



# There Still Be Dragons

## Racial Disparity in School Funding Is No Myth

Raegen Miller and Diana Epstein July 2011

It's hard to debunk a myth that's not a myth, but [Jason Richwine](#) of the Heritage Foundation has given it a try in his recent [backgrounder](#), "The Myth of Racial Disparities in Public School Financing." The report suggests that public education spending is broadly similar across racial and ethnic groups, and it has found a predictably receptive audience in the conservative blogosphere. Richard Spencer of [Alternative Right](#), for example, writes that "Richwine is helping policy analysts take a step closer to racial reality," whatever that means.

But the report ignores a crucial reality highlighted, ironically, in [another Heritage publication](#). "Schools serving low-income students are often poorly funded," as put in 2000 by Samuel Casey Carter in "No Excuses: Lessons from 21 High-Performing, High-Poverty Schools." This reality matters because [poverty rates vary](#) among racial and ethnic groups. Table 1 shows estimated correlation coefficients between the percentage of students receiving free or reduced-price lunch, a measure of poverty, and the percentages of students of different races or ethnicities in 13,458 unique school districts appearing in at least one of the years between the 2005-06 school year to the 2007-08 school year. The student poverty rate tends to increase, on average, with the percentage of African American, Hispanic, or Native American students in a district while it tends to decrease with the percentage of white or Asian students.

Given the tangled relationships among education funding, poverty, and race, how can Richwine conclude that racial disparity in education funding is a myth? The answer is that his analysis aggregates spending figures to the regional and national level, thus obscuring disparities within states or within districts. In the paragraphs that follow we provide fresh evidence of racial disparities in education funding using state-by-state analysis of district level data. We also highlight a new and growing body of evidence, which Richwine ignores, of racial funding disparities within districts. We employ Richwine's basic methodology, which has the potential for shedding light on racial disparities, but we make starkly different analytic choices along the way. Our choices flow first from an understanding of the fractured nature of U.S. education funding.

**TABLE 1**  
**Student poverty and demographics**

	Poverty
Asian	-0.19
Black	0.36
Hispanic	0.33
Native American	0.27
White	-0.53

Source: Authors' calculation from data drawn from the Common Core of Data, National Center for Education Statistics. All estimates are statistically significant ( $p < .001$ ).

School funding systems certainly don't set out to create disparities in school funding across racial categories. That would be illegal. But despite a couple of generations of litigation, court action, and legislation, school districts in high-poverty areas are still often funded less generously than districts elsewhere. The problem is that funding for districts still derives substantially from local property taxes, and state-level funding arrangements don't necessarily level the playing field for high-poverty districts. Some states, notably Massachusetts and New Jersey, deserve credit for progressive efforts to give high-poverty districts more funding from state and local sources than low-poverty districts. But other states including Illinois and New York ignominiously fund wealthy districts better than poor ones.

Richwine's analysis would make more sense were federal money a big part of the picture, but it's not. Federal funds account for about a dime of each education dollar in the typical state. Moreover, most federal funds, driven by population and poverty figures, do not contribute to racial disparities. Title I of the Elementary and Secondary Education Act, the largest school program operated by the federal Department of Education, distributes money to bolster spending in areas of concentrated poverty. Part B of the Individual with Disabilities in Education Act, the next biggest program, distributes funding based on shares of children and poverty rates. We focus on nonfederal funds devoted to elementary and secondary education because that's where one finds the funding arrangements contributing, albeit indirectly, to any racial disparities.

We also focus on current expenditures—the funds used to pay the day-to-day expenses of operating school districts. This focus corresponds with federal funding formulas, and with the great majority of work examining resource equity in education, including the Education Trust's Funding Gap series. Volatility and documented racial inequity in capital expenditures such as school construction financed by the sale of tax-exempt bonds create a burden of explanation for researchers choosing as Richwine does to fold them in with current expenditures. He provides none.

Richwine made do with just one year's expenditures, but it was scarcely greater effort for us to muster three consecutive years' worth of data. We used Consumer Price Index values to render expenditures from school years ending in 2006 and 2007 in terms of real 2008 dollars. And we copy Richwine in using the Department of Education's Comparable Wage Index to adjust district's expenditures for variation within and between states in the costs of providing education.

We employ the same procedures that Richwine used to create per pupil expenditures for each racial or ethnic group, but we go state by state. A state's per pupil expenditures for a particular racial or ethnic group is a ratio incorporating information from three years. The numerator is the sum of the average district per pupil expenditures multiplied by the number of district students representing the

racial group in question. The denominator is the total number of students in the group. Table 2 offers results of a state-by-state analysis of school expenditures in 13,458 unique districts appearing in one or more of the school years from 2005-06 to 2007-08.

The “broadly similar” percentages Richwine celebrates are also present in many of the states listed in Table 2. In California, Colorado, Connecticut, Delaware, Florida, Georgia, and Idaho, for example, per pupil expenditures for Black and Hispanic students are within 3 percentage points of those corresponding to white students.

But racial disparities in education spending clearly exist in a host of other states. In Illinois, New York, and Pennsylvania, per pupil expenditures for black and Hispanic students hover around 90 percent of those for white students. This finding is a reflection of these states’ regressive funding tendencies, and the fact that people of color tend to be more concentrated in high-poverty districts. The flipside of this disturbing evidence comes from states such as Massachusetts and New Jersey in which high-poverty districts receive greater support from state and local sources than low-poverty districts.

The evidence shows that Richwine’s “backgrounder” for the Heritage Foundation misses the trees for the forest. Meaningful levels of racial disparity clearly exist in the provision of school funds in some states. But that does not mean that states with progressive funding or those exhibiting similar rates of expenditure across racial and ethnic groups are in the clear. A growing body of literature documents funding inequity, including racial disparities, within districts. The Education Trust’s Salary Gap series, for example, found differences as large as \$10,000 between average teacher salaries in districts’ lowest and highest minority enrollment schools. And analyses of school-level per pupil spending data from Florida reveal a negative relationship between spending rates and the percentages of African American and Hispanic students in schools, even after controlling statistically for student poverty rates.

We certainly agree with Richwine’s assertion that intradistrict funding disparities are of special concern in “big-city districts,” and we agree wholeheartedly with him about something else. It does little good to focus on funding levels and disparities without also calling attention to how well schools use the funds available to them.

**TABLE 2**  
Per pupil expenditures for each racial group expressed as a percentage of per pupil expenditures for white students, by state

State	Asian	Black	Hispanic	Native American
Alabama	103	97	101	98
Alaska	101	96	100	120
Arizona	98	98	99	104
Arkansas	100	106	99	99
California	94	97	99	109
Colorado	98	103	102	103
Connecticut	100	103	101	102
Delaware	97	99	99	105
Florida	97	99	100	100
Georgia	98	102	100	100
Idaho	100	99	97	101
Illinois	104	93	91	98
Indiana	101	112	108	103
Iowa	99	99	100	100
Kansas	94	95	98	102
Kentucky	99	102	99	99
Louisiana	105	104	103	98
Maryland	106	97	101	97
Massachusetts	108	118	113	108
Michigan	107	107	104	105
Minnesota	104	107	106	116
Mississippi	101	103	99	100
Missouri	106	110	107	101
Montana	97	94	95	100
Nebraska	90	83	93	106
New Hampshire	96	89	83	97
New Jersey	100	117	110	109
New Mexico	94	96	102	86
New York	91	91	90	99
North Carolina	98	100	98	101
North Dakota	99	99	98	98
Ohio	109	111	104	102
Oklahoma	95	97	99	102
Oregon	97	101	99	105
Pennsylvania	96	89	85	98
Rhode Island	100	99	100	105
South Carolina	101	105	101	98
South Dakota	96	93	97	99
Tennessee	100	100	101	98
Texas	90	93	99	100
Utah	95	95	97	117
Vermont	103	101	102	92
Virginia	107	101	105	99
Washington	97	98	98	103
West Virginia	100	99	95	99
Wisconsin	102	98	98	105
Wyoming	98	97	98	97

Source: Authors’ calculation from data drawn from the Common Core of Data, National Center for Education Statistics. Federal revenue was removed from districts’ current expenditures, as were payments to private and charter schools. Expenditures for three years (2005-06 through 2007-08) were adjusted for variation in local costs and converted to real 2008 dollars. Hawaii and the District of Columbia were removed from the dataset; because each contains a single district, the calculated percentages are necessarily 100.

We are sure to learn more about racial disparities in education funding within districts later this year when the Department of Education releases Phase II of its 2009-10 Civil Rights Data Collection featuring, for the first time, school-level expenditure information. Even when these new data are available, advocates and researchers will have to take care to match their analytic approaches to their questions. Abandoning this practice, as Richwine has done in “The Myth of Racial Disparities in Public School Financing” is as sure to please some audiences as it is to slight others. Such behavior is divisive, at best.