

# WEALTH, EDUCATION, AND THE OPPORTUNITY GAP

## WHY PROPERTY WEALTH MATTERS IN PUBLIC EDUCATION

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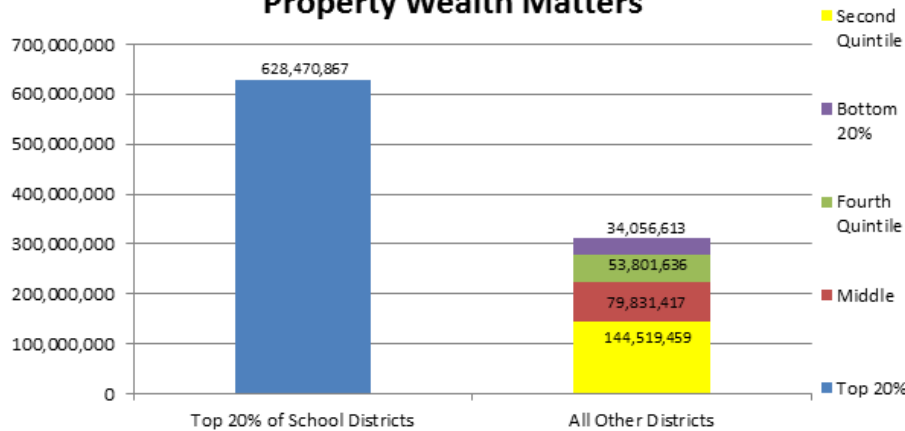


### 5 THINGS YOU NEED TO KNOW ABOUT THE RELATIONSHIP BETWEEN PROPERTY WEALTH AND EDUCATION IN ARKANSAS

1. There are existing wealth disparities throughout the state that challenge the notion of equalizing opportunity.
2. Schools that generate more in property wealth often have higher median classroom salaries, more robust class options, and better school facilities.
3. One common myth about school funding is that school districts can simply raise their millage to fund needed improvements. But increased millages do not guarantee sufficiency. Because of differences in wealth, some areas are able to generate more money than others.
4. The Legislature sought to fix -- or at least lessen -- these disparities in response to a Supreme Court order in the Lake View school funding case. But more than a decade later, deep disparities remain, and the gap between rich and poor districts is growing.
5. We need to revisit not only how we fund school, but how we define adequacy so that we can meet the needs of all schools.



## Property Wealth Matters



Source: the 2013 -2014 Arkansas Department of Education Annual Statistical Report

### HOW PROPERTY WEALTH IMPACTS EDUCATION IN ARKANSAS

Education has been called “the great equalizer,” because it is a key tool in lifting the working poor out of poverty, decreasing crime, and improving health. Arkansas has made education a priority since statehood. The state’s constitution says the intelligence and virtue gained from education are “the safeguards of liberty and the bulwark of a free and good government.” The General Assembly is tasked with maintaining “a general, suitable, and efficient system of free public schools and [adopting] all suitable means to secure to the people the advantages and opportunities of education.”[1] The constitution clearly says the state’s goal is to “provide quality education and a fair system for the distribution of funds.” But existing wealth disparities throughout the state challenge the notion of equalizing opportunity.

Those differences in wealth filter down to education where the types of classes a student is offered, the tools available to students, and the quality of facilities provided are often determined by where a

child lives. These things and others contribute to the “opportunity gap.”

According to the Education Trust, the highest poverty school districts across the country receive 10 percent less per student in state and local funding than the lowest poverty districts.[2] So, how does Arkansas match up?

Our schools are funded in three ways: through property tax assessment at the local level, state general revenue dollars, and federal grant dollars to support different efforts. On the local level, generating money for schools in Arkansas depends on the worth of the property within each school district. Because of population density and vast economic differences, that property wealth varies. So, we start collections on an unequal playing field.

On average, the top 20 percent of school districts have over \$600 million dollars in assessed property value. The second 20 percent have \$144 million, the middle 20 percent have \$79 million, the lower 20 percent have \$53 million, and \$34 million in worth for the lowest 20 percent of school districts. To place it into perspective: the 20 percent of districts with



Funding Generated Above 25 mills		
Highest Assessment	Mills Above 25	Amount Generated
Little Rock School District	21.4	\$69,589,000.26
Pulaski County Special	15.7	\$39,650,963.54
Rogers School District	13.4	\$22,851,244.72
Bentonville School District	18.7	\$29,930,326.79
Springdale School District	15.5	\$22,679,431.03
Lowest Assessment		
Earle School District	19.8	\$505,338.59
Ouachita School District	15	\$374,786.43
Deer/Mt. Judea School District	8	\$186,493.15
Spring Hill School District	16.8	\$244,262.46
Poyen School District	21.7	\$255,743.14

the most wealth generate two times more wealth than 80 percent of the remaining districts combined. So the size of your community and the amount of wealth in it matters.

### DISPARITIES ARE THE RESULT OF ADDITIONAL MILLS

School districts are required to use a mill (one dollar of tax generated by \$1,000 of assessed property value assessment) as the rate of collection. The constitution created a uniformed rate of tax (URT) which requires every school district to use the first 25 mills collected to fund schools. Those first 25 mills are not only intended to serve as a district’s source for basic maintenance and operational needs, but also as an equity baseline to meet the state’s adequacy requirements. So, in theory, the first 25 mills place all school districts on a level playing field financially. School districts are allowed to raise their millage rates above the minimal 25 mills, which they can use for things like facility improvements, technology upgrades, and raising teacher salaries.

The number of mills a school district has beyond the required 25 mills varies. Individual school districts hold elections in order to raise or lower the number

of mills. So, the citizens living in that district vote on millage rates. Given the anti-tax climate among many voters in Arkansas, there is no guarantee that a district can raise its millage. Over the past three years, 44 school districts sought a debt service millage increase through elections. Nearly half of those elections failed.[3] In overall elections calling for school district millage increases over the past three years, nearly half of those elections failed.[4] For many districts, it takes multiple tries in order to raise local dollars.

The chart above shows districts in Arkansas that have the highest property wealth assessments and the districts with the lowest property wealth assessment in the state. The districts with the highest assessment values have significantly more money to devote to building renovations, upgrading technology, raising teacher salaries, and other needs to make their schools more competitive than the smaller, rural districts.

In 2015, all school districts had millage rates above the constitutional minimum of 25 mills, but many still struggled to cover some basic needs of their schools like rewiring for technology upgrades. On



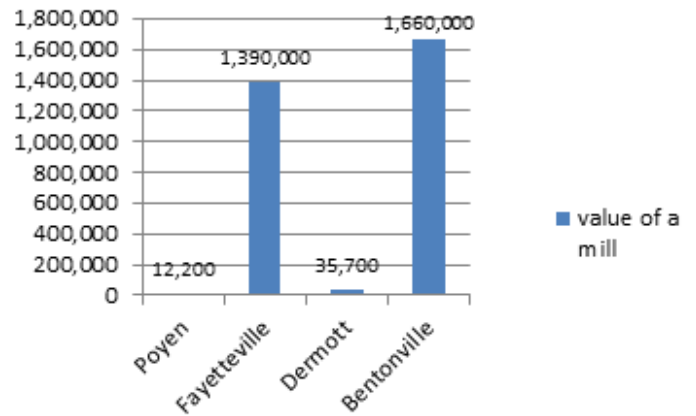
average, Arkansas school districts have over 12 mills above the mandated amount.

During a 2013 interview with Ft. Smith's Superintendent Dr. Benny Gooden, he shared that his school district voted to dedicate additional mills specifically for maintenance and renovations in 1987. Since then, they have used that funding to acquire technology and work on buildings. In 2013, the Ft. Smith school district had more renovations and maintenance projects going than it ever had. Those projects were mostly funded by local investments.

Some districts, on the other hand, struggle to pass millage increases for various reasons. During a 2013 interview, Jeff Cantrell (assistant superintendent of Jasper Public Schools) shared the challenges his community faced in raising money. In order for Jasper (a consolidated school district) to pass a millage, the Jasper School District must have support from the Oark, Kingston, and Jasper campuses. The three campuses are located in rural parts of Arkansas that fall on the lower end of the property wealth spectrum. When they do raise money, it mainly covers the basic needs of the district. They do not raise enough to invest in resources or advancements that would help their schools get ahead.

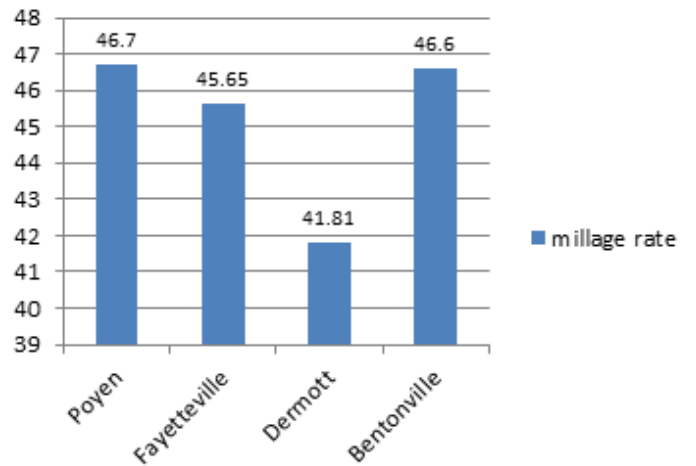
Even if districts with low property wealth have more mills, they can still have a difficult time raising money. One school district, the Fouke School District, has the highest rate with 49 mills. But even so, the district's property value is so low that it only generates an additional \$12 million from its extra 24 mills that it levies above the required 25 mills. In this way, our school funding system reflects how local inequities create resource disparities among schools statewide.

## Value of 1 Mill in Four School Districts



2013-2014 Annual Statistical Report, Arkansas Department of Education

## Millage Rate



2014 Millage Report, Arkansas Department of Education

### SOLELY RAISING MILLAGES TO RAISE REVENUE ISN'T THE ANSWER

One common myth about school funding is that school districts can simply raise their millage to fund needed improvements. But increased millages do not guarantee sufficiency.

School funding on top of the 25 mills each district is required to have is equalized by the state. Because money for schools is determined by how much



property wealth is in the district, the amount that one mill raises differs from district to district. Some of the districts with the highest millage rates have low property wealth. For instance, the Poyen school district has the sixth highest millage rate in the state and has increased its rate by 21.70 mills over the past five years. But it also has the lowest property value assessment in the state. Although Poyen has higher mills than a school district like Bentonville, it would NEVER be able to match funding at a level comparable to Bentonville – even if Poyen raised its mills to 1,000. In 2012, property within the Bentonville school district – a district that also had the second lowest poverty rate among public school districts - was worth \$1.6 billion dollars. In Poyen, it's \$12.2 million.

Comparatively, property in the Dermott school district – a district where 95 percent of students are low-income – was worth \$34 million and generated \$34,000 per mill. Dermott has a millage rate of 41.81 mills, comparable to Bentonville's 43.70 mills. But it would take about 1,311 mills for Dermott to generate what Bentonville can raise with its 43.70 mills (1 mill in Bentonville raises \$1.6 million). Expecting school districts to increase their millage rate to meet school needs is often not feasible for poorer, smaller, and rural districts because they are already taxing themselves far beyond the average and some at the highest rates. So, for low-property-wealth districts – especially rural districts, raising millages would not generate the sufficient amount of money to help them compete.

Districts with lower property wealth are at a disadvantage when it comes to providing more than the basic necessities for their student's learning. The state of Arkansas has tried to combat these inequities by issuing foundation funding for school districts that fall under a per-pupil threshold. For 2016, that threshold is \$6,584. In 2017, it will be \$6,646. Initial state aid coupled with revenue from property

taxes help school districts have at least \$6,584 per pupil[5]. The state also gives categorical – or need-based – funding for districts that have additional challenges.

One of these categorical funds is school poverty funding, known in Arkansas as NSLA but not to be mistaken for the federal feeding program of the same name. You might also hear it called “poverty funding.” This funding is given to schools based on their percentage of low-income students. But, school districts are using this money to cover essential needs and often fail to target it on their low-income students or use it on research-based strategies that help close the achievement gap. A report from the Office for Education Policy in 2013 found that school districts spend over half of the school poverty funding they receive on personnel like highly qualified teachers, literacy coaches, curriculum specialists, counselors, and nurses.[6] Another 12 percent is spent on supporting programs like early intervention or summer programs.<sup>2</sup>

So, most of the foundation and categorical funding districts receive helps schools meet basic needs, but does not help them invest in advancements and state-of-the-art facilities, technologies, and other equipment. Richer school districts have greater flexibility with their funding to provide beyond the minimum to further enhance education in their districts.

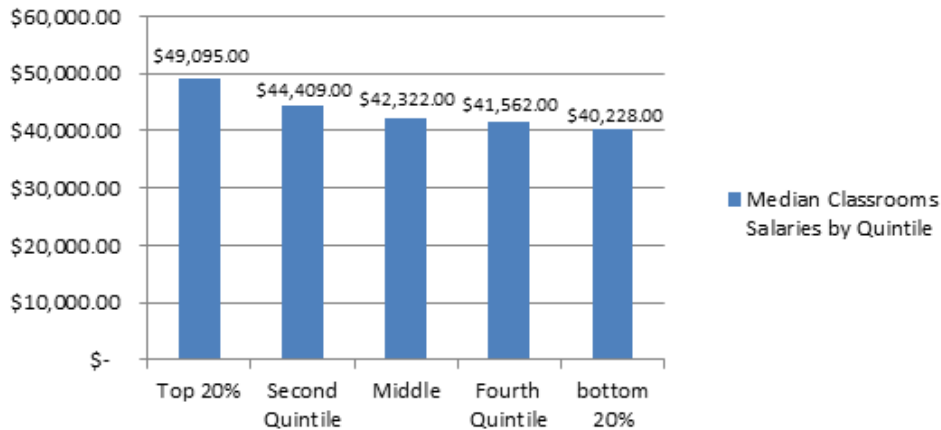
## THREE THINGS THAT MORE MONEY CAN BUY

### 1. HIGHER CLASSROOM SALARIES

Teachers, librarians, school counselors and other school personnel are critical parts of student learning and achievement. More wealth gives affluent school districts a greater ability to pay teachers and other classroom instructors higher salaries.



## Median Classroom Salaries by School District Property Value Assessment Quintiles



Source: 2013-2014 Arkansas Department of Education Annual Statistical Report

When looking at median classroom salaries in 2014, we see that the wealthiest school districts often pay more than the poorer districts. This creates a competitive disadvantage for school districts with lower wealth for quality teachers and staff. The Bentonville school district pays its teachers \$55,498 on average.[7] Wealthier school districts have an easier time attracting quality teachers. They're also able to hire more classroom staff to reduce instructor-to-pupil ratios and pay them higher salaries.

### 2. ROBUST ACADEMIC ELECTIVE OPPORTUNITIES TO ENHANCE EDUCATION

Having wealth beyond the standard 25 mills allows school districts to add additional resources. They can offer advanced career-related courses, multiple foreign language course options, and afterschool activities that give their students a head start in career and collegiate training. Where you live in the state determines what types of course offerings are available to you. School districts are required by law to offer a minimum of 38 units to their students. Some districts are able to offer well beyond

the minimum, while others can barely offer the minimum requirement. There's a significant gap between high and low property-wealth districts. To give some perspective, the chart on the following page outlines some of the variances in course electives and extracurricular activities offered among a few similar-size districts across the state.

Some districts offer events and opportunities that advance educational opportunities, but aren't included in credits towards graduation. Funding and student population influence the number of course units districts are able to offer. Some districts, like Strong-Huttig, are only able to offer a minimal number while other districts like Cotter and Clinton are able to offer well above the minimal course units for their students.

### 3. ADVANCED ACADEMIC FACILITIES

As an effort to assist school districts with facilities needs, the Legislature established the Academic Division of Public School Facilities and Transportation and created the Partnership Program in 2004. The partnership program provides a

District	3rd Qt ADM	Assessment Valuation	Number of credit hours above the required 38 units:
Amorel	439	134,000,000	5*
Strong-Huttig	440	40,000,000	1*
Clinton	1350	275,000,000	65
Dumas	1457	93,000,000	53
Cotter	647	51,700,000	33
Quitman	614	177,000,000	18
Glen Rose	947	48,900,000	12

portion of financial assistance to school districts that have facility needs. Since the program has been established, over \$1 billion dollars have been spent and/or allocated towards meeting facility needs for districts across the state. When it comes to accessing funds through the program, the amount depends upon the school’s ability to pay their share of the cost. There is a formula in place that takes into account poverty, size, etc. but some school districts still struggle to raise the money needed to cover their share of the cost of the project. If they don’t do their part, then the project doesn’t happen.

When looking at how much has been spent within facilities programs on completed projects from 2006 to 2015, only 8 percent of the state’s money went towards districts with the lowest 20 percent of property wealth.[8] Because of the way the formula is set up, the 20 percent of districts with the highest property wealth captured \$390 million – or nearly 40 percent of all state partnership school facilities dollars. In 2013, the Bentonville School district was approved for a \$15 million contribution toward its partnership projects – which means that they are

paying at least \$70 million dollars for the project from their own local revenue. It is likely that without state support, this district would be able to tackle its massive project on its own. Other school districts struggle to meet even portions of the cost of projects that are needed in their districts. To boil this down...

In addition to challenges in raising money, there are funding challenges for the program itself. It is possible for a district’s master plan to be approved, but not receive funding. Because funding for projects is dependent upon the amount of money available, it is not guaranteed that districts will receive funding for their projects. During the 2015-2017 program cycle, 91 projects were approved, but only 67 were funded.[9] Project funding for districts is based on priority. Priority is determined by the wealth index and the district’s enrollment. Districts that have a lower share because of property wealth and are growing districts have higher priority in funding. When student population declines in a school district, the amount of money a district pays in the wealth index then increases. So the current structure of the funding formula places poorer districts that



have declining enrollment at a disadvantage in receiving funding for needed projects. Although the wealth index is computed in a way that relieves a burden of cost for poorer districts, assistance isn't always going to struggling school districts.

It inadvertently helps wealthier districts keep more money within their districts that they can allocate towards “bells and whistles” in their school districts. To truly meet the intended needs the program was created for, the formula must be revised in a way that prioritizes low property-wealth districts and the districts with the greatest need.

### **“THE LUXURIES”: SPENDING ABOVE THE MINIMUM**

The partnership program is intended to cover basic needs of a school district. So, partnership funds can be used to cover a portion of cost of different projects like new heating and air systems, classroom additions, or even new school buildings. But some of the wealthier districts are able to put additional features into their school buildings because they have money from their district or donated funds. How much districts spend above their match is not captured by the Arkansas Division of Public Schools Academic Facilities and Transportation.

### **CONCLUSION**

Adequacy doesn't necessarily bring us to equity in our school districts. The disparities are still there. Schools that generate less in property wealth have lower median classroom salaries and aren't the primary beneficiaries of facilities partnership funding. We must revisit the funding formula and target the use of categorical funds and facilities funding. We must revise the state's funding formula in a way that makes sure that poorer districts aren't left out. The Legislature sought to fix -- or at least lessen -- these disparities in response to a Supreme

Court order in the Lake View school funding case. But more than a decade later, deep disparities remain, and the gap between rich and poor districts is growing. We need to revisit not only how we fund school, but how we define adequacy so that we can meet the needs of all schools.

### **NOTES**

- [1] Arkansas State Constitution Article 14 Section 1
- [2] [http://edtrust.org/wp-content/uploads/2014/09/FundingGaps2015\\_TheEducationTrust.pdf](http://edtrust.org/wp-content/uploads/2014/09/FundingGaps2015_TheEducationTrust.pdf) <http://edtrust.org/graphs/?sname=Arkansas>
- [3] Bureau of Legislative Research. Academic Facilities Funding, Expenditures and Distress, August 11, 2015. [http://www.arkleg.state.ar.us/education/K12/AdequacyReports/2016/2015-08-11/03-C1-Academic%20Facilities%20Funding%20Expenditures%20Distress,%20BLR%20\(40\).pdf](http://www.arkleg.state.ar.us/education/K12/AdequacyReports/2016/2015-08-11/03-C1-Academic%20Facilities%20Funding%20Expenditures%20Distress,%20BLR%20(40).pdf)
- [4] 2012-2014 Voted Millage Reports. Arkansas Department of Education.
- [5] <http://www.arkleg.state.ar.us/assembly/2015/2015R/Acts/Act1248.pdf>
- [6] “Categorical Poverty Funding in Arkansas Report” Vol. 10 Issue 4 – March 2013, Office for Education Policy
- \* This does not include concurrent enrollment or OSHA certification programs.
- [7] Bentonville Public Schools website, “At-a-Glance” page: [http://district.bentonvillek12.org/pages/Bentonville\\_School\\_District/About/BPS\\_AT-a-Glance](http://district.bentonvillek12.org/pages/Bentonville_School_District/About/BPS_AT-a-Glance)
- [8] Arkansas Division of Public School Academic Facilities and Transportation, Academic Facilities Master Plan Program – State Plan. October 1, 2014.
- [9] Arkansas Bureau of Legislative Research, Academic Facilities Funding and Distress Report. August 11, 2015.