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# Measuring Inequity in School Funding

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# Introduction and summary

Low-income children tend to be concentrated in low-income school districts, and these children often attend schools that receive far fewer resources per pupil despite their greater need.

Since education is primarily a state responsibility, more than 90 percent of school funding comes from state and local sources, and the federal government provides the rest.[1] Districts have traditionally drawn much of their revenue from local property taxes, which means districts in high-wealth parts of a state are often funded more generously than districts in low-wealth areas.

Over time, some states have moved to school finance models in which districts receive more funding from state sources and rely less on local revenue streams. The shift to higher proportions of state funding is aimed at ensuring districts in lower-wealth areas have access to additional resources so funding across districts is more equitable. In other states, however, the level of school funding is still largely driven by local taxes.

This paper discusses the differences in per pupil funding across states by highlighting measures of spending and effort. It then examines the problem of intrastate fiscal inequity and surveys some of the different measures that are used to characterize a state's level of funding equity among districts within a state.[2] It then compares and contrasts the different measures and presents data on states' fiscal equity using a variety of measures. The data demonstrate that many states are not fairly funding their school districts.

Policymakers and advocates should embrace a measure of intrastate equity to promote discussion and reform. We believe a useful fiscal equity measure should express the relative level of funding inequity in a state, adjust for local cost differences and include weights for extra student needs, capture whether or not a state's school finance system is progressive or regressive (providing more or less funding to districts with a high percentage of low-income children), and be relatively simple to use and explain.

The inequity in school funding must be remedied so all children in a state have access to the resources they need to achieve at high levels. States should employ progressive school finance systems so districts with high percentages of low-income children receive more resources than those with fewer low-income children. Those states without progressive finance systems should therefore undertake reforms, a process that is both technically difficult and politically challenging since it is likely to create funding winners and losers as funds are distributed in new ways. Because states may be reluctant to undertake such a process, the federal government should consider playing a role in incentivizing states to reform their school finance systems.

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