Is School Funding Fair?
America's Most Fiscally Disadvantaged School Districts
Second Edition (February 2017)

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This report identifies the most fiscally disadvantaged school districts in the country — those with higher than average student needs in their labor-market location and lower than average resources when state and local revenues are combined.[2]

This report is a companion to Is School Funding Fair? A National Report Card (NRC), in which we evaluate and compare the extent to which state finance systems ensure equality of educational opportunity for all children, regardless of background, family income, place of residence, or school location. The NRC shows that both the overall level of state funding and the extent to which states provide additional resources to districts with higher concentrations of children in poverty vary widely.

The most disadvantaged school districts have child poverty rates that are significantly higher than those of surrounding districts and have fewer resources to meet student needs.

The NRC uses a three-year panel of U.S. Census Bureau Public Elementary-Secondary Education Finance Survey data (2012 – 2014) on state and local revenues per pupil to determine which states are providing systematically greater funding to districts serving higher student poverty concentrations (classified as progressive), and which states are providing fewer resources to higher poverty districts (classified as regressive).[3]

The same data have been used in this follow-up analysis to identify the most fiscally disadvantaged local public school districts in the states: those that have greater than average student need and less than average state and local revenue.

Major Findings

- Over 1.5 million children are educated in 55 disadvantaged school districts across 20 states.
- Sumter, SC and Shelby, TN face some of the nation's most extreme disadvantage, with nearly 3 times area poverty rates and only a little more than 80 percent of the average state and local revenue per pupil.
- Chicago is, year after year, one of the most fiscally disadvantaged large urban districts in the nation.
- Many of the most disadvantaged districts are in states with regressive funding systems, such as Illinois and Arizona, but they also exist in states with both flat funding systems (California) and more progressive funding systems, such as Georgia, Massachusetts , Ohio and Utah.

Why it Matters: Labor Markets

The value of any given level of education funding, in any given location, is relative. While all districts need a level of funding that is sufficient to meet the needs of their students, relative funding levels are also consequential. How a district's funding compares to that of other districts operating in the same regional labor market, and, in addition, how that money relates to other conditions in the regional labor market, affects a district's ability to compete.

Funding levels matter because schooling is labor intensive. The quality of schooling depends largely on the ability of schools or districts to recruit and retain quality employees. The largest share of a school district's annual operating budget is devoted to the salaries and wages of teachers, support staff, and other school workers. The ability to recruit and retain teachers in a school district in a given labor market depends on the wages a district can pay to teachers relative to surrounding schools or districts and relative to nonteaching alternatives in the same labor market.

Put simply, districts with higher student needs than surrounding districts in the same labor market don't require the same total revenue per pupil to get the job done. They require more. Higher need districts require more money for higher salaries to recruit and retain similar quantities (per pupil) of similar quality teachers. In addition, higher need districts must be able to provide the additional programs, services and supports (including smaller classes and early childhood education) necessary to help students from disadvantaged backgrounds, while still maintaining advanced and enriched course options.

Several large, diverse states still maintain state school finance systems in which the highest need districts receive substantially less state and local revenue per pupil than the lowest need districts. These states include Illinois, New York and Texas, among others.

Methodology: Identifying Disadvantaged School Districts

The empirical strategy for identifying fiscally disadvantaged school districts is relatively straightforward. The first step is to estimate the average state and local revenue per pupil for all districts in each labor market within the same year. The focus is on state and local revenues per pupil because these figures capture the full influence of state and local policy and set aside all federal revenues except impact aid, which serves as a replacement for lost local revenues. The next step is to estimate the average poverty rate across all districts in each labor market. Finally, each district's revenue and poverty levels are expressed as a ratio to the labor market average. This provides a relative measure that expresses whether each district's revenues and poverty are higher or lower than the labor market average.

A fiscally disadvantaged district is one in which the state and local revenue per pupil is lower than the labor-market average while the child poverty rate is higher than the labor-market average. To achieve a manageable list of school districts for further exploration, somewhat arbitrary cutoff levels were applied as follows:

Fiscally disadvantaged =
State and local revenue per pupil < 90 percent labor-market average
and
U.S. Census poverty rate > 120 percent labor-market average

Only those districts enrolling at least 2,000 pupils were considered, as they should be able to operate with efficiency of scale. Non-rural districts were given particular attention. These districts are in either metropolitan areas—based around a population hub of 50,000 or more residents—or micropolitan areas—based around a population hub of 10,000 to 50,000 residents.

Table: The Most Fiscally Disadvantaged Districts in the Country

State	District	Enrollment	State & Local Revenue Ratio	Poverty Ratio
Arizona	Alhambra Elementary District	14,193	79%	2.26
Arizona	Cartwright Elementary District	19,119	72%	2.01
Arizona	Glendale Elementary District	13,797	80%	1.75
Arizona	Sunnyside Unified District	17,697	78%	1.62
California	Antioch Unified	18,523	78%	1.45
California	Bakersfield City	29,684	82%	1.45
California	Cajon Valley Union	16,420	83%	1.48
California	Escondido Union	19,446	74%	1.22
California	Franklin-McKinley Elementary	11,269	70%	2.10
California	Gilroy Unified	11,786	73%	1.64
California	Hayward Unified	22,272	90%	1.33
California	Hesperia Unified	23,528	73%	1.25
California	Merced City Elementary	10,613	83%	1.21
California	Porterville Unified	14,020	89%	1.21
California	San Francisco Unified	57,620	86%	1.37
California	San Lorenzo Unified	12,288	83%	1.22
California	Santa Barbara Unified	15,518	89%	1.53
California	Santa Maria-Bonita	15,544	80%	1.36
California	Victor Elementary	12,028	84%	1.60
California	Victor Valley Union High	14,200	78%	1.63
Connecticut	Bridgeport School District	20,753	85%	2.53
Connecticut	Danbury School District	10,774	74%	1.45
Connecticut	New Britain School District	10,051	77%	2.33
Connecticut	Waterbury School District	18,614	83%	1.79
Georgia	Clayton County	52,296	84%	1.62
Georgia	Newton County	19,522	87%	1.37
Idaho	Nampa School District	16,241	85%	1.45
Illinois	Aurora East Unified School District 131	14,685	77%	1.31
Illinois	Cicero School District 99	13,126	78%	1.52
Illinois	City Of Chicago School District 299	396,641	79%	1.62
Illinois	Joliet Public School District 86	11,977	73%	1.51
Illinois	Waukegan Community Unit School District 60	16,876	74%	1.98
Massachusetts	Brockton	17,011	81%	1.40
Massachusetts	Lowell	14,031	83%	2.60
Michigan	Dearborn City School District	19,190	89%	1.47
Michigan	Kalamazoo Public Schools	12,466	90%	1.55
Michigan	Lansing Public School District	12,047	90%	2.19
Missouri	Ferguson-Florissant R-II	12,056	80%	1.37
New Hampshire	Manchester School District	14,336	83%	1.78
New York	Brentwood Union Free School District	17,963	74%	2.13
Ohio	Hamilton City	10,033	77%	1.98
Oregon	Gresham-Barlow School District 10J	12,219	82%	1.22
Oregon	Reynolds School District 7	11,737	89%	1.89
Pennsylvania	Allentown City School District	17,006	77%	2.21
Pennsylvania	Hazleton Area School District	10,560	82%	1.24
Pennsylvania	Reading School District	17,487	73%	2.33
Pennsylvania	Upper Darby School District	12,430	66%	1.23
South Carolina	Sumter 01	16,794	84%	2.89
Tennessee	Shelby County	149,832	83%	2.95
Texas	Beaumont Independent School District	19,875	84%	1.29
Utah	Granite District	70,407	87%	1.25
Washington	Kent School District	27,681	87%	1.38
Washington	Mukilteo School District	15,121	89%	1.27
Wisconsin	Kenosha School District	22,602	71%	1.65

Findings

A few caveats to interpreting the results of this data. First, there are many other districts in the country that are nearly as disadvantaged as those presented here, but they are not listed because the cut points are, by necessity, somewhat arbitrary. These "districts on the edge" of extreme fiscal disadvantage will make the list in some years but not others, but this does not mean the district has improved its fiscal condition. Second, a district's relative position might improve simply because its surrounding districts worsened, and not because its finances improved. Third, school districts in countywide systems are less likely to show up in this analysis because fiscal disparities in schools or subsets of schools are often concealed by county aggregation. Finally, districts in states, such as Alabama and Mississippi, where all districts are comparably disadvantaged are also unlikely to appear on this list.

With those caveats, among the key findings from this data include:

- Over 1.5 million children are educated in school districts with extremely disadvantaged fiscal conditions.
- Fiscally disadvantaged school districts are located in twenty states across the country.
- Sumter, SC and Shelby County, TN face some of the most extreme fiscal conditions, with nearly 3 times area poverty rates and less than 84 and 83 percent, respectively, of the average state and local revenue per pupil.
- The city of Chicago is, year after year, one of the most fiscally disadvantaged large urban districts in the nation. Illinois has a highly regressive school funding system and scores near the bottom on the NRC funding distribution indicator.
- California has the highest number – 16 – of fiscally disadvantaged districts.
- Massachusetts ranks relatively well on the NRC funding distribution indicator, but Lowell is one of the most severely disadvantaged districts in the country with a poverty rate 2.6 times higher than surrounding areas and only 83 percent of the average state and local revenue per pupil. This illustrates that even a state with an overall progressive distribution of funding might shortchange individual districts.
- Not surprisingly, many of the most disadvantaged districts are in states with highly regressive funding distribution systems, such as Arizona and Illinois, but they also are found in states with flat (e.g., California) and more progressive systems (e.g., Georgia, Massachusetts, Ohio and Utah).

Conclusion

This mix of fiscally disadvantaged school districts arrayed across the country underscore the absence of a coherent and fair approach to financing state public education systems. Many districts – especially urban, inner suburban and rural, serving very high-need student populations – continue to struggle from a lack of sufficient funding, which makes it impossible to provide all students with the opportunity for a high quality education. This does not happen by accident.

Many state school finance systems are not designed based on the actual costs of purchasing the teachers, support staff and other resources to deliver rigorous education standards, including the additional resources necessary to meet pressing needs in the nation's high poverty schools and districts. As a consequence, some states simply fail to provide sufficient support to address student needs across districts and differences in local fiscal capacity to meet those needs. In other cases, states create aid formulas that measure district need and/or local fiscal capacity imprecisely or inaccurately, with the

result that some comparably needy districts are less well-funded than others. Even worse, some states allocate the majority of their aid with little or no sensitivity to either local district need or fiscal capacity.

This list of the most fiscally disadvantaged districts highlights the urgent need for school finance reform in many states. This reform must start with a determination of essential education resources and end with a funding formula that accounts for district poverty concentration and local fiscal capacity. It will require replacing outmoded, arbitrary funding formulas and the historic method of distributing funding based on prior year spending and political, not educational, considerations.

This list also underscores the national imperative for all states to continuously work to ensure that their public education finance systems are meeting the needs of all students and the demands placed on local districts, schools and educators. Some states with deeply regressive funding, such as Illinois, need drastic action to improve. Other states, such as Massachusetts, is on the path to fair funding but has more work to do to ensure all children have the opportunity to succeed.

End Notes

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[2] This report builds on Bruce Baker's Center for American Progress Report, "America's Most Financially Disadvantaged School Districts and How They Got That Way." July 2014, available at https://cdn.americanprogress.org/wp-content/uploads/2014/07/BakerSchoolDistricts.pdf

[3] In order to identify fiscally disadvantaged school districts, this report refers to a three-year panel of data that combines the U.S. Census Bureau's Fiscal Survey of Local Governments 2012-2014 with the U.S. Census Bureau's Small Area Income and Poverty Estimates, or SAIPE, which provides annually updated estimates of the percentages of school-aged children in families living below the federal income threshold for poverty. It also uses data from the National Center for Education Statistics that identify the labor market within which each local public school district is located and the locale codes for those districts. Labor markets in this report are defined as in the development of the National Center for Education Statistics Education Comparable Wage Index, and essentially represent metropolitan statistical areas, micropolitan statistical areas, or rural areas. These classifications are based on the U.S. Census Bureau Core Based Statistical Area classifications. Locale codes are used for identifying city, suburban, and town districts.