Ensuring Equal Opportunity in Public Education

How Local School District Funding Practices Hurt Disadvantaged Students and What Federal Policy Can Do About It

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How Local School District Funding Practices Hurt Disadvantaged Students and What Federal Policy Can Do About It

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What If We Closed the Title I Comparability Loophole?

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At its inception over 40 years ago, the flagship Title I program of the Elementary and Secondary Education Act of 1965 was intended as the federal government’s way of giving high-poverty schools a leg up. Early on, federal officials realized if Title I funds were to have their desired effect, they would need to be layered on top of an even distribution of state and local funds across schools.

The reason: Title I wouldn’t serve to boost spending if school districts used the funds in place of basic spending in the high-poverty schools. Thus, shortly after its inception, the program came with a comparability requirement that stipulated that school districts must equalize educational services purchased with state and local funds before Title I funds are brought into the mix (See the first report in this package for a detailed history of Title 1 comparability guidelines).

Today, the “comparability” provision is still the tool federal officials use to ensure that the districts disburse their own funds in ways that are fair to high-poverty schools. But recent evidence on district spending practices suggests that the law’s key comparability provision is not doing its job. The question facing policy makers today is if and how we modify the comparability provision to ensure that districts give high-poverty schools a fair shake.

Comparability Provision of Title I

The comparability provision requires that:

- Title I school districts equalize the distribution of educational services before Title I funds are distributed to schools.
- Federal Title I dollars be used to augment services for poor students.

The goals of the comparability provision are to ensure that:

- High-needs students receive a fair share of standard services.
- Title I makes real spending higher in high-needs schools.
This paper explores reasons for modifying the comparability provision, considerations in making a change, and the likely effects of proposed changes on high-poverty schools. In the end, this paper suggests that the best way to restore the comparability guidelines of Title I to their original intent is by requiring school districts to equalize per-pupil dollar expenditures before accepting federal funds. But an understanding of why this would work best—and why the reauthorization of the No Child Left Behind Act now before Congress is the perfect vehicle for reform—first requires an examination of why current comparability rules fall so woefully short.
Falling Short on Comparability

On its face, the comparability requirement is eminently sensible. The provision extends beyond the use of federal dollars in forcing equitable distributions of state and local funds before federal funds are added to school budgets. Federal lawmakers wanted to ensure that Title I-eligible children (and eligible schools) actually got something extra—better teachers, smaller classes, more instructional time, or supplementary programs that were not generally available in the district as a whole—without losing out on the standard services provided to all students in the district.

This push for resource equity is a laudable use of federal leverage, since the political forces at play in local school districts have historically worked against the schools attended by the poorest children. With elected school boards catering to their wealthier constituents, and with the most vocal parents representing the needs of the more affluent schools, it was no surprise to federal policy makers that the system brought more resources to some schools than others.

The senior teachers and principals who worked in the system, and the labor unions that supported them, didn’t object, either, as they too benefited when their seniority was rewarded with positions in the “better” schools. With so many forces working on behalf of wealthier students, comparability was specifically designed to help poor schools.

Yet, even with the comparability provision, the expectation that funds will be equitably distributed between schools before federal funds are added is demonstrably not being met. In fact, investigations of district spending show that some of the very inequities that prompted comparability in the first place are alive and well today in most of our urban districts.

Simply put, school districts routinely spend a larger share of state and local funds intended to support basic instruction on schools with fewer poor students. There is no way to avoid the conclusion that this federal tool is not working to force equity in spending among schools within districts.

If you’re a district leader, you’re probably thinking that this generalization isn’t true in your district. Your district does its budgeting fairly and spends much more on its neediest schools. And besides that, your state requires comparability reports and you’ve never once been the subject of an audit finding.
Yet despite the honest attempts of many district leaders, those in large- and mid-sized urban districts are generally not aware of the inequities revealed in dollar-to-dollar spending comparisons of non-targeted resources. Phone calls by the author to the Title I director in 14 urban districts in 14 different states revealed just that. Questions about inequities were universally met with reassurances that, while other districts may suffer such inequities, their district did not.

Since then, evidence now confirms that each and every one of those districts does indeed harbor some or all of the inequities described below. With few exceptions, districts don’t account for spending at the school level, and they never add up all the factors that must be considered in a real school-by-school budget comparison. When the data are examined carefully, several persistent patterns are revealed:

**Districts allocate more pricey teachers to wealthier schools**

Inside virtually every large district studied by different researchers in recent years, it was discovered that on average teachers earn lower salaries in the needier schools. Here’s how it works. Instead of allocating a dollar amount to each school, the vast majority of districts allocate resources by “staffing” schools. Most teaching positions and other staff full-time equivalents, or FTEs in education parlance, are assigned on the basis of enrollments. The formula might, for example, call for a teacher for every 25 students. The problem arises when staff FTEs are translated to real dollars.

Teachers earn salaries based on their experience and credits or degrees earned. For example, the 2007 base salary for a first-year teacher with a bachelor’s degree in Seattle is $32,645, according to the district’s official salary schedule. A 15-year veteran with a doctorate is entitled to $63,687 under the basic scale. In accounting for spending across schools, district allocation practice makes no distinction between the novice and the veteran. Instead budget and accounting practices substitute a constant amount for each teacher when tabulating dollar resources for each school.

Salary differences translate into big effects on school spending. For a school with 600 students and 25 teachers, a $4,000 difference in the school’s average salary (in comparison to the district-wide average) creates a difference of $100,000 per school. For a school with 1,700 students and 100 teachers, it is a difference of $400,000 per school.

It has long been acknowledged that the highest needs schools in a district have the most difficult time recruiting teachers, and are quite frequently staffed with more junior (lower paid) teachers—many of whom leave after only a year or two. Since teacher experience and education are not distributed evenly across schools, the effect is that teacher costs vary from school to school.

In Baltimore, for example, research shows that when teachers at one school in a high-poverty neighborhood were paid an average of $37,618, the average teacher’s salary at another school in the same district was $57,000.¹

These effects are not random. The table on page 29 displays the results from 10 urban districts and shows the average gap in teachers’ salaries between
schools in the highest and lowest poverty quartiles, defined by the percentage of students qualifying for federally subsidized lunch. Among researchers and policy makers, there is almost no dispute about the reality of the teacher assignments described here, and little argument about the general effect on school staffing.

One reason districts turn a blind eye to differences in teacher salaries is that salary is clearly not directly connected with quality. Higher paid teachers aren’t always better teachers. That said, there are real differences in teacher talent across schools—differences that principals, teachers, and parents have recognized for years.

Some schools have a tough time recruiting teachers, and are lucky to get even two applicants per opening each year. Others in the same district routinely get hundreds of applicants and have very little turnover. It is not a great leap in logic to conclude that schools with a larger pool to select from will tend to have better teachers. Average salaries may not be the best indicator of teacher quality, but schools with the lowest salaries are indeed those with high turnover and very few applicants, and often do not serve their students well.

**District allocations can offset Title I allocations by using non-targeted funds to allocate more staff FTEs to less needy schools**

Even when salary differences between high- and low-poverty schools are accounted for, wealthier schools still spend more on teachers. As researchers, this finding was surprising at first. My colleagues and I had a hard time believing that not only do wealthier schools have higher priced teachers, they actually have more teachers. As it turns out, it is often true, and several analyses by different researchers confirm it.

Case in point: Inequalities in non-categorical allocations among schools of different socioeconomic status were captured in a study of California schools by the Public Policy Institute of California. As the table on page 30 indicates, the study documented that low-poverty schools

<table>
<thead>
<tr>
<th>THE SALARY GAP</th>
<th>Gap between average teacher salaries in top and bottom poverty quartiles, by school district (2003–2004)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DISTRICT</strong></td>
<td><strong>SALARY GAP</strong></td>
</tr>
<tr>
<td>Austin</td>
<td>$3,837</td>
</tr>
<tr>
<td>Dallas</td>
<td>$2,494</td>
</tr>
<tr>
<td>Denver</td>
<td>$3,633</td>
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<td>Fort Worth</td>
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<td>Houston</td>
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<td>Los Angeles</td>
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</tr>
<tr>
<td>Sacramento</td>
<td>$4,846</td>
</tr>
<tr>
<td>San Diego</td>
<td>$4,187</td>
</tr>
<tr>
<td>San Francisco</td>
<td>$1,286</td>
</tr>
<tr>
<td>San Jose Unified</td>
<td>$4,008</td>
</tr>
</tbody>
</table>

*Center on Reinventing Public Education Analyses, 2005
received more ($2,570 per pupil versus $1,973 in the high-poverty schools) unrestricted teacher expenditures. The higher expenditures were caused both by higher salaries and more teachers (44.9 teachers per thousand students versus 41.5 in the high-poverty schools).  

Some might argue that the categorical programs, including those that provide funds for students with limited English proficiency, or even the Title I program that provides funds for poor students, should be left in for the comparison since they more than make up for the deficiencies in non-targeted spending. It is often true that the categorical programs do serve to fill in holes in basic education spending, but in the case of Title I, spending was supposed to be equalized before the compensatory funds were brought into the mix.  

Interviews with district leaders have helped make sense of how and why this happens in their districts. Sometimes the placement of more expensive magnet or alternative programs drives up the teacher allocations in schools with fewer poor students. In Chicago, for instance, selective enrollment schools (those with admission requirements) spend some 15 percent more than the district average per pupil. In one district, the more affluent communities have smaller schools where per-pupil teacher allocations are higher.

More often, however, the patterns are created in response to pressures to equalize services across all schools. Where earmarked categorical funds such as federal Title I money pay for such extra services as full-day kindergarten or reading specialists in high-need schools, more flexible state and local money is often used to fund the same services in the low-need schools. The result is that teacher and other staff allocations are skewed toward schools that do not qualify for targeted programs. Even when states restrict certain funds to provide extras for poor students, school districts use unrestricted funds to provide similar services to more affluent students.

### District allocations reveal more unrestricted non-teacher expenditures in less needy schools

Just as wealthier schools receive more teachers, they also often receive more non-teacher expenditures. In other words, in addition to higher salaries and more teachers, wealthier schools also receive a larger share of other unrestricted funds.

Looking back at the table at the top of the page, districts in California spend an average of $1,648 per pupil in high-poverty schools versus $1,839 per pupil in their more wealthy counterparts, amounting to nearly a $200 per pupil difference.
Here again, the explanations are similar to those that account for the higher allocations of teachers in wealthier schools. Wealthier schools can include magnet programs, gifted programs, or other offerings that often come with extra expenditures for labs, equipment, services, and teacher training. These extras come out of non-targeted (non-categorical) funds, and thus create patterns whereby a larger share of non-targeted funds are expended on students with fewer needs.

While the data cited here illustrate the kinds of inequities at play, the exact nature of the patterns and problems will certainly vary from district to district. Part of the problem, though, is that the kinds of dollar comparisons revealed in the comparisons of the California districts on page 30 aren’t standard accounting practice, but rather the results of outside analysts taking apart district budgets and recreating them from the ground up.

Without these kinds of real-dollar comparisons, inequities can and do get buried and everyone, including the district’s own leaders, is left guessing about the kinds of inequities inherent in each system. We now turn to the legal loopholes that allow these inequities to continue.
The Legal Language Loophole

So how is it that Title I has a comparability requirement, but the requirement isn’t effective at curbing these inequities? The problem isn’t in the initial language of the requirement (see box below), as the language is clear in creating a framework for the inequities in resource distribution and costs described in the previous section.

Rather, the devil is in the details that follow. The statute almost immediately creates loopholes that undermine the whole point of the comparability requirement. Section 2, which is also part of the statutory language, outlines in general terms how school districts can demonstrate they are in compliance with the comparability provision (see box on page 33).

Statements (i), (ii), and (iii) below establish a pro forma requirement that in effect does nothing to prohibit the kinds of inequities working to the detriment of high-poverty schools. It is hard to believe any urban district in the United States cannot provide satisfactory written assurances on each of these points. Yet, as we have shown here, in practice, the presence of these requirements does not ensure equitable expenditures across schools.

Comparability Requirements

_Fiscal requirements for purposes of comparability as set out in Section 1120A of Title I_

(c) COMPARABILITY OF SERVICES—

(1) IN GENERAL—

(A) COMPARABLE SERVICES—Except as provided in paragraphs (4) and (5), a local educational agency may receive funds under this part only if State and local funds will be used in schools served under this part to provide services that, taken as a whole, are at least comparable to services in schools that are not receiving funds under this part.  

(B) SUBSTANTIALLY COMPARABLE SERVICES—If the local educational agency is serving all of such agency’s schools under this part, such agency may receive funds under this part only if such agency will use State and local funds to provide services that, taken as a whole, are substantially comparable in each school.
Demonstrating Comparability Compliance

Equivalency and determinations in Section 2 of Title I

(2) WRITTEN ASSURANCE—

(A) EQUIVALENCE—A local educational agency shall be considered to have met the requirements of paragraph (1) if such agency has filed with the State educational agency a written assurance that such agency has established and implemented—

(i) a local educational agency-wide salary schedule;
(ii) a policy to ensure equivalence among schools in teachers, administrators, and other staff; and
(iii) a policy to ensure equivalence among schools in the provision of curriculum materials and instructional supplies.

(B) DETERMINATIONS—For the purpose of this subsection, in the determination of expenditures per pupil from State and local funds, or instructional salaries per pupil from State and local funds, staff salary differentials for years of employment shall not be included in such determinations.

It is paragraph (B) above that creates the most glaring loophole. By exempting staff salary differentials based on years of employment, this paragraph essentially endorses the practices that serve as the root cause of inequities in teacher salaries. This stance on comparability accommodates district teacher-assignment practices consigning the most junior teachers and least qualified teachers to high-poverty schools.

The consequence: Title I winds up reinforcing tradition to the detriment of many high-need students. The exemption implies that a school with chronic teacher turnover and no ability to hire or retain more qualified teachers is no different from one with a stable, committed, experienced faculty.

Many so-called compliant districts harbor inequities in other ways. The causes of the second kind of inequity addressed in this essay—that of uneven spending not caused by salary differences—are simply not directly picked up by the current equivalence test. In an examination of a sampling of district Title I comparability reports, for example, it appears that most districts simply follow the three sub requirements of part (A) of the equivalence test—meaning that they point to a salary schedule, a staffing policy of some sort, and a report of dollar expenditures in textbook and supply budgets.

So while there may indeed be a staff allocation formula, staff placements outside the allocation formula (to serve as mentor teachers, literacy specialists, or to staff magnet schools) are easily and routinely overlooked. Further, in most states that use comparable student/staff ratios to test comparability, paraprofessionals are counted as full staff members. The result: Where one school has teach-
ers, another has aides (at a portion of the cost), yet both satisfy the same staff-to-student ratio requirements.

Similarly, non-staffing funds for, say, a technology lab, fall neither under the umbrella of a staffing formula or under the category of “curriculum materials and instructional supplies.” The placement of a technology lab, or other similar “extras,” can skirt official investigations of comparability. And there are other kinds of inequities that can creep in, including those buried in central budgets. Since school budgets make up only some 45 percent to 65 percent of a district’s total operating budget, additional resources from central programs (some of which involve delivery of services) also go completely unnoticed.

It’s not the definition of comparability that fails, but rather the language of compliance. The statute specifies just how districts can comply, and in doing so, turns a blind eye to a host of inequities that continue to work to undermine the basic notion of comparability to the disadvantage of the very schools it is intended to protect.

**Why Look to the Federal Lever to Solve Intra-District Inequity?**

It’s clear the legal loophole undercuts the notion of comparability. The question, however, is whether the education finance system should be relying on federal statute to tackle a problem with the allocation of state and local funds.

It is true that the federal government has a relatively minor role in funding public education, footing the bill for only 9 percent of total costs. The bulk of all funds come from state and local sources. Not only are states paying for much of the costs, but states have an interest in meeting the needs of poor students, and could conceivably address the problems through their own allocations and requirements. Similarly, district leaders are under tremendous pressure to close achievement gaps and might be best equipped to address inequities first hand.

The problem is that they haven’t. Since concerns about within-district inequities first surfaced soon after enactment of the Elementary and Secondary Education Act of 1965—prompting the comparability provision in 1970—the nature of inequities has persisted in nearly every urban district in every state. The kinds of inequities cited 35 years ago are the same inequities that continue today.

Take, for example, a case brought against then superintendent of the DC public schools in 1969. In the case, *Hobson v. Hansen*, the judge received reports on salary differentials between predominantly white and black schools—precisely the same complaint that remains today. Then there was Mrs. Darlene Lawson who argued in 1972 to her school board in Oakland, CA: “Many teachers in flatland schools are inexperienced and are only marking time until they are eligible to be promoted to a school in the hills.”

Even then, lawmakers seemed to understand how district practices worked to shortchange high-needs schools. As John F. Hughes and Ann O. Hughes detailed in their 1972 report “Equal Education—A New Strategy,” early discussions on whether or not salary differences should have been included in comparability pinpoint the same forces that prevail today: “Comparability as a concept poses
a threat to the big-city tendency to assign their least qualified and poorest paid teachers to the inner-city, predominantly black or Spanish-speaking schools.”

Despite the time that has passed, no single state has enacted policies that have prevailed against the inequities described here. Rather than devise policy to address the inequities, some states have developed accounting systems to create transparency into fiscal inequities. Beyond that, states have deferred to local control and assumed districts would handle the inequities on their own.

At the district level, progress has also been disappointing. While a handful of urban districts now have student-based allocation formulas that do address the non-salary disparities, the vast majority continue to allocate resources as they have always done. An even bigger challenge, however, has been in addressing inequities in teacher salaries (and teacher quality). A few district leaders have examined disparities in teacher salaries, and an even smaller number have pushed for reforms intended to address them. While a number of districts have devised “workaround” policies including paying incentives to teach in some schools, at the time of writing, Oakland is considered the only urban district tackling salary inequities head on (see the fourth report in this package for details).

Some would suggest that the lack of progress at the state and local levels can be attributed to the fierce nature of the political interests at play among these levels. In state and local arenas, it isn’t difficult to see why change is a tough sell. Tipping the balance to high-needs schools in a system with scarce resources, by definition, means taking something away from lower-needs schools.

Indeed, teacher labor unions, powerful parents, school employees, and local community groups all work in organized ways to affect the elected leaders at the helm in school boards and in state legislatures. Whether progress has been inhibited by local political forces or some other barrier, the brutal facts suggest that the inequities persist—even after almost four decades of recognizing the problem.

Even though the funds distributed inequitably aren’t federal funds, for federal lawmakers, the relevance is also clear. District allocation practices can (and do) undermine the federal priority to boost spending in high-poverty schools. When districts receive federal Title I funds for poor schools, but then divert a larger share of state and local funds to wealthier schools, high-poverty students are unlikely to flourish as intended.

Other federal priorities also hinge on the goals of comparability. The accountability provisions of the No Child Left Behind Act of 2002, which measure student performance at the school level, only make sense in a world where schools are funded equitably. District policies that allocate funds unevenly across schools work at cross-purposes with efforts to improve the system through accountability. It’s exactly for these reasons that the increasing evidence on inequities across schools within districts has prompted proposals to close the comparability loophole toward ensuring more meaningful comparability.
Important Considerations in Closing the Loophole

Proposals to close the comparability loophole are driven by the desire to create more equitable distributions of state and local resources across schools within districts. The challenge for policymakers committed to closing the loophole is deciding how to rewrite the equivalence portion of the statute so that districts are no longer allowed to harbor inequities that counter the spirit of the law.

For federal lawmakers interested in making sure that districts distribute state-and-local funds equitably across schools, the operative question is: What constitutes equitable distribution of state and local resources? While a seemingly simple question, the answer depends on what exactly it is that we’re trying to equalize. New comparability requirements could seek a range of outcomes, each of which has different implications for both how compliance would work and what would happen in districts as a result.

Clearly a key concern for federal lawmakers charged with rethinking comparability requirements is to design compliance language that does not have unintended adverse effects on schools or districts. Trying to predict how districts will respond to any change in federal requirements is difficult. A federal requirement intended to correct one district practice could ultimately fuel a host of other district practices that also shortchange high-needs schools, or worse, that hurt the district as a whole.

Similarly, federal lawmakers should try to create requirements that do not impose burdensome accounting requirements on districts, but also do not permit the kind of fuzzy accounting which has buried salary differences for decades. Furthermore, federal lawmakers will need to think about not only the education system we have today, but also the education system that could be in place years from now.

More specifically, to what extent will federal requirements constrain districts from making positive innovations in education? Below are five commonly sought outcomes in revising the comparability provision in light of these key considerations.

Equal average teacher salaries (or other staff salaries)

It was uneven salaries that prompted much of the challenge to comparability in the first place, so one option is to force districts to find a way to equalize salaries across schools within districts. Some opponents of this idea have argued that if forced to equalize salaries, then the only option for districts would be to assign (or reassign)
teachers to schools, which could cause many teachers to leave the district.

Others suggest that districts could redesign their compensation systems (perhaps with stipends to teachers at high needs schools) to meet the requirement. Yet another view is that equalizing salaries is not the best option as salaries aren’t the only way schools can provide services for students.

**Fair access to teacher quality**

Since salaries are a poor indicator of teacher quality, one viewpoint is that forcing equal salaries may not address the underlying problem of unequal access to quality teachers. It is in response to this notion that some argue the object of equity should be teacher quality, not teacher salaries.

The difficulty here is that the system does not yet have tools by which it can reliably measure teacher quality across schools. Consequently, no metric exists to measure districts’ compliance on this desired outcome.

**Equal staff FTE’s per pupil**

Some districts are already using staffing ratios to document compliance on comparability. This sounds like a laudable objective, yet the evidence suggests that not all staff counts are alike. In some schools, aides count as staff, while in others, a staff consists of all certificated teachers.

Forcing equalization of staff counts brings upon the need for more details on compliance. That could be seen as overburdening districts with requirements for compliance.

**Access to the same services or programs**

Similar to the desire for uniform staff ratios, another notion is to require all schools to offer the same services and programs in the name of equity. Not only would this type of compliance require heavily burdensome compliance accounting, it would also impose a one-size-fits-all school model on all schools, and stifle innovation.

**Equal per-pupil dollar expenditures (from non-targeted funds)**

Others have argued that compliance be taken literally—in other words that districts equalize per-pupil dollar expenditures before accepting federal funds. Here again, it is possible that districts could equalize dollars and not equalize services or teacher quality.

Then again, this approach allows districts some flexibility in how to remedy current inequities while not inhibiting innovation. Districts could rethink their teacher compensation systems, or use the extra funds to bring more (and possibly different) services to high needs schools.

While each of the above proposals has some merits and concerns, it is the last one that appears to best satisfy the concerns laid out above. Forcing districts to equalize dollar expenditures would restore the original intent of comparability, wouldn’t impose new accounting metrics (since it relies only on dollar expenditures), and would allow districts both flexibility in meeting the requirement and the possibility of future innovation.
Conclusion

What Will Happen to Schools if the Loophole Is Closed?

Policymakers can’t be assured that a strategy of forcing districts to equalize per-pupil dollar expenditures before accepting federal funds would result in equal teacher quality across all schools. Further, we can’t reliably predict which strategies districts will use to achieve dollar equity. What we can do, however, is predict how much money would be moved in a system to create fiscal equity.

A 2005 study, “Strengthening Title I to Help High Poverty Schools,” by the author, examined the use of non-categorical funds and provides some insight into the financial implications of such change. As the table below indicates, in four of five districts studied, high-poverty schools are shortchanged by an average of 5 percent to 15 percent of all non-targeted funds (the fifth district, in Dallas, was under court order to accommodate high-needs schools with desegregation funds, and was not found to shortchange high-needs schools).

Remedying these inequities with a provision that required dollar equity would bring these schools an average of 5 percent to 15 percent more non-targeted funds, depending on the district. While substantial, these numbers are not inconceivable. Given that education spending has increased by roughly 6 percent a year for the last several years, it is clear that districts could phase in changes over a series of years without massive disruption to more wealthy schools.

### DOLLAR EQUITY DISLOCATIONS

**Non-Categorical, Per-Pupil Spending by School* Selected Districts**

<table>
<thead>
<tr>
<th></th>
<th>AFFLUENT SCHOOLS</th>
<th>POOR SCHOOLS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austin</td>
<td>$3,004 (108% of district average)</td>
<td>$2,682 (85%)</td>
</tr>
<tr>
<td>Dallas</td>
<td>$2,762 (92%)</td>
<td>$3,424 (114%)</td>
</tr>
<tr>
<td>Fort Worth</td>
<td>$2,909 (102%)</td>
<td>$2,613 (92%)</td>
</tr>
<tr>
<td>Houston</td>
<td>$3,152 (109%)</td>
<td>$2,680 (93%)</td>
</tr>
<tr>
<td>Denver</td>
<td>$3,764 (105%)</td>
<td>$3,399 (95%)</td>
</tr>
</tbody>
</table>

* “Affluent” schools are those enrolling the fewest low-income student (those in the lowest poverty quartile); “poor” schools enroll the most (those in the highest poverty quartile).
How would the high-poverty schools use their new funds? With persistently low performance in high-poverty schools, there have been many proposals (at both the state and federal levels) to increase spending in these schools, many of which have come with ideas about how the funds can be used. Some suggest that the added funds be used to expand learning time, provide more individualized learning experiences, lower class size, draw in master or mentor teachers, and increase professional development. Others suggest that high-poverty schools use the added funds in ways that would more effectively recruit and retain more capable teachers (with bonus pay, teacher supports, or other inducements), thereby addressing the basis of the deficiency.

Either way, from the perspective of high-poverty schools, closing the loophole is one way of bringing more funds for high-needs students. The flip side, of course, is that the added funds for high-poverty students don’t come from a new revenue source, but rather from the schools that have historically benefited from the salary policies. For most districts, the change would need to be handled gradually, with some phase-in time in order to avoid excessive disruption in schools currently benefiting from the salary gap.

Clearly, the length of the phase in time depends on what other changes are made in conjunction with the resource distribution. In analysis (conducted confidentially) of two districts where the teacher compensation system was to remain intact, it was predicted that a seven-year phase-in would allow all schools with higher than average salaries to take advantage of the natural attrition in teachers in order to make the adjustment.11

Another option for districts is to give schools some flexibility in their spending, thereby allowing school leaders to make real-cost tradeoffs that would allow for continued hiring of more costly teachers, as desired. Or, as suggested above, some districts may phase in new teacher bonuses that more heavily benefit teachers in higher poverty schools as a way to gradually tip the balance.

**The Challenge for Policymakers**

In the end, for comparability to be a strong force for equity, changes need to be made such that districts can no longer use clever accounting to circumvent the intent of the provision. Those concerned about the education of poor students look to comparability to remedy the kinds of persistent and pervasive inequities that have shortchanged high-needs students for decades.

To date, no other policy lever at any level has shown any promise to take on this task. Yet the imperative has never been greater. The federal government now has an opportunity to use the new evidence on the detrimental effects of school district budgeting practices to bolster its case that the key intent of Title I needs revision. With the window on NCLB reauthorization open, the window of opportunity is now.

2 To see the results from another study, see Marguerite Roza, “How Districts Shortchange Low-Income and Minority Students,” *Funding Gaps 2006*, (Washington, D.C.: Education Trust, 2006).

3 Categorical funds are those funds that districts may only use for specified purposes, such as to support students with special needs. Non-categorical funds are those funds that districts may use for general and unrestricted spending purposes.


5 Ibid.

6 Both the federal government and some states fund categorical programs that do tend to bring more funds to high-needs students (for example, for students with limited English proficiency, disabilities, etc.). However, Title I is usually by far the largest source of categorical funds, and it is often only after including these funds that spending appears more equalized.


8 Paragraphs (4) and (5) exempt from the comparability requirement (1) districts that have only one building for each grade span and (2) state and local funds spent on language instruction, the excess costs of providing services for students with disabilities, and state and local expenditures supporting special services for students with greatest needs. In short, the statutory requirement for comparability largely revolves around what this paper thinks of as district “foundation” funding.

9 Darlene Lawson, Presentation to the Oakland Public Schools, January 25, 1972.

10 Key considerations are drawn in part from a panel discussion in Nov. 2007 at the annual conference of the Association for Public Policy Analysis and Management.

11 Conversations between author and fiscal staff in two urban districts.
About the Authors

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Matt Hill is currently working for the Oakland Unified School District as the executive officer for strategic projects. In this role he oversees the District’s strategic planning process and helps manage the strategic projects for the district. Prior to this role he was the program manager for Expect Success, the school district’s $43 million reform program that consists of over 20 initiatives. Prior to joining Oakland Unified, Mr. Hill worked in Black & Decker’s Business Development group, where he redeveloped the strategic planning process for the hardware and home improvement division. Mr. Hill also worked as a strategy consultant with the Johnson and Johnson UCLA Management Fellows program for Head Start and healthcare executives. Previously, he worked for Accenture as an analyst, and then as a process consultant in the financial services industry, where he worked on technology and strategy projects. He holds a B.S. in business administration from the University of North Carolina, and an M.B.A. from the UCLA Anderson School of Management. In addition, Mr. Hill serves on the board of directors for the Children’s Council of San Francisco.

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