

Federal Financial Support for Adequacy and Equity in School Finance

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Types of Federal Financial Support for Adequacy and Equity in School Finance

I) Direct Federal Aid

- * No Child Left Behind Title I
- * Individuals with Disabilities Education Act Part B

II) Indirect Federal Aid: Tax Expenditures

- * Federal Deduction for State and Local Property Taxes
- * Federal Deduction for State and Local Income Taxes
- * Federal Deduction for State Sales Taxes

Data for Estimating Direct and Indirect Federal Support for Education

For each of 14,555 School Districts Nationwide

Direct Aid

- NCLB Title I, Common Core Data Set
- IDEA Part B, Common Core Data Set
- Other Discretionary Direct Aid, U.S. Dept of Education Budget Service

Indirect Aid

- Deductions for Residential Property, U.S. Census Bureau, School District Database
- Family Income for Sixteen Different Income Groups, U.S. Census Bureau, School District Database
- Marginal Federal Tax Rates, U.S. Internal Revenue Code
- Probability of Itemizing by Income and Marital Group, U.S. Internal Revenue Service
- Marginal State Income Tax Rates, 42 States
- Standard Sales Tax Deduction for 6 non-state income tax states, U.S. Internal Revenue Service.

Methodology for Estimating Indirect Federal Support for Education

I) Resident Property Tax Deduction

$$DR_d = \sum_i \left[\%Y_{id} * (RET_d) * \left((M_i * Dm_i * MTR_{m_i}) + \left((1 - M_i) * Ds_i * MTR_{s_i} \right) \right) \right]$$

II) Non-Resident Property Tax Deduction

$$DN_d = (LPT_d - RET_d) * 0.33$$

III) State Income Tax Deduction

$$DY_{ds} = \sum_i \left[\%FY_{id} * \left((M_i * Dm_i * YT_{m_{is}}) + \left((1 - M_i) * Ds_i * YT_{s_{is}} \right) \right) \right]$$

IV) State Sales Tax Deduction

Internal Revenue Service Table 600 (applied for FL, NH, SD, TN, TX, WA, & WY)

Size of Federal Financial Support for State and Local School Finance

Year 2003

| | |
|--|-------------------------|
| Direct Federal Aid = | \$36.5 billion (7.6%) |
| Indirect Federal Aid = | \$67.6 billion (14.1%) |
| Residential Property Tax Subsidy Only = | \$15.47 billion (3.2%) |
| Combined Federal Aid = | \$104.2 billion (21.7%) |
| | |
| Total State & Local School Expenditures = | \$480.24 billion* |

* Reflects assumed 5% growth from NCES reported figure for 2001-2002 school year.

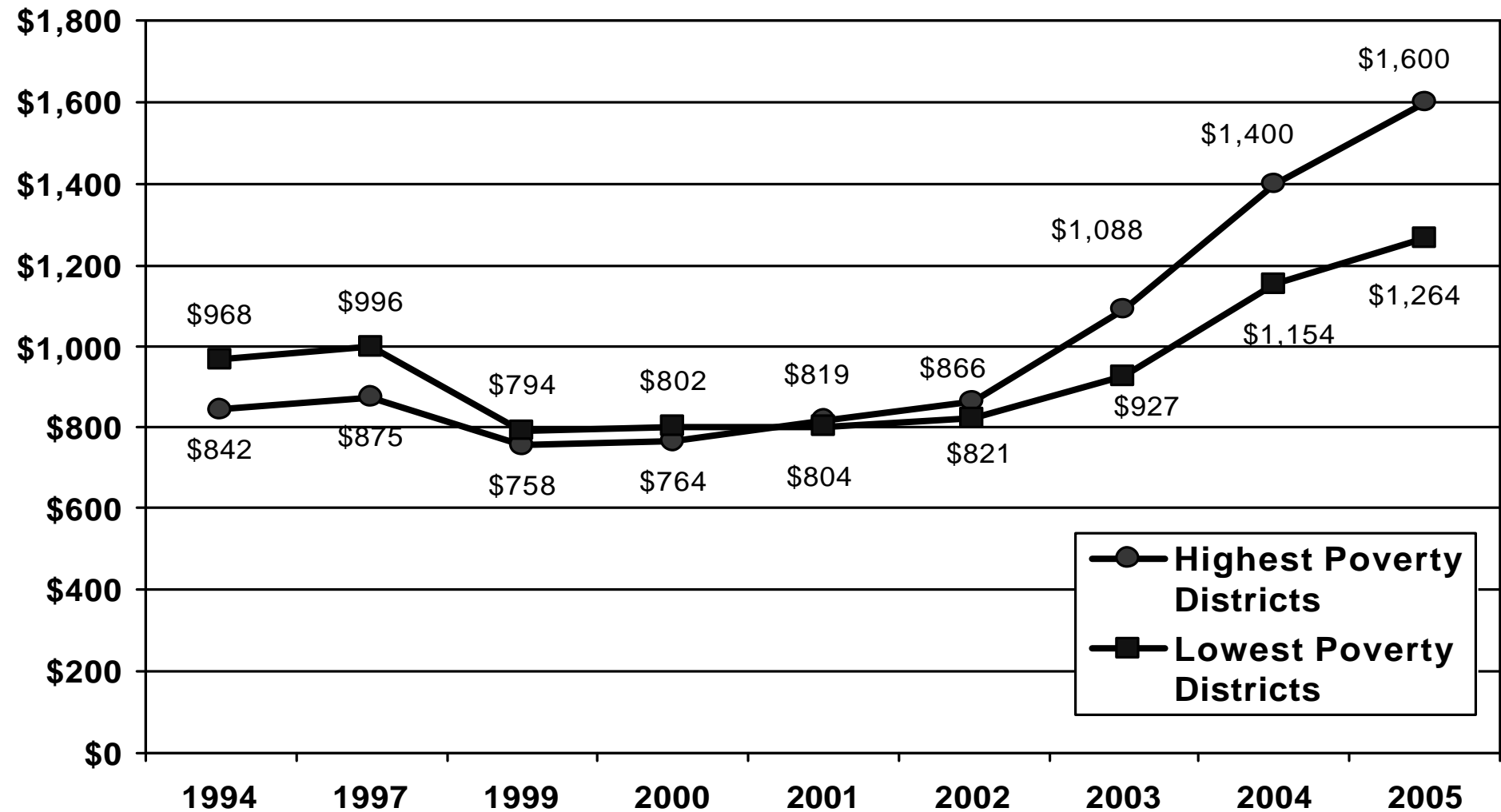
Distribution of No Child Left Behind Title I Direct Federal Aid

I) Title I is Moderately Progressive Among Districts

Share of NCLB Title I Direct Federal Aid by School District Poverty

| School District Poverty Rate (0% - 13%) | School District Poverty Rate (13.01% - 18%) | School District Poverty Rate (18.01% - 25%) | School District Poverty Rate (25.01% - 31%) | School District Poverty Rate (31.01% - 100%) |
|---|---|---|---|--|
| 12% | 18.7% | 19% | 22.6% | 21% |

Distribution of No Child Left Behind Title I Aid is Becoming More Progressive



Distribution of No Child Left Behind Title I Direct Federal Aid

II) Title I is Moderately Regressive Among States

Share of NCLB Title I Direct Federal Aid by State Poverty

| State Poverty Rate (0% - 13.09%) | State Poverty Rate (13.10% -17.03%) | State Poverty Rate (17.64% -18.62%) | State Poverty Rate (18.63% -20.89%) | State Poverty Rate (20.90% -29.22%) |
|--|---|---|---|---|
| 22.43% | 20.75% | 20.22% | 18.18% | 18.42% |

Distribution of Special Education IDEA Part B Direct Federal Aid

III) IDEA is Relatively Progressive to States

Share of IDEA Part B Direct Federal Aid

| <u>State</u> | <u>Children w/ Disabilities</u> | <u>IDEA Grant</u> | <u>Per Pupil Expenditure</u> | <u>Poverty Rate</u> |
|--------------|-------------------------------------|-------------------|----------------------------------|-------------------------|
| MA | 169,000 | \$267 M | \$10,700 | 11% |
| GA | 140,000 | \$223 M | \$7,700 | 18% |

Distribution of Special Education IDEA Part B Direct Federal Aid

IV) IDEA is Not Progressive *within State*

Share of IDEA Part B Direct Federal Aid in Massachusetts

| <u>Districts</u> | <u>Children with Disabilities</u> | <u>Per Pupil Expenditure Range</u> | <u>IDEA State Funding Share</u> |
|------------------|-----------------------------------|------------------------------------|---------------------------------|
| Lowest Spending | 29,732 | \$7,485 - \$9,748 | 17% |
| Highest Spending | 29,732 | \$13,000 - \$36,540 | 20% |

Size of Combined Direct and Indirect Federal Aid

V) Size of Combined Aid Varies Widely by State

Range:

\$8,480 per pupil

(\$1,930 when considering only the residential property deduction as indirect aid)

HIGH: \$9,806 per pupil in the District of Columbia

\$6,846 per pupil in New York

(\$2,656 in DC, if considering only the residential property offset as indirect aid)

LOW: \$1,350 per pupil in Nevada

\$1,883 per pupil in Florida

(\$726 in Utah, if considering only the residential property offset as indirect aid)

Standard Deviation:

\$1,706 per pupil

(\$452 considering only residential property)

Coefficient of Variation:

40.4%

(37.2% considering only residential property)

Distribution of *Combined* Direct and Indirect Federal Aid

VI) Combined Aid Regressive Among Districts by Income

R Squared = .20

Percentage of families < \$30,000, our coefficient = \$38

(45.5 when considering only the residential property tax deduction as indirect aid)

Percentage of families >\$100,000, our coefficient = \$279

(64.5 when considering only the residential property tax deduction as indirect aid)

“In other words, as the percentage of high income families in a district increases by 10 percentage points, combined federal aid increases by \$2,787 per student.”

Distribution of Combined Direct and Indirect Federal Aid

VII) Regressive Among Districts by Achievement

R Squared = .27 (mathematics only)

Percentage proficient in mathematics, our coefficient = \$43.5
(-5.37 when considering only the residential property tax deduction as indirect aid)

“In other words, as the percentage of student proficient in mathematics decreases by 10 percentage points, combined federal aid decreases by \$435 per student.”

Distribution of Combined Direct and Indirect Federal Aid

VIII) Racial Distribution of Combined Federal Aid

Percentage of children nationally in majority African-American school districts = 7%

Percentage combined federal aid to majority African-American school districts = 6%

Percentage of children nationally in majority white school districts = 70%

Percentage combined federal aid to majority white school districts = 72%