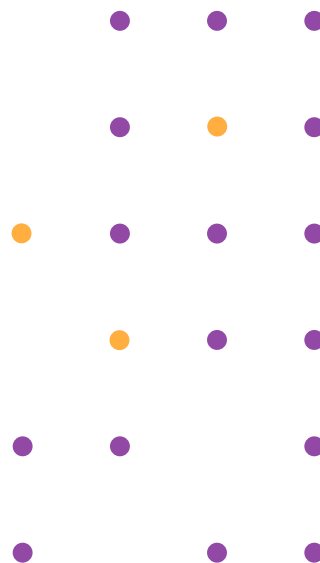


better evidence smarter policy

THE STATE OF EDUCATION FINANCE RESEARCH AND POLICY

2024





INTRODUCTION

The United States is home to an increasingly diverse student body that is sorted into school districts, bound by arbitrary lines that are often deeply segregating by race and class. These lines determine the overall local wealth from which districts can resource their schools. Since the early years of the Republic, this has been the starting point for school funding. In those days, the small community surrounding a single schoolhouse pooled funds collected amongst themselves in order to pay for a teacher to educate their children. This practice was maintained even as the country grew over time and these communities expanded and schools multiplied across larger geographies. And since that time, despite the history of natural sorting and intentional policies that ultimately fractured communities and wealth, the local funding of schools has been a tradition that has held and therefore created a fundamentally inequitable base from which the country funds education.

In the 1970s, advocates across the country began to challenge this practice in state courts. Because communities had vastly unequal bases of wealth, schools in low-income areas struggled to fund themselves to keep up with their neighbors across these district borders. Since that time, state after state have found that local funding is indeed inequitable, leaving low-income and students of color behind. In these cases, courts determined that children had a fundamental right to a basic education that would allow them to meaningfully participate in American society. To ensure all students had this opportunity, the courts called for their state legislatures to develop policies to fix the funding system that was depriving some children of this right granted to them in state constitutions.

For upwards of fifty years, state legislatures have developed formulas that attempt to equalize the local funding raised by increasingly divergent local tax bases, often volleying back and forth with the courts as to whether their formulas successfully ensure an equitable and adequately funded system. Today's patchwork of complex policies related to how these formulas calculate funding for each district and the brackets between which they regulate local revenue collection are the result of states continually attempting to keep up with court orders to fix what is, at its core, an uneven fiscal playing field.

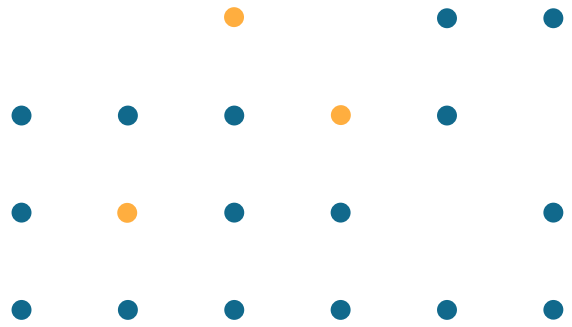
Advocates continue to advance novel cases through the courts that call for changes to the local borders that create the inequity that some states are failing to fix. But in most states, it is the formula alone that is the only equalizing factor. For this reason, the policies set around these formulas are critically important, even beyond the focal points of state litigation.

The way that states address these concepts through their funding formulas have profound effects on schools, districts, communities, and taxpayers that reach far beyond legal theory. Yet the research community has not yet sufficiently shifted away from the root arguments regarding equity and adequacy, often shorthanded in the community as a debate about “whether money matters” in a student’s schooling career. Academic studies that focus on these esoteric theories harken back to the early days of the debate and offer little guidance regarding the structure through which states fund schools. Ultimately, since states work within a constrained resource environment, answers to “from where,” “for whom,” “under what circumstances,” and “to what end” are needed by legislatures when they make decisions about how to fund schools every year. Yet the sparse study of these issues has left legislators in the dark. We need to modernize the academic debate in school funding to align with where history has ultimately led us: a system that is highly dependent on the rules and calculations that comprise each state’s unique and complex funding formula created in the absence of strong evidence.

Today, the United States invests over \$800 billion in K-12 schools. State legislatures determine how almost 90% of that funding is raised and distributed. Without real evidence underpinning lawmakers’ decisions, we must conclude that a substantial portion of our school funding policies are arbitrary – based on politics over evidence, political power over fairness.

In this brief, we test the “state of education finance policy and research” by examining, analyzing, and surveying the field to determine whether we have the tools and connections necessary to make smart year-over-year decisions regarding our investment in education. We find that there is much work to be done in order to strengthen the field. We find that we need the research community to be more diverse, better aligned with the needs of state policymakers, and further accessible to advocates who represent students and their communities.

THE PROBLEMS



there is a lack of actionable research being conducted in the field

Each year, local communities and state legislators make decisions related to how much money to allocate to school districts and from where to raise the taxes necessary to support their investment. Yet there is a surprisingly scant evidence base to help guide these important decisions.

Over the past few years, several states have made substantial changes to their funding formulas. We surveyed over forty advocates in these states to understand how, and to what extent, research played a role in the policies being advanced in their states. Unfortunately, only six (15%) of these advocates reported they were able to find outcomes-based evidence that would help them understand the effect of all of the policies being advanced in their states.

When we expanded the survey group to advocates whose states had not made substantial changes recently, over 50% indicated there were changes that they would like to see their states make but they don't have the evidence to understand or support a different or better policy. Of the same group, 40% reported they didn't have enough information about what research evidence does exist to even answer the question definitively. This means that only 10% of state-level advocates working on school finance feel that their work is sufficiently grounded in outcomes-based evidence.

The disconnect is felt equally among academics and researchers in the field. We surveyed over sixty researchers who either actively study school finance policies or have an interest in doing so. Only 28% of respondents reported they had confidence that their work would influence or change public policy.

there are limited pathways through which to expand school finance research, and substantial barriers to ongoing work

As research projects progress, they are presented at conferences, submitted through a working papers portal, and sometimes peer reviewed and published in journals. This means that there are several stages at which well-designed research can be accessed prior to being rendered behind the paywalls of online journals. However, there is a stunning dearth of state-level policy research making its way through these stages of review.

For instance, each year, several research conferences either focus on education or spotlight work related to the field. At the 2023 annual conference of the Association for Education Finance and Policy (AEFP), whose charter focuses most closely on finance issues compared to other research associations, only 9 of the 133 sessions were focused on studies related to how states are distributing their resources or how local communities raise taxes to support schools and the effects of these policies.¹

Additionally, a review of 861 studies filed through EdWorkingPapers in the past five years showed just 13% were classified as “finance” papers.² A closer look at the 2023 selection found more than half of the “finance” studies focused on higher education or teacher pensions—topics that may be relevant but not directly aligned with the mechanisms of funding K-12 schools. Assuming this year’s trend holds true for the entire sample, barely 6% of the research papers submitted through the portal will examine K-12 finance structures at the state level. In short, there is substantial evidence that the research base that advocates and policymakers need simply doesn’t exist.

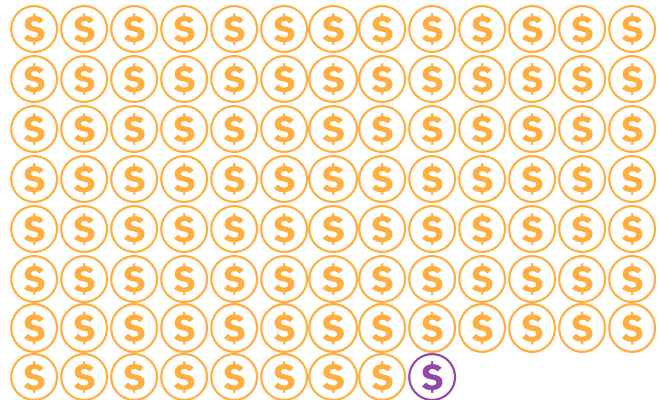
Because education revenue is raised at the local, state, and federal level, and since there is no common accounting structure for school districts, national datasets related to K-12 funding are resultingly sparse, and the limited collections that do exist are often aggregated to topline spending categories (like “instruction” or “administration”) and include reporting abnormalities across states that inhibit productive use. As a result, researchers must find more detailed data and/or take it upon themselves to “clean” these datasets. This can be intimidating to students, and a lack of knowledge related to various state policies and reporting practices can lead to a misunderstanding of the data.

In the broader community of both current researchers and students with an interest to study the subject, 87% said “better data” would make them more likely to focus on this field.

The field also suffers from a lack of funding, despite its importance in driving educational design and equitable learning opportunities for all children. For instance, the issue is absent from the fourteen categories and all subcategories of academic research that the Institute of Education Sciences invests in each year.³ In terms of dollars, this translates to a scarcity of available funding for school finance policy studies. Between 2017 and 2022, the National Center for Education Research (NCER) awarded \$6 million in grants for school finance topics, NCER Commissioner Elizabeth Albro recently reported. In the same time frame, the center awarded \$576 million for all educational priorities. In other words, the Center focused only 1% of their research budget on the very thing that powers the other 99% of their research priorities.⁴

1%

Only 1% of research funding from the National Center of Education Research supported school finance studies



Over 50% of all academic respondents to our recent survey indicated a lack of funding to support their work was a major barrier in continuing work in the field. Seventy percent of these respondents have received less than \$250,000 over the course of their career to support K-12 finance studies. Forty percent have received less than \$100,000.

Funding isn't the only issue preventing broader and better work in the space. About 50% of researchers and students interested in entering the field told us there aren't enough communities of practice or mentorship programs to help them break through. These types of programs help researchers share resources, databases, and strategies for evaluating school finance and provide opportunities for connecting with policy audiences. This may be a leading cause of a research field that doesn't reflect the students that are being studied. Only 14%⁴ of researchers and affiliated professional members of AEFPP are Black or Latino, although 44% of the public school students they study are members of these communities.

there is inadequate access to, and interpretation of, existing research for policy audiences

Even the limited policy-relevant research being conducted on school finance questions is buried in the research community – often showcased at conferences like AEFP that are overwhelmingly attended by other academics. These conferences are opportunities to

hear about emerging research in a more policy-friendly manner, but only 7% of attendees at last year's AEFP conference identified as working in a national or subnational policy or practice setting⁵.

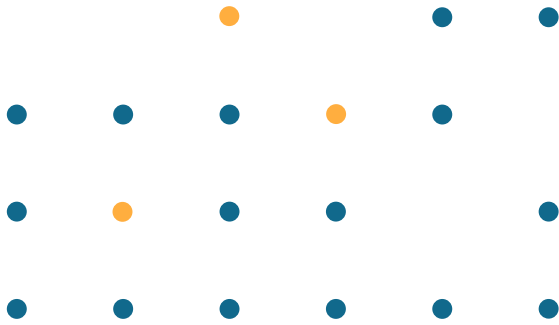
A separate study of over 140 advocacy organizations summarized respondent feedback and recommended that philanthropic foundations interested in K-12 funding reform focus on better translation of research for policy audiences. One respondent summarized the issue by saying "we need to adjust [to] the idea that a sixty-five page report can be actionable." Another suggested "the research consensus has led to a better place, but it hasn't translated to the political consensus."⁶

only 26%

of researchers believe that their work will inform public policy

Advocates gave more targeted reasons for their need for better research translation in our recent survey. Seventy percent say prioritizing time is a top challenge, and they report it is too time consuming to find, read, and translate school finance research in order to inform their positions. About 50% of advocates worried the studies they're seeing are too old to be relevant, and 44% percent said they lacked access to the latest evidence, which often sits behind paywalls.

Researchers themselves recognize there is a substantial disconnect between their work and decisions that are being made in the statehouse. Only 36% of researchers studying the issue believe their work is even accessible to advocates or policymakers.



CONCLUSION

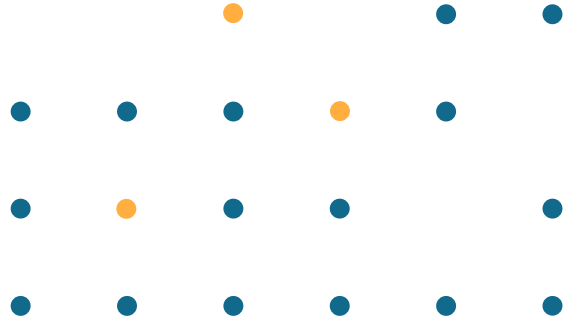
Many critical school finance questions remain unanswered, and policymakers are left to craft state funding formulas that distribute the nation's largest investment in children without solid empirical evidence to inform their decisions. This is true regarding large structural issues like how to fund for special student outcomes and equity considerations in state formulas, as well as narrower or more fine-print issues, like whether the household tax burdens to support schools are higher in our lowest-income communities.

Policies related to state funding structures have largely been crafted by doubting and prescriptive legislatures, policymaker best guesses, and often under-defined "common sense". Many policies that may remedy one problem may create another. For instance, a state that attempts to create more equitable funding by capping property taxes may find that their schools become underfunded if state revenues cannot keep up with rising costs. Yet each year, policymakers propose substantial changes to the way states fund schools with very little empirical evidence of efficacy and very little study of consequence.

We need to change this dynamic. We can do so by: curating a research agenda that focuses on the real-world questions that policymakers need answered; commissioning policy-relevant research that aligns with this agenda; communicating research in a policy-friendly manner for advocates and journalists; and, creating better direct connections between these two siloed factions of the field.

It is not hyperbolic to suggest that the consequences of these arbitrary policies affect the lives of millions of students through their schools, families, and communities. As the public's preferred method of schooling is shifting in many states, and as students need more support than ever in the wake of the pandemic, we cannot allow our funding systems to continue on a path paved by arbitrary or political decisions. We must produce the research to inform policymakers and translate this research into more digestible learnings in order to improve the public's trust in their school finance systems.

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2. Calculated using the search feature at edworkingpapers.com, accessed December 2023
3. For a list of research categories that remain the focus of the Institute of Education Sciences, see their “Funding Opportunities” website at https://ies.ed.gov/funding/ncer_progs.asp, accessed March 11, 2024.
4. Information provided to the Recovery and Beyond Technical Working Group of the Institute of Education Sciences, <https://ies.ed.gov/ncer/whatsnew/techworkinggroup/pdf/RecoveryAndBeyondTWG.pdf> accessed March 11, 2024
Percentage calculated according to budget documents issued by the National Center for Education Research. \$121 million in grants in fiscal year 2018, \$81 million in FY 2019, \$100 million in FY 2020; \$142.5 million in FY 2021, and \$131.5 million in FY 2022
5. Information provided by the Association for Education Finance and Policy, 2023
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