

# Building Equity for All

Greater Pennsylvania school funding is key to educational equity and a transformative investment in low-wealth communities



## Acknowledgements

**Council for a Strong America** is a national, bipartisan nonprofit that unites five organizations comprised of law enforcement leaders, retired admirals and generals, business executives, pastors, and prominent coaches and athletes who promote solutions that ensure our next generation of Americans will be successful, productive members of society.

**ReadyNation | Business. Kids. Workforce.**

Business executives building a skilled workforce by promoting solutions that prepare children to succeed in education, work, and life

*Supported by tax-deductible contributions from foundations, individuals, and corporations.*

**Authors:**

Steve Doster, Pennsylvania State Director

Amber Moorer, Research Associate Director

Nancy Fishman, ReadyNation Co-Global Director

**Contributors:**

Sandra Bishop, Ph.D., Chief Research Officer

Tom Garrett, Communications Director

Mariana Galloway, Art Director

**February 2021**

©2021 Council For A Strong America. All Rights Reserved.





**\$7,866**

**less is spent per student in the poorest PA school districts compared to their wealthiest counterparts.**

In Pennsylvania, Black and Hispanic students disproportionately live in low-wealth communities and attend high-poverty schools with less educational opportunity. This reality contributes to an achievement gap between white students and Black and Hispanic students that is among the worst in the country.

The Commonwealth's overreliance on local property taxes to fund public education has exacerbated this problem. Low-wealth communities struggle to fund their schools resulting in inadequate resources to ensure student opportunity and success.

Under-resourced and underperforming schools deter homebuyers and limit potential investment in the community. What results is a downward spiral, lowering property values, diminishing local tax revenue, and inhibiting wealth generation for families that live there.

Real estate professionals know the impact that school quality can have on a real estate market and the overall community. Research confirms this mutually reinforcing relationship between school quality and home values. As Pennsylvania, along with the rest of the nation, grapples with potential solutions for reversing systemic inequality, an obvious starting point for action is to provide greater state investment in education to ensure that all students attend adequately and equitably funded schools, ripe with opportunity for all children, families, and communities to succeed.

### **Pennsylvania school funding disproportionately shortchanges students and communities of color**

Pennsylvania has huge disparities in per-pupil spending between wealthy and poor school districts. According to research from the Pennsylvania State University, the

“At Keller Williams, we stand together for equity. In 2020, we formed the KW Social Equity Task Force to develop strategies and build systems to eliminate racial disparities internally and uproot such disparities in the real estate industry at large. We have encouraged our agents and brokers to lead conversations and be the catalysts for change towards a more equitable future within our communities. Ensuring all children attend adequately funded schools with an abundance of educational opportunities is fundamentally a part of that effort.”



### Sam Kreiser, Lancaster, PA

Team Leader at The Dahlia Group, REALTOR®

At Home With Diversity Specialist

Associate Leadership Council Chair- Diversity, Equity, and Inclusion

poorest 20 percent of school districts in the Commonwealth spend \$7,866 less per student than the wealthiest 20 percent.<sup>1</sup>

Black and Hispanic students in Pennsylvania disproportionately live in low-wealth communities and attend high-poverty schools with less educational opportunity. In fact, Pennsylvania's racial and economic gaps in accessing educational opportunity ranks among the five worst in the nation. According to recent data, Pennsylvania's Black students, Hispanic students, and students from low-income families have substantially less access to high-quality teachers, rigorous academic curricula, and positive school climates compared to their white and higher-income peers. These researchers caution, however, that disparities in access are not attributable to poverty alone; racial gaps in educational opportunity exist even when comparing only schools with similar levels of poverty.<sup>2</sup>

Pennsylvania's overreliance on local property taxes to fund public education has exacerbated this disparity in education equity. On average, states across the country cover 47 percent of school funding costs, but Pennsylvania's state contribution to education funding is about 38 percent, ranking 44th in the nation.<sup>3</sup> As a result, low-wealth school districts struggle to fund their schools adequately—no matter how high they raise taxes—because of depressed local property values.

### Greater state K-12 funding= education equity

Additional state investment in K-12 education can help close Pennsylvania's gaps in education equity and achievement between white students and Black and Hispanic students. According to the Brookings Institution, school finance reforms

# Funding Makes a Difference

When schools are adequately funded, they are equipped with the necessary resources to provide quality educational opportunities that lead to student success and overall school quality. Below is a comparison of these outcomes:

## Sufficient funding

- Smaller class sizes so teachers can focus more on each student;
- Access to skilled teachers and critical lab, computer, and other equipment for STEM education;
- Increased learning time for students;
- Increased opportunities for full-day kindergarten; and
- Increased opportunities for diverse academic offerings and other specialty programs

## Insufficient funding

- Teacher layoffs that lead to larger class sizes and decreased instructional time;
- Cuts in academic courses and other programs; and
- Insufficient or outdated technology, science equipment, library resources, or even textbooks



that invest in K-12 education over the long-term can have significant impacts on student achievement.<sup>4</sup> This is especially true when additional school funding is directed to underfunded public schools to help those students most in need, is reliably available each year, and is allocated to improving the classroom and direct services to children.<sup>5</sup> In short, money (and how schools spend it) does impact student success and overall school quality.

## Greater state K-12 funding= equitable community transformation

Additional state resources for K-12 education can also seed a transformation for many of Pennsylvania's low-wealth communities of color—increasing home values, community investment, and wealth generation for families.

Home buyer surveys clearly show strong consumer demand for good schools. A 2018

realtor.com survey found that 78 percent of homebuyers compromised on a home feature to be able to afford a home in their desired school district. These compromises included forgoing a garage, a large backyard, a remodeled kitchen, more bedrooms, and an outdoor living area.<sup>6</sup> Finding a home in the desired school district was important for 73 percent of respondents.

As a result, there is a mutually reinforcing relationship between school quality and home prices. National and state studies support this relationship. Research published in the Federal Reserve Bank of St. Louis Review noted that the value of homes with less than average quality schools is based “essentially on the physical characteristics [of the home]. In contrast, houses associated with higher-quality schools command a much higher price premium.”<sup>7</sup>

The Reinvestment Fund, a national community development financial institution,

quantified this relationship across Pennsylvania in urban, rural, and suburban markets. This study showed that a one-percentage point increase in student achievement (measured by performance on Pennsylvania's standardized tests in reading and math) was associated with an additional gain of \$513-\$620 in average home sale prices in following years.<sup>8</sup> Sales price gains were even larger when reducing the proportion of students scoring below basic aptitude on state tests.

Research published by the National Bureau of Economic Research (NBER) documents a direct connection between additional school funding and overall property values. One study estimates that a \$1 increase in state funding per student increases housing values by about \$20.<sup>9</sup> Another recent study shows that providing districts with additional funding to increase teacher and staff salaries can sharply increase home prices.<sup>10</sup>

Real estate professionals, who frequently invest in the communities they serve, have a unique understanding of the impact that schools and local property taxes can have on the future of a community. High millage rates assessed on low-wealth properties paired with poor school performance serves as a huge disincentive for individuals and businesses to invest in that community.

For students, families, and communities of color, greater state resources for K-12 education can be a starting point to closing Pennsylvania's racial gaps in educational opportunity and success, as well as building better and more equitable communities and generational wealth for families. The Reinvestment Fund study projected that for a modest sized community of 15,000 households, improving school performance by five percentage points could generate over \$519,000 per year in new property tax revenues from increased home values that would be available for further community investment.<sup>11</sup>

### **Join the effort for education equity**

Pennsylvania has made progress in recent years by enacting a more equitable way to distribute new education funding based on student and community needs such as student enrollment and the percentage of students living in poverty. This formula also takes into account district size, wealth, and the local tax effort. However, this fair funding formula only applies to roughly ten percent of the Commonwealth's K-12 funding. Lawmakers must now take the next step in approving greater long-term funding through the fair funding formula to ensure that all students, regardless of race and income, attend adequately and equitably funded schools.

## **Sign the Petition: Join ReadyNation's PA Realtors Bureau**

Please visit: [strongnation.org/PAREaltor](https://strongnation.org/PAREaltor) to join realtors across PA urging elected leaders to invest in education equity for ALL students.

ReadyNation's PA Realtors Bureau is a project of ReadyNation / Council For A Strong America, a 501(c) 3 non-profit organization. There is no cost to be affiliated with ReadyNation.



## Endnotes

- 1** Hanna, M. and Fernandez, C. (October 27, 2020). "Pennsylvania schools need an additional \$4.6 billion to close education gaps, new analysis finds." The Philadelphia Inquirer. <https://www.inquirer.com/education/school-funding-pennsylvania-lawsuit-report-20201027.html>
- 2** Research for Action (2020, January). Unequal access to educational opportunity among Pennsylvania's high school students. <https://8rri53pm0cs22jk3vvqna1ub-wpengine.netdna-ssl.com/wp-content/uploads/2020/01/CRDC-Penn-Jan2020.pdf>
- 3** U.S. Census Bureau. (2020). Public education finances: 2018, Table 5. <https://www.census.gov/data/tables/2018/econ/school-finance/secondary-education-finance.html>
- 4** Dynarski, M. (2017). "It's not nothing: The role of money in improving education." <https://www.brookings.edu/research/its-not-nothing-the-role-of-money-in-improving-education/>
- 5** NPR. (2016). Can more money fix America's schools? <http://www.npr.org/sections/ed/2016/04/25/468157856/can-more-money-fix-americas-schools>
- 6** De Vita, S. (n.d.) Forget a garage—Buyers won't budge on high-rated schools. RISMedia. <http://rismedia.com/2018/07/24/forget-garage-buyers-wont-budge-high-rated-schools/>
- 7** Chiodo, A.J., Hernandez-Murillo, R., & Owyang, M.T. (2010). Nonlinear effects of school quality on house prices. Federal Reserve Bank of St. Louis. <https://files.stlouisfed.org/files/htdocs/publications/review/10/05/Chiodo.pdf>
- 8** Norton, M.H., & Rosch, J. (2017, August). Assessing the relationship between school quality and home prices across the Keystone State. Reinvestment Fund. <https://www.reinvestment.com/research-publications/assessing-relationship-school-quality-home-prices-across-keystone-state/>
- 9** Barrow, L. & Rouse, C.E. (2002, July). Using market valuation to assess public school spending. NBER Working Paper No. 9054. <http://www.nber.org/papers/w9054>
- 10** Bayer, P., Blair, P. Q., & Whaley, K. (2020). A national study of school spending and house prices. NBER Working Paper 28255 <http://www.nber.org/papers/w28255>
- 11** For this value to be realized localities would have to regularly reassess the value of the homes in their districts. Norton, M.H., & Rosch, J. (2017, August). Assessing the relationship between school quality and home prices across the Keystone State. Reinvestment Fund. <https://www.reinvestment.com/research-publications/assessing-relationship-school-quality-home-prices-across-keystone-state/>

**ReadyNation | Business. Kids. Workforce.**

Business executives building a skilled workforce by promoting solutions that prepare children to succeed in education, work, and life.

**Council for a Strong America** is a national, bipartisan nonprofit that unites five organizations comprised of law enforcement leaders, retired admirals and generals, business executives, pastors, and prominent coaches and athletes who promote solutions that ensure our next generation of Americans will be successful, productive members of society.

105 North Front Street / Suite 305 / Harrisburg, PA 17101 / 717.233.1520

