The Public Education Funding Dilemma

Ira Hobson

Introduction
Relying heavily on income generated via local sources, mainly property taxes, to fund education has resulted in funding gaps, which have created disparities in the quality of education provided by public schools in the United States (U.S.). These funding gaps are further reinforced by the unequal allocation of education dollars at both the federal and state level.

In a report addressing the inequalities of public schools funding, the Education Trust found that states with a lower concentration of poverty receive more federal education funds than states with a higher concentration of poverty (Education Trust, 2006). It was also revealed in this report that school districts instructing a higher degree of poor and minority students receive less state and local education funds than school districts instructing the smallest number of poor and minority students (Education Trust, 2006).

To summarize, the current funding structure of the U.S. education system fosters the growth and intellectual development of students from affluent backgrounds, but limits the educational prospects of students from humble backgrounds. The results of this have placed students, educated in poorer school districts, at a competitive disadvantage, while creating a competitive advantage – based on academic exposure, opportunities and reputation – for students educated in rich schools districts.

The purpose of this paper is to offer possible alternatives for funding education in the United States and to advocate a larger role for the
federal government in education. This is the first step in providing equal
access to quality education for all students from pre-school to high school,
regardless of socio-economic background. After all, as a society we have
decided that education is a public good, which makes it non-rivalrous and
non-excludable, and a public good that is publically provided. This means
that is the responsibility of the government to employ all practical means
to ensure unbiased allocation of this public good.

Rich versus Poor School Districts

In poor school districts, the quality of education as measured in terms of
experienced and qualified teachers, required instructional supplies, and
adequate and properly maintained facilities, differs from rich schools.
Within and among school districts, the salaries of teachers at high-
poverty schools are less than the salaries of teachers at low-poverty
schools and consequently the most experienced teachers flock to more
affluent schools (Roza, 2006).

The teachers that are left to educate students at under-funded
schools are usually the most inexperienced and lowest paid teachers
and, as such, many of these teachers lack the skills and motivation
necessary to instruct students at the same or at a comparable level as
their more experienced colleagues. In addition to employing a high
concentration of the least qualified teachers, under-funded schools also
have limited access to up-to-date textbooks, to new computers and
relevant technologies, to science labs, and to other instruments that are
course specific.

Conditions of the teaching facilities at rich schools are more
conducive to learning than the conditions of teaching facilities at poor
schools, many of which are marred with graffiti and plagued by inferior
maintenance/upkeep. The quality of the education provided by a school
is a function of the funds available to attract and keep qualified teachers,
to provide relevant resources to aid teachers as well as students, and to
maintain and enhance teaching facilities. All of this is vital to providing
a healthy and safe environment that is conducive to learning. Therefore,
to improve the quality of education provided by high-poverty schools
and hence ensure that the future workforce will be diverse and skilled, the current funding gaps within the U.S. Education system must be lessened or eliminated at every level.

Before funding alternatives are discussed, however, it is necessary to review the funding inequities embedded in the three main sources of education funding in the U.S. “Public school funding in America comes from federal, state, and local sources, but because nearly half of those funds are generated by local property taxes, the American system generates large funding differences between wealthy and impoverished communities” (Biddle and Berliner, 2002).

According to data on public elementary-secondary schools revenues, of the aggregate $462.7 billion dollars spent on education in 2003-04 in the U.S., 43.9 percent came from local sources with property taxes accounted for 38.4 percent (U.S. Census Bureau, 2004). When geography and property value influence the distribution of education dollars, it is matter of basic logic that students living in communities with minimal property values will be denied access to the quality of education offered to students living in communities with greater property values. When you consider, additionally, the unequal allocation of state funding (47.1 percent of 2003-04 education revenues) to districts and of federal sources (8.9 percent of 2003-04 education revenues) to states, a clearer picture is drawn illustrating how the U.S. education system shortchanges students from low income and minority families.

The Education Trust calculated the funding gap per student by poverty, minority background, and by state, based on data from the U.S. Census Bureau and the U.S. Department of Education, for the 2003-2004 school year. The numbers are staggering for many states. In the state of Pennsylvania, the gap between revenues per student in the highest-and lowest poverty districts is $1,001 and it is $454 per student in the highest-and lowest-minority districts (Wiener and Pristoop, 2006).

These figures may seem less than critical, but consider the funding difference when these figures are summed based on the student population attending high-poverty schools. The U.S Education Department estimated that the standard classroom holds 25 students,
the standard elementary school has a population of 400 students and the
typical high school has a population of 1,500 students. Considering these
statistics, in the state of Pennsylvania the funding difference between the
highest and lowest poverty districts is as follows: 1) $25,025 per
classroom, 2) $400,400 per elementary school, and 3) $1,501,500 per
high school.

The state of New York has a funding difference for elementary
schools of $927,600 between the highest and lowest poverty districts; the
state of Illinois has a funding gap for high schools of $2,886,000, and the
state of Michigan has a funding gap based on classroom size of $14,525
(Wiener and Pristoop, 2006). Now, consider the implications to the U.S.
future workforce and its competitiveness internationally when a majority
of the states have similar or even greater funding discrepancies.

**Why it Matters**

The funding gaps do add up and they do adversely affect the quality and
quantity of education provided by those public schools with the highest
percentage of students from low income and minority families –
students who need the most support from the education system. The U.S
Census Bureau has shown statistically that there is a direct correlation
between education and individuals’ income capacity – and the greater
an individual’s income capacity is, the greater the possibility of that
individual improving his or her lifestyle.

It is not likely that providing equal funding will equalize the
quality of education across the board, or will allow low income students
to compete at the same or a higher level as high income students. In fact,
it is illogical to assume that every elementary and secondary educational
institution in the United States will provide the same quality of education
when educators and students all have different capacities to teach and
learn, and when environments vary as they do across the country.

What is more likely to hold true is that equal funding is the first
step to improving the quality of education received by low-income and
minority students, leading to the enhancement of their educational and
career prospects. The quality and quantity of education is related to the
dollars available to produce it and it is legally required for all children up to the age of sixteen to attend school. In addition, it is a publically produced service, so it is reasonable to argue that it is the responsibility of the government to ensure that a similar level of funding is spent per students in all public schools within the United States and its territories.

To date, the U.S. government has been remiss in its duty to provide equitable funding for public schools. As a matter of fact, the federal government contributes to the funding inequalities evident in the education system. The formula that the federal government uses to allocate education funds to states give the states with fewer low-income students more aid than the states educating a disproportionately large number of low-income children (Liu, 2006).

Interestingly enough, the purpose of this formula, established by the Elementary and Secondary Education Act, was “… to level the playing field for poor children” (Liu, 2006, pp.2). This act recognizes the correlation between funding and improving the quality of education for poor children, but instead of leveling the playing field, this formula reinforces the disparity of education funding within and between states, hence influencing the quality of education. The amount of funding states receive, is dependent on two factors: 1) the amount and concentration of poor children in school districts and 2) the average per-student expenditure in the states. As a result of the second factor, states with fewer poor students- which allows for higher than average per-student expenditures- receive more federal education dollars than states with a large concentration of poor student and lower average per-students expenditure (Liu, 2006).

The Results of Educational Funding: Positive and Negative
The funding inequalities perpetuated by all three sources of education funding in the United States – federal, state and local – have excluded students with deprived backgrounds from the educational opportunities and experiences conferred on students, who attend well-funded schools. This unequal educational playing field needs to be eliminated or, at the very least, the inequality reduced. Equalizing funding in terms of per
student expenditure within and between states is the first step in leveling the educational playing field for low-income students.

The benefits of equal funding, a prerequisite for providing quality education, outweighs the costs; this is especially true when the positive externalities of a value-added education are analyzed. Some of these positive externalities are: a diverse and skilled workforce, citizens who have a superior understanding of and participation in the democratic process, the loss of incentive to commit crimes as more education translates into a higher income capacity, and greater conformity to a set of societal values.

Accordingly, if such positive externalities of education are desirable then why have the funding inequities of high-poverty schools not been resolved? Such resolution would assure that the quality of education offered by these schools would no longer be adversely influenced by the lack of sufficient funds. There are a few explanations cited for the continued funding inequities for public schools. In a research report entitled “In Pursuit of Better Schools: What Research Says,” four very interesting ideas for tolerating unequal funding for public school were cited.

- **Historical experience:** From the start of the common school movement, public schools were established to serve local communities and not the state or the nation (Biddle and Berliner, 2002). This led to the property taxes structure for funding public schools as well as the reluctance of the affluent to pay additional taxes to finance well-funded schools for underprivileged communities. Thus, tolerating funding inequities equals no more additional taxes on properties with desirable market value.

- **Individualism:** resolving unequal funding in public schools does not really improve the standard of living for impoverished students because the successes and failures of students is a function of individual efforts and not social circumstances, such as unequal education funding (Biddle and Berliner, 2002).
• *Essentialism*: this is a belief that is held widely in the U.S, but is unacceptable to voice. Essentialism basically says this about equal funding- why bother about it when low income and minority students have genetic factors that are the cause of the differences in intelligence and skills acquired from their academic experiences (Biddle and Berliner, 2002).

• *The Coleman Report*: a study performed by the Heritage Foundation asserting that the level of funding for school does not affect student achievement (Biddle and Berliner, 2002).

Such beliefs are at the foundation of U.S. education policies as well as the arguments of many influential citizens, who prefer to keep their taxes as low as possible and have the resources and network necessary to advocate their causes to the U.S. Congress. The No Child Left Behind act is an example of this.

**Recent History**

One of the key assertions of the Coleman Report is that education reforms should focus on performance assessments rather than on increasing teachers' salaries or resolving the unequal funding of public schools. The Coleman Report is at the core of the No Child Left Behind Act because it focuses more on accountability and taking tests, when education policies should focus more on ensuring educators have the appropriate instruments as well as the knowledge, skills and abilities necessary for those educators to teach effectively and for students to learn competently.

The Obama administration’s educational initiative, Race to the Top, has been accused of being, “the antithesis of the education, justice, and equality he claims is central to his ideas and American values,” by parent and teacher groups (Singer, 2013). Race to the Top again focuses on assessment without regard to leveling the funding between different schools. It depends on initiatives developed by states and provides economic rewards to states that “win,” ignoring the possibility that losing states may have greater need for resources.
There are many studies that illustrate the direct effect that adequate funding has on students’ development and achievements. These studies invalidate the excuses for tolerating unequal funding for public schools. One such study was performed by Harold Wenglinsky, Ph.D., an Associate Research Scientists at Educational Testing Services—a policy information center. Wenglinsky collected data that showed a relationship between money and mathematics achievement in a national sample of fourth, eighth, and twelfth graders (1998). Wenglinsky showed that the more per-student expenditure on instruction is increased, the more experienced and educated teachers who can be employed and retained because of higher salaries (1998). The effect of more experienced teachers and higher salaries, as shown by this study, is the improvement of students’ competencies. Studies like Wenglinsky’s demonstrate that money does matter when providing quality education.

**Education as Public Good**

The excuses for unequal funding, so widely accepted in the past, however, do draw reference to two interesting and already asked questions. The first question is that of whether education is a public good. The second question is related in that, if education is a public good, should it remain a public good? If education is a public good then funding should be centralized as to not exclude anyone, but if it is private good then the unequal funding of public schools is inconsequential as inequity is embedded in the core of free market principles. To decide whether education should be a public or private good, it is necessary to first decide the goals of education. David Labaree, professor of history at Stanford University, offers two alternative goals for education. Labaree’s alternative goals are:

- **Democratic Equality**: a democratic society cannot remain stable if it does not properly prepare its children to take on the full responsibilities of a competent citizen. In a democracy, we defer many times to the collective judgment of our fellow citizens and thus to assure sound decision making, citizens
must be equally educated. From this view point the goal of education is preparing citizens and this makes education a public good (1997).

- Social Efficiency: the U.S. economic well-being is a function of our ability to produce skilled and competent workers. From this view point the goal of education is developing productive workers, which are necessary for a healthy economy, and this makes education a public good (1997).

Taking these goals into consideration, both democratic equality and social efficiency advocate education as a public good because both goals identify benefits to society as a whole. It is imperative that public education remain a public good because, were it to become a private good, then the funding disparities would likely only increase, which would be counterproductive economically as well as socially.

**Conclusion**

Assuming that education is a public good, the United States needs to centralize educational funding and, as a nation depend less on property taxes. However, education must be made a priority at the federal level. The rationale for this is that the goals of public education detailed previously are national in scope.

The federal government needs to contribute more to funding education and ensure that districts receiving less state and local aid (property tax generated) receive more federal aid to balance out the financial gaps. Unfortunately, education is not a priority at the federal level, which is evident by past cuts in the education budget of $3.2 billion dollars, and a more recent Congressional indifference to proposed cuts in education.

Thus, without greater commitment from the federal government, which has greater access to resources, the disparities of education between and within the states will not be resolved. Presently, the federal government accounts for no more than 10 percent of total direct education funding in the United States. A report from the
Brookings Institution revealed that if the federal government spends about $59 billion dollars on preschool education, then by 2080 the economy will add $2 trillion to GDP yearly (Dickens et al., 2006). This is just one possible benefit of greater financial involvement in public education at the federal level, an objective mentioned by the President in his recent 2013 State of the Union address.

However, the formula the federal government uses to allocate aid needs to focus primarily on states educating the greatest number of poor students. To reduce reliance on property taxes, federal funds need to supplant not supplement education funding at high poverty schools. While more bureaucracy and control conflicts between local, state and the federal government would be counterproductive consequences of greater federal involvement, it is necessary that education funding be centralized. The Federal government is the only entity in the U.S. that has the resources to ensure equal funding within and between states.

The United States remains one of the few industrialized countries that has separate sources for funding education (local, state, and federal) and this has contributed to the disparities in educational quality and financing plaguing the U.S. system. In the United States, education is a public good and thus needs to be equally accessible to all students. Centralizing the education funding is the first step that must be taken to improve the quality of education provided to low-income and minority students at under-funded schools. It is imperative that the future workforce be skilled and competent to compete globally.
References


