Center for American Progress

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Public Education Opportunity Grants

Increasing Funding and Equity in Federal K-12 Education Investments

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Introduction and summary

In 2019 and 2020, policy leaders have proposed bold ideas for tackling the complex challenges and persistent inequities faced by Americans in fields as varied as health care, climate, and higher education. In K-12 education policy, one of the most fundamental challenges is the existence of inadequate and inequitable systems of school funding.

The K-12 education system should be a powerful driver of opportunity where students learn important skills and information that empower them to explore a variety of pathways in the future. However, money matters in education, and years of chronic underinvestment at the federal, state, and local levels have undermined many aspects of school quality, negatively affecting educators and students alike.

The need for greater federal investment in education is especially critical in light of the economic fallout from the COVID-19 pandemic. Current projections predict state budget shortfalls that could lead to cuts in state funding for education at a time when there are increased demands on schools.[1] These funding cuts will also likely be unevenly distributed. School districts that serve predominantly students from families with low incomes and Black, Indigenous, and other non-Black people of color (BIPOC) students are in danger of greater cuts that will exacerbate existing inequities.[2] Studies of the aftermath of the 2008 recession show that without adequate, targeted support from the federal government, cuts to education funding can persist for many years after the recession has ended, with long-term consequences for students and educators.[3] Therefore, emergency relief funding is desperately needed to stave off the most severe effects of the health and economic crises.

Still, when the pandemic ends, deep inequities in school funding will continue. Despite the importance of addressing this challenge, K-12 education funding remains a small part of the federal government's budget, constituting slightly less than 1 percent of total federal spending.[4] Although there have been some recent proposals to increase federal investment through existing federal programs,

there still exists an opportunity to think more boldly about potential new federal programs and how to target them to the students who need them the most. In light of the critical need, the Center for American Progress is proposing a new framework for a major federal investment in education: Public Education Opportunity Grants. The four main goals of the proposed new program are as follows:

- **Dramatically increase funding for education** so that every child attends a well-resourced school, with a particular emphasis on correcting for systemic disinvestment in schools that primarily serve students from families with low incomes and nonwhite students.
- **Target the distribution of new investments** to districts with the highest poverty rates so that funding is allocated where it will expand opportunity the most and lead to significant improvements in outcomes for the most students.
- **Provide incentives for states and districts to improve their funding systems** so that the new investment leverages positive change at the state and local level, both increasing the amount of state and local money spent on K-12 and reducing inequity of state and local funding.
- **Improve equitable distribution of educational resources and opportunities** across and within school districts by supporting states and districts in conducting resource allocation reviews with an explicit focus on racial equity and income equity.

Overview: Public Education Opportunity Grants

The time is now for a new major federal investment in K-12 education. To that end, CAP proposes creating a new program called the Public Education Opportunity Grants. The program would provide significant additional funding to the highest-poverty districts in each state; create incentives for states to increase their own spending and better target funding across and within districts; and require states and districts to identify and address the root causes of gaps in opportunity and outcomes by race, family income, disability, and home language.

As will be described in greater detail below, the proposed program would create new, mandatory formula grants to states and eligible school districts. By targeting funding to districts with the highest poverty rates within each state (see Appendix for analysis), this program will have the greatest impact on expanding opportunity and improving school experiences and outcomes for historically underserved students across the country.

The Public Education Opportunity Grants program will focus on achieving four main goals that are critical to achieving adequate and equitable school funding.

Goal 1: Dramatically increase funding for education

The Public Education Opportunity Grants federal program would provide eligible school districts with an additional $12,330 for each student living in poverty, equivalent to the national average per-pupil funding for all students.[5] In other words, it would roughly double per-pupil funding for students living in poverty.[6] While there is no clear consensus on the precise amount of additional funding needed for children living in poverty, doubling the amount allocated per low-income student is generally consistent with the range of research estimates and with recent school funding reforms.[7] The program would create new formula grants to states and eligible school districts that would be mandatory spending, rather than discretionary spending that depends on annual congressional

appropriations, as is the case with current federal K-12 funding. Similar to many federal formula-based programs, states would receive the funding from the U.S. Department of Education and then make subgrants to eligible districts according to the formula.

Based on current school finance and demographic data, the authors estimate that the Public Education Opportunity Grants program would provide an additional $63.4 billion annually to K-12 education. This new program would not replace existing Title I, Part A funding; instead, the program would make Title I funding mandatory as well and index the overall funding level for Title I to inflation annually.

According to recent research from the Century Foundation, public schools need an additional $150 billion per year to help students in all districts reach national average outcomes on math and reading assessments.[8] In the first year of the Public Education Opportunity Grants program, new federal funding would reach 42 percent of the investment needed to achieve this outcome, targeted at students in the districts facing the largest opportunity and funding gaps. The program would also provide incentives for states and districts to close the remaining funding gap through greater and more equitable state and local education funding.

Goal 2: Target the distribution of new investments

Simply increasing funding overall for every school district does not address the inequities that students in low-resource districts face as a result of property-tax-based funding systems and the availability of state funding. The Public Education Opportunity Grants program would increase funding for districts with the highest poverty rates within each state, as well as additional districts in states with overall low resources.

To ensure that students in the poorest districts in all states receive dramatically more federal investment, all states, as well as Washington, D.C., and Puerto Rico, would receive funding for their highest-poverty districts—that is to say, the 25 percent of districts with the highest poverty rates in the state. States that only have a single school district—Hawaii, Puerto Rico, and Washington, D.C.—would automatically receive funding.

Given that the poorest districts in some states have much higher poverty levels than the poorest districts in other states, the program would also direct additional funding to states with low resources, based on the states' gross state product (GSP). For example, states that have a GSP in the bottom quartile nationally would receive funding for the 50 percent of districts with the highest poverty rates, rather than only the poorest 25 percent. As outlined below, all states could receive funding for additional districts based on their relative GSP and the level of effort they make in their own education spending.

Goal 3: Provide incentives for states and districts to improve their funding systems

Even with an additional $63.4 billion in federal funding per year, state and local funding for education would still make up the vast majority of education funding, at nearly 85 percent of total spending.[9] In order to make deeper and more lasting change to this major source of funding, the Public Education Opportunity Grants program would create several incentives for states and districts to make their own funding more equitable and to increase their level of funding.

A state must first meet a funding equity requirement in order to receive funding for districts beyond the poorest quartile: Students living in poverty must receive more state and local funding per pupil than students not living in poverty.[10] Second, the state must meet a funding level requirement: It must reach a certain effort level, as measured by the percentage of GSP spent on education, depending on state wealth, as measured by GSP per capita. These equity, effort, and wealth criteria will encourage all states to make their own funding more equitable and increase spending in order to qualify for federal funding for more of their districts, while still recognizing the need to target more districts in low-resource states.

Districts would also have strong incentives to improve equity in their own spending. Each district would need to demonstrate, by the end of the first five years of the program, that its high-poverty schools receive at least as much state and local funding per pupil as its low-poverty schools. Additionally, all states and school districts must meet the fiscal equity requirements of the Every Student Succeeds Act (ESSA), including requirements for maintenance of effort and that federal funds supplement, not supplant, state and local funds.

Goal 4: Improve equitable distribution of educational resources and opportunities

The Public Education Opportunity Grants program would also push states and districts to use this additional, targeted funding to disrupt institutional racism and systemic inequality. States and districts must have an explicit focus on improving access to educational resources and opportunity for students who have historically been denied access, including BIPOC students; students from families with low incomes; students with disabilities; and English language learners.

Under this program, both states and districts would be required to conduct an analysis of gaps in opportunity and outcomes based on race, family income, disability, and home language to determine root causes and potential solutions for closing those gaps. To support this work, states could reserve 0.5 percent of their funding for state-level equity initiatives that are developed in consultation with communities across the state, including stakeholders in the districts that will receive federal formula funding.

The program would build on ESSA's accountability and resource equity requirements by requiring school districts to identify key measures of student outcomes and resource equity, set improvement targets for these measures, and report on progress. The measures would include those outcomes required under ESSA, and districts would decide on additional measures and targets in consultation with community members, including students; families; educators and other school staff; and grassroots organizations representing all communities and all schools, including often underrepresented communities.

CAP developed this new proposal for a Public Education Opportunity Grants program to achieve the four main goals above and as a response to research on the current state of school funding. The following review of existing inequities and inadequacies in education spending shows the deep level of need for such a program.

The case for greater school funding

The repercussions of broken school funding systems are felt by students, school staff, and families across the country. Lack of funding has meant that teachers are paid less than their peers in comparable professions; students and educators are working and learning in schools in dire need of repairs; schools can't provide all necessary academic and social and emotional supports to students or professional development and supports to staff; and more.[11] Current funding levels are deeply inadequate across the country, and several examples from schools nationwide illustrate how this chronic disinvestment negatively affects students' daily lives.

Arizona's Maricopa High School and New Jersey's Bloomfield High School: A funding comparison

In fiscal year 2018, the Maricopa Unified School District in Arizona spent $1,358 less per pupil than the state average of $9,929, despite Arizona already being one of the lowest-spending states in the country.[12] In order to generate additional revenue, students and school staff at Maricopa High School stated that the school charged students or their families for some elective classes, extracurriculars, and study spaces within the school.[13] Additionally, they stated that students had limited access to digital technology, reliable internet access, and recent editions of textbooks in good condition.

Arizona also has the highest teacher turnover rates in the country at 24 percent, which can be an indicator of poor working conditions for teachers.[14] Students at Maricopa High School commented that high teacher turnover at their school has had some negative impacts on their motivation levels, social and emotional well-being, and academic success.[15] Finally, the school seemed to be dealing with some overcrowding issues as well that have led to some classes of 35 to 40 students with only one teacher; though the research on class size is mixed, classes of this size are much larger than typically recommended.[16]

Unfortunately, the lack of adequate resources to support students and educators is reflected in the school's student achievement results.[17] In 2019, only 29 percent of students scored as "proficient" or "highly proficient" on the state assessment for English language arts, only 24 percent for math, and only 26 percent for science.[18]

In contrast, Bloomfield High School in New Jersey has been recognized as a Title I Distinguished School.[19] Bloomfield High School shares many similar features with Maricopa High School: The majority of the student population are students of color; nearly 50 percent of students are eligible for free or reduced-price lunch; and it is a Title I school.[20] However, unlike Arizona, New Jersey has some of the highest per-pupil funding levels in the country.[21] While spending less than the state average of $21,866 per student, the average amount spent per student by the Bloomfield Township School District was $18,851 in the 2017-18 school year, which was $7,102 more per pupil than spent by Maricopa Unified School District, adjusted for cost of living.[22]

Moreover, with these additional resources, Bloomfield High School is able to provide an array of student supports, educational opportunities, extracurriculars, and teacher professional development. For example, it offers an after-school program that provides academic and social and emotional support to English language learners, and the usage of professional learning communities for teacher professional development and collaborative teams for novice teachers.[23] New Jersey has some of the lowest teacher turnover rates in the country, and nearly 80 percent of teachers at Bloomfield High School have been teaching in the district for four or more years.[24]

The school's ability to invest in students and teachers is reflected in improving student achievement. Over the last three years, student performance on state assessments tests for English language arts and math at Bloomfield High School have steadily improved: In the 2018-19 school year, on a scale of 1 to 5, where 4 and 5 represent "met expectations" and "exceeded expectations," nearly 52 percent of students received a 4 or 5 on the English language arts state exam.[25] Continued improvement and additional funding remains necessary for Bloomfield High School, as it still underperforms the state average on these assessments, especially in math; however, what is has been able to do with existing resources as a Title I school provides an encouraging foundation.[26]

While there are many factors that influence the quality of a school, one clear difference between these two high schools is the amount of funding available to each. Bloomfield High School has the funding necessary to provide students with high-quality instruction and important supports as well as offer its teachers competitive salaries and ongoing professional development.

Unfortunately, too many schools across the country are in situations more similar to Maricopa High School than to Bloomfield High School. That said, Bloomfield High School still spends less per student than one-third of school districts in New Jersey;[27] even in higher-spending states, schools in low-income communities and schools serving predominantly students of color often face funding gaps.[28] Improving the equity of education funding systems and increasing investment in education overall are necessary preconditions for ensuring that all students have access to a quality education.

Funding education is critical

The importance of a high-quality education cannot be overstated. Education can play a key role in an individual's economic mobility and prosperity and grows even more valuable over the years. A study on disparities among Millennials by education level found that, on average, Millennials with a bachelor's degree made $17,500 more per year than their peers with a high school diploma.[29] They also experienced on average a lower unemployment rate and lower instances of living in poverty. Over the course of a lifetime, college graduates earn, on average, $1 million more than students with only a high school diploma.[30]

Furthermore, there are collective benefits to a more educated workforce and citizenry. As individuals earn more, they contribute more to the economy and the economic strength of the nation as a whole. For example, if 90 percent of the class of 2015 had graduated from high school, instead of the actual reported rate of 83 percent, the additional graduates would have earned $3.1 billion in annual income, resulting in 14,260 more jobs and a $5.7 billion increase in gross domestic product (GDP).[31] As more well-paying jobs require higher education, the importance of an educated populace will continue to rise.[32] A report exploring the aftermath of the 2008 recession found that about 95 percent of jobs created during the economic recovery went to workers with a postsecondary education or training.[33] As of 2018, slightly more than 37 percent of jobs were held by people with some postsecondary education or training.[34]

Unfortunately, the benefits of educational attainment currently do not accrue in the same way for Black and Latinx students.[35] The hourly wage gap between Black college graduates and white college graduates has actually widened from 17 percent in 2000 to 21 percent in 2018.[36] Without adjusting for inflation and assuming one works a 40-hour week, the 2018 wage gap leaves college-educated Black people earning $608,193 less than their college-educated white counterparts over the course of a 40-year career.[37] Therefore, as policymakers attempt to increase educational attainment, they should apply a racial equity lens to education policies and work to reduce barriers for students of color, such as high postsecondary tuition and disparate debt burdens.[38] Still, education remains a strong pathway for all students, including Black and Latinx students, to access higher-paying jobs and avoid unemployment and instances of living in poverty.[39] Broadening access to educational attainment and repairing the harm of unjust policies by targeting additional resources to the communities with the greatest need is both a moral imperative and a way to increase previously unrealized economic prosperity and mobility for historically disadvantaged students.

In addition to driving economic growth, education can prepare students to be active participants in democracy. Studies have shown that educated adults are more likely to vote and engage in other methods of civic participation such as following election campaigns in the media, discussing politics with others, and working on community issues.[40]

Money matters in education

For decades, there was an ongoing conversation about whether money mattered in education and how much funding levels directly affect student outcomes.[41] Some researchers have pointed to data that show that while spending has increased over the last 30 years, student performance on national test scores has stagnated. Yet the argument that increased funding does not help has serious flaws. First, although education spending has nominally increased in the past few decades, when per-pupil spending is adjusted for the costs of maintaining competitive wages over time, the average school district has maintained a steady spending level for the past decade and has not increased its spending.[42]

Second, student performance has been hindered by sustained cuts to education funding. Over the past couple of decades, student performance on the National Assessment of Educational Progress had in fact been increasing in the years

between 1980 and 2008.[43] Black students especially have made significant gains, although an opportunity gap remained. However, when the Great Recession began in 2008, education funding faced major cuts, and student achievement suffered as a result. Recent research looking into the impacts of the Great Recession have shown that the lack of education funding negatively affected student performance, as most states were forced to make major cuts to education spending in the years following 2008.[44] In many states, these cuts have persisted for a decade or more.[45] As of 2016, education funding had still not returned to pre-recession levels in 24 states.[46] A study into the impact of the Great Recession on math and English language arts achievement found that each year of the recession reduced student achievement scores by an average of 0.02 to 0.03 standard deviations.[47] They found that this downturn in achievement scores was even greater in districts with a higher concentration of economically disadvantaged students, students with disabilities, English language learners, and Black students.[48]

Instead of looking at the impact of spending cuts, some other recent research has focused on increases in aggregate spending levels and how they have affected student outcomes. For example, one study found that a 10 percent increase in per-pupil spending each year throughout K-12 education was associated with an additional 0.27 years of completed education, 7.25 percent higher wages, and a 3.67 percentage-point reduction in the annual incidence of adult poverty.[49] These effects were even more pronounced for students from low-income families, for whom the same level of funding increase was associated with a nearly 10 percent increase in earnings in adulthood.[50] Another study found that an 11.5 percent to 12.1 percent increase in per-pupil spending was correlated with an about 7 percent to 12 percent increase in graduation rates.[51]

In addition to research demonstrating that education funding matters, researchers have also investigated what kinds of investment can be made with new funding to improve student outcomes. For example, studies have shown that steady and high levels of funding are necessary for schools to provide features such as smaller class sizes, rigorous course offerings, and student supports—all of which work together to improve student achievement, college and workforce readiness, and well-being.[52]

One of the most substantial investments a school can make is putting money toward recruiting and retaining high-quality teachers. Teachers are the most important in-school factor for increasing student achievement and even long-term outcomes such as college attendance and future salaries.[53] One study found that

states had success improving student outcomes when they allocated new resources to increase teachers' salaries; provided mentoring for novice teachers and high-quality professional development for veteran educators; and improved training for principals.[54] Yet many high-poverty schools employ a smaller percentage of credentialed teachers than lower-poverty schools.[55] Additionally, schools with high percentages of students of color—defined as African American, Asian, Latino, Native American, Pacific Islander, and students of two or more races—were four times more likely to employ uncertified teachers and employed a greater number of beginner teachers than schools with low percentages of students of color.[56] Increased education funding can help these schools recruit and retain more certified and experienced teachers by providing the resources needed to address some of the reasons that teachers leave, including pay and working conditions.[57]

As with teachers, there is evidence that hiring student support personnel such as school counselors can have a positive impact on student outcomes. For example, in one study, access to a high-quality counselor was associated with increased odds of graduating from high school, attending college, and persisting in higher education past their first year.[58] These effects were greatest for low-income students and students of color, especially if they had a counselor of color.[59]

Without adequate funding, educators and teachers have to operate within crumbling buildings; districts are unable to provide enough high-quality textbooks in good condition; teacher pay stagnates; and districts face high teacher turnover as low pay and difficult working conditions drive teachers out.[60] Likewise, a lack of investment has a detrimental impact on student outcomes. Students of color attending schools in districts that receive thousands of dollars less in funding experience an opportunity gap in their achievement. More than 20 percent of Black high schoolers and more than 25 percent of Indigenous students do not graduate high school, compared with only 10 percent of white students.[61]

The effects of inadequate funding in Alabama, Mississippi, and Texas

In addition to conducting focus groups in Arizona, the authors visited schools in Montgomery, Alabama, and Jackson and Clarksdale, Mississippi. The authors also spoke remotely to teachers and parents from a school in the Greater Houston area in Texas. (see Appendix for details)[62] The schools visited were in high-poverty school districts and served predominantly students of color. Therefore, students, parents, educators, and administrators interviewed at these schools knew firsthand that money matters in education and the lack of it has negative impacts on learning and teaching experiences.

In Mississippi, teachers, students, and parents agreed that one of the greatest challenges of insufficient funding was higher-poverty schools' difficulty recruiting and retaining high-quality teachers due to their inability to offer competitive salaries and a good working environment. Lack of funding also meant that school buildings themselves faced disrepair and classrooms were often insufficiently equipped. Parents, teachers, and students described a difficult learning environment with an insufficient number of school supplies such as writing utensils and students sharing a limited number of outdated books and technology that they cannot take home. Additionally, some students were attending class in school buildings with broken heating, ventilation, and air conditioning systems and holes in the roof that often resulted in disruptions to class time. Finally, funding wasn't available to provide necessary social and emotional supports for existing educators and students, such as school-provided mental health supports.

In Texas, parents and educators stated that they faced many of the same challenges described in Mississippi. Additionally, insufficient funding from the school meant that teachers often had to pay for supplies for students and their classrooms out of pocket and weren't able to provide students with interactive learning experiences such as field trips or chemistry sets. Furthermore, educators mentioned that insufficient funding for staff meant that teachers were often expected to manage large classes without an assistant teacher, and the district had to share one school counselor. This made it difficult to balance addressing both behavioral issues in the classroom as well as the differentiated learning needs of every student. Finally, parents and educators shared that schools should better support teachers who are also parents by providing more affordable child care and more extensive maternity leave options. Currently, parents who are educators often had to save up years of vacation time to have enough days off for a sufficient maternity leave.

In Alabama, when teachers, students, and parents were asked specifically about the impact of inadequate funding on the ability to prepare students for the future of work, they noted that the increasing importance of technological skills in the workplace has meant pressure to equip students with the digital knowledge and experience to succeed. Unfortunately, they emphasized that it's often prohibitively expensive to keep up with

the latest version of technology, software programs, and other digital tools. Additionally, work experiences and other opportunities to connect with local business are important, but their students often don't have the ability to secure transportation to any internships they find, and the school doesn't have enough funding to provide transportation for them. Internships are also generally harder for high-poverty schools to secure for their students because they don't have the alumni network of more affluent districts, and students are less financially able to accept unpaid internships in lieu of paid part-time jobs.

All these drawbacks from chronic disinvestment can also result in morale and motivational problems for educators and students. In focus groups across all three states, people highlighted that students and educators can look at better-funded schools and realize how much they are missing. Unfortunately, this realization can make students and educators feel undervalued and thus less motivated to invest back into their education or teaching.

While the research shows that how money is spent matters, the amount of money being spent is important as well. Overall higher levels of education funding can increase student achievement, graduation rates, and even future earnings. Increased education funding can also help schools invest in school personnel and other resources for students. Despite the clear need for a strong investment in public education, the United States is currently underfunding too many of its schools, particularly those schools serving the highest concentrations of students from families with low incomes and Black and Latinx students.

Current funding levels are inadequate

When considering education spending nationally, the United States, at least at first glance, seems to provide a relatively high average investment per student in comparison to other countries in the Organization for Economic Cooperation and Development (OECD).[63] As of 2015, the United States spent about $12,800 per full-time equivalent student at the elementary and secondary levels. This amount is about 35 percent higher than the average amount spent by other OECD countries.[64] However, U.S. investment in education is growing at a relatively small rate: There was only a 5 percent increase in education spending between 2005 and 2015. Furthermore, as a percentage of GDP, the United States' investment is on par with average OECD spending at about 3.5 percent of GDP.[65]

Additionally, since approximately 80 percent of education expenditures is for salaries and benefits, increases in per-pupil spending are offset by the increased cost of providing competitive wages.[66] Meanwhile, any rise of nominal per-pupil spending should be considered in conjunction with the rising cost of providing K-12 education to all students. Between 2000 and 2014, the United States saw a 45 percent increase in the number of students who qualify for free or reduced-price lunch and a 29 percent increase in the number of English language learners.[67] Between 1975 and 2014, there was an 83 percent increase in the number of students with disabilities.[68] Per-pupil spending has increased in an effort to provide necessary services and high-quality instruction to a growing number of students with diverse learning needs.[69]

Moreover, the progression of modern technology has meant additional expenses to build digital infrastructure for schools. In 2015, total spending on education technology in U.S. K-12 public schools reached $13.2 billion: $4.9 billion for technological hardware such as computers and $8.38 billion for instructional and noninstructional software content.[70] The coronavirus pandemic and the subsequent move to remote learning has only highlighted the level of digital infrastructure needed for modern education; how expensive providing sufficient digital supports for students and educators is; and the digital divide that exists in this country as another source of inequity.[71] Overall, the demands of schools are different today than in the past, and there is a need to determine how much funding is adequate to provide all students with a high-quality, 21st-century education.

This question of the adequacy of education funding levels is not new. After a first wave of school finance litigation focused on equity in funding among districts, a second wave of litigation focused on questions of adequacy.[72] In these cases, students and their parents sued the state and argued that it was failing to meet its state constitutional duty to provide an adequate level of education to students. This adequacy framework was successful in some states, such as New Jersey and Massachusetts, in reforming their education funding formula to increase the amount spent on high-poverty districts and raise the standard of education provided in all districts in the state.[73] Unfortunately, in other cases, states interpreted their responsibility as merely needing to cross a fairly low minimum threshold. This interpretation allows gaps in resources, funding, and outcomes to remain, often putting students in high-poverty districts at a disadvantage.[74] Since the 1990s, when these cases started, more than half of all states have faced court cases around providing an adequate education and, according to the Education Law Center, at least 14 states have an ongoing court case challenging whether the

state is providing an adequate education. These cases are either pending or have been decided with state action to address inadequacies still being determined.[75] Ongoing litigation continues to shine a light on how different states are approaching their responsibility to provide a quality education for all students and the different ways that they are falling short.

In order to conduct a nationwide study on funding adequacy, Rutgers University professor Bruce Baker partnered with the Century Foundation to create a cost model to estimate how much funding is needed in each district to raise student performance to national average outcomes on reading and math tests.[76] In their report, "Closing America's Education Funding Gaps," the difference between current funding levels in a district and the amount necessary to achieve national average outcomes is called the funding gap. They found that a majority of districts—which serve about two-thirds of all public school students—face a funding gap, resulting in a $150 billion annual funding gap nationally. At the district level, Baker and his co-authors found that districts with the highest concentration of poverty—measured as those in the highest quintile of districts by census poverty rate—are 2.6 times more likely to have a funding gap, which is, on average, more than $6,700 per pupil. Additionally, they found that districts with more than 50 percent Black and/or Latinx students are nearly twice as likely to have a funding gap than districts with majority white enrollment, and they face, on average, a funding gap of more than $5,000 per pupil.[77]

There are also variations by state, especially regionally. In general, they found that states in the Southeast and Southwest regions had the largest funding gaps per pupil.[78] For example, Arizona has the largest funding gap per pupil at $7,020, followed by Nevada at $6,693 and California at $6,089. On the other hand, some states in the Northeast such as New Jersey, New York, and Connecticut are spending amounts that are meeting or exceeding necessary funding levels and therefore do not have a funding gap.[79] In each of these high-spending states, there still exist in-state disparities, and districts with high enrollment of Black and Latinx students and higher poverty rates still face large funding gaps in these states.[80] But the baseline is much higher for some states than others.

This analysis helps to illustrate another important point about education funding: In addition to being inadequate, it is highly inequitable—both among states and within states. This inequity in funding means that students have access to different levels of resources and are thus getting different standards of education.

The case for more equitable and targeted funding

Historically, public education funding has largely been a state and local responsibility.[81] As is enumerated in all state constitutions, states are responsible for providing children with an education and must raise the funds to do so through local means such as property taxes. As cities and states developed, their capacity to raise funds began to vary more dramatically, and inequities began to emerge. Although there have been federal efforts to address these disparities, education funding has largely remained a state and local issue, even if that means persistent harm to marginalized communities.[82]

Today, states provide, on average, 47 percent of K-12 education funding, with local districts providing 45 percent and the federal government providing only 8 percent.[83] Despite the federal government providing only a small portion of K-12 funding, most Americans believe that the federal government contributes much more. Surveys show that the public believes that the federal government contributes 20 percent to 30 percent of education spending.[84]

It is also important to note that states can and do contribute more or less than the average share described above. For example, Vermont's state government is responsible for 90 percent of the state's K-12 education funding, while New Hampshire's state government contributes only 32 percent.[85] Furthermore, the proportion of funding that is provided by states versus districts can change over time, especially in response to economic disruptions that threaten state revenue sources such as the 2008 recession or the current COVID-19 pandemic.[86] A shift toward greater local funding can exacerbate disparities among school districts within a state because local funding is often raised through property taxes; districts with higher property values will be able to raise significantly more revenue than districts with lower property values.

Regardless of the exact percentage distribution of funding between state and local sources, the reliance on state and local funding to support public education means that funding has become inequitable among states, districts within states, and even schools within districts.

Disparities among states

States vary widely in how much they are willing or able to spend on K-12 education. According to fiscal year 2018 data from the U.S. Census Bureau, some states spend as much as $24,040 per pupil while others spend as little as $7,628 per pupil.[87] While these numbers are a good starting point, it is beneficial to also adjust for factors such as cost of living in order to better account for how much value the nominal dollar amount has in different states.[88] The authors found that once per-pupil funding is adjusted for cost of living, some states are shown to spend much less than what their nominal amount would indicate. For example, the authors found that when states are ranked by adjusted per-pupil funding, California fell 17 places to land within the quintile of states spending the least per pupil on education.[89] (see Figure 1) On the other hand, the nominal amount that some states spend increases in value when adjusting for cost of living. For example, in Maine, $14,145 in per-pupil spending amounts to an adjusted value of $17,464.[90]

FIGURE 1

Similar per-pupil spending across states has varying impacts due to differences in states' cost of living

Differences between regional cost-adjusted and nominal revenue per pupil in fiscal year 2018, by state

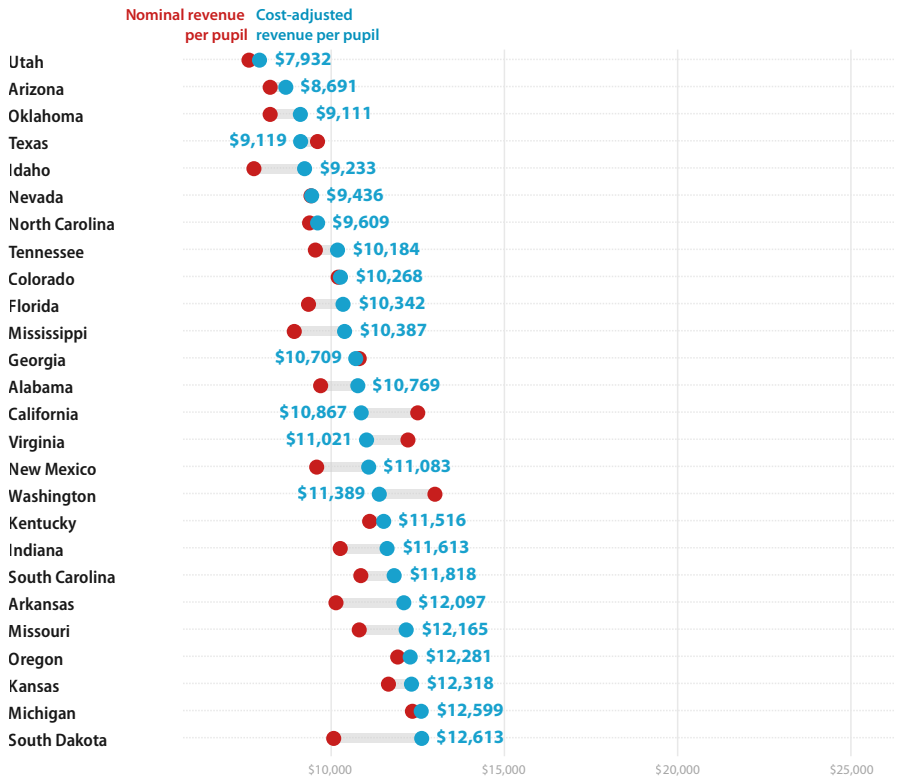

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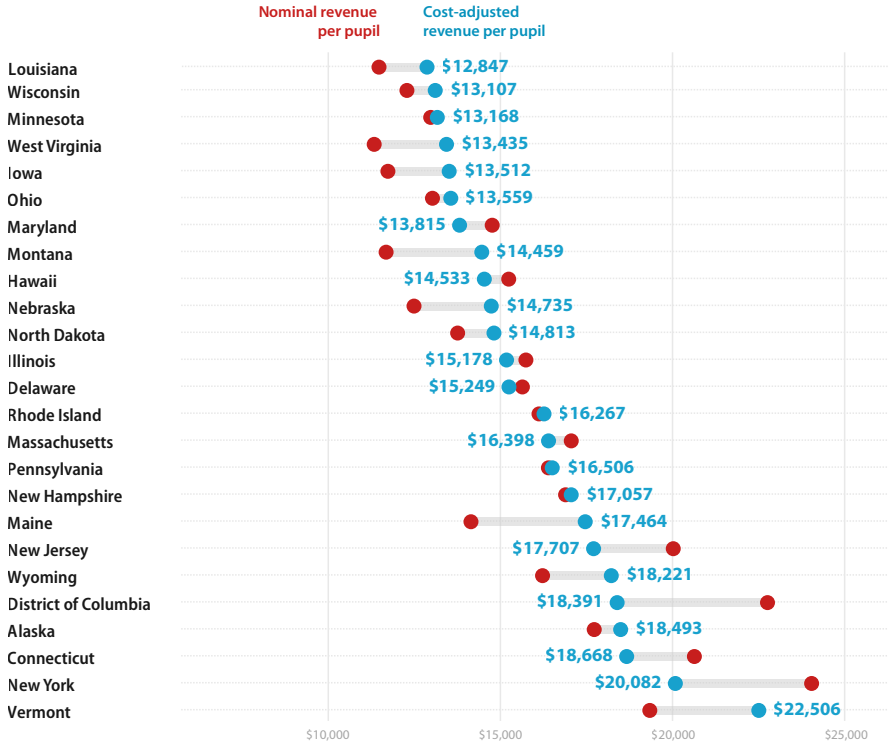
FIGURE 1 CONT'D

Similar per-pupil spending across states has varying impacts due to differences in states' cost of living

Differences between regional cost-adjusted and nominal revenue per pupil in fiscal year 2018, by state



Note: Values for cost-adjusted per-pupil spending were sourced from the Education Week report for the 50 states. The dollar value for the District of Columbia was calculated by the authors using a regional price deflator, as the District of Columbia was not included in the Education Week report.

Sources: Sterling C. Luod and Alex Harwin, "Nation Gets a 'C' on School Finance, Even as Economic Downturn Takes Hold," Education Week, June 2, 2020, available at https://www.edweek.org/ew/articles/2020/06/03/nation-gets-a-c-on-school-finance.html; U.S. Census Bureau, "2018 Public Elementary-Secondary Education Finance Data" (Washington), available at https://www.census.gov/data/tables/2018/econ/school-finances/secondary-education-finance.html (last accessed August 2020); Bureau of Economic Analysis, "Regional Data: GDP and Personal Income," available at https://apps.bea.gov/iTable/iTable.cfm?reqid=70&step=29&isuri=1&tableid=102&category=8102&area_type=0&classification=non-industry (last accessed August 2020).

Some of this variance in per-pupil spending stems from how much money a state is able to generate (wealth), and some of it comes from how much money states and districts are willing to invest in public education funding (effort). Effort can be measured in different ways, but a common approach is calculating what percentage of states' GSP is spent on education.[91] Using this measure of effort, research has found that states with the lowest effort spend about $25 of every $1,000 in economic productivity on schools, while those that put forth the greatest effort spend twice that figure.[92] Wyoming, for example, spends about 5 percent of its GSP on education, whereas Arizona and Hawaii spend about half of that, at 2.4 percent to 2.6 percent of their GSP. In relation to measures of adequacy discussed

earlier, there is a moderate relationship between states that have a high effort level and states that spend more adequately on their high-poverty districts.[93]

State disparities in education funding have major consequences for the ability of schools in different states to provide students and educators with comparable experiences and supports. For example, staff salaries make up a large part of school spending.[94] States that spend less on education could have a harder time offering teacher salary levels that are competitive with even neighboring states. These states, and especially high-poverty schools and districts in these states, may then have an even harder time recruiting and retaining high-quality teachers.[95] Similarly, these states would have less funding available for student support services such as social workers, guidance counselors, speech pathologists, and more.[96] Overall, state funding inequities make it harder to provide a baseline of necessary services and a consistent high-quality education for all students. In addition to being a matter of equity, greater consistency in funding is also a practical consideration: Families may move around over the course of a child's schooling, so consistency is important to reduce disruption in the quality of education should students move.

Disparities among districts

In addition to per-pupil spending and effort, states vary widely in their commitment to progressivity in their education spending. A progressive state funding system is one where high-poverty school districts receive greater funding than low-poverty school districts, and a regressive funding system does the opposite.[97] This approach recognizes that high-poverty school districts require more funding in order to provide necessary additional education and wraparound services to students experiencing poverty. There is more than one way to measure progressivity: Researchers have used a variety of analytical models to calculate it and have adjusted for different factors such as inflation or regional labor market costs to increase accuracy when comparing states.[98]

While different approaches lead to slightly different conclusions, the broad findings are similar across methodologies. Nationally, progressivity of state and local funding combined has barely shifted from minimally regressive to minimally progressive over the last decade.[99] A closer look at state versus local funding progressivity shows that local funding continues to be regressive in all but four states.[100] In contrast, nearly all states have nominally progressive state funding formulas but do not offer enough funding to high-poverty school districts to offset local funding inequities.[101]

Given the lack of progressivity in many states, there exists a disparity nationally in state and local per-pupil spending between districts that serve the most low-income students and districts serving the wealthiest students. According to Ivy Morgan and Ary Amerikaner of The Education Trust, that disparity means that high-poverty school districts receive about $1,000 less in state and local funding per pupil; therefore, in a high-poverty district with 5,000 students, that could mean a gap of nearly $5 million compared with a low-poverty district with the same number of students.[102]

It is important to note that a state's wealth and the progressivity of its school funding formula can interact in surprising ways. For example, it is possible for a regressive formula in a wealthy state to allocate more dollars to a high-poverty school district than a progressive formula does in a poorer state.[103] Even in states that allocate more funds to their high-poverty districts, the relative size of this additional investment varies among states. New Jersey, for example, invests almost 450 percent more of its state funds in K-12 education in their high-poverty districts, whereas Michigan invests less than 10 percent more in its high-poverty districts.[104]

Funding inequities among districts are not random; they reflect the nation's long history of underinvesting in schools that primarily serve students who are members of historically disadvantaged groups, such as Black, Latinx, and Indigenous students. A report from EdBuild found that school districts that serve predominantly nonwhite students receive $23 billion less in state and local funding than school districts that serve predominantly white students, even though they serve a similar number of students.[105]

Furthermore, school funding disparities by racial and socioeconomic status often overlap to have a compounded effect on students. In the United States, 20 percent of students are enrolled in districts that are both low income and predominantly enroll students of color.[106] This compounded effect is shown in the data: One report found that high-poverty school districts serving nonwhite students received nearly $1,500 less per students than high-poverty school districts serving predominantly white students.[107] Increasing the progressivity of funding formulas is important to address existing disparities among districts, but policies cannot ignore the need for a race equity lens as well.

Experiences of in-state disparities in Alabama, Mississippi, and Texas

In Texas, teachers talked about how their Title I school lacked the necessary facilities for sports such as track and field, whereas wealthier schools nearby had a lot of funding for sports programs and extracurriculars. Without access to these programs, teachers said they felt like their students were limited from means of nonacademic success and markers of being well-rounded individuals that colleges valued; for example, they might miss out on sports scholarships or experience leading an after-school club that could look good on college applications.

In Clarksdale, Mississippi, teachers and administrators talked about how hard it was to recruit and retain high-quality teachers when the school could not afford to give educators a competitive salary and the same kind of resources that the wealthier school districts in the state could. The Clarksdale Municipal School District even had trouble competing with the salary level of managerial positions at fast-food restaurants in town.[108] Students highlighted that a lack of consistent, high-quality teachers made it hard to trust and form connections with staff and made it more difficult to invest in their schoolwork as they felt like their teachers were not invested in them.

Additionally, teachers who had worked in both affluent and high-poverty schools in Mississippi noted that the wealthier districts had newer school buildings that were in better condition; had funding to provide a more well-rounded curriculum, including STEM and career and technical education in the early grades; and could afford to give students access to the latest technology, including, for example, individual laptops. In addition, it was noted that more affluent schools had the staffing and funding for better communication with parents and the resources to better incorporate parent involvement in school activities.[109] Teachers wished that their students in higher-poverty schools could access these same resources, as they would positively affect student achievement and well-being and better prepare them to compete for college and career opportunities.

In Alabama, educators, administrators, parents, and students also emphasized the point that despite the advantage that more affluent schools and districts have with regard to funding and resources, students in all schools must pass the same state accountability tests and compete in the same job market.[110] Dealing with their uneven starting points while trying to reach the same standards for achievement is a huge challenge. Teachers emphasized that since their school was in a high-poverty district, their students face challenges outside school, such as food insecurity, housing instability, and intergenerational poverty and low educational attainment. Therefore, it is difficult for students to compete with their more affluent peers, who have more resources both in school and outside school. In addition, these teachers also said they believed it was unfair that state standards for teachers and for grading schools failed to take into consideration the effects of chronic underinvestment on their schools and the starting level for student achievement scores that they are required to raise.[111] Therefore, they reported feeling that both the schools and teachers are often penalized for not being able to do the same with less, when compared with teachers at wealthier schools.

Disparities among schools

The research discussed above focuses on school district revenue from state and local sources as well as disparities across states and districts. But there are also funding disparities among individual schools in the same school district. In 2015, CAP analyzed how districts across the country funded individual schools and found that at least 4.5 million students attended Title I schools that received an average of $1,200 less per student than a non-Title I school in the same district.[112] At the time, loopholes in laws made it hard for advocates to assess the state of funding gaps among schools and provided no incentive for districts to address them. However, the Every Student Succeeds Act has helped to address the problem of transparency by requiring states to report per-pupil expenditures for every school.

Using new data provided under the act, The Education Trust–New York found that for every $100 per student invested by one of the biggest school districts in New York into its low-poverty schools, it is budgeting an average of $1 less per student in its highest-poverty elementary and middle schools.[113] So when comparing a high-poverty and low-poverty high school, each with 1,000 students, the low-poverty school would spend $1,000 more in total education spending than the high-poverty school. The remaining four biggest school districts were allocating more for their highest-need schools but not an adequately higher amount to account for the difference in need. Although greater availability of data is important, policymakers must take the next step of responding to any funding gaps identified in the data by creating new policies that incentivize states and districts to close funding gaps among schools and within districts.[114]

The case for a new federal program

In addition to contributing to persistent inequity and inadequacy, a heavy reliance on state and local funding for education also leaves education funding particularly vulnerable to an economic recession. During the Great Recession in 2008, as common sources of state revenue—for example, income tax and sales tax revenue—declined, many states were forced to cut state funding for education to balance their reduced budgets.[115] This in turn forced school districts to cut educational services unless they had the means to reduce the shortfalls through increased local funding. Although property tax revenue, a common source of local revenue, is more stable than state sources, it is highly inequitable since it depends on local property values. During the 2008 recession, a fall in property values meant that districts were not able to raise additional revenue to make up for the gap left by state funding cuts.[116]

Districts that serve low-income communities are particularly vulnerable during a recession because they rely more heavily on state funding and lack the ability to raise as much local revenue as high-wealth districts.[117] During the Great Recession, loss of state funding led to cuts in education services and teacher layoffs in many locales across the country.[118] By 2012, local school districts nationwide had cut about 330,000 jobs. By 2014, there were still 260,000 fewer jobs in school districts compared with 2008.[119]

These funding cuts were also very persistent. After the Great Recession, it took until 2016 for slightly more than half of all states to provide more state and local funding than they did prior to the recession.[120] By 2019, there were still 24 states where combined state and local funding had not returned to pre-recession levels.[121] For example, at the start of 2019, the amount allocated through state formula funding for education in Texas, Oklahoma, Alabama, Kentucky, and Kansas had decreased by more than 10 percent since 2008.[122]

Poorly conceived policy choices on the part of some governors and state lawmakers squeezed K-12 education budgets in some states even further than the effects of the recession alone. As the economy recovered from the recession, policymakers in seven of the 12 states that cut education funding the most enacted income tax cuts, adding to the steady decline in state education funding.[123] By fiscal year 2018, state revenue for K-12 education was still below fiscal year 2008 levels in slightly more than half of states. (see Figure 2)

FIGURE 2

In just more than half of all states, state spending on K-12 education is still below fiscal year 2008 funding levels

Percentage change in state per-pupil funding, FY 2008–2018

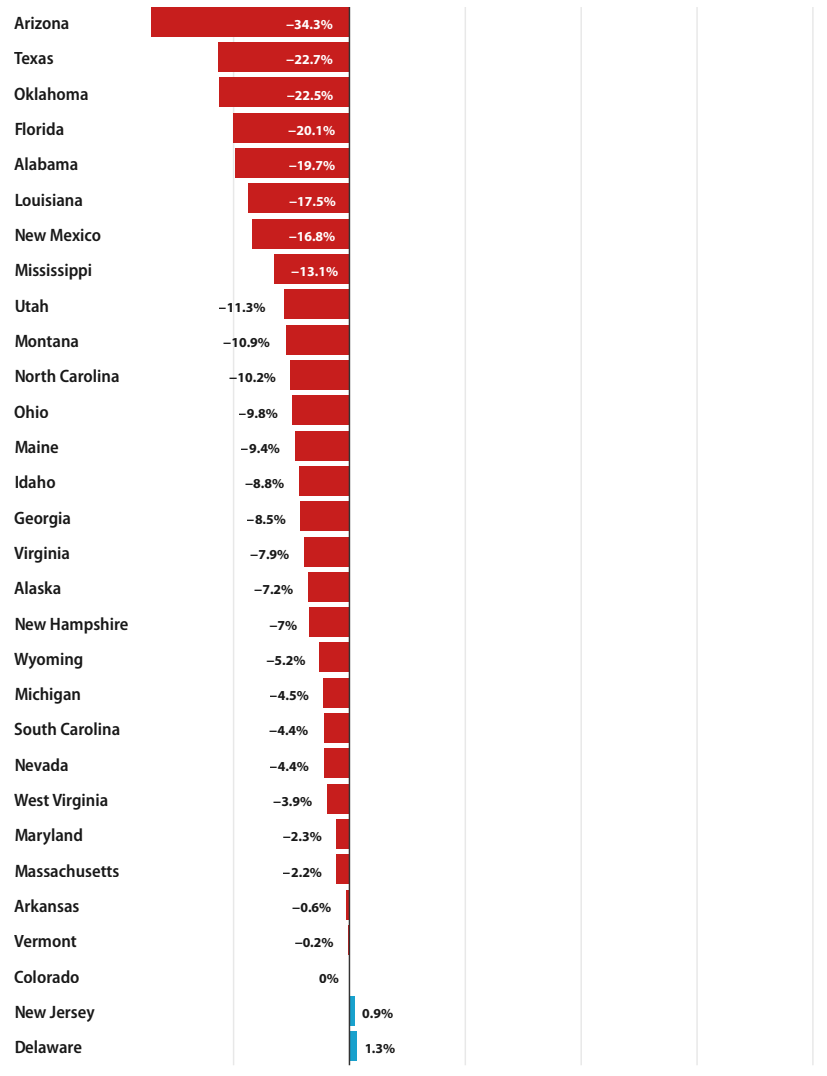


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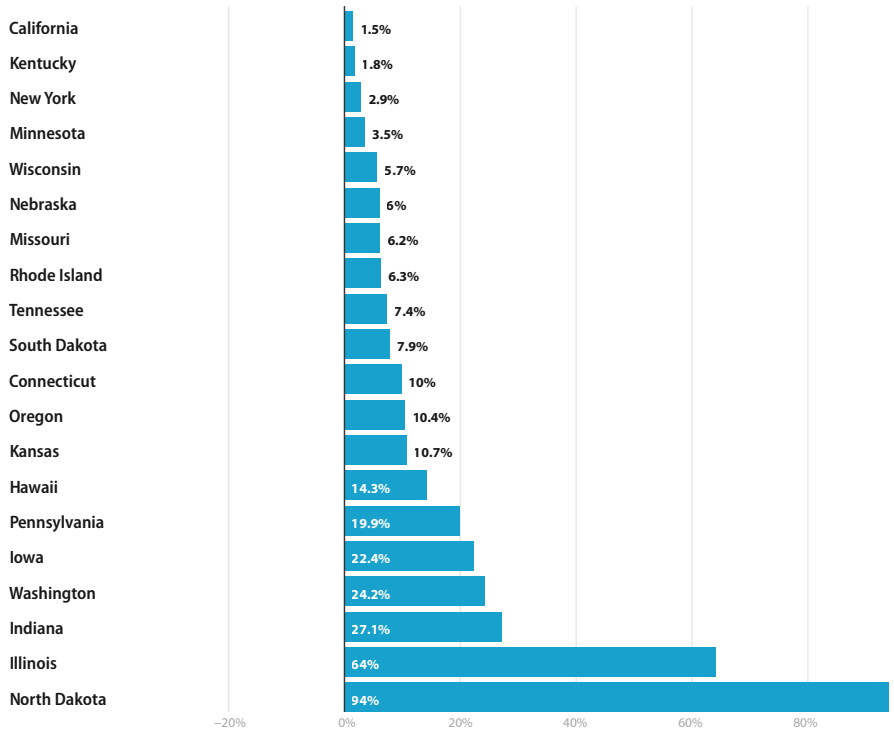
FIGURE 2 CONT'D

In just more than half of all states, state spending on K-12 education is still below fiscal year 2008 funding levels

Percentage change in state per-pupil funding, FY 2008–2018



Notes: Per-pupil revenue from state sources has been adjusted for inflation to 2017 dollars. The District of Columbia is not included here, as it was not included in the data sets to which the authors referred.
Sources: U.S. Census Bureau, "2018 Public Elementary-Secondary Education Finance Data" (Washington), available at https://www.census.gov/data/tables/2018/econ/school-finances/secondary-education-finance.html (last accessed August 2020); U.S. Census Bureau, "2008 Public Elementary-Secondary Education Finance Data" (Washington), available at https://www.census.gov/data/tables/2008/econ/school-finances/secondary-education-finance.html (last accessed August 2020); National Center for Education Statistics, "Enrollment in public elementary and secondary schools, by region, state, and jurisdiction: Selected years, fall 1990 through fall 2029," available at https://nces.ed.gov/programs/digest/d19/tables/dt19_203.20.asp (last accessed August 2020); U.S. Bureau of Labor Statistics, "CPI Inflation Calculator," available at https://www.bls.gov/data/inflation_calculator.htm (last accessed August 2020).

In many other policy areas, the role of the federal government during a recession is to act as a stabilizer, providing additional funding in order to maintain important services for families and children when a recession worsens individual economic conditions.[124] Such automatic stabilizers—parts of the federal government's budget that are triggered by the onset of a recession without requiring action from Congress—include programs such as unemployment insurance, the Supplemental Nutrition Assistance Program (SNAP), and Medicaid.[125]

Another way that the federal government can provide assistance during a recession is through fiscal stimulus packages voted on by Congress.[126] In response to the Great Recession, Congress passed the American Recovery and Reinvestment Act (ARRA) in 2009 to stabilize the economy, and in 2010 created the Education Jobs

Fund specifically to retain or hire educators.[127] In addition to the $10 billion from the Education Jobs Fund, ARRA provided about $100 billion in federal funds to education, including increasing investment in existing federal education programs such as Title I and creating a new program called the State Fiscal Stabilization Fund.[128] This money helped states and districts to shore up funding cuts made during the recession, and a survey of states found that 31 states used the money to help save some educator jobs.[129]

However, the amount of money allocated toward education in a congressional stimulus package is time limited and subject to political will.[130] In March 2020, in response to disruptions caused by COVID-19, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act. This stimulus package provided broad support for states, including funding for emergency relief for elementary and secondary schools and child nutrition programs, as well as to provide early childhood education to children of health workers.[131] The amount provided in the CARES Act, however, was not enough to offset projected state and local cuts to education and is less than what was provided by ARRA in 2008, which itself was shown to be insufficient.[132] The U.S. House of Representatives passed the Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act in May 2020 and passed an updated version of the bill in early October 2020 to provide $225 billion in stabilization funding for K-12 and postsecondary education and about $436 billion in flexible state, local, territorial, and tribal government aid.[133] However, as of the start of October 2020, the U.S. Senate has not passed a bill to provide any additional aid.

It is imperative that the federal government provide emergency funding assistance to state and local governments during negative economic events. But a long-term, substantial federal investment in public education through mandatory spending that is not subject to annual or one-time appropriations would provide states and districts with a funding source that is better insulated from political pressure to reduce spending. Moreover, such funding could stabilize education budgets during and after a recession.

Current policy solutions are inadequate

Despite the need for greater and more equitable investment in education, education funding remains a small percentage of total federal government spending, and there are only very weak federal incentives for states and districts to shift toward more equitable funding. Spending on education programs is a form of federal nondefense discretionary spending.[134] In 2019, nondefense discretionary spending amounted to about 14 percent of total federal spending. Within nondefense spending, only about 6 percent of that funding is allocated toward K-12 education.[135] When compared with total federal spending, K-12 education makes up only about 1 percent.[136]

Despite its relatively small contribution, one way that the federal government has tried to address education funding disparities is through Title I, Part A of the Elementary and Secondary Education Act, now known as ESSA. Title I is a federal grant program that was originally designed to target districts serving high numbers or percentages of students from families with low incomes.[137] At $15.7 billion annually, Title I is the nation's largest K-12 federal education program.[138] However, the funding formula for the Title I program is complex. It comprises four separate funding formulas, each of which involves different calculations, as well as hold-harmless and small-state minimum provisions. As a result, the program has often directed money toward wealthier states and districts despite its original intent to reduce the inequities created by the nation's locally driven education funding system.[139] In addition to being too small and too widely dispersed to meaningfully address funding inequities at a national level, the program also fails to incentivize states to make their own funding formulas more progressive.[140] While Title I's Education Finance Incentive Grant formula and ESSA's weighted student funding pilot program show some level of federal interest in more equitable approaches to school funding, these efforts are not sufficient to address the scale of the problem.

Therefore, it is time for a new major federal investment in K-12 education. CAP proposes creating a new program called the Public Education Opportunity Grants. This program would provide significant additional funding to the highest-poverty districts in each state and incentivize states to increase their own spending and better target funding to address disparities across and within districts. Additionally, the new program would require states and districts to identify and address the root causes of gaps in opportunity and outcomes by race, family income, disability, and home language.

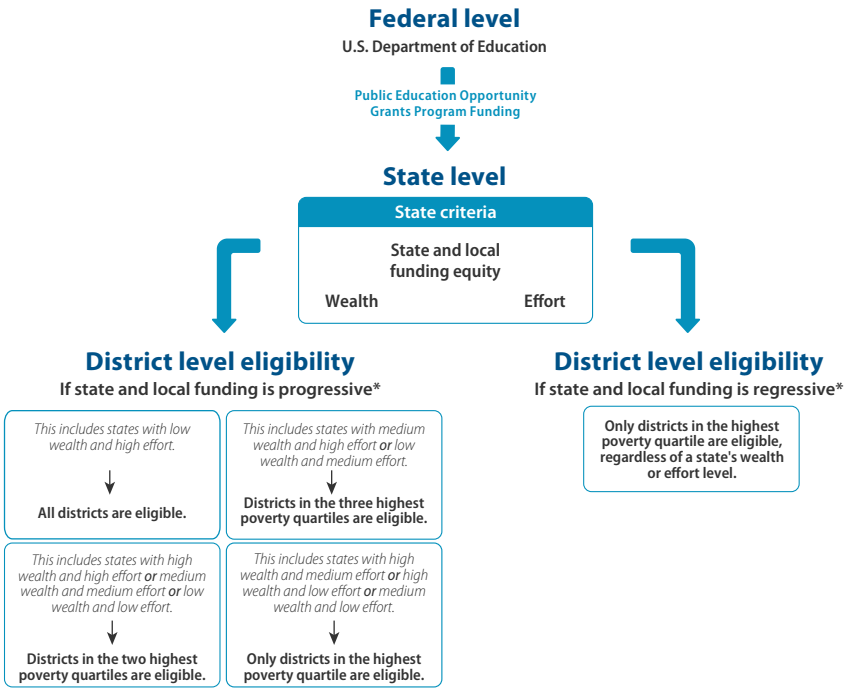
Public Education Opportunity Grants

As described at the beginning of this report, the Public Education Opportunity Grants program would create new, mandatory formula grants to states and eligible school districts. By targeting funding to districts with the highest poverty within each state this program will have the greatest impact on expanding opportunity and improving school experiences and outcomes for historically underserved students across the country.

FIGURE 3

The Public Education Opportunity Grants Program targets funding to high-poverty school districts in each state

Flow of the program from the federal to the district level



***Eligible districts will receive:**
($12,330 x state cost of living index) x number of students in poverty in the eligible districts

Source: Full program details are described in Scott Sargrad and others, "Public Education Opportunity Grants: Increasing Funding and Equity in Federal K-12 Education Investments" (Washington: Center for American Progress, 2020), available at https://www.americanprogress.org/?p=491255.

Funding formula

Similar to Title I, Part A, under the proposed grant program, states would receive funding from the U.S. Department of Education and then make formula-based subgrants to districts. District funding would be determined by multiplying the national average current expenditures per pupil—$12,330 in the 2015-16 school year[141]—by the number of children living in poverty in the district.[142] This per-pupil amount would be adjusted for regional cost differences[143] and for inflation annually.[144] While initial estimates of children living in poverty would be based on the U.S. Census Bureau's Small Area Income and Poverty Estimates, which are also used for Title I, the federal government would be required to explore more accurate estimates of poverty for use in the program in later years.

FIGURE 4

Every state would receive a substantial increase in federal funding from the Public Education Opportunity Grants Program

Total federal funding for education based on proposed new program funding and existing Title I, Part A, funding, by state

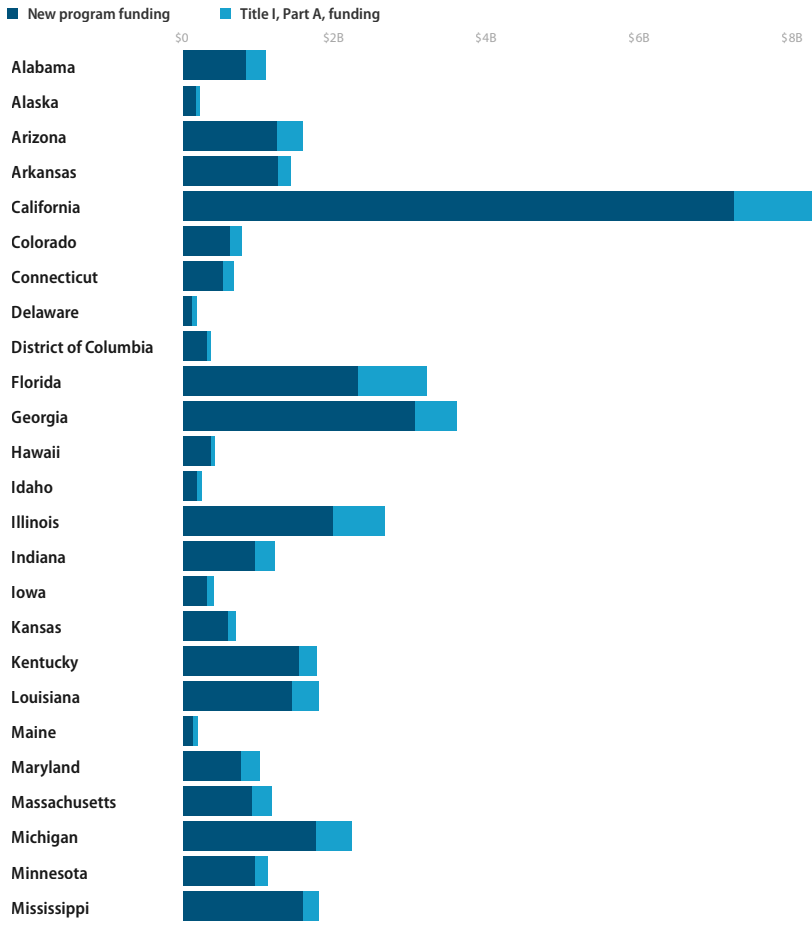


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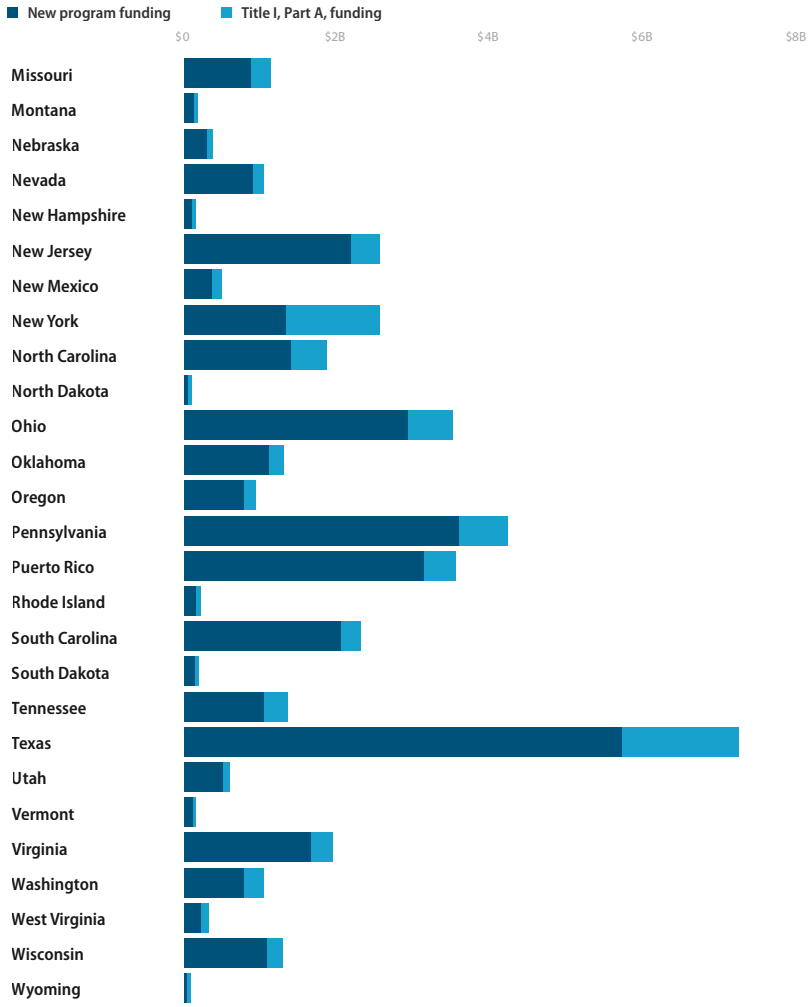
FIGURE 4 CONT'D

Every state would receive a substantial increase in federal funding from the Public Education Opportunity Grants Program

Total federal funding for education based on proposed new program funding and existing Title I, Part A, funding, by state



Note: Title I, Part A, funding is from fiscal year 2019.
Sources: U.S. Department of Education, "Fiscal Years 2019-2021 State Tables," available at https://www2.ed.gov/about/overview/budget/statetables/index.html (last accessed August 2020). Full program details are described in Scott Sargrad and others, "Public Education Opportunity Grants: Increasing Funding and Equity in Federal K-12 Education Investments" (Washington: Center for American Progress, 2020), available at https://www.americanprogress.org/?p=491255.

State eligibility and uses of funds

States would be eligible for funding in two ways. First, all states, as well as Washington, D.C., and Puerto Rico, would be eligible to receive funding for their highest-poverty districts. That is, after determining weighted poverty quartiles (see Appendix), the 25 percent of districts with the highest poverty rates in the state would be eligible. For states that only have a single school district, the entire state would be eligible. Second, if a state demonstrates that students living in poverty receive more state and local funding per pupil than students not living in poverty,[145] the state may be eligible to receive funding for additional districts, as described in the "District eligibility and uses of funds" section below. All states must continue to meet the fiscal equity requirements of ESSA, including maintenance of effort and supplement, not supplant requirements.

To receive funding under the proposed grant program, states must also conduct and make public an analysis of gaps in opportunity and outcomes based on race, family income, home language, and disability to determine root causes and potential solutions for closing those gaps. States may reserve 0.5 percent of their funding under the program for state-level equity initiatives designed to address these specific opportunity and outcome gaps. These initiatives must be developed in consultation with communities across the state, including stakeholders in the districts that will receive federal formula funding.

District eligibility and uses of funds

In every state, districts in the highest-poverty weighted quartile within the state would be eligible to receive funding. Eligible districts would be determined based on a three-year rolling average of the percentage of children living in poverty.[146] Other districts would be eligible to receive funds based on two criteria. First, the state must meet the fiscal equity requirements above. Second, the state must demonstrate that it reaches a certain effort level, as measured by the percentage of GSP spent on education, depending on state wealth, as measured by GSP per capita. Charter schools that are their own local educational agency would be eligible in the same way as traditional school districts, with poverty levels determined in the same manner as under Title I, Part A.

In the first year of the program, states would be identified as high (top 25 percent), medium (middle 50 percent), and low (bottom 25 percent) wealth, as measured by GSP per capita. States would also be identified as high, medium, and low effort based on total state and local direct education expenditure as a proportion of GSP. State and district eligibility in future years would be based on these same high, medium, and low thresholds for wealth and effort. In other words, the high-wealth threshold would always be set at the wealth of the 75th percentile state in the first year of the program. State wealth and effort would then be calculated and compared with these thresholds annually, allowing for more districts to gain eligibility over time, either due to decreases in state wealth or increases in state effort. Once determined to be eligible, a district would receive at least five years of funding, regardless of changes to state wealth and effort.

In low-wealth states, all districts would be eligible for funding if the state has a high level of effort. If the state has medium effort, districts in the three highest-poverty quartiles would be eligible. If the state has low effort, districts in the two highest-poverty quartiles would be eligible.

In medium-wealth states, the poorest 75 percent of districts would be eligible if the state has high effort. If the state has medium effort, districts in the two highest-poverty quartiles would be eligible. If the state has low effort, only districts in the highest-poverty quartile would be eligible.

In high-wealth states, the poorest 50 percent of districts would be eligible if the state has high effort. If the state has medium or low effort, only districts in the highest-poverty quartile would be eligible.

TABLE 1

States vary in their available resources (wealth), the level of those resources they direct to education (effort), and whether more resources go to students living in poverty (progressivity)

Where each state falls on the three key program indicator scales

	State	Wealth*	Effort**	Progressivity***
Northeast	Connecticut	High	Medium	No
	Maine	Low	High	No
	Massachusetts	High	Medium	Yes
	New Hampshire	Medium	Medium	No
	New Jersey	High	High	Yes
	New York	High	High	No
	Pennsylvania	Medium	High	Yes
	Rhode Island	Medium	High	No
	Vermont	Medium	High	Yes
	State	**Wealth***	**Effort****	**Progressivity*****
Southeast	Alabama	Low	Medium	No
	Arkansas	Low	High	Yes
	Delaware	High	Low	Yes
	Florida	Low	Low	No
	Georgia	Medium	Medium	Yes
	Kentucky	Low	Medium	Yes
	Louisiana	Medium	Medium	Yes
	Maryland	High	Medium	Yes
	Mississippi	Low	High	Yes
	North Carolina	Medium	Low	Yes
	South Carolina	Low	High	Yes
	Tennessee	Medium	Low	Yes
	Virginia	Medium	Medium	Yes
	West Virginia	Low	High	No
	State	**Wealth***	**Effort****	**Progressivity*****
Midwest	Illinois	High	Medium	No
	Indiana	Medium	Low	Yes
	Iowa	Medium	Medium	No
	Kansas	Medium	Medium	Yes
	Michigan	Medium	Medium	No
	Minnesota	Medium	Medium	Yes

continues

TABLE 1 CONT'D

States vary in their available resources (wealth), the level of those resources they direct to education (effort), and whether more resources go to students living in poverty (progressivity)

Where each state falls on the three key program indicator scales

	State	Wealth*	Effort**	Progressivity***
Midwest	Missouri	Medium	Medium	No
	Nebraska	Medium	Medium	Yes
	North Dakota	High	Medium	No
	Ohio	Medium	Medium	Yes
	South Dakota	Medium	Low	No
	Wisconsin	Medium	Medium	Yes
	State	**Wealth***	**Effort****	**Progressivity*****
Southwest	Arizona	Low	Low	No
	New Mexico	Low	Medium	No
	Oklahoma	Medium	Medium	Yes
	Texas	Medium	Medium	No
	State	**Wealth***	**Effort****	**Progressivity*****
West	Alaska	High	High	Yes
	California	High	Low	Yes
	Colorado	Medium	Low	Yes
	Hawaii	Medium	Low	Yes
	Idaho	Low	Medium	No
	Montana	Low	High	No
	Nevada	Medium	Low	No
	Oregon	Medium	Medium	Yes
	Utah	Medium	Medium	Yes
	Washington	High	Medium	Yes
	Wyoming	High	High	No

* "Wealth" is per-capita gross state product in 2019.

** "Effort" is total state and local direct education expenditures as a proportion of gross state product in 2017.

*** "Progressivity" means that the ratio of cost-adjusted per-pupil revenue from state and local sources for students in poverty to cost-adjusted per-pupil revenue from state and local sources for students not in poverty is greater than 1.

Note: The District of Columbia and Puerto Rico are excluded from this figure because data are lacking for them in at least one of the three eligibility categories. They are still eligible for the Public Education Opportunity Grants Program, the details of which are in the CAP report.

Sources: Scott Sargrad and others, "Public Education Opportunity Grants: Increasing Funding and Equity in Federal K-12 Education Investments" (Washington: Center for American Progress, 2020), available at https://www.americanprogress.org/?p=491255; Bureau of Economic Analysis, "GDP Summary, Annual by State," available at https://apps.bea.gov/itable/iTable.cfm?ReqID=70&step=1#reqid=70&step=1&isuri=1 (last accessed August 2020); Albert Shanker Institute and Rutgers University Graduate School of Education, "School Finance Indicators Database," available at https://schoolfinancedata.org/ (last accessed August 2020); Urban Institute, "School Funding: Do Poor Kids Get Their Fair Share?" (Washington: 2017), available at https://apps.urban.org/features/school-funding-do-poor-kids-get-fair-share/.

Once a district is determined to be eligible, it would receive five years of funding regardless of changes in state wealth or effort. To receive another five years of funding, each district must demonstrate, by the end of the first five years, that its high-poverty schools receive at least as much state and local funding per pupil as its low-poverty schools. Additionally, as described in the "Accountability for student outcomes and resource equity" section below, if districts close funding gaps among schools but do not make progress on outcome and resource equity indicators in the first five years, the state would direct the uses of funds under this program. Districts must also continue to meet ESSA's maintenance of effort and supplement, not supplant requirements.

In order to receive funding under the proposed program, districts would be required to conduct and make public an analysis of gaps in opportunity and outcomes by race, family income, disability, and home language to determine root causes and potential solutions for closing those gaps. Districts would be permitted to use funds for activities designed to improve student outcomes and resource equity based on this analysis. Uses of funds must be tied directly to this analysis and must support the student groups facing gaps in opportunity and outcomes. Funding from the program can be used for capital expenditures if, during the process of identifying key indicators described below, districts find critical physical or digital school infrastructure gaps that impede the ability of students and educators to learn or teach safely and effectively. However, given the level of need in this area, Congress should also pass legislation such as the Rebuild America's Schools Act to direct additional federal funding to specifically support school infrastructure.[147]

Accountability for student outcomes and resource equity

Districts receiving funding under this proposed program would be accountable for making progress on the state's student outcome indicators under ESSA, as well as additional outcome and resource equity indicators as determined jointly by the district and the community.

In consultation with community members—including students, families, educators, and other school staff, as well grassroots organizations representing all communities and all schools, including underrepresented communities—districts must identify key indicators of student outcomes and resource equity based on the district's analysis of gaps in opportunity and outcomes. In determining the resource equity indicators, districts must identify the key resources that are

needed for all students in the district to have a high-quality school. These resource equity indicators could include measures such as high-quality and experienced educators; well-rounded education; low class sizes; health and wellness programs; and support staff.[148]

Once key indicators of student outcomes and resource equity are decided, districts must consult with community members to set annual progress targets for these indicators over a 10-year period. Districts must publicly report the results of the consultation with community members and the final indicators and targets, as well as annual progress toward the targets.

Districts would be required to measure and report the progress of every school toward reaching ESSA's outcome targets, as well as any additional outcome targets set by the district and community. Districts would also be required to measure and report their progress in meeting the goal of every school having the key resources identified as necessary by the community. After the fifth year of the program, if the district has not met its outcome and resource equity targets, the state would be required to direct spending of the federal funding for the remaining years, potentially with the assistance of a nonprofit support organization.

Ways to spend additional investments

The authors asked focus group participants in Texas, Alabama, and Mississippi about how and on what initiatives they would spend additional federal education funding, and they had many answers in common.[149] First, teachers in all three states highlighted the need for additional staff in the classroom to help with classroom management and supporting students at different learning levels. Furthermore, teachers, students, and parents recognized the need for greater, more consistent professional development for educators, especially to keep up with an evolving workforce landscape and to be competent in using culturally responsive pedagogy. Additionally, teachers, parents, and students recognized the importance of higher teacher pay and expressed the need for some additional funding to go toward higher salaries, especially to help schools remain competitive as a desirable place for talented teachers.

Another important priority noted was funding for wraparound services for students and educators, including school meals; basic school supplies such as pencils, notebooks, and backpacks; and even access to washers and dryers for students and their families. In addition to meeting the physical needs of students and educators, each focus group emphasized the need for social, emotional, and mental health supports for students and for teachers. The importance of these services delivered by individuals trained in culturally responsive practice and trauma-informed care was highlighted across states. Furthermore, teachers and parents in all three states stressed the need for a strong relationship between schools and communities. This included funding to strengthen outreach and communication with parents and for educational and support services to parents such as courses on college application or standardized testing preparation.

Finally, teachers, educators, and parents emphasized the importance of a safe, functional, and well-equipped classroom environment. Therefore, the focus groups recommended that a portion of new funding be spent on school infrastructure modernization and upkeep, in addition to updating school materials and curricular materials, including textbooks and laptops, with enough of each so every student can take home their own. In addition, people also emphasized the importance of not only updated curricular materials but also culturally responsive materials that educators could build upon to help students understand why the material is important and relatable to them.

A common frustration shared across state focus groups was the feeling that policymakers decide how to spend school funding dollars without consulting the educators, students, and parents most affected by those decisions. They said they believe that their on-the-ground firsthand knowledge is important for making funding decisions that effectively tackle the most pressing issues. These parents, teachers, educators asked that policymakers prioritize transparency and meaningful inclusion of community members in future decisions around school funding and other school-related policies.

Conclusion

The K-12 education system should be a powerful driver of opportunity, where students learn important skills and information that empower them to explore a variety of future college and career pathways. However, money matters in education, and years of chronic underinvestment at the federal, state, and local levels have undermined many aspects of school quality, negatively affecting educators and students alike.

Furthermore, there are persistent inequities in education funding across states, districts, and schools that have left students from families with low incomes and BIPOC students with fewer resources than they need and deserve. The federal government is uniquely positioned to help address these inequities and inadequacies through greater, more targeted investment. Although it is heartening to see national leaders propose to accomplish this through significant increases to Title I, existing concerns about the Title I formula should give education researchers and policymakers reason to consider other bolder alternatives. The time is right for a dramatic rethinking of how education is funded by the federal government to address historical inequities and provide every child with a quality education.

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Appendix

The authors relied on multiple existing datasets and new analyses to determine state and district eligibility for the funding formula proposed in this report. This Appendix contains full details about each source consulted and the analyses a particular source was used for, as well as the final formula calculations.

District weighted quartiles

Data to determine the population of students in poverty and to create weighted quartiles are from the U.S. Census Bureau's Small Area Income and Poverty Estimates program's (SAIPE) school district estimates for 2018.

Using SAIPE data, the authors calculated each district's poverty indicator as a percentage of all students who were in poverty. Next, for all states except Hawaii, and also excluding Washington, D.C., and Puerto Rico—all three of which have only one school district each—the authors created weighted quartiles in which all districts in a state were divided into four groups of roughly equal student populations. The groups were ordered by poverty indicator, with the first weighted quartile consisting of districts with the highest percentage of students in poverty and the fourth weighted quartile consisting of districts with the lowest percentage of students in poverty. In other words, the percentage of all students in any district who were in poverty in a quartile was less than or equal to the percentage for any district in the quartile preceding it.[150]

Given certain disproportionately large districts—for example, New York City—it was not possible for every state to have exactly equal student populations across the four weighted quartiles. The state with the largest percentage difference among quartile student populations was Nevada, at 183 percent, due to the Clark County School District. Eight other states—Alaska, Delaware, Illinois, Maryland, Nebraska, New Mexico, New York, and South Dakota —also had a difference of more than 20 percent between their most populous and least populous quartiles.

Twenty-eight states—plus Hawaii, Washington, D.C., and Puerto Rico, all of which only have one district—had a difference of less than 10 percent between the student populations of their largest and smallest weighted quartiles.

Student subgroup populations

The authors used the Elementary and Secondary Information System (ElSi) from the National Center for Education Statistics to determine the population of students in each district by race, English language learner status, and individualized education program status.[151]

ElSi data were matched to SAIPE data using the agency ID—the combination of state and district IDs for each district. Because SAIPE data treat the New York City Department of Education as a single district while ElSi data have New York City split into 32 geographic districts, the sum of all geographic districts was condensed into a single number for merging purposes. All other ElSi data were left unmanipulated before merging.

State indicators

The authors relied on three state indicators for funding eligibility: effort, wealth, and progressivity. The authors calculated effort as low (less than the 25th percentile), medium (25th to 75th percentile), or high (greater than the 75th percentile) using the 2017 effort index from the School Finance Indicators Database.[152] State wealth was also classified as low, medium, or high, based on the same percentile groupings, based on 2018 per capita GSP, available from the U.S. Bureau of Economic Analysis.[153]

In order to determine progressivity, the authors analyzed 2013-14 school year per-pupil revenue (PPR) from the Urban Institute.[154] These numbers are cost adjusted at both the state and local levels and available for students in poverty and students not in poverty. Overall state progressivity was calculated as a poverty-to-nonpoverty PPR ratio by summing the state and local cost-adjusted numbers for students in poverty and students not in poverty, and then dividing these two sums. Only states with a ratio higher than 1, meaning they have a higher PPR for students in poverty than students not in poverty, were determined to have progressive funding.

Washington, D.C., Hawaii, and Puerto Rico are places that effectively have only one school district. Therefore, calculations of wealth, effort, and progressivity are not necessary in the first year given that their one district and all its schools are eligible for program funding, including funding based on progressivity. Continued eligibility for funding in response to demonstrated progressivity will be evaluated at the five-year mark, wherein in these three places, progressivity among schools will be evaluated instead of progressivity among districts.

Formula eligibility and funding levels

States were categorized into one of four tiers based on their wealth and effort levels. Tier 1 is exclusively for states with low wealth and high effort, and all districts in these states are eligible for additional funding. Tier 2 states include those with medium wealth and high effort, or low wealth and medium effort. In Tier 2 states, all districts except those in the lowest-poverty quartile are eligible for additional funding. States in Tier 3 have the same level of both wealth and effort, no matter the level. In Tier 3 states, only districts in the two highest-poverty quartiles are eligible for additional funding. All other states are in Tier 4, where only districts in the highest-poverty quartile are eligible for funding.

In states with progressive funding, districts in all eligible quartiles—based on the state tier—would receive $12,330, adjusted for the 2017-18 cost of living in each state using the implicit regional price deflator from the Bureau of Economic Analysis, of new funding for each student in poverty in their district. In states without progressive funding, only districts in the highest-poverty quartile would be eligible for this new funding, regardless of state tier. As a result, total new funding for each state was calculated as $12,330 adjusted for cost of living multiplied by the sum of all students in poverty from all eligible districts in the state.

Focus groups

In advance of this report, the authors spoke to a combination of students, parents, educators, and administrators in schools in Alabama, Arizona, Mississippi, and Texas. Schools were selected through recommendations from local partners in each state. Key takeaways from these conversations are represented in text boxes throughout the report.

In Alabama, the focus groups were held at Lanier High School in Montgomery on October 23, 2019. The interviews were conducted by members on the K-12 Education Policy team at CAP, including the authors. Three separate focus groups were created: one consisting of parents in the PTA at Lanier High School; one consisting of teachers; and one consisting of students across grade levels at the high school.

In Arizona, the focus groups were held in Maricopa High School in Maricopa on December 10, 2019. The interviews were conducted by Lisette Partelow and Bayliss Fiddiman from CAP, with Catherine Sigmon from Save Our Schools Arizona in attendance as a local partner. Three separate focus groups were created: one consisting of parent volunteers; one consisting of teachers and administrators; and one consisting of students across grade levels at the high school.

In Mississippi, focus groups were held in Clarksdale with participants from Clarksdale High School on March 2, 2020. The interviews were conducted by Jessica Yin and Bayliss Fiddiman from CAP, with Manika Kemp from the Clarksdale Municipal School District as a moderator and Phelton "Cortez" Moss present as a local partner. Three separate focus groups were created: one consisting of parent volunteers; one consisting of teachers and administrators; and one consisting of students across grade levels at the high school.

Another set of focus groups was held in Jackson, Mississippi, at Smilow Collegiate Charter School on March 3, 2020. The interviews were conducted by Jessica Yin and Bayliss Fiddiman from CAP, with Phelton "Cortez" Moss present as a local partner. Two separate focus groups were created: one consisting of parent volunteers and one consisting of teachers and administrators.

For Texas, focus groups were conducted virtually with participants from Spring Branch Independent School District headquartered in Hedwig Village on January 29, 2020, and February 11, 2020. The interviews were conducted by Jessica Yin and Bayliss Fiddiman from CAP, with Juan Suárez Ortíz as a participant and local partner. Two separate focus groups were created: one consisting of parent volunteers and one consisting of school staff mostly from Spring Branch Elementary School.

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