

TO: Justices, Circuit Court for Montgomery County, AL  
FROM: Abby Liebeskind, Education Policy Analyst  
RE: Equity and Adequacy in Alabama's Education Finances  
DATE: 2/23/08

The evidence presented by the Alabama Coalition for Equity, Inc. (ACE) and Harper et al against Governor Guy Hunt demonstrates that Alabama's education finance system is inequitable and inadequate, and that the state has the capacity to resolve these issues. An analysis of financial equity in Alabama's schools based on traditional measures demonstrates increasing inequity, and analysis by expert witnesses demonstrates inequity in school facilities, as well as inadequacy in educational outcomes (test scores). The state has a constitutional responsibility to maintain a public education system for all students regardless of the distribution of local, state, and federal funding, and while equity is an issue for poorer students, adequacy is an issue throughout the state that requires legislative intervention and additional funding.

### **Financial Inequity**

Governor Hunt acknowledges intrastate funding disparities but asserts the state's funding contributions maintain a coefficient of variation (CV) acceptable according to national standards<sup>1</sup>. While a CV as close to 10% is admirable, according to Odden and Picus, Alabama's CV continues to rise (from 10.42 in 1970 to 12.49 in 1990), indicating an increasing gap between the most and least funded school districts<sup>2</sup>. In addition, the federal range ratio, a measure that accounts for inflation and outliers, also continues to rise (implying increasing inequity), although it remains below the national average<sup>3</sup>. These inequities are likely attributable to the lack of a ceiling for local taxes that allows localities to exceed the Minimum Program Fund (MPF) rate. While the defense makes a strong point that federal funds do correct some disparities, the burden of education falls on the state.

According to testimony from education professors hired by the plaintiffs, inequity is also

tangibly a problem when it comes to school facilities<sup>4</sup>. Anecdotal evidence of poor quality schools is disappointing, but inequity is not as significant a problem as statewide inadequacy since Alabama is close to national standards for CV and federal range ratio.

### **Educational Inadequacy**

Alabama ranks 48<sup>th</sup> in the nation for fourth grade National Assessment of Educational Progress (NAEP) basic comprehension math scores, an indicator that students in Alabama are not receiving an education comparable to students in the rest of the nation<sup>5</sup>. The defendant agrees, “Alabama schools could use more money,” and despite Hanushek’s testimony, Ferguson and Ladd demonstrate that there is likely a connection between increased funding and increased test scores<sup>6</sup>. The plaintiffs demonstrate that Alabama could generate an additional \$989M if taxed at capacity, according to the Advisory Commission on Intergovernmental Relations<sup>7</sup>, and Clotfelter, Ladd, and Vigdor demonstrate that this additional funding, if used efficiently, could have a significant positive effect on test scores. Alabama has the capacity to hire more qualified teachers and decrease class size, adjustments that Clotfelter et al demonstrate to prove effective<sup>8</sup>, but the state has not taken measures to rectify these inadequacies.

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TO: Director, State-Wide Public Interest Group Promoting Education in Alabama  
FROM: Abby Liebeskind, Education Policy Analyst  
RE: Improving Education in Alabama  
DATE: 2/23/08

To bring Alabama into compliance with the state constitution, the public education system needs additional funding, particularly for disadvantaged students. Money matters and is likely to affect educational outcomes, so the state must establish a levy lid and redistribute additional tax revenue to the district’s worst performing schools; also, to ensure effective use of the funds, Alabama must institute curriculum changes and implement more stringent teacher

hiring practices.

### **Recent Research: Does Money Matter?**

While Eric Hanushek argues, “There is no strong or systematic relationship between school expenditures and student performance,”<sup>9</sup> his vote-counting method of analysis casts a shadow of doubt over his results. By tabulating studies based on multiple estimates of the education production function found in a single study, the results are skewed in favor of studies that report insignificant and negative sub-results (when relating class size to test performance)<sup>10</sup>.

While Hanushek’s results demonstrate that in the majority of studies money does not matter, Murnane and Levy explain in their “Evidence from Fifteen Schools in Austin, Texas” that significant results from two of fifteen schools studied outweigh insignificant results from the other thirteen schools when averaged using meta-analysis<sup>11</sup>. Furthermore, the thirteen schools with insignificant results focused solely on decreasing class size while the two successful schools augmented smaller classes with curriculum changes, health services, and parental involvement, demonstrating that money can positively affect educational outcomes- depending on how the school uses the additional funding<sup>12</sup>. On a larger scale, Ferguson and Ladd studied 127 school districts in Alabama and found that decreasing class size (to a certain unknown threshold) and hiring teachers with higher test scores and advanced degrees results in statistically significant improved educational outcomes<sup>13</sup>. Ferguson and Ladd concur with Hanushek that simply pouring more money into the system will not automatically correct deficiencies, but the three variables discussed do require additional funds or a restructuring of current expenditures<sup>14</sup>.

### **Redistribute Funding Above a Levy Lid to Worst Performing Schools**

While Alabama did establish a foundation funding system to promote intrastate equity of educational opportunity, the state has not adjusted the finance formulas since 1939, and as the

plaintiffs argue, local preferences against tax increases could simply be an expression of a preference against integrated public education<sup>15</sup>. Maintaining the Minimum Program Fund requirements and applying a ceiling would increase horizontal equity and fiscal neutrality by equalizing the maximum per pupil funding throughout the state; if a district exceeds the minimum spending level with the required tax rate, additional funds should be redistributed to the worst performing schools within the district. Since money matters, if additional funding is used effectively at these schools, education adequacy can and will improve throughout the state.

### **Effective Use of Additional Funds**

Poorly performing schools, particularly with disadvantaged students, can effectively use additional funding by evaluating their students' needs and packaging several changes together. Murnane and Levy describe successful change at least partially as a result of implementing a more flexible curriculum, which would allow teachers to adjust to their students' needs<sup>16</sup>. Better teachers would be able to successfully implement these changes, and Clotfelter, Ladd, and Vigdor emphasize the positive increase in educational outcomes as a result of increased teacher quality, measured by credentials and licensure<sup>17</sup>. An effective use of additional funds would be if Alabama were to institute more rigorous licensing practices and encourage teachers to become certified by the National Board for Professional Teaching Standards.

Additional funding loses any real value if not used efficiently and effectively, but more money is a requisite for improving education in Alabama, particularly for disadvantaged students.

## Works Cited

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<sup>1</sup>Wakelyn Exhibit 5, *Wakelyn* pg. 7

<sup>2</sup>Wakelyn Exhibit 5

<sup>3</sup>Using data from *Wakelyn* Exhibit 5, the federal range ratio (FRR) for 1970=.378, 1980=.4624, and 1990=.4082 ((95<sup>th</sup> percentile-5<sup>th</sup> percentile)/5<sup>th</sup> percentile). The national average in 1992 was .684 according to Moser & Rubenstein, 2002.

<sup>4</sup>Wakelyn pg. 6

<sup>5</sup>Wakelyn Exhibit 2

<sup>6</sup>Wakelyn pg. 10

<sup>7</sup>Wakelyn Exhibit 10

<sup>8</sup>Clotfelter, Ladd, and Vigdor pg. 681

<sup>9</sup>Wakelyn pg. 10

<sup>10</sup>Krueger pg. 14

<sup>11</sup>Murnane pg. 94

<sup>12</sup>Murnane pg. 95

<sup>13</sup>Ferguson and Ladd Table 8A-2

<sup>14</sup>Ferguson and Ladd pg. 288

<sup>15</sup>Wakelyn pg. 7

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<sup>16</sup> *Murnane* pg. 94, 95

<sup>17</sup> *Clotfelter, Ladd, and Vigdor* pg. 676, 677