



# Hidden Money

## The Outsized Role of Parent Contributions in School Finance

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By Catherine Brown, Scott Sargrad, and Meg Benner April 2017

Center for American Progress



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# Introduction and summary

In 2014, parents of students at Horace Mann Elementary School in Northwest Washington, D.C., spent over \$470,000 of their own money to support the school's programs.<sup>1</sup> With just under 290 students enrolled for the 2013-14 school year, this means that, in addition to public funding, Horace Mann spent about an extra \$1,600 for each student.<sup>2</sup> Those dollars—equivalent to 9 percent of the District of Columbia's average per-pupil spending<sup>3</sup>—paid for new art and music teachers and classroom aides to allow for small group instruction.<sup>4</sup> During the same school year, the parent-teacher association, or PTA, raised another \$100,000 in parent donations and collected over \$200,000 in membership dues, which it used for similar initiatives in future years.<sup>5</sup> Not surprisingly, Horace Mann is one of the most affluent schools in the city, with only 6 percent of students coming from low-income families.<sup>6</sup>

Horace Mann is not unique. Throughout Washington, D.C., and around the country, parents are raising hundreds of thousands—even millions—of dollars to provide additional programs, services, and staff to some of their districts' least needy schools.<sup>7</sup> They are investing more money than ever before: A recent study showed that, nationally, PTAs' revenues have almost tripled since the mid-1990s, reaching over \$425 million in 2010.<sup>8</sup> PTAs provide a small but growing slice of the funding for the nation's public education system. While the millions of dollars parents raise is equivalent to less than 1 percent of total school spending, the concentration of these dollars in affluent schools results in considerable advantages for a small portion of already advantaged students.<sup>9</sup>

This situation risks deepening school funding disparities, which already exacerbate inequities. In many states, state and local funds allocate more money to affluent districts and schools than neighboring districts and schools that have higher rates of poverty. According to a U.S. Department of Education report based on 2008-09 data, 40 percent of schools that received Title I money received significantly less state and local money than non-Title I schools.<sup>10</sup> Twenty-three states spent more on affluent districts than high-poverty districts. In Pennsylvania, for example, the districts with the highest levels of poverty received 33 percent less state and local funding for education than affluent districts.<sup>11</sup>

Federal funding goes a long way to compensate for these discrepancies. When considering federal, state, and local spending, nationwide, the highest-poverty districts spend about the same amount—only 2 percent less—per student as the most affluent districts.<sup>12</sup> In the majority of states, per-pupil spending in high-poverty districts is about equal or more than per-pupil spending in affluent districts.<sup>13</sup>

These numbers, however, do not illustrate the full picture of funding discrepancies. Average district per-pupil spending does not always capture staffing and funding inequities.<sup>14</sup> Many districts do not consider actual teacher salaries when budgeting for and reporting each school's expenditures, and the highest-poverty schools are often staffed by less-experienced teachers who typically earn lower salaries.<sup>15</sup> Because educator salaries are, by far, schools' largest budget item, schools serving the poorest children end up spending much less on what matters most for their students' learning.

It is also important to note that even in states and districts where high-need schools are equitably funded, equal funding will not necessarily drive equitable opportunities. A growing body of rigorous research indicates that increased education spending makes a significant impact for low-income students because they need schools to deliver much more support in order to compete on a level playing field with their more affluent peers. Disadvantaged students generally grow up in less verbal home environments, often with less access to enrichment activities.<sup>16</sup> They enter formal schooling academically behind their more affluent peers. To even attain equal footing, therefore, they need additional support. Recent research out of the National Bureau of Economic Research, or NBER, found that investing additional resources in education for low-income students yielded statistically significant effects for student outcomes.<sup>17</sup> Specifically, every additional \$1,000 in per-pupil spending increased student test scores by 0.18 standard deviations, which is twice the effect of reducing class size through the Project STAR experiment.<sup>18</sup> The Project STAR experiment reduced elementary school class sizes by an average of 35 percent.<sup>19</sup>

Parent donations only further the current funding inequities at the district and school levels. What's more, because districts and schools do not readily report the use of private contributions, the dollars are not included as part of national, state, district, and school funding comparisons. When private dollars are taken into account, it is evident that the education finance system benefits the affluent—it does not, in Horace Mann's own words, serve as "the great equalizer."<sup>20</sup>

In short, wealthy parents are raising large sums of money to improve their already-advantaged schools. In addition to having more experienced teachers, for example, higher-income students are more likely to attend schools with higher-quality facilities.<sup>21</sup> And schools with robust and well-funded PTAs spend thousands of dollars per student to provide even better programming, including field trips, new computers, art and music instructors, and new supplies for teachers. In less affluent schools without parent donations, funding for these programs or resources likely comes out of schools' overall budgets, requiring administrators to pull funding from other core activities for enrichment opportunities.

Choosing among beneficial resources is especially difficult in states and districts with particularly low per-pupil spending averages. The national average per-pupil spending on public elementary and secondary education is \$10,700; however, per-pupil spending varies dramatically across states.<sup>22</sup> New York state spends an average of \$19,800 on each student, and Massachusetts spends an average of \$14,500. On the other hand, California spends an average of \$9,200 per student, while Florida spends \$8,400.<sup>23</sup> The differences among these figures has a real impact on the options available to district and school administrators. Because of this, parent donations can have a greater influence in states or districts with low per-pupil spending, with every \$1 equal to a greater proportion of overall spending. In these regions, parents can supplement public spending to minimize the tough budgeting decisions that will affect student learning.

To better understand the landscape of parent fundraising and what it means for disadvantaged students in particular, the Center for American Progress combined and analyzed several sources of data. First, we analyzed Internal Revenue Service, or IRS, filings and datasets on district revenues and expenditures to explore the scope of PTA fundraising in the country and how PTAs spend their dollars. Then, we evaluated districts' responses to PTA donations and how these policies influenced parent fundraising and school funding equity. Specifically, we found that:

1. In fiscal year 2013-14, the nation's 50 richest PTAs raised and spent \$43 million dollars for the nation's most affluent schools.
2. These parent funds provide programs, services, and staff to affluent students; schools serving low-income students must spend public dollars to obtain these resources, if they can afford them at all.
3. Districts can take policy actions—such as pooling a portion of parent donations or regulating the use of those donations—to benefit higher-poverty schools without substantially reducing overall parent contributions.

CAP believes that district leaders must take action to address funding disparities and ensure that the nation's low-income students, who are disproportionately children of color, have access to all the resources they need to succeed. Action is needed at the state and district levels.<sup>24</sup> State leaders should promote greater transparency of private contributions, and district leaders should create systems to allocate all resources equitably. To do this, district leaders should:

4. Annually assess the needs of every school in order to equitably allocate funding to schools
5. Support partnerships between schools across the socioeconomic spectrum
6. Select and implement an approach to tackle the inequities of parent donations by conducting an analysis of the impact these donations have on districts, as well as an assessment of the political will to redistribute funding within the community. These approaches include:
  - a. Creating equity funds to redistribute donations to schools with the greatest need
  - b. Imposing restrictions on districts' usage of donations
  - c. Incorporating predicted parent donations into school budgets
  - d. Encouraging donations that promote district-wide benefits

While implementing these policies can cause political pushback and be challenging to implement, addressing private donations is essential to achieving resource equity.

## The nation's richest PTAs

In 2013-14, the 50 richest PTAs raised nearly \$43 million, an average of \$867 for each student enrolled in those schools. These schools serve about one-tenth of a percent of the nationwide student population while raising around 10 percent of the estimated total \$425 million raised by all PTAs in the country.<sup>25</sup> On average, these PTAs raise around \$851,000 per year, and the top 13 PTAs each raised and spent over \$1 million in one year. For example, Robert S. Hyer Elementary School's PTA in Dallas' Highland Park Independent School District collected over \$1.4 million, or \$1,990 per student, and Highland Park High School's PTA raised over \$2 million—\$950 per student.

By and large, the nation's wealthiest PTAs are found in high-income school districts or in high-income schools within lower-income districts. CAP identified affluent PTAs in Beverly Hills and New York City, as well as in high-poverty districts such as Oakland, California, where three-fourths of students are low-income. (see Appendix Table 1 for a complete list of these PTAs and the 23 districts in which they are located)

These PTAs predominantly support schools with very low levels of poverty. The national average of students who qualify for free or reduced-price lunch—the best indicator of socioeconomic status—is 50 percent;<sup>26</sup> almost all these schools served school populations in which less than one-third of students were eligible for free or reduced-price lunches. Over 70 percent had fewer than 1 in 10 students who were from low-income families.

In New York City, for example, the Lillie D. Blake Elementary School served 752 students—only 6 percent of whom are low-income—and in FY 2013-14, its PTA raised \$945,000, or \$1,260 per student.<sup>27</sup> At Winn Brook School in Belmont, Massachusetts, where only 1 percent of students are low-income, the PTA raised \$750,000 in that same period, or \$1,680 per student. There were some exceptions. Brooklyn's P.S. 261 served a student population in which 42 percent of students were low-income in the 2013-14 school year, and the PTA raised \$723,000, or \$900 per student.

This is the norm across the country. Well-funded PTAs are much more likely to exist in more affluent districts. In one study by Indiana University Bloomington, researchers Ashlyn Aiko Nelson and Beth Gazley found that PTAs raised over \$300 million more in 2010 than they in 1995.<sup>28</sup> The researchers analyzed IRS data to examine PTA fundraising across whole districts over that time period, rather than individual schools. According to their research, districts that were already advantaged—with larger tax bases and more educated parent populations—received more money in private donations.<sup>29</sup>

Despite the disproportionate concentration of PTA donations in affluent schools, we found that few of the districts with the 50 richest PTAs have policies in place to respond to outsized donations to the wealthiest schools.<sup>30</sup> A couple of districts place restrictions on how parent-raised funds can be spent, such as banning their use to pay for school staff. For example, the Rockwall Independent School District in Texas allows PTAs to donate nonpersonnel items to schools, such as equipment, but not to support staff salaries.<sup>31</sup> Beyond this, however, parent donations in these districts are largely unregulated. See Appendix Table 2 for the full list of districts this report considered.

In some of the nation's most affluent schools, PTAs have been able to raise and spend hundreds of thousands—even millions—of dollars to supplement public funding in a largely unregulated environment. These resources are simply unavailable to students in poorer schools, who must make do with public funding alone. This situation inevitably contributes to educational inequalities—even though it is completely hidden when looking at public spending.

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## How PTAs spend their dollars

To understand how PTA contributions influence districts and schools, this report looks in depth at parent fundraising in one large city: Washington, D.C. On the whole, the District of Columbia serves a high percentage of students living in poverty; around 75 percent of students in D.C. Public Schools, or DCPS, are from low-income families.<sup>32</sup> Throughout the city, however, there are pockets of wealth. In 2013-14, the district's five wealthiest PTAs—associated with schools serving an average of only 8 percent low-income students—raised a total of over \$2.9 million for schools located mostly in Northwest Washington.<sup>33</sup> The top PTA was

Janney Elementary School's, which raised almost \$1.4 million—about \$2,220 per student—while the next four PTAs each raised between \$460,000 and \$300,000. These funds paid for after-school programs, equipment, arts programs, and various enrichment activities. Some of this revenue comes from fee-for-service after-school programs.<sup>34\*</sup> Meanwhile, in the district's highest-poverty schools—mostly located in Southeast Washington—schools had to pay for some of these same programs with public dollars, leaving less funding for other resources, staffing, or education or enrichment activities. See Appendix Table 3 for more on the district's five wealthiest PTAs.

Overall, PTA contributions ensure that a school can provide an enriching education for students. As a result, schools with minimal donations—usually less affluent schools—have fewer resources to supplement clubs, sports, or equipment. At Horace Mann Elementary, the PTA pays for additional staff members to teach art, music, and physical education and gives teachers additional supplies and materials on top of what the district offers.<sup>35</sup> At Stoddert Elementary, parents' dollars cover a large number of clubs, as well as a drama program.<sup>36</sup> Several PTAs devote resources to expanding opportunities for students to go outside and play.<sup>37</sup>

The DCPS funding formula does differentiate public funding based on the number of students at each grade level and in different special needs categories, including special education, English language learners, and those “at risk” for academic failure.<sup>38</sup> DCPS would not disclose how or if it factors in parental donations when determining school budgets or allocations.<sup>39</sup> However, it did report not having a policy to equitably redistribute parent donations or to prohibit these additional dollars from being put toward staffing.<sup>40</sup>

Lower-income school communities in Washington, D.C., are at a clear disadvantage when the largest parent-teacher associations in the area can mobilize millions of private dollars to substantially enhance their schools. By providing resources to schools without factoring in the role of outside dollars, Washington allows the most affluent students and their schools to receive more money than the students and schools who have the highest need.

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## Protecting core school functions by setting limits on parent donations

Some districts have policies to temper the impact of parent donations. One approach is to restrict how schools can use donated funds, specifically banning the use of parent donations for school staffing. Schools can use these dollars for other forms of enrichment, such as field trips or new after-school activities. However, school or district leaders cannot use these funds to purchase new staff positions, such as new art teachers, additional math teachers, or classroom aides. Generally, this restriction prevents PTAs from influencing school staffing arrangements.

We compared two districts to assess the effect of this restriction on fundraising rates and found evidence that these policies may have very little impact on parent contributions.

Montgomery County Public Schools in Maryland does not allow parent contributions to influence school staffing. Montgomery County itself is a suburb directly outside Washington, D.C., where the median household income for families with children is \$115,700.<sup>41</sup> Montgomery County serves around 150,000 students, 35 percent of whom qualify for free and reduced-price lunch.<sup>42</sup> Around 70 percent of students in Montgomery County are students of color. One of the district's largest cities is Bethesda, Maryland, where the National Institutes of Health are headquartered.

Since 1989, the school district's board of education has regulated how private donations can be used in schools. Specifically, the board's policy stipulates that "funds raised by fund-raising groups cannot be used to employ anyone to work in the schools during the regular school day."<sup>43</sup> Among other restrictions, this means that schools can only use parent donations to supplement schools' activities, such as field trips, or to provide enrichment activities after school, such as student chess clubs.

We compared Montgomery County to a demographically similar district in the same state that does not have any limitations on the use of PTA donations.<sup>44</sup> Anne Arundel County is another suburb outside Washington, D.C., where the board of education does not restrict parent donations to nonpersonnel expenses. While this district might not be as well-known as Montgomery County, its largest city, Annapolis, is home to the U.S. Naval Academy. The Anne Arundel County school district serves half as many students as Montgomery County—around 80,000 in total—but has similar levels of poverty. Thirty-two

percent of the student population qualifies for free or reduced-price lunch.<sup>45</sup> The median family with children earns \$102,000, around \$14,000 less than in Montgomery County.<sup>46</sup> However, Anne Arundel County is much less racially diverse. Students of color only comprise around 40 percent of all students in the district, 30 percentage points lower than in Montgomery County.<sup>47</sup>

We focused on a subset of PTAs in Montgomery and Anne Arundel counties for which we had complete data over three recent FYs—2012, 2013, and 2014. We were able to include parent organizations that filed either an IRS Form 990 or a Form 990-EZ in those years.<sup>48</sup> However, several known PTAs are missing because their revenues were low enough—typically, less than \$50,000—that they were not required to report, or we were unable to locate recent financial information from the IRS or other sources of tax reporting information. Given these data limitations, our research only identified around half of all PTAs in each district.<sup>49</sup>

Over the three-year period from 2012 to 2014, PTA fundraising looked similar in both the Montgomery County and the Anne Arundel County school districts. Montgomery County PTAs raised around \$70 per student during the years 2012 through 2014, while the PTAs in Anne Arundel County raised slightly less—around \$60 per student.<sup>50</sup> In 2014, Montgomery County PTAs raised four times as much—around \$2.9 million dollars in total—compared with Anne Arundel County PTAs, which raised around \$700,000. The difference in total revenues is largely a result of district size, as there were four times as many students represented by the Montgomery County PTAs. After accounting for differences in how much families earn, both districts' PTA revenues remained steady during this time period, with per-pupil PTA revenues equal to 0.06 percent of the income of the median household with children.

In both districts, schools serving the most affluent students received tens of thousands of dollars in additional funding each year from parents, while the highest-poverty schools received very little, if anything, from their PTAs. In Montgomery County, for example, the PTAs of the 10 most affluent schools raised at least \$700,000 in 2014, or an average of \$170 per student, and the PTAs of Anne Arundel County's 10 most affluent schools raised at least \$240,000, or an average of \$100 per student. In both districts, students in high-poverty schools did not benefit from this influx of parent contributions. Unfortunately, we could not locate financial data for every PTA, so we could not identify PTA revenues for all of the most affluent and highest-poverty schools.<sup>51</sup> Based on available information, however, we expect that, with more financial information, the total PTA revenue

for the most affluent schools would be even higher, and students at the highest-poverty schools still would receive minimal parent contributions.

Furthermore, our analysis suggests that a prohibition against using parent donations for school staffing does not influence contributions. During the years studied, Montgomery County’s policy likely did not depress PTA fundraising. Despite the prohibition, the most affluent families in Montgomery County still provided hundreds of thousands of additional dollars to enrich their children’s school experiences. And in both Montgomery County and Anne Arundel County, parents donated a similar share of their families’ overall budgets.

Paying attention to parent donations alone is therefore likely not enough to reduce staffing inequities. Montgomery County’s policy ensures that parent dollars do not exacerbate these inequities, but it does not address deeper staffing disparities that frequently occur between the most affluent and the least affluent schools.

It is important to note the limitations of this analysis. We did not compare parent donations before and after Montgomery County implemented its policy and therefore cannot know the policy’s full impact on parent contributions. It is possible that, absent the policy, parents would be donating even more than they did in the years of the data we analyzed.

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## Equity grants

Another district has taken a different policy approach to parent contributions to schools. Portland Public Schools in Oregon has leveraged parent fundraising across the district to increase funding equity in its highest-need schools. Since the mid-1990s, a citywide foundation in Portland has captured a portion of the district’s parent donations and redistributed them back to schools based on student need. During a recent school year, the foundation gave over \$550,000 in “equity grants” to high-need schools.<sup>52</sup>

Since the beginning of the program, the Portland Public Schools Foundation, or PPSF, has enabled schools to start their own Local School Foundations to raise private dollars to pay for in-school staff positions.<sup>53</sup> These foundations must give one-third of their total revenues—after the first \$10,000—to the district foundation. In turn, the PPSF gives dollars to schools based on a formula that accounts for several factors: PTA funds, local school foundation funds, previous equity

grants, federal Title I funds, and student demographics. The equity grant pool grew from \$845,000 in 2012 to over \$1 million in 2014.<sup>54</sup>

While equity funds seem like a natural response to the problem of PTAs helping the rich get richer, some parents may limit their contributions if a portion of their donations does not benefit their child's school. There is no research on these policies' actual effect on parent giving; however, there was significant opposition among some parents in at least one district—California's Santa Monica-Malibu Unified School District—that implemented a similar equity fund. Some parents were angry that they did not have control over their private donations and warned they would be less likely to donate in the future.<sup>55</sup>

To better understand the sizable impact of these policies, we compared parent contributions in Portland Public Schools with parent contributions to Seattle Public Schools, a district of comparable size and demographics that does not have an equity fund. We found that policies that equitably redistribute donations—or divert a portion of the contributions to affluent schools to high-poverty schools with more significant need—did not substantially reduce overall parent contributions.

Portland Public Schools serves around 47,000 students, while Seattle Public Schools has around 50,000.<sup>56</sup> In 2014, average per-pupil spending in Portland was nearly \$11,000; in Seattle, it was approximately \$12,000. Both student populations are around 10 percent English language learners—with Portland at 7.7 percent and Seattle at 13.2 percent—and around 40 percent of students in both districts qualify for free and reduced-price lunch.<sup>57</sup> However, the cities differ in terms of their overall wealth and income. Seattle's median property value is \$437,000, while Portland's median property value is more than \$100,000 less.<sup>58</sup> Seattle's median household income for families with children is \$103,900, around \$27,000 more than Portland's.<sup>59</sup>

We compiled financial data for Seattle Public Schools' and Portland Public Schools' PTAs based on a similar approach to the one employed in the previous subsection. We again focused on a subset of PTAs for which we had complete data over FYs 2012, 2013, and 2014.<sup>60</sup> As described above, due to data limitations, our study only covers about half of all PTAs in either district.<sup>61</sup>

Over the three years studied, parent fundraising looked similar in both districts. Portland's PTAs raised less each year than Seattle's PTAs, but those differences are consistent with differences in average earnings within each city. During the same

time period, Portland's PTA revenues increased from approximately \$130 to \$140 per student, remaining around 0.18 percent of median household income for families with children. In 2014, parents raised over \$3.2 million in total. Between 2012 and 2014, the revenues of Seattle's PTAs increased from approximately \$340 to \$370 per student, remaining relatively steady at around 0.35 percent of median household income for families with children. Seattle's PTAs outraised Portland's PTAs yearly revenues by 2014, earning \$7.3 million in revenues.

When comparing contributions to overall family income, parents in the Portland Public School District donated less to their schools. While there may be other factors at play, such as the strength of PTAs' fundraising teams or a difference in the community's culture around donations, this may show that Portland's equity fund has depressed revenues slightly relative to where they would be in the absence of the policy. Relative to the amount that the Portland and Seattle school districts spend per student—approximately \$11,000 and \$12,000, respectively—the difference between the districts' PTA contributions is quite small, less than 2 percent of per-student district expenditures in 2014. This minimal difference shows the equity policy does not drastically reduce contributions.

Even if the policy has caused a dip in contributions, the benefits have outweighed the costs. Portland Public Schools has been able to leverage parent fundraising to benefit its highest-needs schools in ways that Seattle's most disadvantaged schools do not. In 2013-14, for example, the 10 most affluent schools in Portland raised at least \$750,000, while the 10 highest-poverty schools received very little money in parent donations. Through equity grants, however, the high-poverty schools received at least \$270,000, substantially narrowing the parent funding gap.<sup>62</sup> In Seattle, on the other hand, the 10 most affluent schools received at least \$1.6 million, while the 10 highest-poverty schools did not receive any parent contributions or additional funds through redistribution. Given that financial data was not available for every PTA, we could not identify PTA revenues for every one of the top 10 or bottom 10 schools.<sup>63</sup> With more financial information, it is likely that overall PTA revenues for the most affluent schools would be even higher.

This approach to improving equity is not perfect. As mentioned above, the Santa Monica-Malibu Unified School District had an equity fund for many years before dropping the approach in 2011. In 2014, the district implemented its revised parent donation policy, which centralizes fundraising for school staffing and programming. PTAs can fundraise for other school needs, such as field trips and equipment.<sup>64</sup>

An evaluation study of the district's equity fund highlighted several implementation challenges.<sup>65</sup> Some PTAs simply did not comply with the district's policy to give back some dollars, and the district had difficulty figuring out how to exempt some PTA expenses fairly from redistribution.<sup>66</sup> The evaluators did not examine how this policy affected PTA revenues, but there was significant pushback from members of the community, with some parents threatening to reduce donations during initial policy negotiations.<sup>67</sup> A group of parents voiced that the approach was punitive, and that instead, parents should be encouraged to donate to a separate equity fund or to other, less affluent schools.<sup>68</sup> Other districts that have considered establishing an equity fund have feared similar pushback, worrying that rich parents will threaten to leave the district, disinvest in their schools, or decrease their overall contributions.<sup>69</sup>

Districts should pay attention to these concerns and considerations as they work to improve equity. Similar to the limitations in our analysis of the impact of donation usage restrictions, we cannot assess the full impact of equity funds on parent giving because we did not analyze Portland's parent donations before and after it implemented the equity policy. However, our research suggests that equity policies did not significantly reduce the amount of parent donations. Therefore, district leaders might be able to implement redistributive policies—such as the equity fund featured here—without the risk that parents will take their dollars outside the school system.

# Recommendations

To address the outsized influence of parent donations on school finance, states and districts can take several steps to ensure that schools serving disadvantaged students have all the resources that they need in order to provide students an excellent education. The first three recommendations address resource equity more broadly, while the remaining recommendations focus specifically on parent donations.

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## Addressing resource equity

### States should encourage districts to require schools to report their private contributions

As a component of new state plans required under the Every Student Succeeds Act, states should promote greater transparency around private dollars by encouraging districts to require schools to accurately report and publicize private contributions. Greater awareness around the inequity of private dollars is an important first step to gain community buy-in for policies to allocate resources equitably.<sup>70</sup> Prioritizing accurate reporting should also make it easier for districts to consider private donations in their larger budgeting decisions.

### Districts should annually assess the needs of every school to equitably allocate funding

Districts should launch an annual needs-based assessment initiative to evaluate programs, services, and staffing on every campus, and they should use this information to adjust all of the resources and funding they allocate to individual schools. This will help ensure that every school has the resources it needs to provide a high-quality, well-rounded education to its students.

One way to do this is through weighted-student funding. In such systems, the district allocates resources to schools based on student enrollment, where students with more risk factors receive more funding weight. For example, a student from a low-income family could count for 30 percent more than a base per-pupil allocation, or a student with a disability could count for 100 percent more than the base allocation. Ultimately, schools with higher numbers of at-risk students receive more dollars per student.

Nevertheless, weighted-student funding or other systems to distribute funds based on need cannot make all dollars equal. Even if high-poverty schools receive more money, some programs or uses, such as facilities upgrades or enrichment activities, are more easily purchased with private, less-restricted dollars, such as those provided through parent donations.

### Districts should support partnerships between schools across the socioeconomic spectrum

Beyond dollars and cents, promoting partnerships between affluent and higher-poverty schools would improve offerings on both campuses.<sup>71</sup> Several school systems already take a similar approach—focused on performance rather than demographics—that could be transferred to high- and low-resource schools. In Shanghai, China, high-performing schools partner with low-performing schools for school improvement while school districts typically fund the partnership.<sup>72</sup> The partnership usually lasts for two years, which is believed to be an adequate period for turnaround and sets a time limit for external intervention. In addition, the low-performing school can adopt the name of its high-performing counterpart to signify the partnership. This creates additional buy-in for the high-performing school, as the poor performance of an affiliated school may influence the primary school's reputation.<sup>73</sup>

Massachusetts, Tennessee, and the consortium of CORE districts in California also leverage partnerships as part of their school accountability systems, often supported by federal school-improvement funding. Massachusetts and Tennessee identify the highest-performing 5 percent of schools and incentivize them to give back to the lowest performing schools by offering competitive grants. The funding allows the schools to serve as demonstration sites and share best practices.<sup>74</sup>

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### Regulating parent donations to tackle funding inequities

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Policies that reduce the inequities of parent donations are often difficult to implement and can influence overall parent giving. Different approaches may be more viable in different districts and less likely to affect parental engagement. Districts should assess donations' impact, as well as community openness to reallocate donations, to determine the best approach to address district inequities. The following policies offer different strategies to combat inequities. Districts should consider the advantages and challenges of each strategy when selecting a policy to implement.

### Districts should create equity funds to redistribute donations to schools with the greatest need

We recommend that districts pool a small portion of parent contributions to redistribute to high-needs schools, similar to the policy in Portland, Oregon. Our research suggests that districts can establish and grow equity funds based on parent donations without seeing a significant reduction in affluent parents' contributions. These policies, however, are politically challenging and can receive significant pushback from some families in the community.

To successfully develop and implement a sustainable equity fund, districts' highest levels of leadership should be committed to the policy to ensure that it is steadfastly implemented despite pushback. Community engagement and involvement is also essential. District leaders should promote awareness of the discrepancies in funding and resources prior to the rollout of the policy and carefully select key messengers who are well-respected by affluent parent groups. After a draft policy is developed, all stakeholders should be invited to participate in discussions about the policy's implementation, ensuring that every community member has the opportunity to voice their opinion while not inviting a debate of the policy's existence.<sup>75</sup>

### Districts should impose restrictions on the usage of donations

We also recommend that district leaders follow Montgomery County's approach and put restrictions on how schools can use parent donations, including banning the use of private dollars to pay school staff. These restrictions can help ensure that all schools have access to equitable public funding to meet their staffing needs. Affluent schools will not be able to use the donations to supplement their staffing budget to hire additional staff. This approach likely does not affect the amount of parent donations since the dollars stay with the designated school, but it does not resolve resource inequities.

### Districts should incorporate predicted parent donations into school budgets

Districts should not be blind to the impact of parent donations when developing their school budgets. These funds are real sources of revenue, they can be significant, and they are often predictable. Districts should consider parent donations when determining how to direct funding from a district-wide donation, grant, or unexpected budget surplus. Districts should project each school's yearly private contributions based on PTA revenue and subtract that amount from the amount the district plans to allocate to each school. This approach would minimize the risk of parents reducing their contributions since the redistribution of funds happens before any district funding is appropriated to a school. The donated dollars would remain with the designated school and the shifting of resources would occur during the larger, nuanced budget process.

### Districts should encourage donations that promote district-wide benefits

Districts should also encourage donations to funds or causes that promote district-wide opportunities. For example, districts can partner with and direct parent contributions to community organizations that offer enrichment programs to multiple schools. Rather than using the private funds to supplement an art teacher's salary at one given school, for example, a local art museum can increase programming for the entire district. Incentivizing this type of giving will increase the number of students who benefit from parent contributions and maintain parents' autonomy to direct their dollars as they see fit.

## Conclusion

Fundraising is one way for parents to engage with their schools.<sup>76</sup> But there are political obstacles to reforming school finance policies, particularly when it comes to private dollars. Even if districts successfully implement policies to redistribute parent dollars and reduce funding inequities, they might still risk broader disengagement by affluent parents. Efforts to promote equity of parent donations can also unintentionally set up conflicts within communities, especially among parents across the socioeconomic spectrum.

Despite these risks, achieving resource equity is impossible unless all inputs are considered. Districts cannot ignore the hundreds of millions of dollars in hidden money that PTAs generate for affluent schools. States and districts must think systematically to ensure that all students—regardless of their families’ wealth—attend well-resourced schools. States and districts should promote transparency and create structures to ensure that annual school funding allocations consider all inputs and reflect each school’s specific needs. Districts must analyze the political environment in their community and implement an approach that will align with donation patterns as well as the community’s political will.

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# Appendix tables

**TABLE 1**  
**The 50 richest PTAs in the country, by school and district, fiscal year 2013-14**

District and state	School name	PTA revenue	Share of school eligible for free or reduced-price lunch	Share of district eligible for free or reduced-price lunch	Number of students	PTA revenue per student
Highland Park ISD, Texas	Highland Park High School	\$2,002,222	0%	0%	2106	\$951
New York City District 3, New York	P.S. 87, William Sherman School	\$1,575,986	9%	52%	902	\$1,747
Highland Park ISD, Texas	Robert S. Hyer Elementary School	\$1,443,326	0%	0%	726	\$1,988
Highland Park ISD, Texas	University Park Elementary School	\$1,408,417	0%	0%	705	\$1,998
District Of Columbia Public Schools, Washington, D.C.	Janney Elementary School	\$1,390,269	4%	99%	627	\$2,217
New York City District 26, New York	M.S. 158, Marie Curie Middle School	\$1,140,573	57%	57%	1119	\$1,019
Highland Park ISD, Texas	Armstrong Elementary School	\$1,138,519	0%	0%	770	\$1,479
New York City District 15, New York	P.S. 29, John M. Harrigan School	\$1,127,651	10%	59%	803	\$1,404
New York City District 15, New York	P.S. 321, The William Penn School	\$1,088,851	9%	59%	1484	\$734
New York City District 3, New York	P.S. 334, The Anderson School	\$1,084,094	10%	52%	575	\$1,885
Orinda Union Elementary School District, California	Glorietta Elementary School	\$1,083,037	0%	0%	412	\$2,629
New York City District 2, New York	P.S. 290, Manhattan New School	\$1,061,668	12%	56%	674	\$1,575
Tamalpais Union High School District, California	Tamalpais High School	\$1,041,951	8%	7%	1281	\$813
Piedmont City Unified School District, California	Piedmont High School	\$970,326	0%	0%	770	\$1,260
Orinda Union Elementary School District, California	Wagner Ranch Elementary School	\$968,879	0%	0%	389	\$2,491
New York City District 2, New York	P.S. 6, The Lillie Devereaux Blake School	\$945,777	6%	56%	752	\$1,258
Highland Park ISD, Texas	John S. Bradfield Elementary School	\$920,767	0%	0%	533	\$1,728
Orinda Union Elementary School District, California	Sleepy Hollow Elementary School	\$857,102	0%	0%	375	\$2,286
New York City District 13, New York	P.S. 8, The Robert Fulton School	\$849,153	15%	69%	848	\$1,001
New York City District 2, New York	P.S. 41, Greenwich Village Elementary School	\$826,203	5%	56%	792	\$1,043

*Continues*

District and state	School name	PTA revenue	Share of school eligible for free or reduced-price lunch	Share of district eligible for free or reduced-price lunch	Number of students	PTA revenue per student
New York City District 2, New York	P.S. 77, The Lower Lab School	\$819,421	7%	56%	345	\$2,375
New York City District 3, New York	P.S. 199, Jessie Isador Straus	\$812,573	8%	52%	836	\$972
New York City District 2, New York	P.S. 234, Independence School	\$793,096	6%	56%	785	\$1,010
New York City District 15, New York	P.S. 58, The Carroll School	\$787,404	13%	59%	947	\$831
Belmont Public Schools, Massachusetts	Winn Brook Elementary School	\$750,825	1%	7%	447	\$1,680
New York City District 15, New York	P.S. 261, Philip Livingston	\$723,095	43%	59%	806	\$897
Belmont Public Schools, Massachusetts	Wellington Elementary School	\$720,174	8%	7%	582	\$1,237
Manhattan Beach Unified School District, California	Manhattan Beach Middle School	\$711,355	2%	2%	1467	\$485
San Dieguito Union High School District, California	San Dieguito High School Academy	\$710,485	8%	6%	1612	\$441
New York City District 2, New York	P.S. 11, William T. Harris Elementary School	\$691,300	31%	56%	817	\$846
Santa Monica-Malibu Unified School District, California	Franklin Elementary School	\$673,820	4%	25%	799	\$843
Piedmont City Unified School District, California	Frank C. Havens Elementary School	\$673,126	0%	0%	517	\$1,302
Williamson County Schools, Tennessee	Brentwood High School	\$650,044	5%	12%	1591	\$409
Eanes ISD, Texas	Westlake High School	\$646,933	3%	3%	2607	\$248
Los Angeles Unified School District, California	Westwood Charter Elementary School	\$644,329	7%	75%	874	\$737
Oakland Unified School District, California	Hillcrest School	\$614,289	4%	75%	346	\$1,775
Austin ISD, Texas	Anderson High School	\$613,681	27%	61%	2185	\$281
Charlotte-Mecklenburg Schools, North Carolina	Ardrey Kell High School	\$608,140	12%	55%	2512	\$242
New York City District 15, New York	P.S. 107, John W. Kimball Learning Center	\$605,827	9%	59%	583	\$1,039
Clovis Unified School District, California	Clovis North Educational Center	\$602,054	19%	42%	2231	\$270
San Mateo-Foster City School District, California	Baywood Elementary School	\$599,896	17%	31%	699	\$858
New York City District 2, New York	P.S. 183, Robert Louis Stevenson	\$598,373	9%	56%	609	\$983
Belmont Public Schools, Massachusetts	W. L. Chenery Middle School	\$594,872	8%	7%	1268	\$469
New York City District 2, New York	P.S. 3, The Charrette School	\$590,220	15%	56%	808	\$730

Continues

District and state	School name	PTA revenue	Share of school eligible for free or reduced-price lunch	Share of district eligible for free or reduced-price lunch	Number of students	PTA revenue per student
Rockwall ISD, Texas	Rockwall-Heath High School	\$578,327	26%	25%	2075	\$279
Beverly Hills Unified School District, California	Hawthorne School	\$576,384	3%	4%	602	\$957
Houston ISD, Texas	West University Elementary School	\$568,220	2%	80%	1252	\$454
New York City District 20, New York	Brooklyn School of Inquiry	\$566,452	20%	74%	374	\$1,515
Worthington City Schools, Ohio	Worthington Kilbourne High School	\$563,966	20%	25%	1188	\$475
Spring Branch ISD, Texas	Frostwood Elementary School	\$544,515	4%	58%	687	\$793

Note: ISD stands for independent school district. In addition, the U.S. Department of Education reported the poverty rate at 100 percent for Janney Elementary School in Washington, D.C. The authors relied on school data from the District of Columbia Public Schools.

IRS Form 990s include all PTA revenue, regardless of source.\*

Sources: Internal Revenue Service tax reporting information available through GuideStar. See GuideStar, "GuideStar Search," available at <http://www.guidestar.org/AdvancedSearch.aspx> (last accessed February 2016); National Center for Education Statistics, "Public Elementary/Secondary School Universe Survey, 2013-14 v.2a;" Public Elementary/Secondary School Universe Survey Directory Data, 2014-15 v.1a; Local Education Agency (School District) Universe Survey Directory Data, 2014-15 v.1a," available at <https://nces.ed.gov/ccd/elsi/tableGenerator.aspx> (last accessed March 2017); Data from Patrick Spring, analyst, Data Library, Office of the Chief of Staff, District of Columbia Public Schools, November 16, 2016.

**TABLE 2**  
**Survey of school districts' policies for parent donations**

District	Distributes contributions based on equity	Prohibits using contributions for staffing
Austin ISD, Texas	✗	✗
Belmont Public Schools, Massachusetts	No response	No response
Beverly Hills Unified School District, California	No response	No response
Charlotte-Mecklenburg Schools, North Carolina	✗	✗
Clovis Unified School District, California	✗	✗
District Of Columbia Public Schools, Washington, D.C	✗	✗
Eanes ISD, Texas	✗	✓
Highland Park ISD, Texas	✗	✗
Houston ISD, Texas	No response	No response
Los Angeles Unified School District, California	✗	✗
Manhattan Beach Unified School District, California	No response	No response
New York City School District, New York	Unavailable for interview	Unavailable for interview
Oakland Unified School District, California	✗	✗
Orinda Union Elementary School District, California	✗	✗
Piedmont Unified School District, California	✗	✗
Rockwall ISD, Texas	✗	✓
San Dieguito Union High School District, California	✗	✓
San Mateo-Foster City School District, California	✗	✗
Santa Monica-Malibu Unified School District, California	✗	✓
Spring Branch ISD, Texas	No response	No response
Tamalpais Union High School District, California	✗	✓
Williamson County Schools, Tennessee	No response	No response
Worthington City Schools, Ohio	No response	No response

Note: ISD stands for independent school district.

Source: School district officials, interviews with the authors, March 2016.

**TABLE 3**  
**Largest PTAs in Washington, D.C.**

Schools with PTAs	Number of students: 2013-2014 school year	Share of low-income students: 2013-2014 school year	Total PTA revenue	Total PTA spending	Tax year
Janney Elementary School	627	4%	\$1,390,269	\$1,353,723	July 2013-June 2014
Stoddert Elementary School	381	14%	\$456,807	\$515,606	July 2013-June 2014
Key Elementary School	381	6%	\$417,555	\$343,003	July 2013-June 2014
Horace Mann Elementary School	287	6%	\$365,347	\$473,248	August 2013-July 2014
Ben W. Murch Elementary School	626	9%	\$303,379	\$251,046	Sep 2013-August 2014

Note: IRS Form 990s include all PTA revenue, regardless of source.\*

Sources: District of Columbia Public Schools, "Find a School," available at <http://profiles.dcps.dc.gov/> (last accessed April 2016); GuideStar, "GuideStar Search," available at <http://www.guidestar.org/AdvancedSearch.aspx> (last accessed February 2016); Enrollment and share of low-income students data from Patrick Spring, analyst, Data Library, Office of the Chief of Staff, District of Columbia Public Schools, November 16, 2016.

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- 49 Authors' analysis of IRS Form 990 data, based on available data from Guidestar, the IRS, and ProPublica. Our analysis focuses on 60 out of around 200 PTAs in Montgomery County—around one-quarter—for which we had complete financial data over the three-year period. These schools had an average poverty rate of 20 percent. Based on IRS Form 990N data, we identified an additional 37 that might have had revenues so low that they were not required to report their actual revenues. In addition, there were an additional four PTAs that were parent organizations for more than one school. We exclude the latter 41 schools. In Anne Arundel County, we compiled complete financial information for 19 out of 88 PTAs, where an additional 19 PTAs likely had revenues too small for reporting during at least one year of our study. Our analysis in Anne Arundel is based on the first 19 school PTAs, where the average poverty rate is 22 percent.
- 50 Calculations of revenues per student for Montgomery County and Anne Arundel both include only students in schools with PTAs—not all the students in each district.
- 51 PTA revenues for the 10 most affluent schools are based on eight Montgomery County PTAs and five Anne Arundel PTAs.
- 52 Lopamudra Das, Mary Fu, and Christopher McLaren, "Santa Monica-Malibu Unified School District Equity Fund Policy Evaluation," available at <http://www.grantpta.org/wp-content/uploads/2011/11/PRGS-2010-Equity-Fund-Policy-Evaluation.pdf> (last accessed April 2016).
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- 54 Ibid.
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- 56 National Center for Education Statistics, "Public School District Finance Peer Search," available at [https://nces.ed.gov/edfin/search/search\\_intro.asp](https://nces.ed.gov/edfin/search/search_intro.asp) (last accessed April 2016).
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- 58 U.S. Census Bureau, "American Fact Finder, 2014 ACS 5-year estimates, table DP04: Selected Housing Characteristics," available at [factfinder2.census.gov](http://factfinder2.census.gov).
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- 60 We relied on two data sources for this analysis. We downloaded IRS tax forms from the Guidestar database to record revenues and expenditures. We also used tax form extract data from the IRS. Organizations with less than \$50,000 in revenues typically did not have to submit these forms, so they are not included in our study.
- 61 Authors' analysis of IRS Form 990 data, based on available data from Guidestar and the IRS. We focused on 37 out of 72 PTAs in Portland and 38 out of 80 PTAs in Seattle. See, GuideStar, "Advanced Search"; Internal Revenue Service, "SOI Tax Stats – Annual Extract of Tax-Exempt Organization Financial Data." Specifically, Form 990 and Form 990-EZ Extracts. Information available at <https://www.irs.gov/uac/SOI-Tax-Stats-Annual-Extract-of-Tax-Exempt-Organization-Financial-Data> (last accessed January 2016).
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*\* Update, April 18, 2017: This report has been updated to clarify that IRS Form 990s include all PTA revenue, regardless of source.*

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