NEPC
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Newsletter

School Finance Is Unfair. This New Plan Would Help Fix It.

School finance is unfair. Politicians should provide child's school with the resources needed to support that child's education. But some children live in areas that can (and do) adequately fund their schools, and others do not.

A recent report published by the Albert Shanker Institute explains this problem and proposes a plan to help fix it with a strategic use of federal funding. The report is authored by NEPC Fellow Bruce Baker of the University of Miami, Matthew Di Carlo of the Albert Shanker Institute, and NEPC Fellow Mark Weber of Rutgers University.

"This proposal, with full funding and compliance, would provide every school district with the estimated revenues necessary to reach the goal of average national outcomes in mathematics and reading," the authors write.

The goal is intentionally very modest. The price tag? $52 billion per year—or roughly double what the federal government currently provides to K-12 schools, which are funded overwhelmingly by state and local revenue. (About eight percent of K-12 funding is currently provided by the federal government.)

In return, state and local governments would be required, in order to participate in the program and receive the additional funding, to increase their contributions to K-12 funding by about 13 percent, or about $80 billion. But this 13 percent increase would not be required of all states and localities. The increases would be concentrated in areas that currently have the ability to contribute additional revenue to K-12 education (based on aggregate income and/or gross domestic product) but choose not to do so.

This approach to incentivizing contributions differs from current federal K-12 education spending policy. Federal funding presently takes student needs into account but does not consider the “fiscal effort” that local and/or state governments are willing to spend on meeting these needs.

Baker, Di Carlo, and Weber write:

> Effort (and capacity) is an important piece of the school funding puzzle because some states’ economies are so small relative to their students’ needs that they are essentially unable to raise enough revenue to fund their schools adequately, whereas other states simply refuse to provide sufficient resources despite having the option to do so.

They continue, “California, Colorado, Florida, and North Carolina currently exhibit severe and widespread funding gaps despite having the means to rectify them.”

Other states, including New York and New Jersey, also have high aggregate incomes and gross domestic products, but they choose to use a relatively high share of those resources to fund education.

Unlike the new state and local funds, the new federal funding would, under the proposal, be concentrated in districts in 34 states where small economies and/or high expense levels (due to factors such as labor costs and/or higher student needs) make it very difficult to adequately fund education. States in this category include Arkansas, Kentucky, Maine, Mississippi, South Carolina, and West Virginia.

Participation in the new funding program would be voluntary. States with the capacity to increase funding could choose to opt out rather than to boost K-12 budgets to adequate levels. However, if every state in the nation chose to participate, the share of students in inadequately funded districts would decline from 55 percent (about 26 million students) to 0 percent. In addition, the program would reduce the funding gap between the highest and lowest poverty districts in each state by more than 60 percent.

“While a handful of states’ finance systems do a reasonably good job of providing adequate funding for all students, most do not,” Baker, Di Carlo, and Weber write, continuing:

> Insofar as roughly 90 percent of all K-12 revenue comes from state and local sources, any serious effort to improve this situation will require substantial additional investment from states and districts. The federal government cannot compel such investment directly, but it can play a crucial role in helping the students most in need, while also incentivizing new state and local investment by rewarding states that contribute a reasonable fair share of their resources to public schools.

NEPC Resources on School Finance and Funding

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