

# Close the Hidden Funding Gaps in Our Schools



The Education Trust

## TO THE POINT

- ▶ Federal law permits hidden funding gaps to persist between high-poverty schools and more affluent counterparts within the same district.
- ▶ These gaps occur partly because teachers in wealthier schools tend to earn more than their peers in high-poverty schools and because of pressure to “equalize” other resources across schools.
- ▶ By closing loopholes in the comparability provisions of Title I of the Elementary and Secondary Education Act, Congress could promote funding equity within school district budgets.

Many states have made progress in closing the funding gaps between affluent school districts and those serving the highest concentrations of low-income children. But a hidden funding gap between high-poverty and low-poverty schools persists between schools within the *same* district. District budgeting policies frequently favor schools with the fewest low-income students. This undercuts the aim of Title I and robs poor children of funds intended to help them.

# Close the Hidden Funding Gaps in Our Schools

Congress needs to fix the comparability provisions in Title I to ensure that school districts provide low-income students with their fair share of state and local resources.

BY DARIA HALL AND NATASHA USHOMIRSKY

Everyone knows that low-income and minority students often face steep hurdles. Although these challenges sometimes have roots outside of school, compelling evidence shows that great teachers and well-run schools can have powerful effects on student learning and help close achievement gaps.

Yet in most parts of the country, we do exactly the opposite of what fairness and common sense dictate. We take the kids who have the least in their homes and communities, and we give them *less* in school, too. Indeed, poor children receive less of everything that research and experience tell us would boost their achievement and improve their chances of succeeding in school and beyond.

The result? Rather than narrowing the academic achievement gaps, we've created education systems that actually widen the gaps.

Fortunately, these inequities have not gone unchallenged. For years, those who care about children have fought countless battles for fair funding of public schools. As a result, many states (though sadly not all) have made progress in closing the funding disparities that favor affluent school districts at the expense of districts that serve the highest concentrations of low-income children.

Along the way, though, we have tended to overlook another crippling but often-hidden funding gap—the gap between high-poverty and low-poverty schools in the *same* school district.

Researchers have examined the data for districts across the country and have repeatedly found that the budgeting practices of school districts frequently favor schools that serve the fewest poor children.<sup>1</sup>

This undercuts the intent of policymakers and advocates—and robs poor children of funds intended to help them. More important, these district-level budgeting practices steal educational opportunity and all of the rewards

academic success offers from our most vulnerable students, their families, their communities, and our nation.

A federal law that's been on the books for quite awhile has the potential to guard against these inequities. Title I of the Elementary and Secondary Education Act is the federal government's major program to help schools that serve high concentrations of children from low-income families. Every year, this program funnels billions of taxpayer dollars to such schools so they can provide these kids with extra help.

The bad news is the law is not working as it should. The good news is that by fixing Title I, Congress could make inequitable district-budgeting practices illegal, thereby increasing the odds that high-poverty schools receive more of the financial resources they need and deserve.

This publication explains the sources of the hidden funding gaps, the ways federal policy allows them to occur, and what Congress can do to fix Title I to promote funding equity in our schools.

## WHAT ARE THE HIDDEN GAPS?

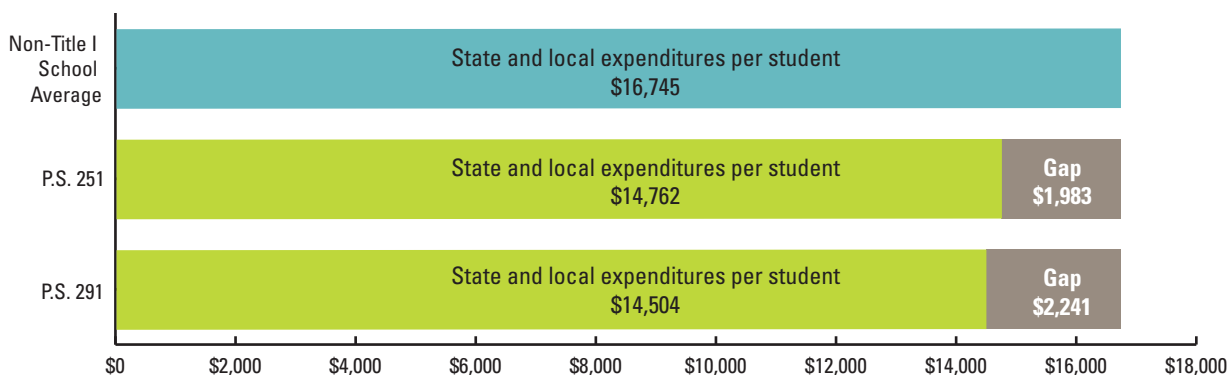
To see these hidden gaps between schools in the same district, let's visit New York City.

Home to about 600 elementary schools, New York City has nearly 500 that receive federal Title I funds. This money goes to schools that serve the highest concentrations of students from low-income families. For these funds to serve their intended purpose—providing extras for students of poverty—state and local officials must add the federal dollars to a base of their own funds that are distributed equitably among the higher poverty schools that receive Title I funds and lower poverty schools that don't.

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**Figure 1: Gap in Per-Student State and Local Expenditures Between Non-Title I Schools and P.S. 251 and P.S. 291**



A look at the average expenditures in elementary schools might suggest that New York City has achieved this goal of between-school equity in state and local funding. In fact, on average, the city’s high-poverty schools actually receive more state and local funds per student than those that do not have enough low-income students to qualify for Title I funds. In the 2007-08 school year, New York’s Title I schools received \$17,191 per student, while non-Title I schools received \$16,745. This is exactly the pattern we want to see: the schools serving students with the greatest needs getting more resources to help those students achieve at high levels (see the sidebar on page 5).<sup>2</sup>

But checking beyond the averages and looking at individual schools shows that not every school receives its fair share. Nearly 250 Title I schools in New York City—that is, about half of the city’s Title I schools—receive less in state and local funds per student than the \$16,745 per student in the non-Title I schools.

Here’s an example: P.S. 291 in The Bronx serves 573 students, 96 percent of whom are low-income and most of whom are Latino. State and local expenditures add up to \$14,504 per student, or \$2,241 less per student than the average in the city’s lower poverty schools. This gap means that P.S. 291 is being shortchanged by nearly \$1.3 million annually. Put another way, P.S. 291 is missing 13 percent of the state and local dollars it should be receiving.

Or take P.S. 251 Paedergat School in Brooklyn, whose 668 students are 86 percent low-income and 81 percent African American. Its \$14,762 state and local per-pupil expenditures are \$1,983 less than the average in the city’s lower poverty schools. This gap adds up to more than \$1.3 million a year for P.S. 251 (see Figures 1 and 2).

These two schools exemplify inequities that exist in New York City and in districts across the country.

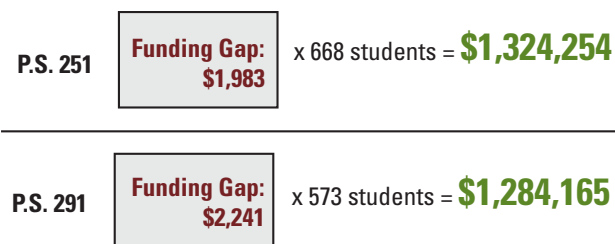
### WHY DO THESE GAPS EXIST?

Teacher salaries account for a large portion of spending differences between schools in the same district. Here’s how the gap happens: Most school districts allocate *teaching positions* to schools rather than *dollars*. Consequently, a school that has a first-year teacher with a bachelor’s degree is considered to have received the same resource as a school that has a 15-year teacher with a master’s.

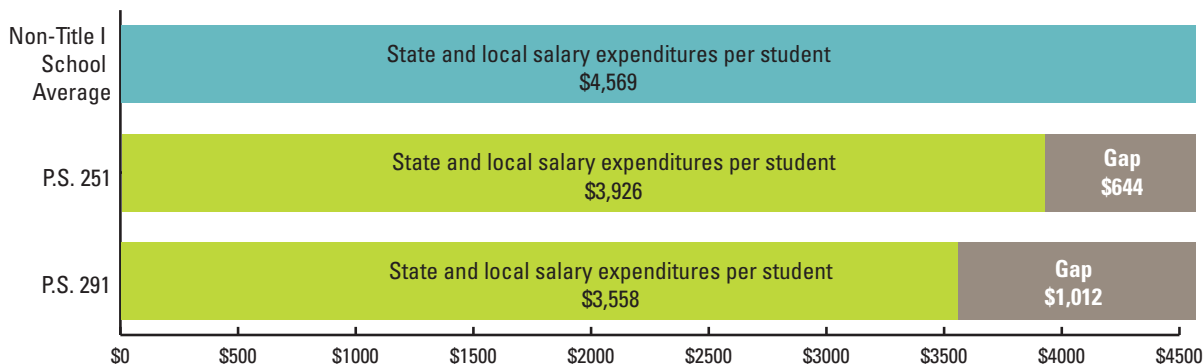
Of course, these teachers don’t earn the same paychecks. District salary schedules reward experience and advanced education, rather than effectiveness in raising achievement or willingness to accept challenging teaching assignments. As a result, the school with the veteran teacher effectively receives more money than the school with the novice.

High-poverty schools, on average, employ teachers with less experience and fewer advanced degrees than low-poverty schools.<sup>3</sup> This means that with more experienced, more educated, more expensive teachers gravitating toward more affluent schools, the district ends up spending more on teacher salaries in affluent schools than in impoverished ones.

**Figure 2: How much extra funding would P.S. 291 and P.S. 251 receive if their per-student expenditures were equal to those of non-Title I schools?**



**Figure 3: State and Local Salary Expenditures Per Student in P.S. 251, P.S. 291, and Non-Title I Schools**



This happens across the nation. For example, here are five cities where gaps exist in average teacher salaries between high-poverty and low-poverty elementary schools:<sup>4,5</sup>

- Austin, Tex. ....-\$2,668
- Cincinnati, Ohio.....-\$2,637
- Fresno, Calif. ....-\$3,160
- Lubbock, Tex. ....-\$1,420
- Sacramento, Calif.....-\$5,231

Back to New York City: Again, teacher salaries in the city on average are higher in the high-poverty Title I schools than in lower poverty schools. The average teacher-salary expenditure per student from state and local funds in Title I schools is \$145 more than in non-Title I schools (\$4,715 compared with \$4,569).

But as before, these averages mask big differences. P.S. 291 in The Bronx spends just \$3,558 in state and local funds per student for teacher salaries, \$1,012 less than the average in non-Title I schools. And in Brooklyn, P.S. 251 spends \$3,926, resulting in a gap of \$644 per student (see Figure 3).

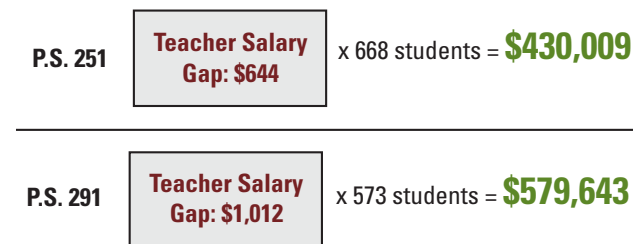
Of course, salary differences aren't the only inequities in the budgets of different schools. Equalizing teacher salaries in these schools would represent a big step forward but would not fully close the gap. For example, bringing P.S. 291's state and local per-student expenditures on teacher salaries up to the average of the city's non-Title I schools would bring the school an additional \$1,012 per student, or \$580,000 total. But even with that, P.S. 291 would still fall far short of the average spending at non-Title I schools—\$700,000 short. Similarly, closing the teacher-salary gap would result in an additional \$430,000 for P.S. 251, but the school would still be shortchanged by nearly \$900,000 (see Figures 4-6).

This problem is not unique to these two schools. In fact, of the nearly 200 New York City Title I schools with both teacher-salary and total-expenditure gaps, 182 have total-expenditure gaps that are at least as large as the teacher-salary gaps. This means that these schools are not being compensated for lower teacher salaries by being awarded other funds.

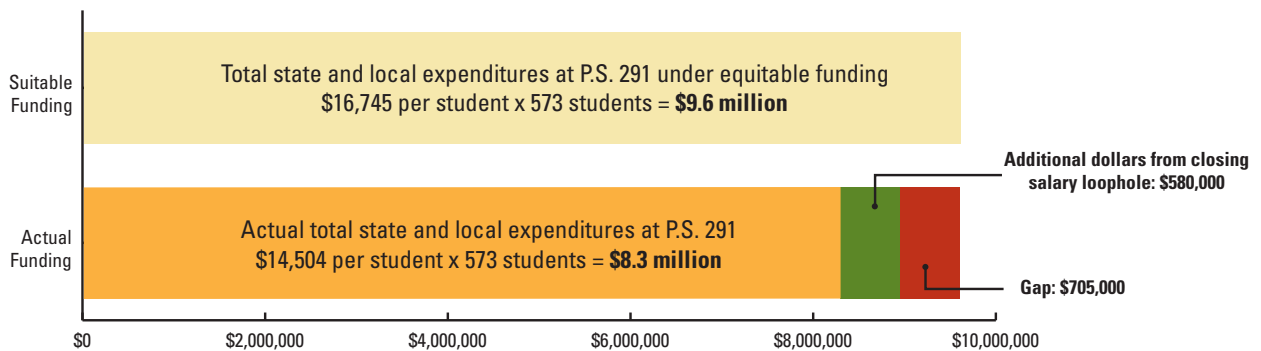
New York is not alone. In California, a study of unrestricted spending (state and local funds a district can spend at its discretion) showed that districts in that state not only spent \$600 more per student on teacher salaries in lower poverty schools but that they also spent nearly \$200 more per student in these schools on *non-teacher-related* expenditures.<sup>6</sup>

Where do these gaps come from? In researching the budgeting practices of school districts, Marguerite Roza of the University of Washington found several reasons. For example, low-poverty schools may receive additional funds for magnet or gifted programs. What's more, districts often face pressure to "equalize" resources across all schools, so when restricted funds (such as Title I) provide additional services for high-poverty schools, a district will find state and local dollars to pay for similar services in the more affluent counterparts.<sup>7</sup>

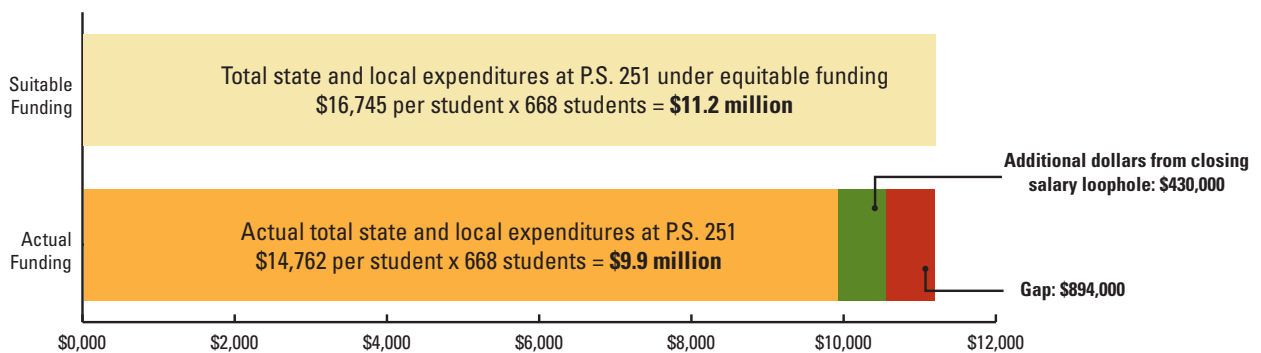
**Figure 4: How much extra funding would P.S. 251 and P.S. 291 receive by closing the salary loophole?**



**Figure 5: Effect of Closing the Salary Loophole on the Gap Between Actual and Equitable Total State and Local Funding at P.S. 291**



**Figure 6: Effect of Closing the Salary Loophole on the Gap Between Actual and Equitable Total State and Local Funding at P.S. 251**



### FEDERAL LAW PERMITS UNFAIR FUNDING

Title I funds *should* help close the achievement gap that hobbles our African-American, Latino, American Indian, and low-income students, most of whom attend Title I schools. However, to ensure that extra funds really do provide extras to such students, the federal dollars have to come *on top of* an even base of state and local revenue.

That’s why the federal government—in the so-called “comparability” provisions of Title I—requires school districts to promise, before they receive federal Title I money, that the educational services they provide are basically the same in Title I and non-Title I schools.

Unfortunately, the law’s provisions for ensuring comparability in the core budgets of high-poverty and low-poverty schools are deeply flawed. The existing provisions give districts multiple options for demonstrating comparability, none of which actually requires comparable expenditures in Title I and non-Title I schools.

Following are three examples of ways districts can demonstrate comparability “on paper” without actually equalizing spending in high-poverty and low-poverty schools:

- In the best case scenario, a district would demonstrate comparability by showing that per-student expenditures in Title I and non-Title I schools are equivalent. But a loophole in the law renders this option virtually meaningless. The law directs districts to exclude the differences in teacher salaries based on years of experience when making these comparisons. This ignores the all-too-common pattern of disproportionate numbers of less experienced, lower paid teachers teaching in high-poverty schools.
- Another option is for districts to demonstrate that the ratio of students to instructional staff is equivalent in Title I and non-Title I schools. But in making these comparisons, districts can count aides and paraprofessionals the same as full classroom teachers, even though aides and paraprofessionals are not required to have the same knowledge and skills as teachers and are not allowed to provide direct classroom instruction. This difference in knowledge, skills, and certification is, of course, compounded by significant differences in salaries between classroom teachers and paraprofessionals.

- Still another option—the one, it turns out, that most districts choose<sup>8</sup>—does not require data of any sort. Under this option, a district can provide an assurance that it has a districtwide salary schedule and policies to ensure equivalence in staffing and instructional resources among schools. Almost every district can point to such plans, but these don't necessarily result in equitable distribution of funds.

These examples demonstrate the problems with the ways federal law allows districts to demonstrate they are complying with Title I comparability requirements. Yet even if these reporting and salary loopholes were closed,

### Progress Towards Equity in New York City

New York City is far from alone in demonstrating inequitable funding patterns. Although its equity problems are real, the school system has taken the all-too-*uncommon* step of making publicly available a rich source of school-level funding data.\* Such information allows researchers and advocates to uncover inequitable patterns as the first step toward changing them.

Beyond making good data available, New York City has, of its own accord, made great strides in ensuring equitable school funding. In 2007, the school system rolled out a new funding formula known as Fair Student Funding, which allocates dollars to schools based on the number and learning characteristics of the students they serve. The goal is twofold: (1) to provide principals with funds that match their students' educational needs and (2) to achieve a more equitable distribution of funds between schools in poor and well-to-do neighborhoods.

In 2008, Fair Student Funding allocations accounted for roughly two-thirds of school budgets, which in turn account for half of all spending in the New York City Department of Education.\*\* The remaining funds, used for district and regionwide support services for schools, are controlled at the central and regional office level.

Although New York still has a long way to go in achieving real equity, the city's school system undoubtedly is further along than many others. For school officials in New York and elsewhere, stronger federal comparability requirements would offer a powerful lever for bringing about necessary, but politically difficult, changes in funding formulas. And in districts lacking such leadership, a federal push is even more essential to ensure that low-income kids get the same opportunities to learn as other children.

\* New York City Department of Education, 2009. "2007-08 School Based Expenditure Reports." Available at [https://www.nycenet.edu/offices/d\\_chanc\\_oper/budget/exp01/y2007\\_2008/guide.asp](https://www.nycenet.edu/offices/d_chanc_oper/budget/exp01/y2007_2008/guide.asp).

\*\* Childress, Stacey (2010). "Investing in Improvement: Strategy and Resource Allocation in Public School Districts." Prepared for the American Enterprise Institute and Thomas B. Fordham Institute Conference, "A Penny Saved: How Schools and Districts Can Tighten Their Belts While Serving Students Better," January 11, 2010.

the current comparability provisions still wouldn't get us to equity. That's because the law considers Title I schools "comparable" if their state and local expenditures are equal to at least 90 percent—not 100 percent—of the average for non-Title I schools.

This may not seem like a huge difference, but consider: In New York City, where state and local expenditures average \$16,745 per student in non-Title I schools, the 90 percent loophole allows gaps up to nearly \$1,700 per child to go unnoticed. In a school with 500 students, this amount translates to a shortage of more than \$800,000 per year.

This leads to two conclusions: School districts can continue to shortchange high-poverty schools. And federal Title I funds meant to provide extras to low-income students often miss their target.

### HOW TO CHANGE THE LAW

To ensure the law serves the purpose Congress intended, Title I dollars should come with a demand for real funding fairness at the state and local level. Congress can achieve this by changing Title I so that the *only* way a district can demonstrate comparability—and thereby qualify for federal funds—is to produce data showing that it spends at least as much from state and local dollars in each of its Title I schools as in its non-Title I schools.

To get this right, the law must make two things clear:

- **Teacher salaries count.** School-level expenditures must include actual teacher salaries, including differences based on years of experience.
- **Equal means equal.** Per-student expenditures in every Title I school must be at least 100 percent of the average expenditures in non-Title I schools.

What's more, to help parents, educators, and advocates get good information on funding patterns in their public schools, Congress should require that districts publicly report per-student expenditures by funding source (state, local, and federal) and by school building.

With these fixes, Title I would become a much stronger tool. Indeed, it would strengthen the hand of courageous leaders and advocates, prompt action in communities where it is sorely needed, and ultimately ensure that schools get the money they need and students get the opportunities they deserve.

## NOTES

- <sup>1</sup> See, for example, “Strengthening Title I to Help High-Poverty Schools: How Title I Funds Fit Into District Allocation Patterns,” Marguerite Roza, Larry Miller, and Paul Hill. Seattle: Center on Reinventing Public Education, August 18, 2005.
- <sup>2</sup> Education Trust analysis of (a) 2007-08 New York City School-Based Expenditure Reports Data (available at [https://www.nycenet.edu/offices/d\\_chanc\\_oper/budget/exp01/y2007\\_2008/guide.asp](https://www.nycenet.edu/offices/d_chanc_oper/budget/exp01/y2007_2008/guide.asp)); (b) School Enrollment and Demographics Data (available at <http://schools.nyc.gov/Accountability/DOEData/CEP>); and (c) School Accountability Status data (available at <http://schools.nyc.gov/Accountability/DOEData/CEP>). We classified the following grant funding sources as federal: Titles I, II, III, IV, and V; Individuals with Disabilities Act; Vocational and Applied Technology Act; Universal Technology Fund; Summer Feeding Program; Federal Magnet Grant and Other Federal Grants. All other funds (excluding private grants) were considered state and local funding. We excluded schools serving only pre-kindergarten or kindergarten, schools serving any secondary grades (grades 7-12), as well as seven special education schools. In total, the analysis included 600 elementary schools, of which 489 were Title I (December 2009).
- <sup>3</sup> The Education Trust (2008). “Core Problems: Out-of-Field Teaching Persists in Key Academic Courses and High-Poverty Schools,” Washington, D.C.: The Education Trust.
- <sup>4</sup> For Texas districts, highest poverty schools are defined as those where 75 percent or more of students qualify for free or reduced-price lunch, and lowest poverty schools are those where 25 percent or less of students qualify for free or reduced-price lunch. For Ohio and California districts, highest poverty schools are those in the top quartile of poverty for each district, and lowest poverty schools are those in the bottom quartile of poverty.
- <sup>5</sup> Data for Texas from the 2005-06 school year included in “Their Fair Share: How Texas-Sized Gaps in Teacher Quality Shortchange Poor and Minority Students,” The Education Trust, February 2008. Data for Ohio are from the 2007-08 school year included in “No Accounting for Fairness: Equitable Education Funding Remains Elusive in Ohio,” The Education Trust, December 2008. Data for California are from the 2003-04 school year and are included in “Hidden Teacher-Spending Gaps in Fresno Unified School District: A Tale of Two Schools,” The Education Trust– West, 2005 and “Hidden Teacher-Spending Gaps in Sacramento Unified School District: A Tale of Two Schools,” The Education Trust - West, 2005.
- <sup>6</sup> Rose, Heather, et al (2006). “School Resources and Academic Standards,” San Francisco: Public Policy Institute of California (Chapter 5).
- <sup>7</sup> Roza, Marguerite (2008). “What If We Closed the Title I Comparability Loophole.” In *Ensuring Equal Opportunity in Public Education: How Local School District Funding Practices Hurt Disadvantaged Students and What Federal Policy Can Do About It*. Washington, D.C.: Center for American Progress (pp. 66-67).
- <sup>8</sup> Roza, Marguerite (2008). “What If We Closed the Title I Comparability Loophole.” In *Ensuring Equal Opportunity in Public Education: How Local School District Funding Practices Hurt Disadvantaged Students and What Federal Policy Can Do About It*. Washington, D.C.: Center for American Progress (p. 69).



## ABOUT THE EDUCATION TRUST

The Education Trust promotes high academic achievement for all students at all levels—pre-kindergarten through college. We work alongside parents, educators, and community and business leaders across the country in transforming schools and colleges into institutions that serve all students well. Lessons learned in these efforts, together with unflinching data analyses, shape our state and national policy agendas. Our goal is to close the gaps in opportunity and achievement that consign far too many young people—especially those who are black, Latino, American Indian, or from low-income families—to lives on the margins of the American mainstream.



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