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In Education, Money Matters!

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In May 2016, the Texas Supreme Court upheld the state's inequitable public school funding system as constitutional, while urging the state to implement system reform. It called the funding formula "undeniably imperfect," although it satisfied Texas' "minimum constitutional requirements." Two-thirds of Texas' school districts hadsued the state over unequal education funding. In defense of the system, the assistant solicitor general told the judges "Money isn't pixie dust." Changing the funding system would be "no guarantee of better student outcomes."

The court called the Texas system Byzantine, an apt description for school funding in the entire country. In the 2013-2014 school year average per pupil spending in the United States was $10,700, but it ranged from $6,555 in Utah to $19,818 in New York. Some of the lowest paying states like Alabama, Mississippi, Oklahoma, and Texas also have some of the nation's worst performing schools

Even in "liberal" high per-pupil spending states like New York a lot of people do not want to pay for the education of other people's children. Since 2012, a state mandated "tax cap" prevents local government from increasing school taxes by more than 2% or the rate of inflation, whichever is lower. Because of recent low inflation rates, the cap number fell steadily over recent years. If a school district wants to raise more money than the cap allows the school budget has to be approved by a "supermajority" of 60% or more of voters.

"Money don't matter" is the mantra of right-wing anti-tax and anti-public education groups. To support this view, the Cato Institute promoted a study that purported to show increased school spending does not improve student performance on SAT exams. The study did concede, "SAT scores are obviously not a comprehensive metric of educational outcomes." It also did not consider other possible explanations for the results, like the fact that more under-performing and minority students might be taking the SAT.

Now two comprehensive studies put the lie to the "Money don't matter" mantra. The National Bureau of Economic Research published one of the research studies in July 2016. It was conducted by the economists from the University of California at Berkeley and Northwestern.

The researchers examined student test scores on the National Assessment of Educational Progress (NAEP) in twenty-six states that increased funding for poorer school districts since 1990 and compared these results with student scores in twenty-three states that did not changed their funding formulas. Research uncovered a consistent pattern: States that send additional money to their lowest-income school districts see significantly more academic improvement in those districts than states that don't.

One reason that earlier studies suggested little improvement in student performance with the investment of additional money is that the studies failed to disaggregate student populations. In plain English that means they looked at the performance of all students in a school district. This study looked more closely at different student populations within schools and districts and found that the additional money hardly affected the test performance of students from financially better off families, but had a major impact on the performance of students from poorer families.

Another study, conducted by researchers from Northwestern and the University of California at Berkeley, reached similar conclusions. In this case researchers found that directing additional funds to poorer school districts not only improved student performance but also positively influenced how long students stayed in school and how much money they earned as adults. After examining examined school outcomes for about 15,000 people, they found that for poorer children a 10% increase in per-pupil spending each year of elementary and secondary school led to wages that were nearly 10 percent higher than the control group and a decline in adult poverty rates.

In education, money matters!