iowa	-\$156	-\$637
Kansas	-\$151	-\$1,773
Kentucky	\$188	\$590
Louisiana	-\$715	-\$84
Maine	-\$89	-\$687
Maryland	-\$434	-\$112
Massachusetts	\$1,164	\$1,794
Michigan	-\$745	-\$190
Minnesota	\$1,101	\$706
Mississippi	-\$37	\$190
Missouri	\$22	\$565
Montana	-\$830	-\$1,610
Nebraska	\$282	-\$1,939
Nevada	\$299	-\$25
New Hampshire	-\$815	-\$1,892
New Jersey	\$1,240	\$1,300
New Mexico	\$544	\$103
New York	-\$2,280	-\$1,965
North Carolina	-\$331	\$145
North Dakota	\$304	-\$2,046
Ohio	\$54	\$683
Oklahoma	\$121	-\$249
Oregon	-\$33	\$447
Pennsylvania	-\$716	-\$135
Rhode Island	\$21	-\$257
South Carolina	\$342	\$327
South Dakota	\$204	-\$1,617
Tennessee	\$530	\$641
Texas	-\$588	-\$1,171
Utah	\$663	-\$100
Vermont	-\$414	-\$442
Virginia	-\$778	\$134
Washington	-\$1	-\$310
West Virginia	-\$43	\$497
Wisconsin	-\$37	-\$1,102
Wyoming	-\$1,149	-\$2,416
<b>USA</b>	<b>-\$907</b>	<b>-\$614</b>

Source: Education Trust calculations based on U.S. Department of Education school district revenue data for the 2002-2003 school year.

Note: All dollar amounts shown in this chart have been adjusted to account for regional cost differences and the additional cost of educating students with disabilities. This has the effect of reducing the effective level of funding in high-cost districts and districts with larger numbers of students with disabilities. For a more detailed explanation of the methodology used in this report, see the Technical Appendix.

funding policies are fair to low-income students, and reduces Title I funding to states that do not meet this standard.<sup>9</sup> To reflect this, Table 2 (on page 5) presents the funding gap from the perspective that poor children should have 40 percent more spent on them than non-poor children.

With this adjustment, the number of states that underfund school districts serving large numbers of poor children grows to 38, and the average gap goes from \$907 to \$1,436 per student.

A similar analysis based on districts serving students of color, as reported in Table 3, (on page 6) finds a similar pattern: Across the country, school districts serving the largest concentrations of students of color receive \$964 less per child than school districts serving the fewest children of color when the levels of poverty in those districts are taken into consideration. (We do this by applying the 40-percent adjustment described above to the number of poor students in these districts.)

## Thinking—and Acting—Differently

No matter how the data are analyzed, it is clear that impoverished children and children of color are ill-served by the way we fund schools in this country.

This is not a new problem. It has been debated for years and, in some states, decades.

In many places there is a new urgency around the issue of funding gaps because of the recognition that education is more important to opportunity than ever before. In the past, it was generally accepted that schools would educate some children and prepare most to work at jobs not requiring much education. But times have changed – more and more jobs require a high level of skill and knowledge, and jobs that don't require those high levels rarely provide a wage capable of supporting a family. As a result, the nation has embraced the challenge of making sure all children get an education that allows them to access postsecondary educational opportunities and to compete for good jobs.

This is an ambitious goal propelled by the realization that if the United States is to survive and thrive as a politically and economically complex nation, we can no longer afford to undereducate so many of our young people. To meet our goals, we must ensure that all children have access to the resources they need in order to learn to high standards.

Our antiquated school funding systems hamper most states in efforts to meet this challenge.

## The Massachusetts Model: Student gains follow funding increases

Massachusetts provides an interesting example of how more money, spent wisely, can significantly improve student achievement.

After more than a decade of debate about school funding issues, a critical point was reached in 1993, when the Massachusetts Supreme Judicial Court declared that Massachusetts had failed its constitutional duty “to provide education in the public schools for the children there enrolled, whether they be rich or poor and without regard to the fiscal capacity of the community or district in which such children live” (*McDuffy v. Secretary of the Executive Office of Education*).

Days later, after a special session of the legislature, the governor signed the Education Reform Act of 1993, which changed the way schools are funded in Massachusetts. During the following 10 years, from 1993 to 2003, state education funding increased by 12 percent a year, with a total price tag of about \$30.8 billion.

The additional state money was targeted to schools attended by poor students and went for tutoring programs, additional training for teachers, smaller classes, and technology.

At the same time, Massachusetts began setting high state standards. Before 1993, students only had to take history and physical education to qualify for a state high school diploma. Today, students must pass the Massachusetts Comprehensive Assessment System (MCAS) test in English Language Arts and Math to graduate, a test considered by most observers to be among the most rigorous in the nation.

This year's results on the National Assessment of Educational Progress (NAEP) demonstrated the effect of such focused efforts. Fourth-graders and eighth-graders in Massachusetts outperformed students in every other state in both reading and math. To give a sense of the improvement, in 1992, just 23 percent of Massachusetts's fourth-graders were proficient in NAEP's math standards; in 2005, 49 percent were proficient.

That does not mean the work of Massachusetts is done. Achievement gaps are still large and the state's education budget declined in 2003 and again each year since, which has meant that many jurisdictions have lost the capacity to provide tutoring to students who need help to pass the MCAS.

A recent court ruling held that funding of schools in the state remains inequitable and that some students are still denied the education “to which they are constitutionally entitled.” (*Hancock v. Driscoll report of Judge Margot Botsford*.)

Because Massachusetts seems to have stalled in its efforts, the nonprofit organization, Mass Insight, has brought together business and education leaders in its Great Schools Campaign, calling on Massachusetts to once again raise academic standards and improve funding.

The emphasis on coupling standards with money reflects the philosophy of Massachusetts Commissioner of Education David P. Driscoll, who told the *Des Moines Register* recently, “I don't think money is the answer, but the lack of money is a heck of a problem.”<sup>13</sup>

<b>Table 2: State and Local Poverty Funding Gaps 2003</b>			
<b>State</b>	<b>Per-Student Funding in the Lowest-Poverty Districts (40% adjustment for low-income students)</b>	<b>Per-Student Funding in the Highest-Poverty Districts (40% adjustment for low-income students)</b>	<b>Gap Between Revenues Available per student in the highest- and lowest-poverty districts (40% adjustment for low-income students)</b>
Alabama	\$6,646	\$5,482	-\$1,164
Alaska	\$5,800	\$7,422	\$1,622
Arizona	\$5,881	\$5,243	-\$638
Arkansas	\$6,050	\$5,695	-\$356
California	\$6,522	\$5,988	-\$534
Colorado	\$7,093	\$6,602	-\$491
Connecticut	\$9,083	\$8,207	-\$876
Delaware	\$8,660	\$8,672	\$12
Florida	\$6,375	\$5,884	-\$490
Georgia	\$8,042	\$7,418	-\$624
Hawaii	*	*	*
Idaho	\$5,998	\$5,797	-\$201
Illinois	\$8,158	\$5,613	-\$2,545
Indiana	\$6,791	\$6,856	\$64
Iowa	\$8,355	\$7,931	-\$425
Kansas	\$7,678	\$7,169	-\$510
Kentucky	\$6,130	\$5,917	-\$212
Louisiana	\$6,450	\$5,458	-\$992
Maine	\$8,508	\$7,994	-\$514
Maryland	\$8,033	\$7,221	-\$812
Massachusetts	\$7,946	\$8,416	\$471
Michigan	\$8,189	\$6,884	-\$1,305
Minnesota	\$8,042	\$8,703	\$660
Mississippi	\$5,475	\$5,038	-\$437
Missouri	\$6,875	\$6,398	-\$477
Montana	\$7,272	\$6,070	-\$1,202
Nebraska	\$7,529	\$7,448	-\$81
Nevada	\$6,220	\$6,428	\$208
New Hampshire	\$8,192	\$7,151	-\$1,041
New Jersey	\$10,221	\$10,654	\$433
New Mexico	\$5,797	\$5,915	\$119
New York	\$10,543	\$7,613	-\$2,930
North Carolina	\$6,475	\$5,899	-\$577
North Dakota	\$6,969	\$6,968	-\$1
Ohio	\$8,080	\$7,592	-\$487
Oklahoma	\$5,351	\$5,109	-\$241
Oregon	\$6,357	\$6,078	-\$279
Pennsylvania	\$8,618	\$7,348	-\$1,270
Rhode Island	\$7,569	\$6,873	-\$696
South Carolina	\$6,754	\$6,779	\$25
South Dakota	\$6,671	\$6,466	-\$204
Tennessee	\$5,258	\$5,492	\$234
Texas	\$7,395	\$6,190	-\$1,205
Utah	\$5,044	\$5,499	\$455
Vermont	\$11,877	\$10,970	-\$908
Virginia	\$7,860	\$6,690	-\$1,170
Washington	\$6,672	\$6,335	-\$338
West Virginia	\$7,122	\$6,740	-\$382
Wisconsin	\$8,766	\$8,245	-\$521
Wyoming	\$10,764	\$9,370	-\$1,394
<b>USA</b>	<b>\$7,979</b>	<b>\$6,542</b>	<b>-\$1,436</b>

Source: Education Trust calculations based on U.S. Department of Education school district revenue data for the 2002-2003 school year.

Note: All dollar amounts shown in this chart have been adjusted to account for regional cost differences and the additional cost of educating students with disabilities. This has the effect of reducing the effective level of funding in high-cost districts and districts with larger numbers of students with disabilities. In addition, an adjustment has been made on this table for the additional cost of educating low-income students (40% adjustment). This, in turn, has the effect of increasing the size of the calculated funding gap. For a more detailed explanation of the methodology used in this report, see the Technical Appendix.

<b>Table 3: State and Local Minority Funding Gaps 2003</b>			
<b>State</b>	<b>Per-Student Funding in the Lowest-Minority Districts (40% adjustment for low-income students)</b>	<b>Per-Student Funding in the Highest-Minority Districts (40% adjustment for low-income students)</b>	<b>Gap Between Revenues Available per student in the highest- and lowest-minority districts (40% adjustment for low-income students)</b>
Alabama	\$6,153	\$5,541	-\$612
Alaska	\$5,223	\$8,911	\$3,688
Arizona	\$5,855	\$5,159	-\$696
Arkansas	\$5,879	\$6,159	\$280
California	\$6,682	\$5,998	-\$684
Colorado	\$7,209	\$6,414	-\$795
Connecticut	\$9,474	\$8,476	-\$999
Delaware	\$8,821	\$7,766	-\$1,055
Florida	\$6,008	\$5,908	-\$100
Georgia	\$7,487	\$7,543	\$56
Hawaii	*	*	*
Idaho	\$5,955	\$5,418	-\$537
Illinois	\$7,134	\$5,638	-\$1,496
Indiana	\$6,769	\$6,758	-\$11
Iowa	\$8,497	\$7,789	-\$709
Kansas	\$8,725	\$6,844	-\$1,881
Kentucky	\$5,922	\$6,619	\$697
Louisiana	\$6,235	\$5,922	-\$314
Maine	\$8,757	\$8,049	-\$708
Maryland	\$7,599	\$7,277	-\$322
Massachusetts	\$7,546	\$8,735	\$1,189
Michigan	\$7,551	\$6,993	-\$558
Minnesota	\$8,219	\$8,715	\$496
Mississippi	\$5,315	\$5,153	-\$162
Missouri	\$6,344	\$6,764	\$419
Montana	\$7,497	\$5,875	-\$1,623
Nebraska	\$8,914	\$6,947	-\$1,968
Nevada	\$6,439	\$6,355	-\$85
New Hampshire	\$8,694	\$6,796	-\$1,899
New Jersey	\$9,978	\$10,590	\$612
New Mexico	\$6,391	\$6,264	-\$127
New York	\$10,197	\$7,778	-\$2,419
North Carolina	\$6,346	\$6,392	\$46
North Dakota	\$8,073	\$6,048	-\$2,025
Ohio	\$7,390	\$7,767	\$377
Oklahoma	\$5,587	\$5,091	-\$495
Oregon	\$6,334	\$6,675	\$341
Pennsylvania	\$7,897	\$7,472	-\$424
Rhode Island	\$7,806	\$6,900	-\$905
South Carolina	\$6,808	\$6,932	\$123
South Dakota	\$7,304	\$5,551	-\$1,753
Tennessee	\$5,152	\$5,704	\$552
Texas	\$7,626	\$6,018	-\$1,608
Utah	\$4,944	\$4,720	-\$224
Vermont	\$11,829	\$11,420	-\$408
Virginia	\$7,159	\$7,077	-\$82
Washington	\$6,689	\$6,234	-\$455
West Virginia	\$6,819	\$7,339	\$520
Wisconsin	\$9,184	\$7,824	-\$1,360
Wyoming	\$10,933	\$8,468	-\$2,464
<b>USA</b>	<b>\$7,641</b>	<b>\$6,677</b>	<b>-\$964</b>

Source: Education Trust calculations based on U.S. Department of Education school district revenue data for the 2002-2003 school year.

Note: All dollar amounts shown in this chart have been adjusted to account for regional cost differences and the additional cost of educating students with disabilities. This has the effect of reducing the effective level of funding in high-cost districts and districts with larger numbers of students with disabilities. Adjustments also have been made for the additional cost of educating low-income students. For a more detailed explanation of the methodology used in this report, see the Technical Appendix.

### Per-Student Funding Gaps Add Up

For example, when you consider the per-student funding gap for low-income students (without 40-percent adjustment for low-income students) in...	Between two typical classrooms of 25 students, that translates into a difference of....	Between two typical elementary schools of 400 students, that translates into a difference of....	Between two typical high schools of 1,500 students, that translates into a difference of....
New York	\$57,000	\$912,000	\$3,420,000
Illinois	\$51,625	\$826,000	\$3,097,500
Alabama	\$21,350	\$341,600	\$1,281,000
Virginia	\$19,450	\$311,200	\$1,167,000
Pennsylvania	\$17,900	\$286,400	\$1,074,000

There are some hopeful examples of progress around the country. In Maryland, for example, the bipartisan Thornton Commission analyzed Maryland's education system and proposed a large infusion of new money into the highest-poverty school districts.<sup>10</sup> These recommendations garnered broad support and are being implemented. While the 2003 data reflected in this report still show Maryland with a long way to go, state leaders have made long-term policy choices that should reduce this gap and make Maryland funding much more equitable in the future. Likewise, Virginia started to chip away at its funding gap in 2004, when the governor worked with legislators across the political aisle to boost education funding and target new investments to high-poverty districts.

In some states, like New Jersey and Massachusetts (See "Massachusetts Model" sidebar on page 4), court orders spurred positive political action. But in other states, even court orders have not translated into political will to solve funding inequities, as in New York, where policymakers still have not taken action to comply with a March 2005 court order to add \$5.6 billion to make education funding more equitable in that state (Campaign for Fiscal Equity, Inc et al v. State of New York).

Illinois is a special case: It has had one of the largest funding gaps in the country every time we have conducted this analysis, and has made no progress

### Gaps Within Districts

Our Funding Gap report highlights the disparities between rich and poor districts, but recent research documents that differences between schools within the same district often compound these inequalities.

Pathbreaking research by Marguerite Roza and Paul Hill at the University of Washington has exposed that district budgeting policies often work to the disadvantage of high-poverty and high-minority schools. Their research, for instance, revealed that school districts spend far more money on teacher salaries in the most affluent schools than they do in poor schools, even within the same districts.<sup>14</sup>

This year, the Education Trust-West took this research a step further in California schools. That analysis found a pervasive pattern: High-poverty and high-minority schools are consistently shortchanged by school budgeting policies.<sup>15</sup> One comparison between two schools in the Los Angeles Unified School District (LAUSD) found a difference of nearly \$1 million in school budgets for teacher salaries.

How does this happen?

Most districts, as it turns out, tell schools how many teaching positions they have rather than how much money they have to spend. Schools aren't told they have \$1.25 million for teacher salaries; they're told they have 25 teaching positions.

The district then pays teachers based on experience and education levels according to a single, districtwide salary schedule. Combined with negotiated contracts between unions and school districts that often give teachers the right to transfer to other schools in the district as they gain seniority (and higher pay), these budgeting policies mean that teacher salaries are almost always higher in the most affluent schools and in the schools educating the fewest students of color. Schools that serve poor and minority children end up with lower paid and less experienced teachers.

Even worse, budget policies mask these differences, and higher-poverty schools don't get extra money to pay teachers more money or to offer more help to their cadre of inexperienced teachers.

The end result: School district budgeting practices siphon money away from higher-poverty and higher-minority schools to subsidize higher salaries in more affluent schools with fewer minority students. These within-district gaps are just now starting to get the attention they deserve and need to be fixed.

over the years. While the issue has garnered attention episodically, there does not appear to be a serious, sustained effort by Illinois' political leaders to solve this problem.

While the biggest gaps earn the most attention, even small gaps add up to serious inequalities. Take Colorado, for example. Its gap is only \$101 per student,<sup>11</sup> one of the smaller gaps in the country. A student in a high-poverty district in Colorado has \$101 less spent on him or her than a student in a low-poverty district in Colorado. That might not seem as though it would mean much, but for a classroom of 25 students it means \$2,525, which could pay for a classroom library of 250 books. For a standard elementary school of 400, this translates into \$40,400, which would come close to paying for a reading specialist or an additional teacher.<sup>12</sup> For a standard high school of 1,500, it is a difference of \$151,500, which could pay for three literacy coaches and additional library books.

Extra staff and high-quality materials are the kinds of interventions which can make a huge difference in whether a school is successful. That is what makes some of the larger gaps, such as New York's \$2,280, Illinois' gap of \$2,065, and Alabama's \$854 gap so significant. Public officials cannot in good conscience claim that they are committed to closing achievement gaps without an aggressive campaign to close funding gaps where they exist.

None of this is to argue that spending money equals providing a quality education. Money can be spent foolishly and in trivial ways, and it is possible to find many examples of schools, school districts, and even states that have spent money in ways that have not raised the academic achievement of their students.

Simply throwing more money at schools is not enough. The money needs to be spent on the kinds of things that we know improve student achievement – a rich curriculum, taught by expert teachers who are well supported professionally and have access to the materials they need, and a system of identifying and providing extra help to students who are behind.

More money spent wisely is what schools and districts serving poor children need, and this report is yet another reminder that in too many places they are not getting it.

## We Can Close Funding Gaps

Funding gaps can be fixed. In fact, the mechanisms for making school funding more equitable are fairly straightforward.

First, states need to spend an adequate amount on education overall. Some states commit a large share of the state's per-capita income to educating the next generation, while other states refuse to spend much on their schools. If a state is not spending enough of its resources on education to begin with, it's harder to target additional funds to higher-poverty districts.

Second, states should shoulder a greater share of the education-funding burden. Because wealth and property values are so unevenly distributed, relying on local taxes for education funding puts poorer communities at a huge disadvantage. Poorer communities can impose higher tax rates and still have less money to educate their children. States need to take responsibility for giving students in their poor communities the same opportunities in school as children in more affluent communities.

Third, states must target their investments. It doesn't help to raise more at the state level only to distribute that money inequitably. Education funding formulas need to take account of districts' challenges and ensure that higher-poverty districts get the resources they need.

Finally, states need to ensure that budgeting and resource allocation policies *within* school districts are fair. Even if more money is targeted to the districts that serve the most poor and minority students, recent research reveals that districts often siphon that money away from the schools for which it was intended to subsidize higher expenditures at the most affluent schools. (See "Gaps Within Districts" sidebar on Page 7.) States need to ensure that money actually gets to the children who need it the most.



## Conclusion

The real challenge is not figuring out how to fix funding gaps; the real challenge is deciding whether we will.

Shortchanging schools and districts educating the greatest numbers of students growing up in poverty has always been immoral. Perpetuating these funding gaps also has become untenable in the face of changes in the economy and the demands of the 21st-century workplace.

None of this is to suggest that meaningful reform is not possible without more money. We are acutely aware that some systems and schools do not work as effectively as they could for their students with the

money they do have. But we also know that most states have not funded education systems in a way that keeps faith with the goal of educating all students to high standards.

It is unfortunate that the debate over education funding is dominated by extreme views – with some claiming that money doesn't matter at all, and others claiming reforms are impossible without additional dollars. Neither argument makes sense. And both postpone the day when we will give poor students and students of color the education they deserve and need.

It's past time for states with funding gaps to close them.

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Data Analysis by Isis Randolph-McCree and Eli Pristoop

### About the Education Trust



The Education Trust, Inc. was created to promote high academic achievement for all students, at all levels – pre-kindergarten through college. While we know that all schools and colleges could better serve their students, our work focuses on the schools and colleges most often left behind in plans to improve education: those serving African-American, Latino, Native American and low-income students.

The Education Trust works side-by-side with policymakers, parents, education professionals, community and business leaders – in cities and towns across the country – who are trying to transform their schools and colleges into institutions that genuinely serve all students. We also bring lessons learned in local communities back to Washington to help inform national policy debates.

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**Appendix A: State and Local Funding Gaps Over Time: 1997 - 2003**

State	Gap Between Highest and Lowest-Poverty Districts 1997 (40% adjustment for low-income students)	Gap Between Highest and Lowest-Poverty Districts 2001 (40% adjustment for low-income students)	Gap Between Highest and Lowest-Poverty Districts 2003 (40% adjustment for low-income students)	Poverty Gap Change in Dollars 1997 - 2003 (40% adjustment for low-income students)
<b>How to read this table: States and figures in boldface indicate gaps that shrank.</b>				
Alabama	-\$714	-\$1,048	-\$1,164	\$450
<b>Alaska</b>	-\$555	\$607	\$1,622	<b>\$2,178</b>
<b>Arizona</b>	-\$906	-\$1,149	-\$638	<b>\$268</b>
<b>Arkansas</b>	-\$478	-\$256	-\$356	<b>\$123</b>
California	-\$205	-\$418	-\$534	\$329
Colorado	-\$318	-\$392	-\$491	\$173
<b>Connecticut</b>	-\$980	-\$354	-\$876	<b>\$104</b>
<b>Delaware</b>	-\$705	\$601	\$12	<b>\$717</b>
Florida	-\$70	-\$269	-\$490	\$420
Georgia	-\$369	\$121	-\$624	\$255
Hawaii	*	*	*	*
Idaho	-\$459	-\$495	-\$201	<b>\$258</b>
Illinois	-\$2,247	-\$2,374	-\$2,545	\$298
<b>Indiana</b>	-\$626	-\$168	\$64	<b>\$690</b>
<b>Iowa</b>	-\$489	-\$468	-\$425	<b>\$65</b>
Kansas	-\$130	-\$150	-\$510	\$379
Kentucky	-\$119	-\$143	-\$212	\$94
<b>Louisiana</b>	-\$1,085	-\$1,026	-\$992	<b>\$93</b>
Maine	-\$214	-\$352	-\$514	\$300
Maryland	-\$961	-\$735	-\$812	<b>\$149</b>
<b>Massachusetts</b>	\$459	\$748	\$471	<b>\$12</b>
<b>Michigan</b>	-\$1,407	-\$1,099	-\$1,305	<b>\$102</b>
<b>Minnesota</b>	\$138	\$713	\$660	<b>\$523</b>
<b>Mississippi</b>	-\$348	-\$181	-\$437	\$89
Missouri	-\$196	-\$145	-\$477	\$281
<b>Montana</b>	-\$1,380	-\$578	-\$1,202	<b>\$178</b>
<b>Nebraska</b>	-\$195	-\$88	-\$81	<b>\$114</b>
<b>Nevada</b>	-\$558	\$206	\$208	<b>\$766</b>
New Hampshire	-\$888	-\$1,005	-\$1,041	\$152
<b>New Jersey</b>	-\$787	\$127	\$433	<b>\$1,220</b>
<b>New Mexico</b>	-\$591	-\$109	\$119	<b>\$710</b>
<b>New York</b>	-\$2,938	-\$2,264	-\$2,930	<b>\$8</b>
North Carolina	-\$464	-\$751	-\$577	\$112
North Dakota	\$159	\$391	-\$1	\$160
Ohio	-\$861	-\$560	-\$487	<b>\$374</b>
Oklahoma	-\$52	-\$72	-\$241	\$189
Oregon	\$139	-\$119	-\$279	\$418
Pennsylvania	-\$1,209	-\$1,469	-\$1,270	\$61
Rhode Island	-\$986	-\$845	-\$696	<b>\$290</b>
<b>South Carolina</b>	-\$370	-\$343	\$25	<b>\$395</b>
South Dakota	-\$108	\$248	-\$204	\$96
<b>Tennessee</b>	\$124	\$536	\$234	<b>\$110</b>
Texas	-\$437	-\$875	-\$1,205	\$768
Utah	\$456	\$561	\$455	\$1
Vermont	-\$751	-\$1,212	-\$908	\$156
Virginia	-\$972	-\$1,341	-\$1,170	\$198
Washington	-\$163	-\$224	-\$338	\$175
<b>West Virginia</b>	-\$413	-\$429	-\$382	<b>\$31</b>
<b>Wisconsin</b>	-\$576	-\$442	-\$521	<b>\$55</b>
Wyoming	-\$210	-\$56	-\$1,394	\$1,184
<b>USA</b>	<b>-\$1,208</b>	<b>-\$1,287</b>	<b>-\$1,436</b>	<b>\$228</b>

Source: Education Trust calculations based on U.S. Department of Education school district revenue data for the 1996-1997, 2000-2001, and 2002-2003 school years. Funding amounts were not adjusted for inflation.

Note: It should be noted that changes over time need to be viewed cautiously. Population shifts can move districts into different economic quartiles and make fluctuations appear greater than they are. This is particularly true in states that have few school districts, such as Alaska. All dollar amounts shown in this chart have been adjusted to account for regional cost differences, the additional cost of educating students with disabilities, and the additional cost of educating low-income students (40% adjustment). This has the effect of reducing the effective level of funding in high-cost districts and districts with larger numbers of low-income students and students with disabilities. This, in turn, has the effect of increasing the size of the calculated funding gap. See Technical Appendix for a detailed discussion of these issues.

## EndNotes

- <sup>1</sup> Local revenues include local property taxes used for school facilities, construction bonds, etc. For a more detailed explanation of the data sources and methodology used to generate the numbers used in the report, see the Technical Appendix, available as a separate document on the Education Trust Web site, [www.edtrust.org](http://www.edtrust.org).
- <sup>2</sup> This figure comes from the National Center of Educational Statistics. <http://nces.ed.gov/ccd/pubs/npefs03/findings.asp>
- <sup>3</sup> Non-supplantation language is common in federal education statutes; for an example, see Section 1120(A)(b)(1) of the No Child Left Behind Act, which says, “A State educational agency or local education agency shall use Federal funds received under this part only to supplement the funds that would, in the absence of such Federal funds, be made available from non-Federal sources for the education of pupils participating in programs assisted under this part, and not supplant such funds.”
- <sup>4</sup> The poverty rate in this analysis is defined as the percentage of people age 5 to 17 living in each school district with a household income below the federal poverty line, as estimated by the U.S. Census Bureau. In 2003, the poverty line for a family of four with two children was \$18,660. <http://www.census.gov/hhes/poverty/threshld/thresh03.html>  
It should be noted that this is a more restrictive definition of poverty than eligibility for the federal free or reduced-price lunch programs, which include students with income at or below 130% and 185 % of the poverty line, respectively.
- <sup>5</sup> Hawaii is excluded from inter-district funding analyses because it operates a single, statewide school district.
- <sup>6</sup> This national figure is not the same as the average of each state’s funding gap. Rather, it is the difference between the aggregate cost-adjusted, per-student funding level in the poorest districts among all states and the least poor districts among all states.
- <sup>7</sup> Race and poverty are often highly correlated, which is why many of the states with the largest poverty gaps also have similar gaps for minority students. However, this isn’t always the case. In California, for example, high-poverty districts actually spend slightly more per student than low-poverty districts (by \$8), but high-minority districts have \$317 less per student than low-minority districts.
- <sup>8</sup> See for example, *Inequalities in Public School District Revenues*, U.S. Department of Education, National Center for Education Statistics, 1998; *School Finance: Per Pupil Differences between Selected Inner City and Suburban Schools Varied by Metropolitan Area*, U.S. General Accounting Office, 2002.
- <sup>9</sup> One of the criteria for states to receive Title I “Incentive Grants” under No Child Left Behind is whether states have distributed money “evenly.” The definition of evenly includes a 40-percent differential for poor children. NCLB Section 1125(A), Education Finance Incentive Grant Program.
- <sup>10</sup> The report of Maryland’s Commission on Education Finance, Equity, and Excellence (known as the Thornton Commission, for its chairman), can be viewed at [http://mlis.state.md.us/other/education/121500\\_Final\\_Report.pdf](http://mlis.state.md.us/other/education/121500_Final_Report.pdf).
- <sup>11</sup> This \$101 gap in Colorado does not include the 40-percent adjustment for educating students in poverty. If we apply the adjustment to reflect that school districts should have 40 percent in additional funding to meet the needs of poor students, Colorado’s funding gap grows to \$491.
- <sup>12</sup> According to the annual salary survey conducted by the American Federation of Teachers, the average pay for a teacher in Colorado is \$43,318. <http://www.aft.org/salary/index.htm>
- <sup>13</sup> “Shake off complacency on improving schools,” Des Moines Register (Iowa), December 11, 2005.
- <sup>14</sup> Paul Hill and Marguerite Roza, *How Within-District Spending Inequities Help Some Schools Fail*, Brookings Papers on Education Policy, 2004 <http://crpe.org/pubs/pdf/InequitiesRozaHillchapter.pdf>.
- <sup>15</sup> Teacher salary gaps for every school and district in California can be examined at [www.hiddengap.org](http://www.hiddengap.org).