# School Finance and the Courts: Equity and Adequacy

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## Introduction

Education financing in the United States is surprisingly complex. While education policy is primarily a responsibility of each individual U.S. state, local districts are centrally involved in funding in most states. The federal government plays a minor role in the overall financing of schools, although this funding gives the federal government influence over larger policy issues. Revenues are, on average, almost equally raised by states and local districts, while the federal government contributes approximately 10% of total funding, but these percentages vary significantly across states. Importantly, layered on top of legislative and executive decisions, court rulings have proved a source of very active oversight and intervention into the funding decisions of states and localities. This contribution focuses on this role of the courts, but it is necessary to understand the larger institutional structure of school finance to contextualize the specialized interventions of the courts.

The funding of schools is a significant and often contentious policy realm for state legislatures. While differing across states, the overall structure of school finance tends to remain roughly the same over long periods within individual states. That structure determines the basic relationship between state and local funding, revenue sources, and the obligations of local districts. There are much more frequent adjustments to both the level of funding and the programmatic uses of additional funds.

Local school districts raise, on average, over 80% of their funding share through property taxes, although in a few states, districts raise less than half of their funds in this manner. Because the property tax base tends to be very unevenly distributed within states, most states distribute disproportionate funds to property-poor districts to equalize revenues across districts. Nonetheless, the funding formulae for doing so seldom fully neutralize the revenue differences across districts.

These revenue disparities across districts have been the impetus for the courts to involve themselves in questions surrounding the constitutionality of the state systems and to participate in the design of school finance policies. The courts have reviewed financing in almost every state and have called for changes in financing in many states. These court reviews have considered both equity in funding across districts as arising from tax base disparities and the adequacy of overall levels of funding in states.

Ultimately, the clearest generalizations about school funding and about court actions concern the variation itself in revenue levels and patterns across states. While court cases have proceeded in similar ways across numerous states, the substance of the cases' arguments and of the corresponding decisions has reflected the deep-seated differences in the structure and evolution of state finance policies.

The funding decisions of states, districts, and the federal government over time are generally related to education policies and programs, but court decisions are almost always focused on funding itself. Hence, the impact of the courts on student outcomes is highly dependent on the effectiveness of any funding adjustments emanating from court decisions.

# Key findings

**Key finding #1:** *States have structured their schools and their finances in very different ways.*

States differ widely in the organization of local districts, in revenue sources, and in the split between local and state obligations. As a result, it is difficult to generalize about the efficacy of any finance policies and, by extension, about the impact of court interventions.

**Key finding #2:** *The historical dependence of local districts on local property taxes can lead to wide disparities in local revenues, although revenue disparities are also heavily influenced by a variety of other factors.*

The value of residential property is closely related to the incomes of residents, implying that wealthy communities will tend to have larger tax bases than poorer communities. This difference can lead to wide disparities in local revenues, and these disparities raise constitutional questions about equal protection under the law. However, the property tax base also includes commercial and industrial property and excludes some property such as governmental, educational, and religious property—factors that may reinforce or offset disparities by household income. States have adopted finance formulae that offset at least a portion of the variation in tax bases, but the remaining variation has been the source of court questions about the equity of spending.

**Key finding #3:** *Over the last half century, the courts have entered significantly into decision-making about school finance.*

The federal courts do not have a role in school finance policies because of a ruling on constitutionality by the U.S. Supreme Court, but state courts have been heavily involved. Beginning with the California court case of Serrano v. Priest, the courts in all but two states have been asked to rule on the state constitutionality of state school finance.

**Key finding #4:** *Court cases have followed two general lines for evaluating the pattern of school funding—equity and adequacy.*

Early school finance court cases focused on differences in resources across districts (equity). These equity lawsuits were based on the equal protection clauses of the U.S. Constitution and state constitutions. Over time, they have been more heavily weighted toward claims focused on the overall level of spending, and they have been based on the education clauses of state constitutions (adequacy).

**Key finding #5:** *Court rulings have been roughly split between those striking down the existing state funding system and those upholding the state system.*

There is no clear pattern of court decisions across states, which is unsurprising because the court cases depend directly on the circumstances in each state: the funding formula, the distribution of spending across districts, the outcomes of schools, and the nature of state constitutional requirements, which differ significantly across states. Furthermore, outcomes in terms of student achievement have motivated court actions and have entered into considerations of any remedies for constitutional violations.

**Key finding #6:** *The lack of consistent evidence on the relationship between spending and achievement introduces significant problems in court cases.*

The court cases have focused on spending levels, while the relevant policy underlying them implicitly considers student outcomes. The general lack of strong evidence on the spending-achievement relationship is especially challenging for court cases centered on adequacy. These adequacy cases consider whether student outcomes are consistent with constitutional requirements, but judgments and remedies are both framed in terms of spending.

# Evidence

**Key finding #1:** *States have structured their schools and their finances in very different ways.*

Education is the responsibility of the states, and they have chosen very different ways to provide education. Perhaps the simplest way to see the diversity is to look at the numbers of separate school districts in different states. Both state legislatures and the courts tend to focus on school districts as the appropriate entity for policy, but the size of districts itself may have important implications for student outcomes that enter into funding decisions and results. Small districts may better reflect the demands of their constituents, but they may also be less efficient in their operations.[1] On the other hand, very large districts may develop excessive bureaucracies and become inefficient producers. Importantly, households react to both financing decisions and school performance; so, the make-up of districts in terms of incomes not only is fluid but also depends on the possibilities for district relocations by families.[2] Furthermore, the distribution of districts and the resultant choice opportunities are not static. Over time, the driving force has been the consolidation of local districts. There are now approximately one-tenth as many local school districts as there were before World War II (Figure 1). There are currently just 60% of the districts that existed in 1968, which implies some lessening in local control and local financing.[3] This decline in district choice has been offset to some extent by the growth of charter schools. Charter schools are typically funded separately from other public schools and offer alternative school opportunities to families who do not have to change school districts to have different schooling options.[4] Eight percent of public schools are currently charter schools. Furthermore, the roughly 13,500 local districts today are divided very unevenly across states. Texas has 1,024 separate traditional school districts and 185 independent charter districts. At the same time, 13 states have less than 100 districts, and Hawaii and Washington, DC, have a single district. Given these realities, both the locus of decision-making and the institutional structure of school finance have changed over time.

The aggregate pattern of school funding has also changed over time. School funding is made up of revenues from state, local, and federal funds. As shown in the plot of school funding since 1960 (Figure 2), total revenues (in 2021 $) have steadily increased, except for the period around the 2008 recession. From 1960 to 2019, revenues per pupil more than quadrupled in real terms.[5] There is debate over the reasons behind rising spending, but the fact that spending has been consistently rising well above the rate of inflation and is among the highest in the world contradicts the idea that spending is inadequate on a national basis.

The pattern of aggregate spending has also changed over time. Local funding was the largest source of revenue in the 1960s and into the 1970s, but the share from the state overtook local revenues in the late 1970s. This change has been partly attributed to responses to the court interventions discussed below.[6] Historically, the federal government played a minor role in school funding, but this role increased with the Elementary and Secondary Education Act of 1965.[7] As part of the "War on Poverty," the federal government began funding schools with substantial numbers of children in poverty. It subsequently added funding for special education students after the Education for All Handicapped Children Act of 1975 established the educational rights of special education students. In aggregate, federal funding has been a fairly constant share of total funding, i.e., approximately 10% since the 1980s, with the exception of an increased share after the 2008 recession and through the pandemic (not shown).

Again, however, a key element of this funding is the heterogeneity of revenue sources across states (Table 1). Federal funding, largely consisting of funding for special education and of compensatory funding for children from families in poverty, ranges from 4.6% of total revenue in New York to 19.7% in South Dakota. Vermont essentially has no local funding, while its neighboring state, New Hampshire, has 62% of funds raised locally and only 31% raised by the state. Hence, it is clear that different states have made dramatically different choices in how local schools are funded.[8] Speaking only of the national averages masks the substantial differences across states.

**Key finding #2:** *The historical dependence of local districts on local property taxes can lead to wide disparities in local revenues, although revenue disparities are also heavily influenced by a variety of other factors.*

Historically, local school districts and governments have relied on local property taxes to raise revenues. These taxes generally raise funds from property owners—both residential property owners and commercial and industrial property owners.

The importance of property taxes is central to many discussions of school finance policies and has weighed heavily in the courts' involvement in school finance. While varying over time, it is clear that property taxes occupy heterogeneous positions across states. The aggregate impact of property taxes in a state depends on the overall importance of local revenues and on the prevalence of the use of property taxes, as opposed to other revenue sources. In the average state, 83% of local revenue comes from property taxes.[9] However, this reliance ranges from less than half of local revenues in six states to over 90% in 12 other states. When combined with the overall importance of local revenues, we see that property taxes range from 11% of total revenues in Alaska to 62% in New Hampshire, with a state average of 36%.

The value of residential property is closely related to the income and wealth of residents. Hence, for any given property tax rate, the revenue that can be raised from this source tends to be directly related to the incomes of residents. As described below, this simple observation has had a very large impact on the courts' involvement and on policy discussions about school finance.

Importantly, the total property tax base is not the same as the residential tax base. The total property tax base includes the value of commercial and industrial properties[10] and generally excludes property owned by religious organizations and educational institutions (although payments by these entities in lieu of taxes are common). The mix of residential property and of commercial/industrial property varies considerably by state and district.[11] For example, New York City has a substantial concentration of poor families but is property rich given the extensive infrastructure of commercial and industrial properties. However, other states find that "property poor" is synonymous with a concentrated poor population.

The potential impact of varying property tax bases on local funding has long been recognized. In 1923, Strayer and Haig outlined how New York state revenues could be used to compensate for the differential ability of local districts to raise revenue. In particular, if a local district could not meet the level of spending chosen by the state when taxing property at a specified rate, then the state would make up for the shortfall.[12] In other words, the state would compensate for a low property tax base with funding that would bring each district up to the desired (foundation) spending level.

The Strayer–Haig idea is the substance of foundation funding plans that are the used by a majority of states in 2024.[13] However, the actual impact of this financing mechanism depends on a series of choices, including the foundation spending level, state-specified tax rate, range of tax rates that can be chosen locally, and restrictions on the use of local revenues above the foundation level. Hence, even though the typical foundation plan adjusts state funding to reduce the impact of variations in the local tax base, there is substantial variation across states in the degree that state funding offsets differences in the tax capacity of local districts.

The simple formula for the base funding level from state foundation plans or their alternatives is typically modified to incorporate student variations and other potential cost drivers.[14] Most states include additional funding for disadvantaged students (generally defined in terms of poverty), special education students, English learners, and other aspects of districts that might be related to extra services that the districts offer. In some states, these adjustments also consider additional funding for rural districts and for dense urban districts—factors that are directly related to the changing structure of districts noted previously. However, there is no standard across states for how large such payments might be.[15] This additional funding for students also interacts with funding for programs aimed at students from families in poverty and those with special needs that are the focus of federal education support.

The implication of these various choices made by individual states and of how they interact with the characteristics of local districts is that states differ dramatically in both overall spending and the distribution of spending across students within each state. The resulting pattern of spending across states is a wide disparity in spending per student by geography. As shown in Figure 3, while total U.S. spending in 2021 averaged $16,345 per pupil, it ranged from $10,261 in Idaho to $28,261 in New York and $33,222 in Washington, DC. Undoubtedly, the cost of living differs across states, but it certainly does not differ by a factor of three.

Both in research and in the court cases discussed below, most attention is directed to within-state differences in funding. Historically, attention focused on unadjusted differences in spending across districts.[16] Over time, particularly with the availability of better data, discussions have become more sophisticated in defining horizontal equity and in considering different demographic compositions of school populations, and it is now possible to provide detailed pictures of how adjustment choices affect within-state revenues.[17]

**Key finding #3:** *Over the last half century, the courts have entered significantly into decision-making about school finance.*

While the executive and legislative branches constitutionally have authority over school appropriations, the courts have been significantly involved in overseeing school finance.[18] Two books provided a legal argument for federal court involvement in school finance, but subsequent legal decisions by the U.S. Supreme Court moved school finance to state courts.

In 1968, Arthur Wise laid out the argument that the pattern of local variations in school funding violated the equal protection clause of the Fourteenth Amendment to the U.S. Constitution.[19] This argument focused on the general reliance on local property taxes that, as discussed, significantly contributed to wide variations in the ability of individual districts to raise funds. While education was not mentioned in the U.S. Constitution, Wise compared the case for federal court involvement in education funding to cases of desegregation or voter rights, in which the courts had already become involved.

The publication of Private Wealth and Public Education by John Coons, William Clune, and Stephen Sugarman shortly followed in 1970.[20] At over 500 pages, this legal treatise presented empirical evidence on inequities in funding related to district wealth and then produced the legal case against unequal funding based on local property taxes and the influence of wealth. Their Proposition 1 was that "the quality of public education may not be a function of wealth other than the total wealth of the state" (p. 304). Having previously argued that, at least on practical grounds, the quality of education should be defined as synonymous with spending,[21] their policy prescription was to change funding to equalize the ability to fund local schools either by changing the finance formula to one of "district power equalizing" or by moving to individual choice of schools.[22] Because of the previous inability of legislatures to address funding inequities, they argued that the courts should enter school finance determination based on the Fourteenth Amendment to the U.S. Constitution and its requirement of equal protection under the law.

These arguments did not convince the U.S. Supreme Court, which in 1973 ruled in San Antonio v. Rodriguez [23] that education funding was not a fundamental right under the U.S. Constitution and should not be examined under principles of strict scrutiny, implying that it was just necessary to show a rational basis for reliance on local property. The Court's 5-4 decision held that the Texas funding system, which was at the heart of the case, even if imperfect, did not violate the equal protection clause of the U.S. Constitution.

This federal ruling turned the policy and legal focus to state courts, where state constitutions invariably had their own equal protection clauses.[24] State cases had begun to work through state courts in parallel to the federal case. The first California decision in Serrano v. Priest in 1971 (and the second Serrano decision, made post-Rodriguez, in 1976),[25] established the viability of state school finance cases. Litigation in additional states quickly followed.

School finance litigation has proceeded and grown in terms of the number of court cases.[26] Between 1968 and 2020, there were 205 cases covering all states (except Utah and Hawaii) that were decided in state courts. As shown in Figure 4, these cases have been very unequally distributed, with the largest number of individual cases being in California (14), Kansas (10), New York (10), and Texas (7).

While slightly less than half of these cases have had a decision calling for changed financing by the state, the widespread oversight of school finance by the courts is obviously an important element of policy deliberations outside of the courts.

**Key finding #4:** *Court cases have followed two general lines for evaluating the pattern of school funding—equity and adequacy.*

The original arguments of Wise and of Coons, Clune, and Sugarman stress "equity" arguments based on equal protection, and they called for comparisons of the spending differences among local school districts. However, such comparisons are not entirely straightforward because there is no uniform view on any spending adjustments for needy students (such as disadvantaged or special education students). While the desirability of adjusting funds for various demographic and cost factors has been recognized since the earliest discussions, the appropriate adjustments have frequently been one of the disputed topics in equity lawsuits. Additionally, Coons, Clune, and Sugarman permitted spending differences due to local preferences, while other participants in school funding debates have not accepted this view of appropriate equity standards.

The equity cases incorporated one controversial element. Because spending equity could be achieved at various overall spending levels in a state, initial discussions of equity cases often included discussions of leveling-up to higher-spending districts or leveling-down to lower-spending districts. Proponents of these lawsuits generally believed that leveling-down would not be an appropriate response to their concerns.

Discussions of the level of spending were subsequently introduced through a second basis of court complaint. “Adequacy” cases focused directly on the level of spending and have been argued generally based on the education clauses of state constitutions. All states have education clauses establishing their public schools and providing very general descriptions of the requirements for schools.[27] For example, common language includes requirements that the system of the state’s schools be “thorough and efficient,” “general and uniform,” and “free.” These clauses essentially never give direct guidance on spending, by default leaving such decisions up to the courts when faced with school finance litigation.

The beginning of adequacy legislation is often identified with the Kentucky Rose case in 1989, but the reality is that adequacy arguments were introduced in the early state cases.[28] As shown in Figure 5, both the number of cases and the prevalence of adequacy cases have increased over time. While half of the cases in the 1970s were purely equity cases, only 16% in the 2010s were purely equity cases. Hence, there has been increasing court attention to whether states are spending enough according to interpretations of the state constitution or the policies of the courts.

The adoption of federal accountability standards under No Child Left Behind (NCLB) also entered into court discussions. NCLB required each state to set performance standards for students and to measure how well students were doing over time in achieving “proficiency” under these standards.[29] State standards for accountability were frequently adopted in plaintiffs’ court complaints as a clear measure of how to interpret the constitutional requirements of the state. Hence, having measures of student achievement that were far below “proficiency” provided support for the argument that schools did not have sufficient resources to meet state standards. This argument, converting student achievement deficiencies into a case for added resources, became a central part of many adequacy lawsuits.[30]

One important aspect of the court cases is the exclusive focus on spending, at least in regard to any consideration of remedies for state finance systems that are found to have constitutional deficiencies. The courts lack the overall expertise to make judgments about programmatic elements of any spending, and they also face issues of enforcement of any decisions straying from pure spending.[31] Given these realities, the decisions about school finance made by the courts differ noticeably from most state and local finance decisions made by the legislative and executive branches. Choices of the latter branches are much more closely related to education policy development and how money is spent than on the funding per se.

**Key finding #5:** *Court rulings have been roughly split between those striking down the existing state funding system and those upholding the state system.*

In court cases, the plaintiffs ask the courts to strike down the existing system of school finance, and the defendants (representing the state government) seek to continue the existing system.[32] In the aggregate, defendants have prevailed in slightly more than half of these cases. As shown in Figure 6, the decade from 2000 to 2009 was the high-water mark for plaintiff victories. However, that pattern was reversed in the 2010s, when 61% of rulings were for the defendants.

It is difficult to generalize about the nature of the cases and rulings since these are all state actions that depend on the circumstances of the funding seen at the time that the courts were involved and on the separate interpretations of state constitutional requirements. Additionally, decisions for the plaintiffs do not always lead to legislative action.[33] Indeed, looking at expenditure growth and comparing spending levels after decisions to those before decisions, Hanushek and Joyce-Wirtz find little impact of the courts on spending.[34] Simple accounting regressions across states show no differences in spending levels by either court decisions or by the number of court cases.[35]

Hence, it is remarkable that the significant involvement of the courts in decisions about school finance has not produced clearer results. The court cases themselves entail a considerable commitment of resources, with the average case lasting 3.5 years from filing to final decision.[36]

**Key finding #6:** *The lack of consistent evidence on the relationship between spending and achievement introduces significant problems in court cases.*

There have been long-standing questions about the effect of spending on school outcomes, with little evidence of any simple relationship.[37] As LAFORTUNE/MCGEE argue, "The evidence is limited on which policies and types of spending work for different students in various circumstances."

There is significant interplay between questions about the effectiveness of resource usage and the involvement of the courts in school finance decisions. As Coons, Clune, and Sugarman presciently argued, it is very difficult for courts to judge what causes student outcomes and what elements are a legitimate focus of court attention.[38] This difficulty led them to focus exclusively on funding, which they label "opportunity." This pragmatic argument is reasonably clearer in equity suits based on equal protection; it is less clear in adequacy suits that consider whether the system is supplying constitutionally required levels of schooling.

A large portion of early evidence on this spending–achievement relationship clearly does not meet current quality standards because it does not adequately consider other factors that might underlie this relationship. However, the interpretation of more recent research that meets contemporary quality standards remains unclear. Although this literature is quite recent—largely coming over the last decade—there have been multiple reviews.[39] The purpose here is not to add another review or to critique this research. Instead, the purpose is to put this literature into the perspective of school finance deliberations and, in particular, the involvement of the courts.

Consideration of spending and outcomes has entered legal cases in two principal ways. In many cases involving adequacy, the plaintiffs (who are arguing against the adequacy of the current system) have employed consultants to "cost out" an adequate system.[40] In these studies, analysts use a variety of approaches to develop estimates of what it would cost to achieve the level of student performance that is chosen to indicate what is constitutionally required. These spending levels can then be compared to existing funding.

The crafting of remedies upon a financing system's being found deficient in a state lawsuit is the other way in which the costing-out issue has entered into considerations. Because the courts have little alternative but to rely on funding when specifying, monitoring, and enforcing any potential remedy for a constitutional defect, they need some way of determining the spending that is required.

Unfortunately, none of these costing out approaches can avoid the problem of limited evidence on the key spending–achievement relationship.[41] Performing such costing out requires valid estimates of how different spending levels lead to given achievement levels. Each of the existing research reviews indicates that more recent estimates are more likely than the earlier literature to indicate that added resources show a positive and significant relationship with student outcomes. However, the estimates are widely different across the various existing impact studies—ranging from negative spending–achievement relationships to unbelievably large positive estimates and having varying degrees of statistical significance. This range goes beyond pure estimation and sampling errors.

The simplest interpretation of the existing set of studies is the general conclusion that the way in which money is used has important implications for results. In other words, the specific use and context are important, but problematically, there is not a simple explanation for what leads to any differences in impact. Nonetheless, the courts need such information because it is central to adequacy cases.

In the other direction, there is some hint that court actions have influenced spending patterns. First, as shown in Figure 2, the dominance of local revenues seen before the late 1970s was eliminated, which is occasionally attributed to the scrutiny of local funding differences by the courts. Second, in an extensive analysis of trends in within-state variations in school spending, an Urban Institute calculator provides a detailed description of how spending by the nation has moved from slightly regressive (the poor receiving less funding than the nonpoor) in 1995 to slightly progressive (the poor receiving more funding than the nonpoor) in 2019.[42] This aggregate change might also reflect some influence of court decisions. Again, however, the average masks substantial differences across states, such as the strong progressive spending in South Dakota and the regressive spending in Connecticut and Rhode Island. These observed differences across states do not readily line up with court actions, but the threat of court actions may contribute to legislative decisions beyond just court judgments.

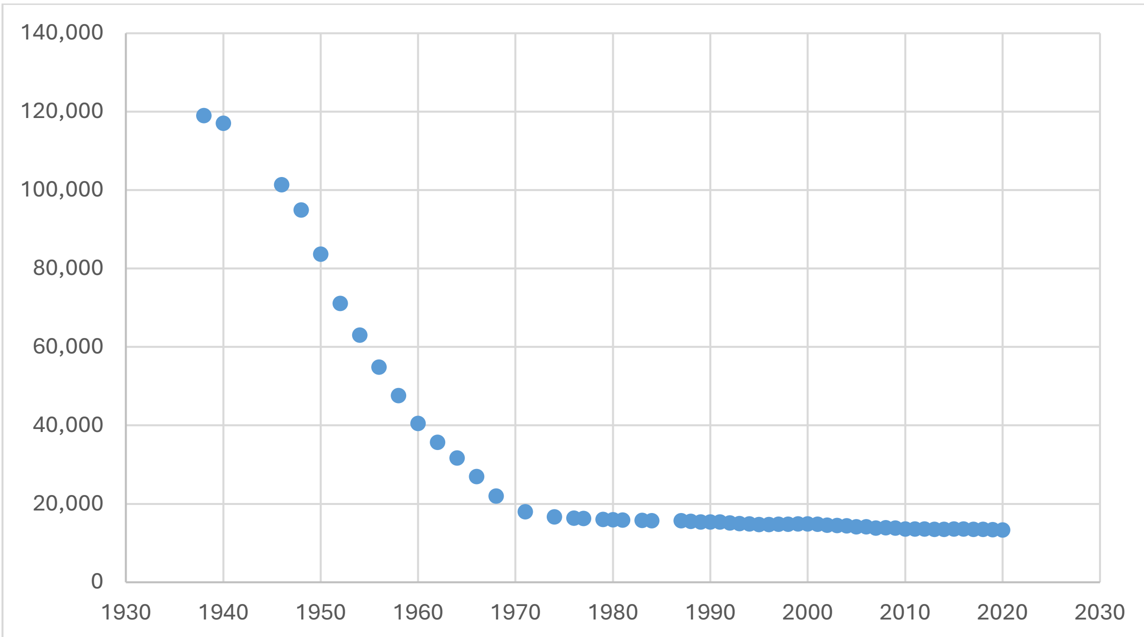
# Conclusion

In the U.S., funding for schools is complicated. The federal system places the primary responsibility to provide elementary and secondary education with each individual state, and the states have chosen very different ways to organize and fund their schools. The decision-making process for school finance is frequently difficult and contentious, and this process is made even more complicated by the strong involvement of state courts in school finance policy and decisions.

Decision makers in the executive and legislative branches of state and federal governments, along with those in local school districts, have developed a variety of approaches for ensuring that schools have the resources necessary to do their job. The funding patterns that have resulted continue to be questioned on the grounds of inequitable opportunities across districts. Additionally, the results, as measured in terms of student outcomes, have not constituted the outcomes that are desired.[43] As a result, state courts have been asked to actively enter into decision-making about school finance.

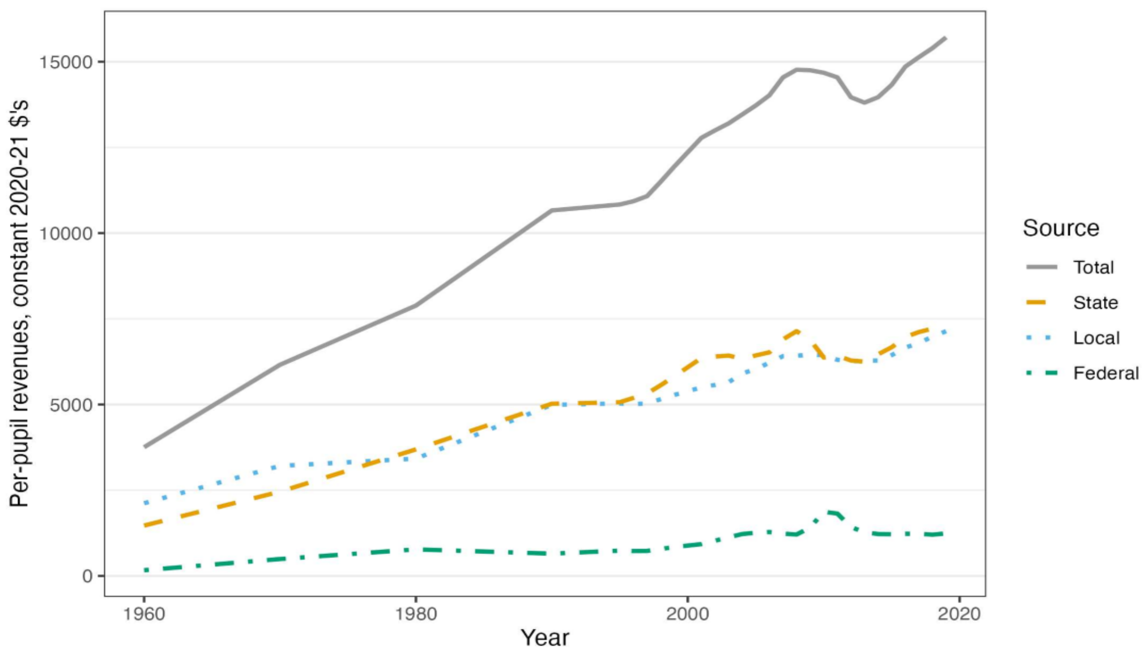
The heterogeneity of circumstances across states makes it difficult to tell any one story about school funding, concerns with financing mechanisms, or the role and impact of the courts. Nonetheless, the continuing application to the courts for changes in the structure of state school finance arrangements indicates a degree of ongoing dissatisfaction with school policymaking.

Figure 1. History of the number of school districts in the U.S.



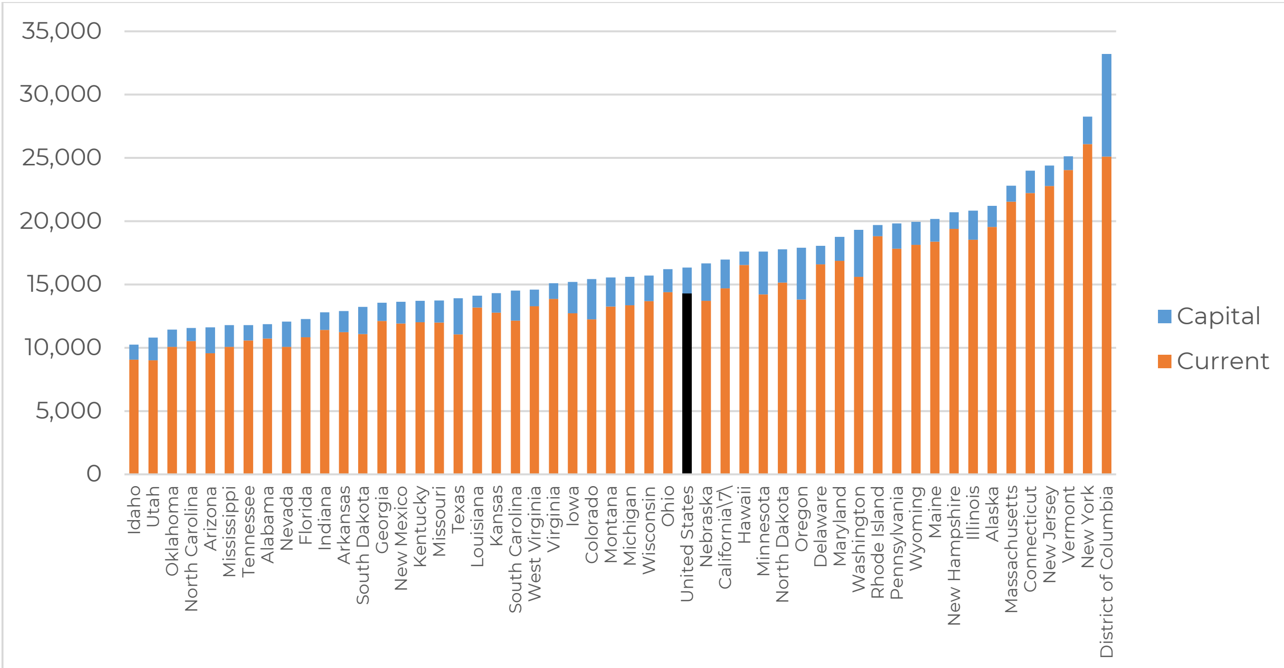

Source: U.S. Department of Education. Digest of Education Statistics 2022. Washington, DC: National Center for Education Statistics, 2022 and prior years.

Figure 2. Revenues by source, 1960–2019



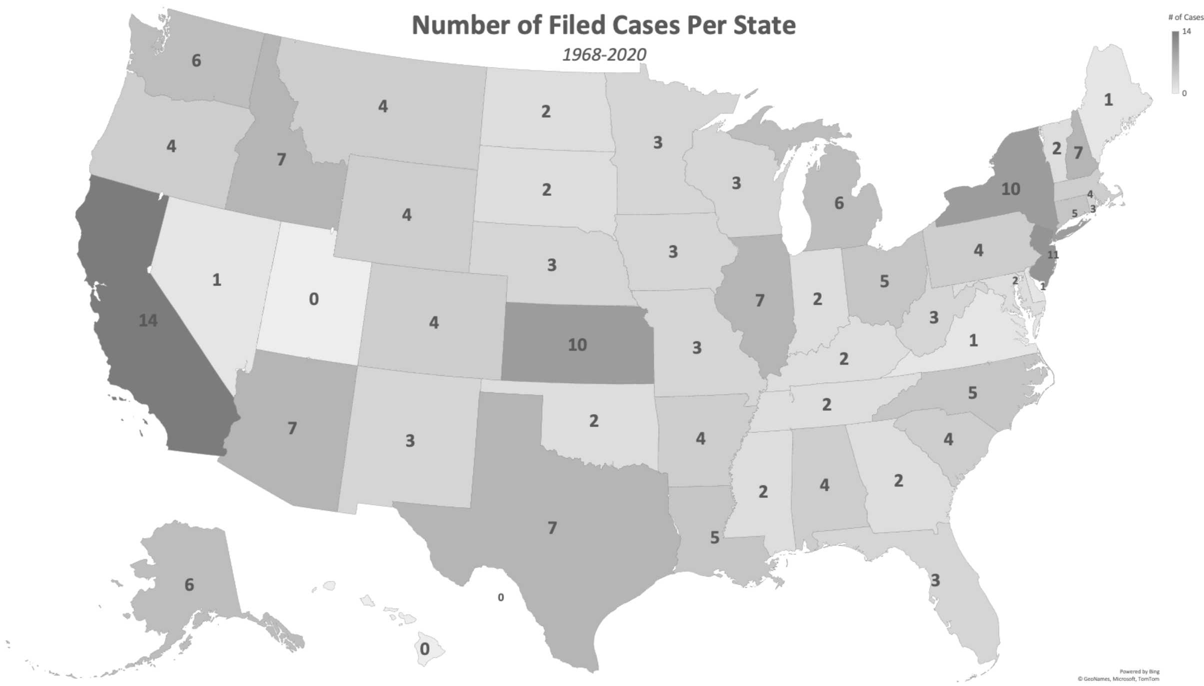

Note: Nominal revenues are converted to real spending with the CPI.
Source: U.S. Department of Education. Digest of Education Statistics 2023. Washington, DC: National Center for Education Statistics, 2023 and prior years.

Figure 3. Current and capital expenditure per pupil by state, 2021



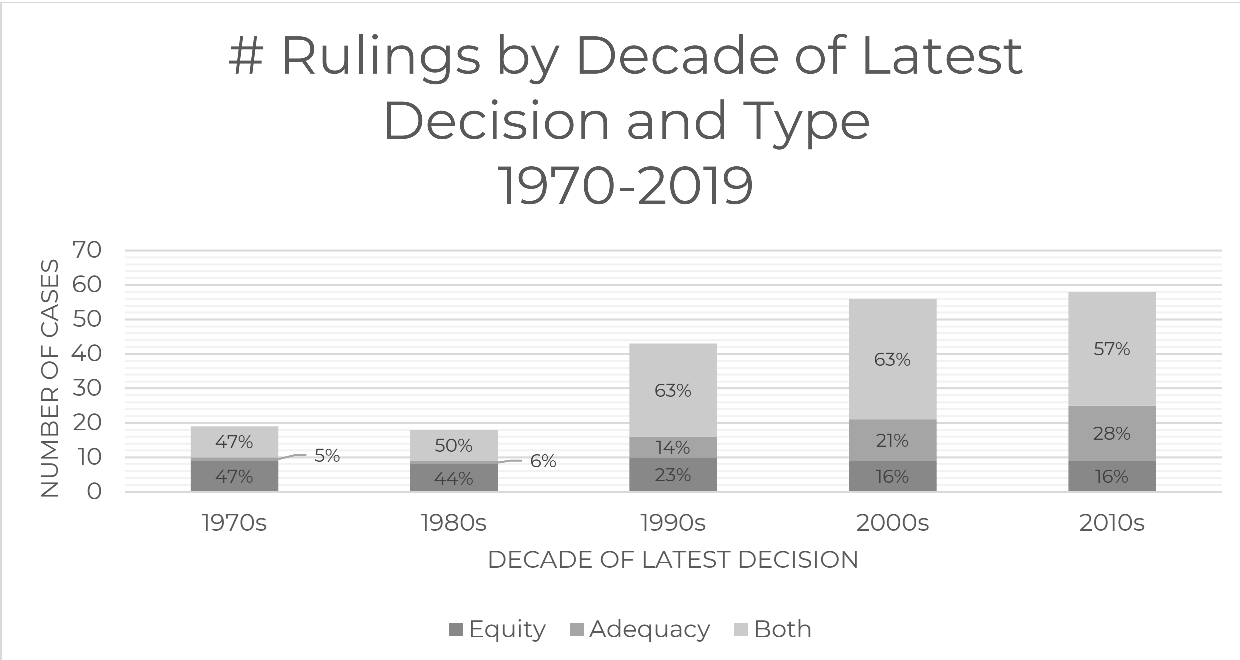

Source: U.S. Department of Education. Digest of Education Statistics 2023. Washington, DC: National Center for Education Statistics, 2023.

Figure 4. Number of court cases by state, 1968–2020



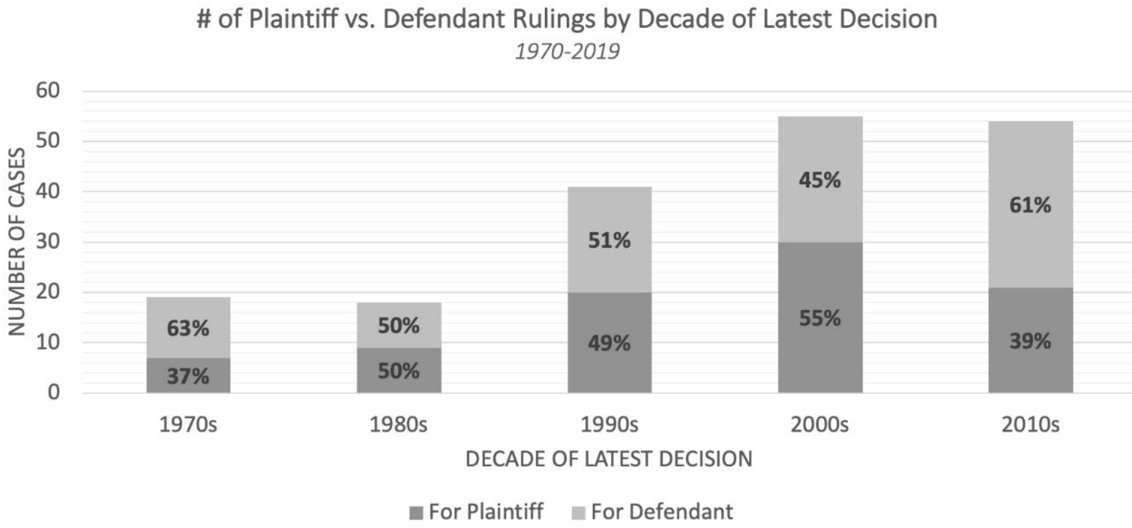

Source: Hanushek, Eric A., and Matthew Joyce-Wirtz. "Incidence and Outcomes of School Finance Litigation: 1968-2021." Public Finance Review 51, no. 6 (November 2023): 741-81. https://dx.doi.org/https://doi.org/10.1177/10911421231190964.

Figure 5. Court cases by decade of filing and by type, 1970–2019




Source: Hanushek, Eric A., and Matthew Joyce-Wirtz. "Incidence and Outcomes of School Finance Litigation: 1968-2021." Public Finance Review 51, no. 6 (November 2023): 741-81. https://dx.doi.org/https://doi.org/10.1177/10911421231190964.

Figure 6. Latest ruling by decade, 1970–2019




Source: Hanushek, Eric A., and Matthew Joyce-Wirtz. "Incidence and Outcomes of School Finance Litigation: 1968-2021." Public Finance Review 51, no. 6 (November 2023): 741-81. https://dx.doi.org/https://doi.org/10.1177/10911421231190964.

Table 1. Variation in revenue sources across states, 2021

| Source of Revenue | Average Percentage | Minimum Percentage | Maximum Percentage |
|---|---|---|---|
| Local | 43.6 | 2.0 (Vermont) | 62.0 (New Hampshire) |
| State | 45.8 | 29.0 (Missouri) | 87.6 (Vermont) |
| Federal | 10.6 | 4.6 (New York) | 19.7 (South Dakota) |

Notes: Hawaii and Washington, DC, are excluded because, as a result of their single-district status, there is no local funding (Hawaii) or no state funding (DC).

Source: U.S. Department of Education. Digest of Education Statistics 2023. Washington, DC: National Center for Education Statistics, 2023 and prior years.

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[2] Hanushek, Eric A., Kuzey Yilmaz (2007). "The Complementarity of Tiebout and Alonso." Journal of Housing Economics 16(2) (2): 243-261; Eric A. Hanushek, and Kuzey Yilmaz. 2013. "Household Location and Schools in Metropolitan Areas with Heterogeneous Suburbs: Tiebout, Alonso, and Government Policy." Journal of Public Economic Theory, 15 (6) (December): 829–855.

[3] This consolidation has also been very uneven across states, with a few states being prominent in instituting substantial change in districts. See Eric A Hanushek, 2024, "Some Evolving Issues in K–12 Education," in American Federalism Today: Perspectives on Political and Economic Governance, ed. Michael J. Boskin (Stanford, CA: Hoover Institution Press). There are also cases of expansion in the number of districts to change governance and finance, such as those seen in Shelby County, Tennessee. See https://en.wikipedia.org/wiki/Memphis-Shelby_County_Schools (accessed August 20, 2024).

[4] See chapter on Charter Schools

[5] Nominal spending numbers have been deflated by the CPI to obtain real spending.

[6] Evans, William N., Sheila E. Murray, and Robert M. Schwab. 1997. "Schoolhouses, Courthouses, and Statehouses after Serrano." Journal of Policy Analysis and Management, 16 (1) (Winter): 10–31; Sheila E. Murray, William N. Evans, and Robert M. Schwab. 1998. "Education-Finance Reform and the Distribution of Education Resources." American Economic Review, 88 (4) (September): 789–812.

[7] Cross, Christopher T. 2014. Political Education: Setting the Course for State and Federal Policy. Second ed. New York: Teachers College, Columbia University.

[8] While beyond the scope of this analysis, these aggregate figures also understate the range of revenues defined in terms of the amount of discretion at the local level and the implications of different district choices. For example, while California raises 33% of total funding at the local level, the state determines the revenues that go to (most) districts, regardless of how much revenue is locally raised. Hence, in reality, California is close to a full-state funding system. For examples and discussion, see William A. Fischel, 2006, "The Courts and Public School Finance: Judge-Made Centralization and Economic Research," in Handbook of the Economics of Education, ed. Eric A. Hanushek and Finis Welch (Amsterdam: North Holland).

[9] U.S. Department of Education. 2002. Digest of Education Statistics 2022. Washington, DC: National Center for Education Statistics. https://nces.ed.gov/programs/digest/d20/tables/dt20_104.10.asp?current=yes.

[10] Ladd, Helen F. 1975. "Local Educational Expenditures, Fiscal Capacity, and the Composition of the Property Tax Base." National Tax Journal, 28: 145–158.

[11] See the discussion in Fischel, "The Courts and Public School Finance: Judge-Made Centralization and Economic Research," in Handbook of the Economics of Education..

[12] Strayer, George D., and R. M. Haig. 1923. The Financing of Education in the State of New York. New York: Macmillan.

[13] For a formal description of alternative funding plans, see Eric A. Hanushek, 2002, "Publicly Provided Education," in Handbook of Public Economics, Vol. 4, ed. Alan J. Auerbach and Martin Feldstein (Amsterdam: North Holland). For data on K-12 funding systems by state in 2024, see Education Commission of the States, "50-State Comparison: K-12 Funding 2024," last modified March 2024, accessed July 3, 2024, https://reports.ecs.org/comparisons/k-12-funding-2024.

[14] The most common alternative to foundation funding sets basic funding based on a calculation of prescribed resource costs where, for example, a defined number of teachers for a district are supported at a given average salary.

[15] The complaints in the equity lawsuits discussed below frequently include arguments about the magnitude of one or more of these adjustments to base funding. Litigants have included coalitions of rural districts, representatives of large urban districts, and interest groups concerned with low-income students, and the varying litigants tend to emphasize different aspects of the funding formula in the lawsuits that they bring.

[16] For example, see Robert Berne and Leanna Stiefel, 1984, The Measurement of Equity in School Finance: Conceptual, Methodological, and Empirical Dimensions (Baltimore, MD: Johns Hopkins University Press).

[17] Blagg, Kristin, Emily Gutierrez, and Fanny Terrones. 2022. "Which Students Receive a Greater Share of School Funding?" Urban Institute. Accessed July 3, 2024. https://apps.urban.org/features/school-funding-trends/.

[18] The discussion of court involvement in school finance relies heavily on the analyses in Eric A. Hanushek and Alfred A. Lindseth, 2009, Schoolhouses, Courthouses, and Statehouses: Solving the Funding-Achievement Puzzle in America's Public Schools (Princeton, NJ: Princeton University Press) and Eric A. Hanushek and Matthew Joyce-Wirtz, 2003, "Incidence and Outcomes of School Finance Litigation: 1968-2021," Public Finance Review, 51 (6) (November), https://dx.doi.org/https://doi.org/10.1177/10911421231190964.

[19] Wise, Arthur E. 1968. Rich Schools, Poor Schools; the Promise of Equal Educational Opportunity. Chicago: University of Chicago Press.

[20] Coons, John E., William H. Clune, and Stephen D. Sugarman. 1970. Private Wealth and Public Education. Cambridge, MA: The Belknap Press of Harvard University Press.

[21] They recognized that other factors entered into school outcomes but argued for restricting attention to spending differences that they thought were unambiguously a measure of opportunity. The issues of other inputs and inefficient spending were also raised in the long foreword by James Coleman, the primary author of James S. Coleman et al., 1966, Equality of Educational Opportunity (Washington, D.C.: U.S. Government Printing Office), which emphasized the role of families and peers over that of resources.

[22] District power equalizing is a form of variable matching grants that reflects both property wealth and local preferences for funding education through the choice of tax rates. It differs from the more common foundation system that does not take into account the tax rate choices of the district (Strayer and Haig). John E. Coons and Stephen D. Sugarman, 1978, Education by Choice: The Case for Family Control (Berkeley, CA: University of California Press) went on to emphasize school choice by parents as their preferred way of dealing with the inequities of existing funding systems.

[23] San Antonio Independent School District v. Rodriguez, 411 U.S. 1 (1973)

[24] Justice William J. Brennan, Jr., one of the dissenting judges in the Rodriguez case, suggested in a 1977 Harvard Law Review article that a focus on state courts might be a strategic way of securing an expanded set of individual rights because the U.S. Supreme Court was no longer being very expansive in those areas. See William J. Brennan, Jr., 1977, "State Constitutions and the Protection of Individual Rights," Harvard Law Review, 90 (3) (January), accessed April 6, 2023, https://dx.doi.org/10.2307/1340334.

[25] The first Serrano decision (5 Cal.3d 584 (1971)) found the state funding formula to be unconstitutional under both the Fourteenth Amendment and the California constitution. The second Serrano decision (18 Cal.3d 728 (1976)) found the violation of the California constitution on equal protection grounds was not affected by the Rodriguez decision about the federal equal protection clause.

[26] A more detailed history of state court cases is found in Hanushek and Joyce-Wirtz. The following descriptions of state school finance litigation rely upon the data from that article. The full database of individual court cases is available at https://hanushek.stanford.edu/.

[27] For a description of the constitutional requirements in each state, see Emily Parker, 2016, 50-State Review: Constitutional Obligations for Public Education (Denver, CO: Education Commission of the States).

[28] Rose v. Council for Better Education, 790 S.W.2d 186, 60 Ed. Law Rep. 1289 (1989)

[29] On accountability, see Patrick McGuinn, 2016, "From No Child Left Behind to the Every Student Succeeds Act: Federalism and the Education Legacy of the Obama Administration," Publius: The Journal of Federalism, 46 (3), 392–415, accessed March 10, 2023, https://dx.doi.org/10.1093/publius/pjw014, and Arne Duncan, 2018, How Schools Work: An inside Account of Failure and Success from One of the the Nation's Longest-Serving Secretaries of Education (New York: Simon and Schuster). Federal involvement in school accountability was directly related to federal funding for compensatory education, which gave the federal government a direct point of entry into education policy.

[30] Hanushek and Lindseth.

[31] One option for the courts is to appoint a special master to oversee the uses of funding. This approach was used, for example, in long-running finance cases in New Jersey, i.e., Robinson v. Cahill, 360 A.2d 400 (N.J. 1976) and Abbott v. Burke, 119 N.J. 287, 575 A.2d 359 (N.J. 1990) and follow-on cases.

[32] There are variants on them. Importantly, some court complaints do not call for specific increases in spending and are vaguer on remedies including such things as requiring a "costing out study." (Costing out studies are described below and themselves invariably call for more funding, thus making it difficult for the state to provide less funding than what the official study calls for).

[33] See Fischel, "The Courts and Public School Finance: Judge-Made Centralization and Economic Research," in Handbook of the Economics of Education.

[34] Hanushek and Joyce-Wirtz.

[35] Looking at state achievement when cases are begun shows that adequacy cases are more likely to be brought in states with above average achievement, and these adequacy cases are much more likely to be decided for the plaintiffs in states with above average achievement. This suggests that the court cases are related to the underlying political and educational views in the states. See Hanushek and Joyce-Wirtz.

[36] Hanushek and Joyce-Wirtz.

[37] Eric A. Hanushek. 2003. "The Failure of Input-Based Schooling Policies." Economic Journal, 113 (485) (February): F64–F98.

[38] Coons, Clune, and Sugarman.

[39] Handel, Danielle V., and Eric A. Hanushek. 2023. "U.S. School Finance: Resources and Outcomes," in Handbook of the Economics of Education. Volume 7, ed. Eric A Hanushek, Stephen Machin, and Ludger Woessmann. Amsterdam: North Holland; C. Kirabo Jackson and Claire Mackevicius. 2024. "What Impacts Can We Expect from School Spending Policy? Evidence from Evaluations in the U.S." American Economic Journal: Applied Economics, 16 (1) (January): 412–446. Accessed February 2021. https://dx.doi.org/10.3386/w28517; C. Kirabo Jackson and Claudia Persico. 2023. "Point Column on School Spending: Money Matters." Journal of Policy Analysis and Management, 42 (4) (September): 1118–1124. https://dx.doi.org/https://doi.org/10.1002/pam.22520; Josh B. McGee. 2023. "Yes, Money Matters, but the Details Can Make All the Difference." Journal of Policy Analysis and Management, 42 (4) (September): 1125–1132. https://dx.doi.org/https://doi.org/10.1002/pam.22519.

[40] See Hanushek and Lindseth.

[41] See Eric A. Hanushek, 2006, "Science Violated: Spending Projections and the 'Costing out' of an Adequate Education," in Courting Failure: How School Finance Lawsuits Exploit Judges' Good Intentions and Harm Our Children, ed. Eric A. Hanushek (Stanford: Education Next Books); Eric A. Hanushek, 2007, "The Confidence Men: Selling Adequacy, Making Millions," Education Next, 7 (3) (Spring): 73–78.
[42] https://apps.urban.org/features/school-funding-trends/ [accessed November 8, 2024].
[43] Hanushek, Eric A., and Bradley Strauss. 2024. A Global Perspective on US Learning Losses. Stanford, CA: Hoover Institution, Stanford University.

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