

\$23 BILLION

---

*“Clearly, we are failing to solve this problem. It is the problem of bringing this important and increasingly isolated class into the life of America...  
There is progress, and there are some successes in education, but the central truth is that the poor remain plunged in poverty and severe educational deprivation...  
Our large black and hispanic population is more concentrated in poor urban areas and will remain isolated from the rest of society unless this educational deficiency in poorer urban districts is addressed.”*

*-- Abbott v Burke, 119 N.J. 287 (June 1990)*

---

In 1971, the California Supreme Court ruled that the state’s education funding system—which relied largely on property wealth—was violating the rights of low-income students to access a quality education. It demanded that the legislature create a new funding formula that would make up for the extreme differences in income and wealth across school district borders.

In 1990, the New Jersey Supreme Court held that the state’s mechanism for funding schools was creating chasms that would disadvantage poor urban children for the rest of their lives if not immediately addressed.

In 2003, the New York Legislature was ordered by the courts to devise a new funding system that would guarantee the prospect of an adequate education for all children, most specifically the poor urban children of New York City—the country’s largest school system.

These three lawsuits, [Serrano v Priest](#), [Abbott v Burke](#), and [Campaign for Fiscal Equity v the State of New York](#), are all seen as landmark decisions in school finance equity. Though these cases were argued on the basis of wealth, all three drew inherent links between class and race inequities in the United States—in the hope that solving the former may solve the latter.

By and large, in these and other cases across the country, the courts did not make a distinction between *local taxes* and *local governance* of schools. In so doing, these decisions further entrenched the idea that spending on school districts is an entitlement of local governance. They linked the ability to self-fund schools with the ability to self-govern, two separate concepts that have become entwined under the concept of “local control”.

But while self-governance relies solely on the existence of people within a given area, “local control” of funding works far better for some communities than it does for others. Wealthy communities can use existing laws and political power to draw borders around themselves, keeping deep pockets of money in while leaving less-privileged children out. As a result, school districts in high-poverty areas have fewer resources to pay for education and are forced to rely on the state to make up the difference. Hypothetically this arrangement could balance out, but states have [largely failed](#) to keep up with the growing wealth disparities across their communities, a trend that is almost inevitable given our current system, and further intensified by the issue of race.

The inherent links between race and class in our country haven’t been remedied by school-funding lawsuits nor the passage of time. They remain ever present, and while we have made some progress on the issue of economic inequality in our schools, we still have a terribly inequitable system. For students of color, the problem is even worse. The concentration of low-wealth communities described above is even more pronounced due to the history of racial segregation in our country, both formal and informal. The ability of local districts to raise revenue for their schools is thus undermined. And political power in the state capitol is

diffused and diminished, because there are six times more white districts representing their interests in state capitols than nonwhite districts. The result being fewer local resources and less state aid to compensate for it.

And so, fifty years after *Serrano*, and despite decades of lawsuits throughout the country, there remains a \$23 billion gap between white and nonwhite school districts, even though they serve the same number of children. Among the worst offenders are California, New York and New Jersey—the three states made famous by aggressive school funding lawsuits.

Nonwhite vs. White		
California	-\$2,390	• New Jersey -\$3,446 • New York -\$2,222
Poor Nonwhite vs. Poor White		
California	-\$3,974	• New Jersey -\$7,347 • New York -\$4,094

The remedy in these cases (state-dependent funding) placed a feather over a fissure and was somehow expected to bridge the yawning gaps of opportunity that our school district borders exacerbate.

“Disparate impact” is the adverse effect of a practice or policy that is neutral and non-discriminatory in its intention but, nonetheless, disproportionately affects individuals belonging to a particular race or ethnicity. There are two questions that we must ask when endeavoring to fix a societal problem that systemically disadvantages a certain race or class of people: what created that system, and what keeps it going? Failure to honestly examine both often leads to a series of fixes that may treat the branches, but ultimately miss the root.

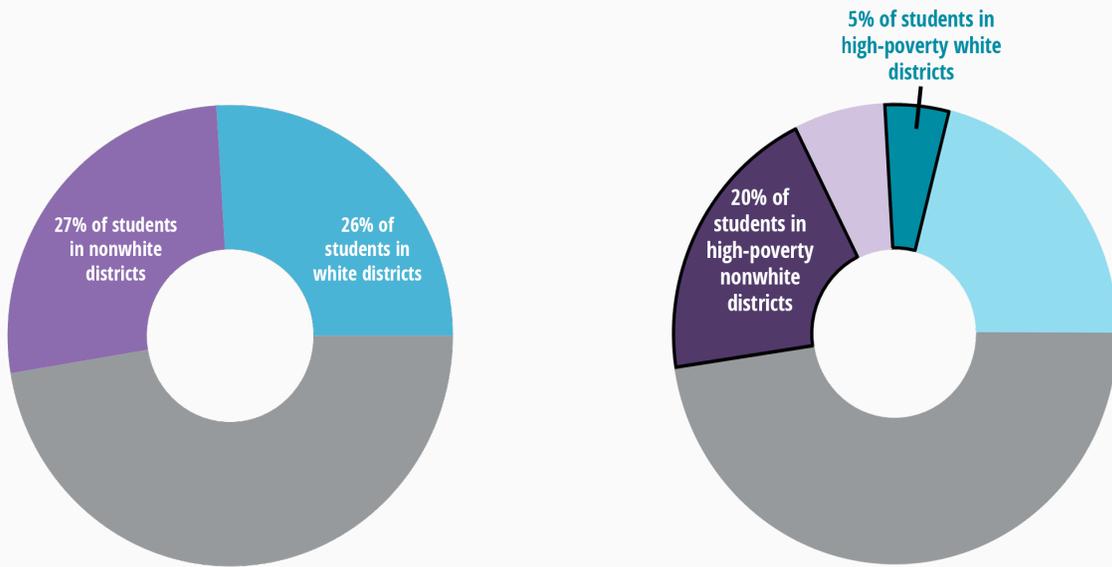
## The Root of “Local Control” That Grew the System

The history of our education system is grounded in the idea of localism. At its earliest stages, nearby adults taught students in small communities. The neighborhood built their schoolhouses themselves. They jointly hired teachers and came together to make decisions about what their children would learn. As a result, the concept of “local control” has a stronghold in policy—officials from the community govern neighborhood schools and are held accountable to the public through election. A tradition that also includes funding schools through local property taxes.

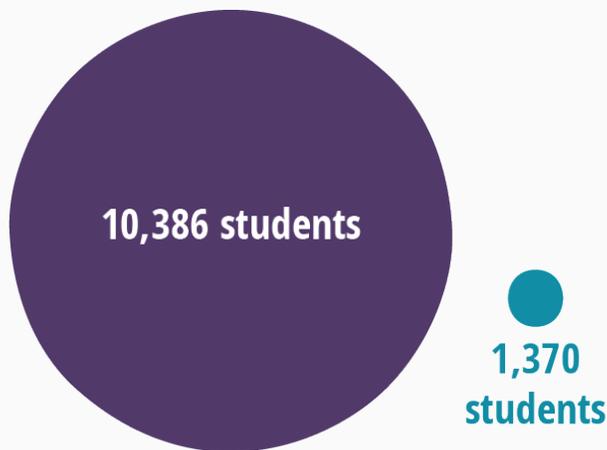
This is largely the same organization that is in place today. Local funding of schools has been inextricably tied, in the public’s mind, to the privilege that communities receive to run and fund neighborhood-based schools. But the financial reality is that a geographically arranged set of school districts creates uneven distribution of wealth, and the inherent interest of keeping the control of schools close to the community creates an inequitable tax base from which schools can be funded.

Geographically divided school districts also exacerbate the place-based racial divide that we have created and maintained in America. There are a similar number of students attending racially concentrated school districts as there are in more diverse systems. Of those students in racially concentrated systems, about half attend school in a district that is more than 75% nonwhite (“nonwhite districts”), and half are enrolled in districts that are more than 75% white (“white districts”).

Our racial divide becomes even more concerning when you narrow the comparison to just racially concentrated high-poverty districts. Of all the students in the U.S., 20% are enrolled in high-poverty nonwhite districts, but only 5% live in white districts with similar financial challenges. This alone creates a significant and obvious inequity in the taxing ability of nonwhite districts compared to predominantly white school systems. Because our solution to funding inequities is to depend on states to fix the problem, the wealth divide makes school districts in nonwhite areas far more reliant on the state to establish adequate funding than those that serve a mostly white student population.



Even still, this system might work if there was a balance of power across school districts. If all things were equal, students would be represented by a roughly equivalent number of adults and elected school board members. Unsurprisingly, this is not the case. There are over 13,000 traditional public school systems in the United States, serving an average of 3,500 students. However, the average high-poverty nonwhite district serves almost 10,500 students—a student body that is three times larger than the national average. Primarily white districts, on the other hand, enroll only 1,500 students on average—and high-poverty white districts are even smaller.

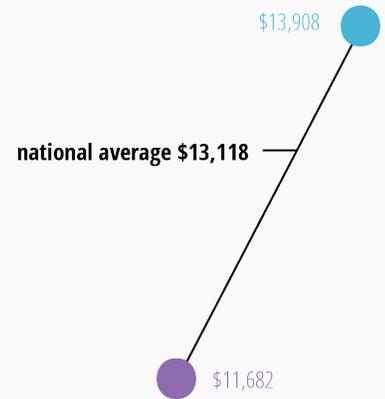


If we imagine that school districts are a congress, designed to hold the state accountable for the fair treatment of all students, then where the borders are drawn to influence the size and makeup of each jurisdiction is incredibly important. In the U.S., there are more than six times as many predominantly white districts as those that serve primarily nonwhite populations. The power of advocacy, then, is amplified or muted by the sheer size of districts at each end of the size spectrum. When there are six times more members of a special interest, that special interest is likely to be more effective in the state capitol.

Taken together, our nonwhite school systems are more dependent on the state to give their students a fair chance at an equal education, but their voices have been limited by the geography of our system. This scheme of school district organization—where locally run schools remain needlessly tied to local control of taxes—is working for wealthy white communities that have the independent ability to raise more money, and have a stronger voice in the decisions we make related to funding policies. This same scheme is fundamentally failing our districts serving a concentrated high-poverty, nonwhite population of children.

## The Funding Chasms Between the Branches

Nationally, predominantly white school districts get \$23 billion more than their nonwhite peers, despite serving a similar number of children. White school districts average revenue receipts of almost \$14,000 per student, but nonwhite districts receive only \$11,682. That’s a divide of over \$2,200, on average, per student.



(See Appendix 1 for a detailed list of all states and their white/nonwhite funding gaps.)

Only thirty-five states in the country have enough racial diversity to analyze their funding in a meaningful way. Of those, over half have a system that works against nonwhite districts. Making matters worse, of the 12 million students living in concentrated nonwhite school districts, over 10 million are enrolled in states where their districts are funded at lower levels than their white counterparts.



Because our system of funding schools is a complicated patchwork of policies, created to both uphold and mitigate the runaway nature of “local control,” these gaps cannot be explained in generalities. For instance:

- [almost all states](#) rely on property taxes as a driver of school funding,
- but fifteen also include locally raised sales taxes,
- six permit locally governed income taxes,
- many have state lotteries, and
- just over half of all states employ a solely student-based formula—while the rest fund schools based on some other system.

Because our school district borders determine who gets to keep this money, how the boundaries are drawn has a significant impact. Maryland, for instance, sorts 880,000 students into just twenty-four districts, whereas New Jersey divides 1.3 million students into 540 districts.

But the fact remains that, on the whole, a student living within the geographic boundaries of a primarily white school district in the United States has a resource advantage over those enrolled in a heavily nonwhite system, regardless of geographic location or wealth.

Courts, over time, have had the opportunity to consider the impact of a locally controlled funding system on students of color, and time and again they have upheld the link between local governance and local taxes—expecting that by focusing on the wealth gap, supplemental funding from the state would eliminate the inequities created. But it has been consistently demonstrated that state funding alone doesn't fix the problem for low-income communities. In fact, it may even exacerbate a racial divide between these struggling communities, due to imbalances in political power and tax bases.

Although our patchwork of complicated funding policies are supposed to level the playing field for all low-income students, they leave high-poverty nonwhite communities even further behind their high-poverty white peers.

At the national level, there is a \$1,500 per student gap between white districts, who receive \$12,987 per student, and equally disadvantaged nonwhite districts with just \$11,500 per student. When we look at how this plays out on a state-by-state basis, 7 million kids are enrolled in high-poverty nonwhite districts in states that provide less funding, on average, to those systems than their high-poverty white counterparts. That is 78% of the students in racially concentrated, high-poverty districts across the states in our analysis.

(See Appendix 2 for a detailed list of all states and their high-poverty white/nonwhite funding gaps.)

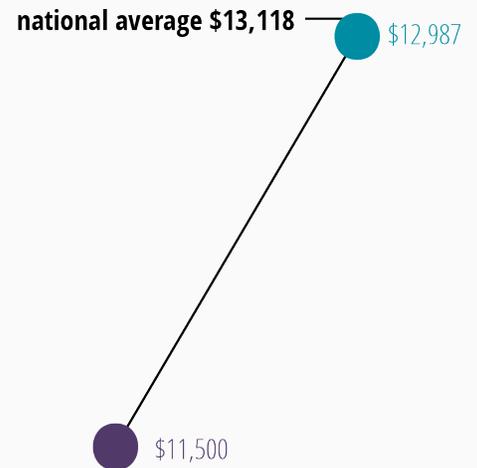
Neither the courts nor legislatures have fixed the fundamental school-funding problem for low-income students. But they're even further from a fix for students in concentrated nonwhite districts, regardless of wealth. The economic differences between our communities mean that the very base of our school funding system will always be inequitable, and the imbalance of both economic and political capital across races means that inequitable funding will bias even further against heavily nonwhite student populations.

## Conclusion

When people settle somewhere, intending to invest in their home and community, they say that they're "putting down roots". They get to know their neighbors. They pay taxes. They shop in their community and take part in local elections. And through all of these activities, school districts are grown and maintained.

The idea that education is rooted in local control, therefore, isn't a surprise. Local residents understandably want a say in the education of their children, and they likewise hold tight and defend the ability to make local decisions. But, protecting the ability to locally manage schools does not require funding education in a way that reinforces harmful vestiges of our past.

Our economically and racially divided school districts have grown up out of the root of local funding. But for decades we've been solving for the inequities at the end of its branches. The co-mingling of the way districts are governed with the way that they are funded has led to an endlessly unfair system that is stacked against our most vulnerable children. We now have a system where wealth is preserved for the lucky—disproportionately fractured and locked away in racially concentrated white school districts. This is unlikely to change unless we finally commit to challenging the funding aspect of local control.



## Appendix A: Difference in Funding Between White and Nonwhite Districts

Nonwhite districts receive less than white districts in 21 states

State	Difference in funding	Students in poor nonwhite districts
Arizona	-\$7,613	291,158
Nebraska	-\$3,961	9,116
Oklahoma	-\$3,618	57,863
New Jersey	-\$3,446	432,377
Connecticut	-\$2,931	107,790
Montana	-\$2,711	6,273
Washington	-\$2,590	93,872
Rhode Island	-\$2,450	26,524
California	-\$2,390	3,860,192
<b>National</b>	<b>-\$2,226</b>	<b>-</b>
New York	-\$2,222	1,249,988
Colorado	-\$2,218	154,058
Massachusetts	-\$1,644	140,698
South Dakota	-\$1,580	2,950
Wisconsin	-\$1,473	75,749
Kansas	-\$1,462	42,140
Texas	-\$830	2,441,928
Florida	-\$423	702,388
Missouri	-\$238	103,411
Michigan	-\$181	126,309
Indiana	-\$43	75,432
Tennessee	-\$39	125,934
<b>Total</b>		<b>10,126,150</b>
Nonwhite districts receive more than white districts in 14 states		
Alabama	\$146	97,853
Virginia	\$255	119,782
Ohio	\$394	179,101
Illinois	\$490	612,436
Maryland	\$501	212,602
North Carolina	\$634	82,393
Georgia	\$695	360,605
Mississippi	\$1,074	127,119
Minnesota	\$1,077	45,837
Arkansas	\$1,498	54,550
Louisiana	\$1,774	78,043
Pennsylvania	\$1,923	215,251
South Carolina	\$2,128	56,868
Alaska	\$3,077	17,929
<b>Total</b>		<b>2,260,369</b>

\*Nonwhite districts are those that educate more than 75% nonwhite students. White districts are those that educate more than 75% white students.

## Appendix B: Difference in Funding Between Poor White and Poor Nonwhite Districts

Poor nonwhite districts receive less than poor white districts in 17 states

State	Difference in funding	Students in poor nonwhite districts
Arizona	-\$10,964	290,100
Washington	-\$8,222	53,010
New Jersey	-\$7,347	309,165
New York	-\$4,094	1,116,339
California	-\$3,974	2,317,047
Montana	-\$3,565	5,689
South Dakota	-\$2,781	2,851
Colorado	-\$2,770	102,305
Wisconsin	-\$2,638	75,749
Oklahoma	-\$2,496	54,207
Kansas	-\$1,998	22,052
<b>National</b>	<b>-\$1,487</b>	<b>-</b>
Minnesota	-\$509	45,837
Florida	-\$435	433,290
Rhode Island	-\$418	26,524
Texas	-\$296	1,938,173
Missouri	-\$134	71,324
Michigan	-\$25	119,636

**Total** **6,983,298**

Poor nonwhite districts receive more than poor white districts in 12 states

Tennessee	\$156	115,612
Alabama	\$240	97,853
Ohio	\$244	175,570
Indiana	\$371	75,432
North Carolina	\$469	82,393
Georgia	\$513	360,605
Virginia	\$898	108,734
Mississippi	\$1,052	120,647
Arkansas	\$1,271	54,550
Illinois	\$1,626	552,916
Pennsylvania	\$2,198	208,155
South Carolina	\$2,555	56,868

**Total** **2,009,335**

\* Poor nonwhite districts are those with more than 20% student poverty rate which educate more than 75% nonwhite students. Poor white districts are those with more than 20% student poverty rate which educate more than 75% white students.

# METHODOLOGY

## Purpose

The purpose of this data product is to examine school district revenues based on racial and socioeconomic characteristics at the national and state level.

## Data Sources

- School district revenues from state and local sources: revenues from state and local sources for the 2015-16 school year come from the Census, [Annual Survey of School System Finances \(F33\)](#).
- School district enrollment and percent nonwhite: school district enrollment characteristics from the 2015-16 school year come from the US Department of Education, [National Center for Education Statistics, Common Core of Data \(CCD\)](#).
- District-level, school-age poverty rates: school district-level data on poverty rates among relevant school-age children in 2016 come from the Census, [Small Area Income and Poverty Estimates \(SAIPE\)](#).
- School district median owner-occupied property value and median household income for the 2015-16 school year come from the US Department of Education, National Center for Education Statistics, [Education Demographic and Geographic Estimates \(EDGE\)](#).
- Cost of living index: county-level cost-of-living index for 2016 comes from the [Council for Community and Economic Research \(C2ER\)](#).
- Native American reservations: American Indian Areas/Alaska Native Areas/Hawaiian Home Lands Boundary File from the [Census Bureau's MAF/TIGER geographic database](#).

## Methods

Figures in the report and website come from the data sources described above. Further details about these figures are presented below.

**Percent nonwhite calculations.** The proportion of students enrolled in a district that are nonwhite was calculated by dividing the number of nonwhite students by the total enrollment within a given school district.

**Revenue calculations.** All of the revenue figures presented are cost-adjusted to convert per-pupil revenues into figures that account for variation in the purchasing power of a dollar across different regions. We applied a cost-adjusting conversion by applying 2016 county-level cost of living index (COLI) values from C2ER to each district's revenues (each district's county was identified using National Center for Education Statistics, CCD data).

Per-pupil state and local revenues were calculated by dividing state and local revenues (adjusted to exclude the monies described below) by fall enrollment counts as reported in the F33 survey. Per-pupil state and local revenues for school districts are from the 2015-16 school year. We exclude federal dollars from all analysis because they are largely intended to supplement state and local dollars.

Prior to computing per-pupil revenue amounts, the following subtractions were made from total state and local revenues for each school district:

1. Because it can contribute to large fluctuations in district revenues from year to year, we exclude revenue for capital from the calculation of state revenues.

1. Similarly, we exclude money generated from the sale of property from local revenues, because it too can contribute to large fluctuations in revenues.
2. In just under 2,000 districts, revenues received by local school districts include monies that are passed through to charter schools that are not a part of the local school district but are instead operated by charter local education agencies (charter LEAs). This artificially inflates the revenues in these local school districts because they include money for students educated outside of the district who are not counted in enrollment totals. To address this, we subtract from state and local revenues a proportional share (based on the percent of each districts' revenues that come from local, state and federal sources) of the total amount of money sent to outside charter LEAs—an expenditure category included in the F33 survey.

**School district exclusions.** Our analysis includes all school districts in the country that meet our standard requirements for a finance-based analysis:

- Excludes districts that are of types 5 (vocational or special education), 6 (nonoperating) or 7 (educational service agency) in the F33 data
- If F33 school type is missing, excludes districts that are of types 4 (regional education service agency), 5 (state agency), 6 (federal agency), 7 (charter agency) or 8 (other education agency) based on Common Core of Data
- Excludes districts with missing or zero total enrollments
- Excludes districts that have missing or zero operational schools
- Excludes districts that have missing revenues
- Excludes districts that have very low revenues (<\$500)
- Excludes districts that have very high revenues (>\$100,000 in inflation-adjusted 2016 dollars)
- Excludes districts from the US territories

We additionally exclude school districts that intersect with Native American Reservations because federal dollars are a much larger proportion of revenue for Bureau of Indian Affairs (BIA) schools and the federal dollars are not always intended to supplement funds from BIA.

## Analysis

Each school district was categorized by 1) the proportion of nonwhite students enrolled in the district and 2) the poverty rate for student-age children estimated to live within the district. Using these rates, we created six categories for analysis:

Racially concentrated nonwhite school districts  
Proportion of students that are nonwhite > 75%

Racially concentrated white school districts  
Proportion of students that are white > 75%

Racially concentrated nonwhite, low-poverty school districts  
Proportion of students that are nonwhite > 75%  
Student poverty rate ≤ 20%

Racially concentrated nonwhite, high-poverty school districts  
Proportion of students that are nonwhite > 75%  
Student poverty rate > 20%

Racially concentrated white, low-poverty school districts

Proportion of students that are white > 75%

Student poverty rate  $\leq$  20%

Racially concentrated white, high-poverty school districts

Proportion of students that are white > 75%

Student poverty rate > 20%

**National analysis.** In the national analysis, we summarized cost-adjusted state and local revenue within each of the six categories listed above. We then conducted the following analyses:

1. Compare the average, cost-adjusted total revenue between:
  - a. Racially concentrated nonwhite school districts
  - b. Racially concentrated white school districts
2. Compare the average, cost-adjusted total revenue between:
  - a. Racially concentrated nonwhite, high-poverty school districts
  - b. Racially concentrated white, low-poverty school districts
3. Compare the average, cost-adjusted total revenue between:
  - a. Racially concentrated nonwhite, high-poverty school districts
  - b. Racially concentrated white, high-poverty school districts

**State analysis.** Not every state has a school district in each of the six categories. We performed these analyses at the state level for each state that meets the following requirements:

To be included in the state-level analysis, a state must have at least five school districts in each category for analysis OR at least 2% of its total enrollment in each category for analysis. For example, racially isolated white, high-poverty districts in Massachusetts include only three districts and less than 1% of the state's enrollment. Massachusetts, therefore, is not included in the analysis which compares racially concentrated white, high-poverty school districts to racially concentrated nonwhite, high-poverty school districts.

### Other variables included in analysis

Enrollment variables:

- Districts—Number of districts in the category
- Students—number of students enrolled in the districts included in the category
- Percent districts:
  - National—proportion of all school districts in the country that are included in the category
  - State—proportion of all school districts in the state that are included in the category
- Average enrollment: average number of students enrolled in the districts included in the category
- Percent enrollment:
  - National—proportion of all students in the country that are enrolled in the districts included in the category
  - State—proportion of all students in the state that are enrolled in the districts included in the category
- Average poverty rate—average poverty rate of the districts included in the category

Revenue variables:

- State and local revenue, per pupil, cost-adjusted—average total revenue, per pupil for the districts included in the category, cost-adjusted

- Local revenue, per pupil, coli—average local revenue, per pupil for the districts included in the category, cost adjusted
- State revenue, per pupil, coli—average state revenue, per pupil for the districts included in the category, cost adjusted
- State and local revenue, coli—sum of total revenue for all districts included in the category, cost adjusted
- Local revenue, coli—sum of local revenue for all districts included in the category, cost adjusted
- State revenue, coli—sum of state revenue for all districts included in the category, cost adjusted
- Average MHI—average median household income for the districts included in the category
- Average MPV—average median property value for the districts included in the category

### Note of Unit of Analysis

In this report, we compare the *average revenue of school districts* that have high concentrations of white and nonwhite students. This contrasts with *average revenue of students* living in those areas (i.e., the analysis is not weighted for district size, all districts are treated as equal). The chosen unit of analysis is the school district in order to approach the question of how geography and school district borders affect school resources. Since every state provides funding through school districts, which act as independent administrative units, the pattern of resource distribution among those units is important. This distribution indicates whether a state funding formula is working. Providing additional weight to larger districts may under or overstate systemic bias in the provision of funding to smaller districts, and is not in line with what we are attempting to discern. While we've been consistent with this focus and methodology across publications it is especially relevant to this report because of the historic and widespread housing segregation experienced by certain communities of color. If school-district boundaries are specifically acting as partitions of wealth and resources, we are interested in identifying that mechanism of systemic inequity.