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Robert Ponzini

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# Public School Funding in the United States and Its Systemic Inequities

Ponzini Robert

M.Sc. in Economics  
New York University  
Professor in charge  
Lingue e Culture Moderne  
Dipartimento di Studi  
Umanistici  
Pavia University

## Corresponding Author:

Robert Ponzini  
Dipartimento di Studi  
Umanistici.  
Piazza Botta n. 6.  
Pavia University  
27000 Pavia, Italy  
Email: robert.ponzini@unipv.it

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## ABSTRACT

Public school funding in the United States reflects the Jeffersonian and Madisonian view of the role of government as opposed to that of Alexander Hamilton. Unlike Western Europe as a whole, the federal government plays a relatively minor role, at least in terms of the percentage of funding: roughly only 8% of funding comes from the federal government as opposed to close to 50% from both the state and local governments. Local school districts jealously hold on to their fiscal and curriculum-content role, as can be seen recently in the heated, often physically aggressive debates at school district meetings regarding reading material and the teaching of critical race theory and transgender issues. The financial formulas in K-12 public school funding result in a “disparate impact” on educational opportunities for predominantly non-white districts compared with predominantly white ones, and even for high-poverty vs low-poverty districts in general. This paper will explore the basic features of public-school funding in the U.S. and the resulting inequities in funding, which also have demographic implications, and briefly touch on what can be done moving forward.

Il finanziamento delle scuole pubbliche negli Stati Uniti riflette la visione jeffersoniana e madisoniana del ruolo del governo rispetto a quella di Alexander Hamilton. A differenza dell'Europa occidentale nel suo insieme, il governo federale svolge un ruolo relativamente minore, almeno in termini di percentuale di finanziamento: circa solo l'8% dei finanziamenti proviene dal governo federale contro quasi il 50% sia dagli stati individuali che dai governi locali. I distretti scolastici locali mantengono gelosamente il loro ruolo fiscale e di contenuto curricolare, come si può vedere molto di recente nei dibattiti accesi, spesso fisicamente aggressivi, alle riunioni dei distretti scolastici riguardo al materiale di lettura e all'insegnamento della teoria critica della razza e delle questioni transgender. Le formule finanziarie nel finanziamento della scuola pubblica K-12 determinano un "impatto disparato" sulle opportunità educative per i distretti prevalentemente non bianchi rispetto a quelli prevalentemente bianchi, e anche per i distretti ad alta povertà rispetto a quelli a bassa povertà in generale. Questo documento esplorerà le caratteristiche di base del finanziamento delle scuole pubbliche negli Stati Uniti e le conseguenti disuguaglianze nei finanziamenti, che hanno anche implicazioni demografiche, e toccherà brevemente su cosa si può fare per migliorare la situazione.

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funding disparities, district boundaries, gerrymandering, disparate impact, median household income, per-pupil spending

## 1 – Introduction

The United States has had a long and often uneven history of struggles with racial discrimination, beginning in the mid-19<sup>th</sup> century. The case history includes lesser-known events, such as the 1849 lawsuit brought by the father of five-year-old Sara Roberts against the city of Boston for its failure to integrate public schools (American University 2020), well-known Supreme Court rulings and legislation (the 1965 Voting Rights Act and the 1964 Civil Rights Act), incidents such as Rosa Parks refusing to give up her seat on a bus in Montgomery, Alabama in 1955, the Pettis Bridge crossing in March of 1965 (the “Bloody Sunday” incident), and James H. Meredith being escorted into all-white University of Mississippi by U.S. Marshalls in 1962. The fight against racial discrimination is also replete with violent events indelibly imprinted on U.S. history: the Tulsa race riots in 1921, the Freedom Summer Murders in 1964 (loc.gov), and relatively recent victims of racial intolerance who have unwittingly become symbols of the fight against discrimination: Daunte Wright, George Floyd, Breonna Taylor, Eric Garner, Rodney King.

While attention is naturally drawn to violent episodes, mass demonstrations, and signature court cases, there is another level of discussion regarding the systemic elements of racial discrimination. The current debate over teaching critical race theory in schools has become a polarizing issue in the U.S., showing that many Americans are still resistant to examining some of the deeper underlying aspects of inequality in their country. One aspect that is not often discussed, even by those sympathetic to finding more long-term solutions to the country’s racial divide, is inequality in public school funding.

## 2 – Sources of public school funding

The lion’s share of public school funding comes from local, state, and federal sources. A key aspect in this regard is the preponderance of state and local funding of schools: in fact, the federal government accounts for only around 8% of total school funding while states account for around 47% of funding and local communities 45% (Irwin *et al.*, 2021).

Disparities emerge because poorer states and local communities cannot provide the same amount of funding for their schools due to lower revenues from a lower tax base. The share of funding from local communities comes almost entirely from the local property tax, which on average accounts for 37% of public school revenues. Although predominantly white districts are usually smaller than districts with a majority of students of color, they nevertheless receive \$23 billion more in school funding (Irwin *et al.*, 2021), the result of the tendency to draw district lines so as to enclose “small affluent islands of well-funded schools within larger poorer areas that serve mostly students of color” (American University). The Washington Post reported a few years ago that “in 23 states, state and local governments are together spending less per pupil in the poorest school districts than they are in the most affluent school districts”. (Brown, The Washington Post).

## 3 – The statistics of public school funding inequities

Given that public school funding is strongly influenced by the relative affluence of towns in the school district, demographic factors end up playing a significant role in the equity issue.

Roughly half of all school enrolment involves districts that are substantially segregated, with 27% of non-white students and 25% of white students affected in this regard. Moreover, 20% of students in predominantly non-white areas live in financially challenged districts compared with only 5% of students in predominantly white districts. (Edbuild, 2022).

If we peel away more layers of the statistical onion, we find evidence that school funding disparities are, in a certain sense, “baked into” the system, contributing to uneven educational opportunities based on class and race. One result of the gerrymandering in the drawing of school district boundaries mentioned above is that average enrolment in white districts is just over 1,500, half that of the national average, compared to an average enrolment of over 10,000 students in non-white districts (Edbuild, 2022). Moreover, due to the community-based nature of public-school funding, there is a gap in average revenue per student between white and non-white school districts, with the latter receiving \$2,226 less per student. Between low- and high-income areas, the difference was \$1,000 in favor of the latter. Even the poor white districts have an advantage in this sense over poor non-white ones, receiving on average \$150 more per student (Edbuild, 2022).

#### 4 – Public school funding disparities among states

At times there is a fine line between policies that involve discriminatory treatment and those that result in a “disparate impact”. While the former is based on “differences or inconsistencies in treatment based on prohibited factors that are not fully explained by relevant, non-discriminatory factors”, the latter occurs where “consistent application of a policy results in an adverse impact on a protected class” (<https://www.premierinsights.com/blog/understanding-the-3-types-of-fair-lending-discrimination>). While states, as noted above, account for almost 50% of public-school funding, they have not acted to redress the inequalities in school funding, not only in non-white but also in white districts.

When we examine the per-pupil spending in different states, we notice that many of those with the highest expenditures are in the Northeastern United States, which tend to be among the most well-off in terms of median incomes, while those spending the least tend to be in the Southern or Western U.S. (World Population Review). Differences in spending per pupil depend on several factors – for example, differences in teachers’ salaries, administrative expenses, support staff (World Population Review), state size, labor costs, and geography (for example, rural schools often incur higher transportation costs (Frohlich, USA Today). Nevertheless, it would be difficult to overlook a correlation between median household income and per-pupil spending, given the fact that, as mentioned above, property tax revenues make up on average a significant percentage of total public school revenues. A significant number of the more affluent states are well above the average figure of 37% (for example, New York and New Jersey at 50% and Connecticut at 55%). Below are the top ten states in terms of per-pupil spending for 2022. The median household income (MHI) in all these states was above the average MHI, while among the states with the lowest per-pupil spending, only Utah had an MHI above the national median. For comparative purposes, in 2022 the average amount spent per pupil by federal, state, and local governments was just under \$15,000.

1. New York (\$24,040)
2. Connecticut (\$20,635)
3. New Jersey (\$20,021)

4. Alaska (\$17,726)
5. Massachusetts (\$17,058)
6. New Hampshire (\$16,893)
7. Pennsylvania (\$16,395)
8. Wyoming (\$16,224)
9. Rhode Island (\$16,121)
10. Illinois (\$15,741)

(World Population Review, 2022)

An example of the disparities in educational spending even within states is Pennsylvania, which spends slightly more than \$16,000 per pupil, above the national average. However, Lower Merion School District, which is part of a wealthy suburban area, spent close to \$24,000 per pupil in 2015, compared to the \$11,000 spent by the Philadelphia City School District. Philadelphia ranks among the poorest cities in the U.S., with a poverty rate of 25% (the national average is around 12%). Overall, in Pennsylvania the highest poverty districts receive around 33% less than do the poorest ones (Patel 2020), while in Vermont and Missouri the wealthiest school districts spend around 18% more compared to the poorest areas (Brown, *The Washington Post*). Nationally, the poorest school districts receive 15% less on average from state and local community funding than do the most affluent areas.

## 5 - Conclusion

The quality of education is not just a question of the amounts spent per pupil. Federal, state, and local governments cannot just throw money at the funding equity problem and expect greater equality in educational opportunities. Nevertheless, numerous studies have shown a link between increased funding and higher test scores, higher graduation rates, and increased earnings for students in adulthood. For example, Northwestern University economist C. Kirabo Jackson concluded in her 2018 study that “the robustness of the patterns across a variety of settings is compelling evidence of a real positive causal relationship between increased school spending and student outcomes on average” (Jackson, C. Kirabo 2018).

Several states have already taken steps to reform their funding systems, not only in terms of the levels of funding but also in how these funds are distributed. For example, some states determine their spending policies taking into consideration school districts disadvantaged by relatively lower property values. Among those states that give significantly larger amounts to high-poverty areas are Ohio, Minnesota, New Jersey, South Dakota, Georgia, and Utah (where high-poverty areas receive 21% more in state and local funding than the lowest poverty areas) (Morgan and Amerikaner). In terms of the targeting of these additional funds, some states have begun to focus on developing the skills and knowledge of educators, improving the quality of early-childhood education programs, and demanding higher standards from educators, in part through ongoing professional development programs and higher salaries (American University).

To achieve long-lasting change in public school funding, more states need to become engaged in carefully targeted measures whose success, since the results will not arrive overnight, requires a determined and non-wavering commitment.

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