

# RESOURCES: EQUITY

			33.3% of grade	33.3% of grade	33.3% of grade	School Finance Policies	
Overall grade for resources: equity			Wealth-neutrality score (2002) <sup>2</sup>	McLoone Index (2002) <sup>2</sup>	Coefficient of variation (2002) <sup>2</sup>	Basis of state funding formula (2004-05)	Guaranteed per-pupil funds from foundation formula/ foundation level (2004-05)
Hawaii	A	100	0.000 <sup>1</sup>	100.0% <sup>1</sup>	0.0% <sup>1</sup>	Full state funding	—
Nevada	A	93	-0.132	100.0% <sup>3</sup>	10.8%	Foundation	\$4,424
Utah	A-	91	-0.037	98.8%	14.4%	Foundation	\$2,182
Iowa	A-	90	-0.002	95.1%	8.3%	Foundation/Local-effort equalization	\$4,148
West Virginia	B	86	0.075	96.9%	5.9%	Foundation	NA <sup>9</sup>
Louisiana	B	85	0.043	95.5%	8.9%	Foundation/Local-effort equalization	\$3,459
South Dakota	B	84	-0.026	96.7%	18.0%	Foundation	\$4,087
New York	B	83	0.116	98.3%	12.4%	General aid <sup>4</sup>	—
Delaware	B	83	-0.019	91.5%	7.9%	Flat grant/Local-effort equalization	—
Kansas	B	83	0.002	93.8%	13.0%	Foundation/Local-effort equalization	\$3,863
Minnesota	B	83	-0.006	93.6%	13.5%	Foundation/Local-effort equalization	\$4,601
New Mexico	B	83	0.022	97.1%	16.7%	Foundation	\$3,035
Florida	B	83	0.132	96.8%	5.7%	Foundation	\$3,670
Oklahoma	B-	82	-0.018	93.9%	14.3%	Foundation	\$2,618
Wyoming	B-	82	-0.049	94.7%	16.9%	Foundation	\$6,230 <sup>10</sup>
Wisconsin	B-	82	0.042	94.2%	9.2%	Guaranteed tax base	—
Nebraska	B-	81	-0.061	93.5%	15.5%	Foundation	\$5,347 <sup>10</sup>
Connecticut	B-	81	0.073	95.5%	13.6%	Foundation	\$5,891
Oregon	B-	80	0.059	94.5%	10.6%	Foundation	\$4,500
South Carolina	B-	80	0.116	94.8%	10.0%	Foundation	\$1,754
Arkansas	C+	79	0.092	94.6%	11.0%	Foundation	\$5,400
North Carolina	C+	78	0.178	96.0%	9.0%	Foundation	NA <sup>9</sup>
California	C+	78	0.037	92.6%	11.9%	Foundation <sup>5</sup>	NA <sup>11</sup>
Colorado	C+	77	0.119	94.5%	11.1%	Foundation	\$5,627
Rhode Island	C+	77	0.114	94.7%	11.0%	General aid <sup>6</sup>	—
Ohio	C+	77	0.055	92.6%	13.7%	Foundation	\$5,169
Alaska	C+	77	-0.251	94.7%	34.6%	Foundation	\$4,576
Washington	C	76	0.070	92.6%	12.6%	Full state funding/Local-effort equalization	—
Alabama	C	76	0.187	94.5%	8.6%	Foundation	NA <sup>9</sup>
Kentucky	C	76	0.087	92.8%	10.5%	Foundation/Local-effort equalization	\$3,222
Texas	C	75	0.120	93.5%	13.9%	Foundation/Local-effort equalization	\$2,537
Arizona	C	75	0.075	93.4%	16.0%	Foundation	\$2,893
Indiana	C	75	0.044	91.3%	11.2%	Foundation <sup>7</sup>	\$4,368
New Jersey	C	74	0.027	91.3%	18.0%	Foundation	\$8,532
Mississippi	C	73	0.137	92.5%	11.7%	Foundation	\$3,957
Georgia	C	73	0.155	93.4%	12.6%	Foundation/Local-effort equalization	\$2,362
Maryland	C-	72	0.312	94.6%	8.6%	Foundation/Local-effort equalization	\$5,029
Tennessee	C-	72	0.116	90.8%	10.7%	Foundation	NA <sup>11</sup>
Michigan	C-	72	0.118	91.8%	12.0%	Foundation	\$6,700
Maine	C-	72	0.096	90.5%	13.5%	Foundation	\$4,816
Missouri	C-	72	0.058	90.5%	15.4%	Foundation <sup>7</sup>	\$4,277
Pennsylvania	C-	71	0.149	91.7%	13.3%	Percentage equalizing <sup>8</sup>	—
North Dakota	C-	71	0.146	93.5%	17.1%	Foundation	\$2,623
Virginia	C-	70	0.231	95.1%	12.5%	Foundation	NA <sup>9</sup>
Illinois	C-	70	0.178	93.0%	14.0%	Foundation/Flat grant	\$4,964
Massachusetts	C-	70	0.072	90.5%	18.6%	Foundation	NA <sup>11</sup>
Montana	D	65	0.096	92.3%	21.3%	Foundation	NA <sup>11</sup>
Idaho	D	65	0.179	91.6%	17.2%	Foundation	—
New Hampshire	D-	62	0.127	87.8%	19.3%	Foundation	\$3,390
Vermont	F	58	0.111	84.5%	20.3%	Full state funding	—
District of Columbia	NA <sup>1</sup>	NA <sup>1</sup>	NA <sup>1</sup>	NA <sup>1</sup>	NA <sup>1</sup>	Foundation	\$6,904
U.S.	—	—	—	—	—	—	—

Note: A dash (—) indicates data were not available or, in U.S. row, that a total was not appropriate. States are ranked by number grade to the nearest decimal.  
<sup>1</sup>Because the District of Columbia does not have a state revenue source, it did not receive a grade for equity. The District of Columbia and Hawaii are single districts.  
<sup>2</sup>Figures were adjusted to reflect regional cost differences and weighted for student needs. Students in poverty equal 1.2, and students in special education equal 1.9.  
<sup>3</sup>Nevada has a 100 percent on the McLoone Index only because 69 percent of its students attend the Clark County school system, which is also the district with the

lowest per-pupil spending level in the state, at \$5,215—the same as the statewide median.  
<sup>4</sup>The combination foundation/percentage equalizing formula that generated operating aid in New York state for many years has not been used as the basis for allocation of that aid since the 2000-01 school year. For 2004-05, every district received a 1.75 percent increase from its 2003-04 funding level.  
<sup>5</sup>California has several grants and entitlements in its school funding formula, the largest of which is general-purpose aid. General-purpose funding is based on a

modified foundation formula, and the foundation level varies for each local education agency.  
<sup>6</sup>Rhode Island uses 10 major methods to distribute education funds. The largest dollar amount, general aid, is a fixed amount based on what a district received in fiscal 1998.  
<sup>7</sup>Indiana's school finance system is based on a foundation program, but the state uses a guaranteed-tax-base formula to determine the local share. Missouri calculates its foundation level by multiplying a guaranteed tax base by a minimum required tax rate.  
<sup>8</sup>In Pennsylvania, the subsidy from the prior year has been the base for the current

School Finance Policies							
	State requires a minimum local effort for districts to receive state aid (2004-05)	State reclaims funds from districts able to generate above a specified amount (2004-05)	State uses a weight or an adjustment in its school finance formula to provide additional funds for (2004-05):			Total number of state categorical programs (FY 2004)	Total spent on state categorical programs (FY 2004)
			Special education students	English-language learners	Students in poverty		
Hawaii	NA <sup>1</sup>	NA <sup>1</sup>				6	\$1 billion
Nevada	✓		✓			17	\$249 million
Utah	✓	✓	✓	✓		27	\$940 million
Iowa	✓		✓	✓	✓	8	\$169 million
West Virginia	✓		✓			12	\$650 million
Louisiana			✓		✓	13	\$58 million <sup>16</sup>
South Dakota	✓ <sup>12</sup>					1	\$41 million
New York			✓ <sup>14</sup>	✓ <sup>14</sup>	✓ <sup>14</sup>	30	\$960 million
Delaware			✓			41	\$144,277
Kansas	✓	✓		✓	✓	5	\$316 million
Minnesota					✓	48	\$935 million
New Mexico	✓		✓	✓	✓	14	\$138 million
Florida	✓		✓	✓		6	\$1.8 billion
Oklahoma			✓	✓	✓	27	\$412 million
Wyoming	✓	✓	✓	✓	✓	15	\$172 million
Wisconsin		✓ <sup>13</sup>				33	\$574 million
Nebraska	✓ <sup>12</sup>			✓	✓	8	\$2 million
Connecticut	✓			✓	✓	25	\$772 million
Oregon	✓ <sup>12</sup>		✓	✓	✓	3	\$157 million
South Carolina	✓		✓			35	\$538 million
Arkansas	✓ <sup>12</sup>					12	\$86 million
North Carolina						14	\$2 billion
California						50	\$10 billion
Colorado	✓ <sup>12</sup>				✓	8	\$166 million <sup>16</sup>
Rhode Island				✓ <sup>14</sup>	✓ <sup>14</sup>	13	\$241 million
Ohio	✓		✓			26	\$1 billion
Alaska	✓		✓	✓		0	\$0
Washington						9	\$1 billion
Alabama	✓		✓			8	\$447 million
Kentucky	✓		✓		✓	27	\$233 million
Texas	✓	✓	✓	✓	✓	4	\$1 billion
Arizona	✓ <sup>12</sup>		✓	✓		12	\$85 million
Indiana	✓ <sup>12</sup>		✓	✓	✓	14	\$135 million
New Jersey	✓					18	\$3 billion
Mississippi	✓				✓	5	\$356 million
Georgia	✓		✓	✓		5	\$458 million
Maryland	✓		✓	✓	✓	20	\$909 million
Tennessee	✓		✓	✓	✓	0	\$0
Michigan	✓ <sup>12</sup>					28	\$676 million
Maine	✓			✓		5	\$194 million
Missouri	✓				✓ <sup>15</sup>	9	\$892 million
Pennsylvania				✓ <sup>14</sup>	✓ <sup>14</sup>	34	\$3 billion
North Dakota	✓ <sup>12</sup>		✓	✓		4	\$67 million
Virginia	✓		✓	✓		10	\$126 million
Illinois	✓ <sup>12</sup>					42	\$2 billion
Massachusetts	✓		✓	✓	✓	22	\$751 million
Montana						12	\$130 million
Idaho	✓ <sup>12</sup>		✓			19	\$966 million
New Hampshire					✓	5	\$57 million
Vermont						3	\$120 million
District of Columbia	NA <sup>1</sup>	NA <sup>1</sup>	✓	✓		—	—
<b>U.S.</b>	<b>35</b>	<b>5</b>	<b>28</b>	<b>25</b>	<b>23</b>	<b>—</b>	<b>—</b>

**Interpretation**

**State-equalization effort:** *Education Week* changed the way we graded the states on equity this year, based on the advice of the *Quality Counts 2005* advisory board. We decided to focus our efforts in this section on outcome measures only. Thus, we no longer use the state-equalization effort to measure the equity of school finance systems. The wealth-neutrality score, the McLoone Index, and the coefficient of variation now each count for one-third of the grade.

**Wealth-neutrality score:** This score shows the degree to which state and local revenues are related to the property wealth of districts. This year, wealth-neutrality scores range from minus .251 to .312. A negative score means that, on average, poorer districts actually have more funding per weighted pupil than wealthy districts do. A positive score means the opposite: Wealthy districts have more funding per weighted pupil than poor districts do. Only 10 states have negative wealth-neutrality scores for the 2001-02 school year.

**McLoone Index:** The index is based on the assumption that if all students in the state were lined up according to the amount their districts spent on them, perfect equity would be achieved if every district spent at least as much as that spent on the pupil in the middle of the distribution, or the median. The McLoone Index is the ratio of the total amount spent on pupils below the median to the amount that would be needed to raise all students to the median per-pupil expenditure in the state.

For example, the median-level expenditure per pupil (adjusted to reflect student needs) in Michigan is approximately \$6,909. The total amount spent on students who are below that mark is about \$5.26 billion. To spend \$6,909 on each of those pupils below the median, the state would need to spend \$5.73 billion.

McLoone Index = Amount spent on pupils below the median / Amount needed to be spent to achieve "equity"

= \$5.26 billion / \$5.73 billion  
= 91.80 percent

This indicates that Michigan is spending about 92 percent of what is needed to raise all students to the median expenditure. McLoone Index values range this year from 84.5 percent to 100 percent, where perfect equity is represented by 100 percent and the greatest inequity by zero percent.

**Coefficient of variation:** The coefficient of variation is a measure of the disparity in funding across school districts in a state. The value is calculated by dividing the standard deviation of adjusted spending per pupil (adjusted to reflect cost differences and student needs) by the state's average spending per pupil. The standard deviation is a measure of dispersion (i.e., how spread out spending levels are across a state's districts).

For example, the standard deviation for spending in Maryland is about \$648. The average per-pupil spending for Maryland is \$7,493.

Coefficient of variation = Standard deviation of adjusted spending per pupil / Average spending per pupil

= \$648 / \$7,493  
= 8.65 percent

This year, the range of values for the coefficient of variation is 5.7 percent to 34.6 percent. If all districts in a state spent exactly the same amount per pupil, its coefficient of variation would be zero. As the coefficient gets higher, the variation in the amounts spent across districts also gets higher. As the coefficient gets lower, it indicates greater equity.

**Finance-equity policies:** This year, *Education Week* conducted a survey of state departments of education on K-12 school finance policies and funding systems. The following are definitions for the labels used to describe the basis of each state's funding formula.

**Foundation:** Foundation formulas are based on a set amount of funding that the state deems necessary for a basic education. Responsibility for providing this funding is shared between the state and its local districts, and the level of local effort that is required or assumed varies from state to state. In some states, local districts can levy additional taxes to generate more revenue than the foundation level set by the state.

**Flat grant:** A flat-grant program is based on a uniform allocation of money per student or instructional unit. No adjustment is made based on local fiscal capacity or tax effort.

**Equalization:** States with equalization programs allow school districts to set the amount of taxation or revenue they deem necessary for education, and then ensure that each district has the same ability to raise the revenue. There are three different types of equalization formulas: percentage equalizing, guaranteed tax base, and guaranteed tax yield. *Percentage equalizing:* Such formulas rely on a state-aid ratio, which is the proportion of district wealth to average state wealth. The ratio is used to determine the state and local shares of funding. *Guaranteed tax base/yield:* These formulas equalize revenue through a guaranteed tax base or yield to ensure that districts have equal ability to raise revenues based on similar tax efforts.

**Full state funding:** States with such policies take responsibility for providing all money necessary for a basic education in each district. Districts may levy taxes to spend more than the amount provided by the state.

**General aid:** See individual state footnotes.

**Local-effort equalization:** States with such policies have an additional level of state aid that rewards districts for efforts to raise revenue through local taxes.

year; any additional funding for the current year has been distributed through various formula components called supplements. The base supplement is based on a district-wealth ratio.

<sup>9</sup>The foundation level for these states is not a dollar amount; instead it is based on the required number of instructional personnel.

<sup>10</sup>Wyoming has three foundation levels, one for each school level: elementary school, \$6,230; middle school, \$6,201; high school, \$6,524. Nebraska has three cost groupings for different levels of district geographic isolation: very sparse, \$7,497;

sparse, \$6,501; and standard, \$5,347.

<sup>11</sup>The foundation level for these states varies from district to district.

<sup>12</sup>A minimum local effort is not required for districts to receive state aid; instead the state assumes local districts will raise a certain amount and adjusts state aid accordingly.

<sup>13</sup>There is recapture in Wisconsin if a school district has "negative aid" in Wisconsin's third tier of funding. Although funds are not returned to the state, those districts share local funds with districts that have property wealth lower than the state average.

<sup>14</sup>Funding is based on each district's previous year's allotment and then several supplements are added. In New York, there are supplements for students with disabilities, English-language learners, and students in poverty. In Pennsylvania and Rhode Island, there are supplements for English-language learners and students in poverty.

<sup>15</sup>The number of students eligible for free or reduced-price lunch is used to determine if districts are eligible for "hold harmless" funding.

<sup>16</sup>These figures represent 2004-05 spending.