

EDUCATION

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EFP Takeaways

School Finance Reform and the Race Gap in School Funding

Background

The racial gap in education is an enduring and persistent issue in the U.S. public school system. One possible contributing factor to the racial achievement gap is a disparity in resources. This discrepancy in school resources is still present, though has decreased in recent years. One possible contributor to the narrowing of the gap is school finance reform, which is court-ordered mandates to disburse funds more equally across public schools within a state through weakening the link between school district wealth and school district funding. A new study by Michah Rothbart at the Syracuse University in vol. 15, issue 4 of *EFP* investigates the effects of school finance reform by the racial composition of school districts.

The Study

Rothbart employed a sixteen year panel of data from 1996-2011, which includes district revenues and demographic data, as well as a cumulative history of school finance reform orders. District revenue is measured as a per pupil state aid, local revenues, and total revenues. Demographic data included racial composition of each school district, and poverty, measured as the percentage of students eligible for free and reduced price lunch. The history of school finance reforms was compiled from court rulings and records. The final sample for analysis included between 10,000 and 11,000 school districts per year, over a sixteen year period across the United States.

Findings

Analysis revealed three key findings:

- Previous research provides evidence that school finance reforms help break the link between district wealth and local resources, but provides little evidence of the impact by racial composition. This paper offers evidence from national data that school finance reforms can work to alleviate racial funding gaps too, though impacts were generally moderate.
- School finance reforms changed the relationship between racial composition and state aid, with smaller, generally offsetting, effects on local revenue.
- A one-percentage point increase in the share of students who are black, Hispanic, or American Indian increased the impact of school finance reform on state aid by approximately \$19, \$6, and \$54 per pupil, respectively. However, higher proportions of Asian students were negatively correlated with the effect of school finance reform on state aid.

Policies designed to address funding adequacy may improve racial inequity in education. Overall, school finance reforms can work to reduce racial funding gaps. However, the impacts are moderate. As such, these policies should be supplemented with other actions to further reduce racial discrepancies in school funding.

For more details:

- View the [full issue](#).
- See the [full article in Education Finance and Policy](#).
- [Sign up here to receive future EFP Takeaways](#).
- Summary of:
Rothbart, M. W. (2020). Does school finance reform reduce the race gap in school funding?. *Education Finance and Policy*, 15(4), 675-707.