Leveling the Playing Field: Rural Schools Making Strides in Fight for Funding Equity

By Tim Weldon
Saturday, May 7, 2011 at 12:00 AM

Although one-third of America's children attend schools in areas classified as either rural or (small) towns, those schools are faced with numerous hardships compared to their city and suburban counterparts. The funding disparities among rural schools and their wealthier city and suburban counterparts have been significantly reduced, although not altogether erased, in many states during the past 10 to 20 years. Often, change has come as a consequence of legal action challenging state funding formulas that allegedly discriminated against property-poor school districts. Despite obvious gains, however, the struggle for funding equity and adequacy continues to be a paramount issue for rural school advocates in many regions.

Imagine attending school in a small, rural district with fewer than 200 students. It has one uncertified mathematics teacher who teaches all high school math courses. There are not enough calculators for the trigonometry class, too few electrical outlets in the classroom, no compasses, one chalkboard, one computer without any software and a broken printer, an inadequate supply of paper and an overworked duplicating machine. The basketball team does not have a complete set of uniforms; the band has no uniforms at all. The remediation rate for graduates entering postsecondary education is 100 percent.

Less than a decade ago, the Arkansas Supreme Court used these precise terms to describe the Lake View School District in Phillips County, Ark. In the early 1990s, the Lake View District had sued the state over Arkansas' funding system, claiming it was unconstitutional for failing to provide students in the Lake View District with an adequate education. In Lake View v. Huckabee (2002), the Arkansas Supreme Court agreed state funding for the Lake View District and other districts like it was inequitable and inadequate. In its opinion, the court described several other school districts in rural Arkansas in similar dire straits.

The opinion noted Lee County schools had no Advanced Placement courses, little or no science lab equipment, buildings in need of repair, buses that didn’t meet state standards and only 30 computers for 600 students. In addition, it said, some buildings had asbestos problems and little or no heating or air conditioning.

Lake View v. Huckabee led Arkansas to dramatically change its school funding formula. The victory,
however, was short-lived for the Lake View District. The Arkansas legislature responded with a bill that required all school districts with fewer than 350 students, including Lake View, to consolidate with another district. Consequently, although Lake View won its fight for a bigger share of state funding, it vanished as a school district.

The disparities among rural schools and their wealthier city and suburban counterparts have been significantly reduced, although not altogether erased, in many states during the past 10 to 20 years. Often, change has come as a consequence of legal action challenging state funding formulas that allegedly discriminated against property-poor school districts.

Despite obvious gains, however, the struggle for funding equity and adequacy continues to be a paramount issue for rural school advocates in many regions.

**Progress Made; Inequities Still Exist**

Although one-third of America’s children attend schools in areas classified as either rural or (small) towns, those schools are faced with numerous hardships compared to their city and suburban counterparts. (For a glossary of the federal definitions of rural, small towns, suburbs and cities, see Table Two.)

Overall, rural school districts spend less money per student on instruction, but more for student transportation. They pay their teachers less and face more severe teacher shortages than city and suburban school districts, according to multiple studies. Children living in rural school districts also are less likely to have access to Advanced Placement and International Baccalaureate courses and are more likely to live in poverty.

In “Finding Fairness for Rural Students,” Marty Strange, policy director for the Rural School and Community Trust, points out that in the 10 percent of rural and small-town districts with the highest rates of disadvantaged students, more than 37 percent live in poverty. Furthermore, nearly 60 percent of them—1.3 million students—are children of color.

“If these high-poverty rural and small-town districts were one school district, it would be the largest, poorest, most racially diverse district in the nation,” Strange writes.²

According to the National Center for Education Statistics, the average operating expenditures per elementary and secondary student in 2006-07, the most recent year for which data is available, was $8,858 in rural school districts, nearly $1,000 less per student than in city and suburban school districts.³ (See Table One.)

**Transportation Costs Fuel Inequity**

Transporting students to and from school is one of the greatest financial challenges for rural school districts. A National Center for Education Statistics survey reports rural districts spent 5.5 percent of their total operating costs on student transportation during the 2007-08 school year, compared to 4 percent for city schools and 4.5 percent for schools in suburbs.

In some parts of the country, the disparity is reportedly even greater. In an open letter to Illinois legislators in March 2011, 20 superintendents of rural school districts said their districts typically spend 8 percent of operating costs on pupil transportation, more than twice the state average of 3.8 percent.⁴
In Arkansas, former legislator Bill Abernathy contends that despite gains toward equity, disparate transportation costs continue to fuel inequities. Abernathy was a leading voice for equity to rural and poor school districts during his six years in the Arkansas House of Representatives and eight years in the Senate. Today, he serves as Arkansas director of rural education.

He argues rural schools spend a disproportionate share of their state funding on transportation costs, resulting in less money for instruction. “Instruction happens when you get to school. If you have to spend your money before you get to school, it’s taken out of the instructional program,” he said.

Abernathy supports legislation that would change the method Arkansas uses to compensate local districts for transportation costs. Districts currently are funded based on enrollment, regardless of the number of miles students travel to school. Abernathy supports Senate Bill 821, which would instead pay districts based on the number of miles students travel to and from school.

**Progress Through Litigation**

Although school funding is typically the responsibility of state legislatures, the judicial branch has played an increasingly active role in ensuring funding equity and adequacy for school districts in relatively impoverished areas.

During the past 25 years, financial inequities have lessened to a large degree through lawsuits, such as Lake View v. Huckabee. According to Strange’s school funding analysis, eight of 13 constitutional challenges to state school funding systems in the country in early 2011 involved rural plaintiffs.

According to a report by the Public Education Network, 45 states have faced at least one school finance lawsuit. While the outcomes have been mixed, plaintiffs challenging funding systems have won two-thirds of the cases filed between 1989 and 2005, according to the report.³

The Kentucky Supreme Court issued a landmark ruling involving state funding for public education in 1989. In *Rose v. Council for Better Education*, the court held that the General Assembly did not satisfy the constitutional requirement to provide an efficient system of common schools throughout state. The court held that in order to meet the constitutional “efficiency” requirement, the education system must be adequately funded and ensure equality.⁴

In one of the first school finance lawsuits, *Serrano v. Priest*, the California Supreme Court ruled in 1976 that, “Although an equal expenditure level per pupil in every district is not educationally sound or desirable because of differing educational needs, equality of educational opportunity requires that all school districts possess an equal ability in terms of revenue to provide students with substantially equal opportunities for learning.”²

Strange believes litigation has been successful in prodding state legislatures to act, he said during a webinar in March 2011 conducted by Phi Delta Kappa. He believes funding reforms in several states would not have occurred if not for successful lawsuits brought by rural plaintiffs.

**Types of School Funding**

A report conducted for The Rural School and Community Trust concluded that the most recent economic crisis has impacted rural schools more harshly than other districts. Even in good economic times, the report said, many rural districts lack the local property tax base to generate sufficient revenue for schools. Consequently, when state funding is cut, many local rural districts do not have the means to make up the shortfall.⁸
States typically use one of the following methods to pay for elementary and secondary education:

- **Flat Grant**: The flat grant method of funding is the simplest approach to distributing state aid. Under this system, as the name implies, a state contributes a fixed dollar amount per-pupil to each local school district. Local communities then have the option to raise additional funds. Iowa uses this system.

- **Full State Funding**: Under this method, the state provides 100 percent of the funds expended on education, other than what the federal government provides. The local community provides no additional funds. This method allows the state to mandate and collect a uniform property tax and combine it with state funds to distribute on a per-pupil basis. Only Hawaii, which has just one statewide school district, uses this method.

- **Foundation Support**: The majority of states use some form of foundation support approach. The foundation approach generally measures local property tax contribution effort versus a predetermined per-pupil expenditure and requires the state to cover the balance. This method is supposed to minimize school district per-pupil funding inequities across a state that has widely varying local property tax wealth. The concept is simple: If reliance on widely varying amounts of property tax wealth creates wide discrepancies in school funding, the state has the responsibility to even things out.

- **District Power Equalization**: This method, which has several variations, is designed to equalize per-pupil expenditures across the state. The idea is to guarantee the same revenue yield from the application of a specified tax rate for all school districts, regardless of assessed valuation. Under the method, poorer districts receive more resources from the state and wealthier districts receive fewer resources. Usually localities can go beyond the state-guaranteed amount with additional property taxes that are unmatched by the state. Only three states—Rhode Island, Vermont and Wisconsin—use a form of district power equalization. These programs shift decision choices and policy options for taxing and spending for schooling from the state to the locality.

**State Policy Options**
The Rural School and Community Trust points to Wyoming’s finance system as a notable example when compared with other states in that it provides many of the most-needed supports for small, rural schools in the state, including full funding for transportation and special education. Approximately three-fourths of Wyoming students attend schools classified as either rural or towns.

The Wyoming School Foundation Program provides a guaranteed level of funding to every Wyoming public school district. This guarantee is essentially an unrestricted block grant and is based on a number of factors—the most important of which is the number of students enrolled in the district in the previous year. Once a district’s guarantee is established, that funding level is compared to the district’s available local revenue sources. If a district’s local revenues turn out to be less than its guarantee, the state makes up the difference through a series of entitlement payments distributed to the district throughout the school year.

Wyoming has benefitted from a booming natural gas industry, and therefore, has had more funding available to spend per student than most states. For that reason, Wyoming’s funding method may not be practical in states with more limited funding.

Vermont is another state with a highly unorthodox school funding system. In the 1990s, Vermont, like many other states, faced enormous funding differentials between property-rich and property-poor school districts. In *Brigham v. State*, the Vermont Supreme Court cited one community that spent $2,979 per student, while another town spent $7,726 per student.
The legislature, responding to the state Supreme Court ruling in favor of the plaintiffs, approved Act 60, which created a statewide property tax to fund public schools. Those funds are pooled and distributed to schools based on student populations. This provides every school with the same base amount per student.

The statewide property tax provides about two-thirds of the money needed to fund a basic block grant for each student, as well as the state’s contributions for special education, transportation and other categorical assistance. The other third comes from income, sales and other taxes.¹³

Act 60 allows school districts to raise extra money if they want to spend more than the state’s basic grant per student. However, that money is also distributed statewide, which forces wealthier towns to share money with poorer towns to maintain tax-rate equity.¹⁶

The final significant component of the law is a cap on the amount most property owners pay for school funding—no more than 2 percent of their annual income. “So what that means is that this statewide property tax is, in effect, for most people, a flat income tax,” Strange said.

As a consequence of Act 60, the disparity in funding between the richest and poorest school districts in Vermont has been reduced considerably, although not eliminated. A report by The Education Trust in 2003 states the lowest-poverty school districts in Vermont spent an average $11,068 per student, while the highest poverty school districts spent $9,632 per student.¹⁷ Although the gap of nearly $1,500 is significant, it is far from the disparities that existed prior to Act 60.

Critics have panned Vermont’s funding policy for a so-called “Robin Hood approach” that forces property owners in wealthier districts to support less affluent ones. Supporters, however, maintain it is an equitable way to fund property-poor school districts. “Some communities are sending more to Montpelier than they get back, and others are sending less to Montpelier than they get back,” Strange said.

In anticipation of a possible similar lawsuit in the Lone Star State, during the 2011 legislative session, Texas Sen. Robert Duncan filed Senate Bill 1858 and a proposed constitutional amendment, Senate Joint Resolution 51, both of which would implement a statewide tax on all taxable property of $1 per $100 of taxable value. Duncan’s legislation also would give the legislature the power to authorize school districts to impose ad valorem taxes on property in their districts. “This is a way to stop funding schools via court order and start funding schools using a rational, legislative plan,” Duncan said.¹⁸

The Formula Fairness Campaign, an offshoot of the Rural School and Community Trust, has recommended two reforms states can implement to reduce funding inequities. The first would increase the percentage states contribute for K-12 education to 90 percent, up from its current 80 percent level.¹⁶ The campaign contends this step would increase funding levels in 22 states, 14 of which are in the top half of states with the highest student poverty rates. Most are rural, Southern states—Alabama, Arkansas, Louisiana, Mississippi, Missouri, New Mexico, North Carolina, Oklahoma, South Carolina and Tennessee. Second, The Formula Fairness Campaign calls for a state’s per pupil spending to be adjusted to reflect the level of poverty among students in its schools. “This would be consistent with the policy objective of trying to concentrate more funding where poverty is more highly concentrated,” the recommendation states.¹⁹

The Federal Solution
Although the federal government accounts for less than 11 percent of elementary and secondary education funding, it can play a pivotal role in providing increased funding to poor school districts,
many of which are located in rural regions.

In its report, *Funding Gaps 2006*, The Education Trust contends the federal formula for Title I funding—a program designed to level the playing field for poor children—actually works to reinforce, not reduce, school funding inequities. The reason is that part of the Title I formula is based on a state’s average per-pupil expenditures. Therefore, wealthier states that spend more money per student receive more Title I funding than poorer states that traditionally spend less.

“Title I makes rich states richer and leaves poor states behind,” the report concludes. Specifically, the report cites U.S. Census Bureau data showing that Wyoming, Vermont, North Dakota and Massachusetts each received a Title I allocation exceeding $2,500 per poor child, while nearly every Southern state received less than half that amount.

The Education Trust contends eliminating the state expenditure factor in the Title I formula would bring it into line with the federal aid formulas for special education, English language instruction and child nutrition, all of which assign equal weight to eligible children regardless of the state where they reside.

“Title I should simply allocate aid in proportion to each state’s share of poor children. Moreover, instead of the state expenditure factor, Title I should include a cost factor to adjust for geographic differences in educational costs. This approach would lessen interstate inequality because poor children are disproportionately concentrated in low-spending states and because equal federal dollars per eligible child provide a bigger boost, proportionally speaking, to low-spending states than to high-spending states,” the report contends.

The report acknowledges the policy shift would result in only a modest infusion of funding to rural school districts.

**Conclusion**

In *Serrano v. Priest*, the California Supreme Court stated, “affluent districts can have their cake and eat it too; they can provide a high-quality education for their children while paying lower taxes. Poor districts, by contrast, have no cake at all.” Thirty-five years later, new funding methods in many states have clearly provided rural districts with a slice of the cake. However, whether it is as generous as that given to larger, wealthier school districts is still hotly debated.

Although litigation over school funding might have been a bitter pill for state policymakers in Arkansas to swallow nearly 10 years ago, Abernathy boasts that today his state does not have any schools that match the description of the Lake View school district in the early 1990s. All public high schools in Arkansas are now required to offer Advanced Placement courses in all core subjects. And Abernathy points to *Education Week*’s most recent education rankings in January 2011, which placed Arkansas as sixth best in the nation in education policies, environment and performance.

“That’s a long way from where Lake View started,” Abernathy said “And Lake View caused it. It caused us to get on the ball. Lake View turned us around.” After a brief pause, he concluded, “And I’m thankful for it.

---

**Table 2: Glossary of 12 Urban-Centric Code Categories**

Federal locale codes are divided into four main locale types (city, suburb, town and rural). Each of the four locale types has three subtypes (large, midsize, and small for city and suburb types, and fringe, distant and remote for town and rural locale types).
City, large: Territory inside an urbanized area and inside a principal city with a population of 250,000 or more.

City, midsize: Territory inside an urbanized area and inside a principal city with a population less than 250,000 and greater than or equal to 100,000.

City, small: Territory inside an urbanized area and inside a principal city with a population less than 100,000.

Suburb, large: Territory outside a principal city and inside an urbanized area with a population of 250,000 or more.

Suburb, midsize: Territory outside a principal city and inside an urbanized area with a population less than 250,000 and greater than or equal to 100,000.

Suburb, small: Territory outside a principal city and inside an urbanized area with a population less than 100,000.

Town, fringe: Territory inside an urban cluster that is less than or equal to 10 miles from an urbanized area.

Town, distant: Territory inside an urban cluster that is more than 10 miles and less than or equal to 35 miles from an urbanized area.

Town, remote: Territory inside an urban cluster that is more than 35 miles of an urbanized area.

Rural, fringe: Census-defined rural territory that is less than or equal to 5 miles from an urbanized area, as well as rural territory that is less that than or equal to 2.5 miles from an urban cluster.

Rural, distant: Census-defined rural territory that is more than 5 miles but less than or equal to 25 miles from an urbanized area, as well as rural territory that is more than 2.5 miles but less than 10 miles from an urban cluster.

Rural, remote: Census-defined rural territory that is more than 25 miles from an urbanized area and is also more than 10 miles from an urban cluster.


References:


The Education Trust. *The funding gap: Low-income and minority students still receive fewer dollars in many states* (Fall 2003).


Formula Fairness Campaign. *A better way to take state education spending into account under Title I*.

The Education Trust. *Funding Gaps 2006*.


Tags:

Capitol Research

Policy Area Education K-12 Education Cost and Financing Policy Area Education K-12 Education Title 1 Programs

© 2016 The Council of State Governments. All Rights Reserved.