

THE NEW CENTER

Policy Paper

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K-12 Education

**CAN MORE FUNDING FOR LOW-QUALITY
SCHOOLS MOVE THE NEEDLE?**

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ABOUT THE NEW CENTER

American politics is broken, with the far left and far right making it increasingly impossible to govern. This will not change until a vibrant center emerges with an agenda that appeals to the vast majority of the American people. This is the mission of The New Center, which aims to establish the ideas and the community to create a powerful political center in today's America.

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EXECUTIVE SUMMARY

The shift to online learning as a result of COVID-19 has disrupted the education and development of millions of children. But even before the pandemic, an unconscionable number of American students were falling behind.

In the last two decades, America has made no progress in closing the academic [achievement gap](#) between high- and low-income students, and we're falling behind our peers internationally.

Of the 78 countries that administered the Programme for International Student Assessment (PISA) exam, which tests high school students in math, science, and reading, [the U.S. ranked 25th](#) in 2018. Average scores among American students [have not improved](#) in over a decade.

But these topline numbers obscure both a more hopeful and depressing reality. Most American schools are actually doing well and effectively preparing students for college and beyond. But a minority of our schools are catastrophically bad, dragging down America's overall test scores—but, most importantly, consigning millions of kids to diminished futures.

In 2015, the education nonprofit [Turnaround for Children](#) found that if the PISA exam were only administered in low-poverty U.S. schools, the U.S. would rank first in reading and science and third in math among the 35 OECD countries where it was administered that year. If it were only administered in high-poverty U.S. schools, the U.S. would rank near the bottom—33rd in math and reading and 34th in science. Graduation rates are significantly lower in [high-poverty school districts](#), and rates of chronic absenteeism are higher.

And the [COVID-19 pandemic](#) is only making things worse. White-collar professionals have the ability to stay home and operate “home schools” for their children while the parents of low-income students are more likely to be working in-person jobs. Meanwhile, 35% of low-income households with school-aged children do not have access to [high-speed internet](#).



There is no silver bullet that will completely fix this inequity, but this New Center policy paper highlights a few solutions that could finally start to improve chronically underperforming schools.

U.S. PISA Rankings by School Income Category, 2015 vs. 35 OECD Nations			
	Math	Reading	Science
Low Poverty <25% FRPL	3	1	1
Average	31	20	19
High Poverty >75% FRPL	33	33	34
*FRPL = Free and Reduced Price Lunch. Source: Turnaround For Children			

FUNDING INEQUITY

It’s no secret that the wealth of a given school district explains why it might have well-trained teachers, school psychologists, and brand-new laptops while schools in other districts have crumbling walls and decades-old textbooks.

Each state may decide exactly how its schools are financed, and given that most states rely heavily on local [property tax](#) revenue to fund their schools, stark inequality between schools is inevitable. Where property values are high, property tax revenues follow. While the federal government has historically recognized this disparity and allocated extra funding to schools that need it the most, this boost does not go very far in closing the funding gap. State and local governments are largely responsible for financing their schools—[only about 8%](#) of public school funding comes from the federal government.

When states try to get involved in closing the funding gaps between their high- and low-income schools, they rely on other sources of funding such as income and sales tax which, unlike property tax, fluctuate depending on the state of the economy. During [recessions](#), revenues from these types of taxes drop the most, compounding the damage to low-income communities.

Most states pool tax funding for education at the school district level. A handful of states have one school district per county, while others elsewhere have several. When taxes are pooled and distributed at the district level and districts are small and localized, funding discrepancies between schools in rich and poor districts tend to arise.

Take Greenwich, Connecticut, the [12th-wealthiest town](#) in the U.S., and Bridgeport, Connecticut, one of the poorest cities in the state. Both are located in Fairfield County, which contains 24 different school districts, each receiving funds from its own localized tax pool. As a result, Greenwich outspends Bridgeport on public education by over [\\$8,000 per student](#). The three states with the smallest per-pupil spending discrepancies—Florida, Maryland, and West Virginia—all have [one school district](#) per county.

Some states have localized school districts like Connecticut’s, but choose to pool funding at the county level rather than the school district level. Property tax revenue is then distributed evenly among all school districts in the county. If Connecticut operated this way, Fairfield County would collect all property tax revenue and distribute it evenly to Bridgeport, Greenwich, and the rest of its school districts.

A [2020 report](#) from EdBuild, a nonprofit that aims to tackle public school funding inequity, advocates for exactly this: “With no changes to the borders that determine where kids attend school and which school boards govern which areas, we can widen our tax borders, pooling property tax dollars, and sharing them across the students in the broader county or state.” They find that, if all states were to pool property tax dollars at the county or state level to be distributed evenly to all schools, 69% of all students—and 76% of all low-income students—would receive equal or greater school funding than they did under the previous system.

HOW MUCH DOES FUNDING EVEN MATTER?

School funding is unequal in much of America. But funding is only one of several variables contributing to the significant difference in educational outcomes between high- and low-income students.

A widely cited 1966 study by James Coleman, [Equality of Educational Opportunity](#), highlighted a strong relationship between family background and educational achievement. Low-income parents are less likely to have disposable income to pay for tutoring, let alone free time to spend helping their children with homework. Often, low-income students have to get through the school day without enough food to eat. Given this, school funding alone cannot close the achievement gap, but it is still a crucial piece of the puzzle. James McPartland, who co-authored the Coleman report, [told Johns Hopkins Magazine](#) many years later, “Money does matter if it's spent well. Money well invested can make a big difference in student outcomes.”



According to a report published in [Education Week](#), school funding is invested wisely—and correlated with better educational outcomes for kids—when it is used to retain quality teachers, strengthen curriculum, and improve school facilities. Unfortunately, there is too much school funding that is not invested this way. Pension and health care costs have risen by hundreds of millions of dollars over the past decade, leaving school districts with less leeway to spend money in areas that actually improve student outcomes.

On top of rising fixed costs, school spending on administrative functions is also increasing significantly. According to the [nonprofit EdChoice](#), the increase in non-teaching staff between 1950 and 2015 was over seven times the increase in students and nearly three times the increase in teachers. And during the recession between 2009 and 2012, schools laid off a greater proportion of teachers than administrative staff.

Meanwhile, certain work rules like teacher tenure, which were intended to protect good teachers from unfair termination, have in too many cases made it much more difficult to remove bad ones. To cite just one example: In 1999, a music teacher in Queens was suspended for sexually harassing students. But because he was tenured, he is still on the payroll of NYC public schools. To this day, he has received [\\$1.7 million in salary](#) plus full benefits from the school district. While this is an extreme example, there is growing evidence that there is just not enough accountability for poor teachers. In a 2016 study, the conservative [Thomas B. Fordham Institute](#) designed a comprehensive 10-point scale to evaluate how difficult it was to fire a bad teacher in 25 school districts across the country. A district receiving a score of 10 would be one where it was very easy to dismiss an ineffective teacher. The average score of the districts analyzed was just over 4.

Ultimately, while too many schools and school districts do not spend as effectively as they should—and additional funding for them could be conditioned upon reforms—recent research has found strong links between per-pupil spending on the whole and outcomes like test performance and graduation rate. A 2015 study by the [National Bureau of Economic Research](#) found that a ten percent increase in annual, per-pupil spending led to the equivalent of 3 additional months of learning, 7.25% higher wages, and a 3.67 percentage-point decrease in the annual incidence of poverty by adulthood. These effects were even more substantial for students in poverty. A [2016 study](#) conducted by researchers at the University of California, Berkeley and Northwestern University found that state-level school finance reforms, on average, closed the achievement gap between high- and low-income students by one-fifth.

State courts have scrutinized the link between school spending and educational outcomes for years. Between 1973 and 2016, state courts examined the relationship between the two factors in 40 different cases. They found a [“substantial” correlation](#) between funding and educational outcomes in 35 of them. (In the other five cases, the courts declined to directly address the question.)



NEW CENTER SOLUTIONS

During the Obama administration, the Department of Education offered competitive grants through the [Race to the Top program](#) to states that enacted education reforms. In the same way, it could use grants to incentivize the adoption of funding best practices, including:



COUNTY- OR STATE-LEVEL TAX POOLING

The federal government could establish a grant program through the Department of Education that would reward states for choosing to pool their property tax revenue at the county or state level to be distributed equally among all public schools in that jurisdiction. Grant money could be used as states saw fit (for example, to make up for funding that would be diverted away from a minority of districts under this plan).



SHIFT OF PENSION LIABILITIES FROM STATE EDUCATION FUNDS TO GENERAL FUNDS

[Rising pension costs](#) have forced school districts to cut student enrichment programs and forgo spending on teacher raises and school facility improvements. Every teacher is entitled to a secure retirement after a long career, but education funding should be used to educate students. New Department of Education grants could reward states that choose to tap into their general funds—as opposed to state and local education budgets—to pay out teacher pensions, which would free up funding that could directly benefit students.