



# INVESTING IN STUDENTS FOR A STRONGER LOUISIANA

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Louisiana public schools have been forced to do more with less for far too long. In the years before the Great Recession, the state's base per-pupil spending grew each year to account for the rising cost of living, with half of that amount being used for teacher pay increases. But starting in 2009, the state stopped giving school districts the resources to keep up with rising costs - a trend that has now continued for nearly a whole decade. This policy shift has significantly changed how public schools are funded, putting new financial pressure on local governments while eroding the state's investments in students, teachers and school support workers.

- The failure to continue cost-of-living adjustments has reduced equitable school funding by \$6.8 billion over the past decade.
- Louisiana's base per pupil spending of \$3,961 would need to be \$700 higher today just to keep up with inflation since 2008.
- The erosion of state support has forced almost every local school district to increase their contribution to education to make up the difference.
- Distributing state education dollars through the state funding formula, the Minimum Foundation Program, plays an integral role in ensuring equity in school funding, but failure to keep up with inflation is shortchanging students across the state, with students in low-income districts losing out the most.
- All local governments, regardless of wealth, have contributed more than their expected share of school funding over the last decade.

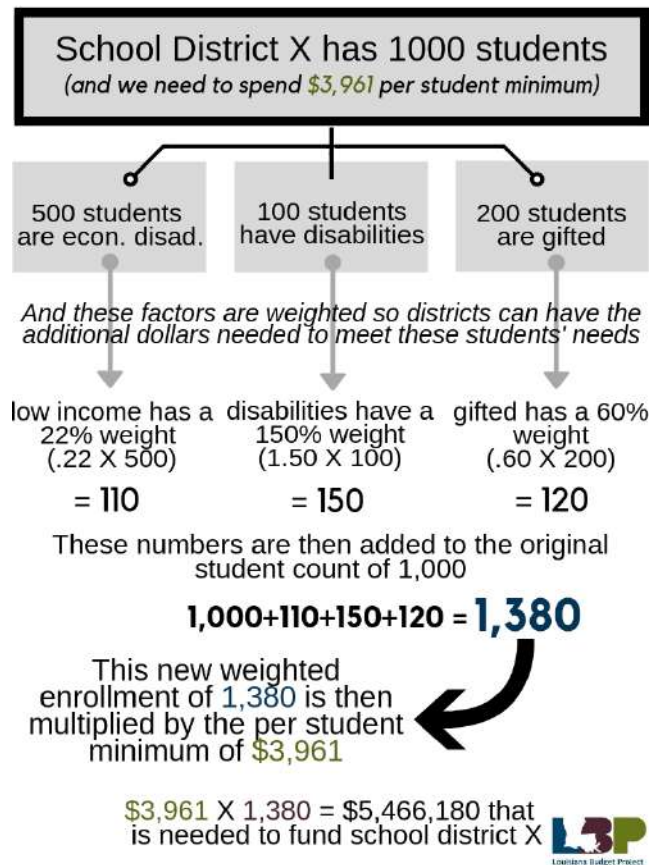
To begin to solve these problems and reverse this disinvestment, Louisiana lawmakers should consider reinstating an annual adjustment for inflation on base per pupil spending.

### The basics of education funding in Louisiana

Louisiana spent more than \$3.6 billion on elementary and secondary education in the 2017-2018 school year, making it the single largest expenditure from the state general fund. Like most states, Louisiana distributes public education dollars through a funding formula that's designed to ensure that all school districts have enough resources to meet the needs of their students. This formula, called the Minimum Foundation Program (MFP), is developed each year by the state Board of Elementary and Secondary Education (BESE) and subject to an up-or-down vote by the Legislature. It consists of four levels. This brief will mainly focus on Level 1 and Level 2 of the MFP, as they collectively distribute around 80 percent of total state education funding.

Level 1 establishes a "base" amount the state is required to spend per pupil. For the 2017-18 school year, this was \$3,961. The base amount is then adjusted, or "weighted," to account for

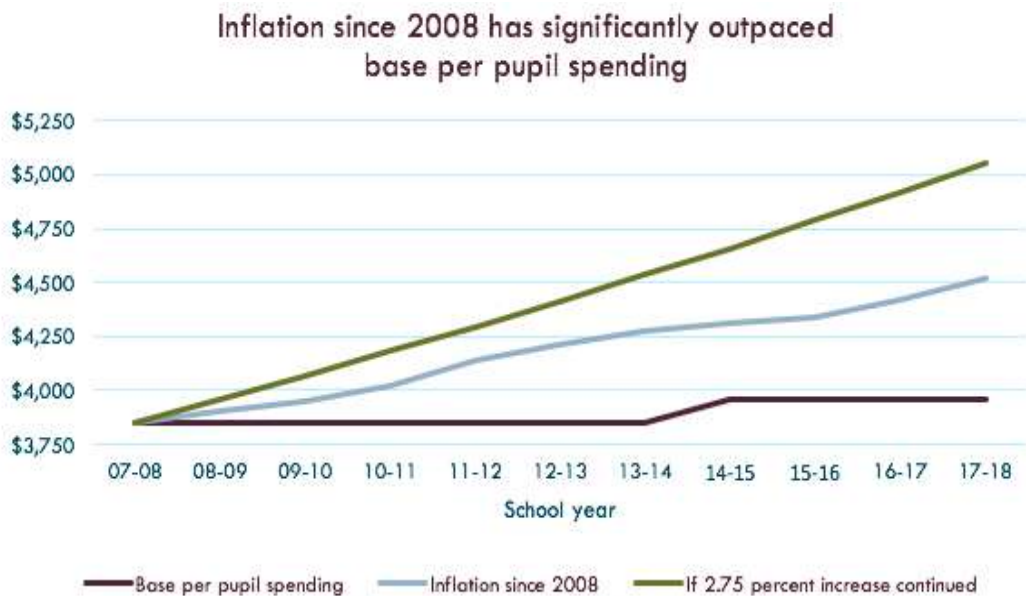
## MFP 101



students who are gifted, disabled, hail from economically disadvantaged families or otherwise require additional resources. The weights are added to the initial enrollment count to develop a “weighted student enrollment,” which dictates the amount of funding each district receives to provide an adequate and equitable education for every student.

Once a weighted per-pupil amount has been determined, Level 1 of the formula then determines how much of that amount should come from the state, and the minimum amount that must come from local government. This division of obligation depends on a school district’s wealth and its ability to raise local revenue. Districts with high poverty rates and low property values get a higher percent contribution from the state than wealthier areas with stronger tax bases - but no school district is obligated to contribute more than 75 percent.

Level 2 of the formula acts as a reward and incentive program for school districts that contribute more money to public schools than the state minimum. For every additional dollar a local district contributes above the state minimum, the state matches one-third of that amount up to a cap.



## A decade of lost funding

States across the country froze or reduced spending on K-12 education after the 2008 Great Recession as tax revenue suffered amid the economic downturn. Louisiana was no exception<sup>1</sup>, and as of 2016 it was among the 25 states where inflation-adjusted K-12 spending remains below pre-recession levels.<sup>2</sup>

<sup>1</sup> Michael Leachman, Kathleen Masterson, and Eric Figueroa. *A Punishing Decade for School Funding*. Center on Budget and Policy Priorities. November 29, 2017.

<sup>2</sup> American Federation of Teachers. *A Decade of Neglect*. 2018.

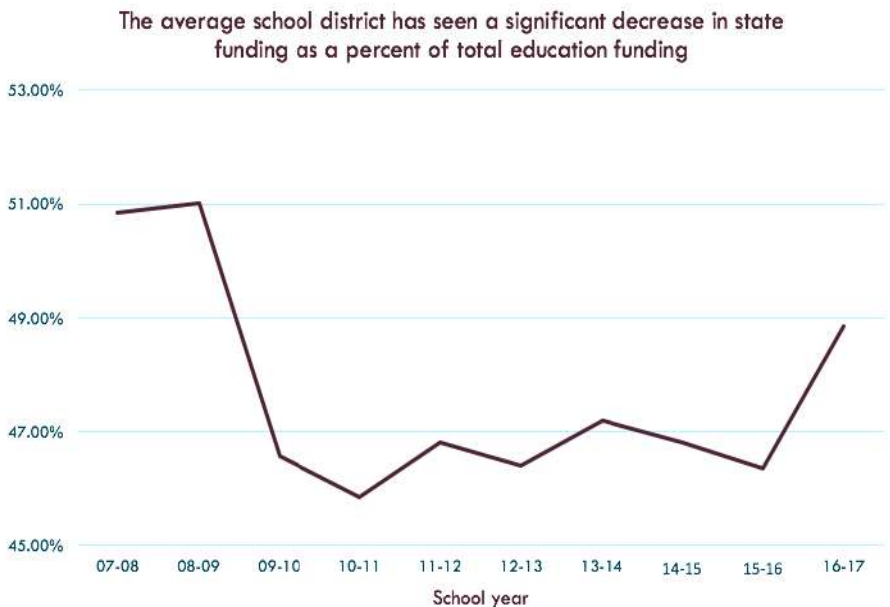
Louisiana’s constitution does not allow cuts to base per pupil spending, even in financial downturns. But it does allow for a freeze, which has the same effect as a cut when accounting for inflation. Before the recession, Louisiana increased its base per pupil spending annually by 2.75 percent. But this annual increase was eliminated starting with the 2008-09 school year. The lone exception is 2014-15, when the Legislature approved a one-time 2.75 percent adjustment that brought the base per pupil to \$3,961, where it remains today.

If the state had maintained the 2.75 percent increase each year since 2008, base per pupil spending would be \$5,194 in the current 2018-19 school year - \$1,233 more per student than the state currently spends. If per pupil spending simply kept up with inflation since 2008, base per pupil spending would be at \$4,642 - nearly \$700 more than current levels.

**Stagnant state funding has shifted more costs to local school districts**

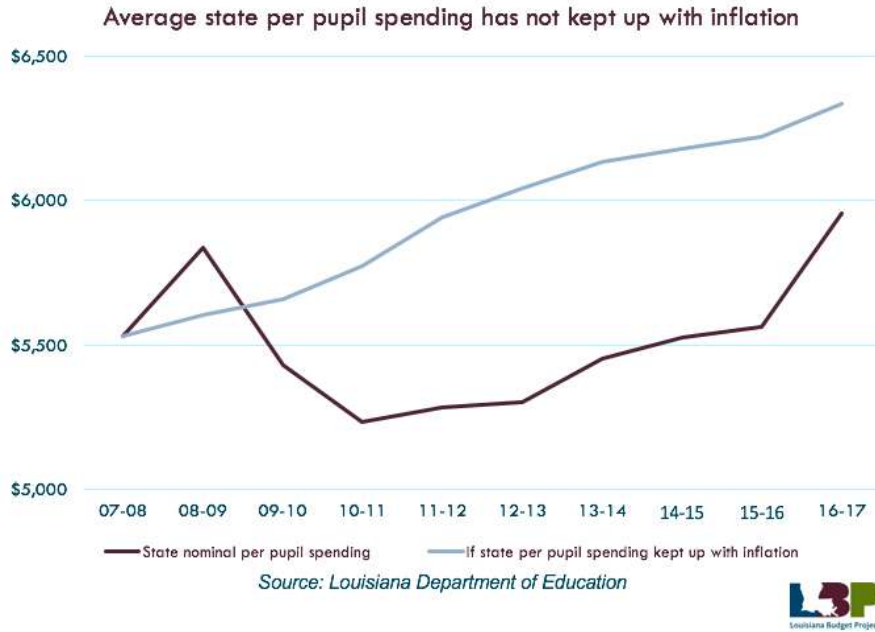
The stagnant state funding has put new financial pressures on local school districts, which must pay more every year for things like employee benefits and facility upkeep. The result is a shifting of the education burden from the state to local districts. In the 2007-08 school year, nominal state per pupil spending (after adding student weights) for the average district was \$5,528, but dropped significantly post-recession to a low of \$5,234 per pupil in 2010-11. Since then, average nominal state per pupil spending has risen and as of the 2016-17 school year stands at \$5,954 per pupil (more than \$400 above pre-recession numbers).

Despite the recent improvement, state dollars still comprise a lower share of school districts’ total budget than before the recession. Prior to the Great Recession, in 2007-08, the state paid an average of 51 percent of K-12 expenses for a local school district – with local and federal dollars making up the other 49 percent. By 2010-11, the average state share had dropped to 45 percent. As of the 2016-17 school year, average state funding for a district had bounced back to 49 percent.

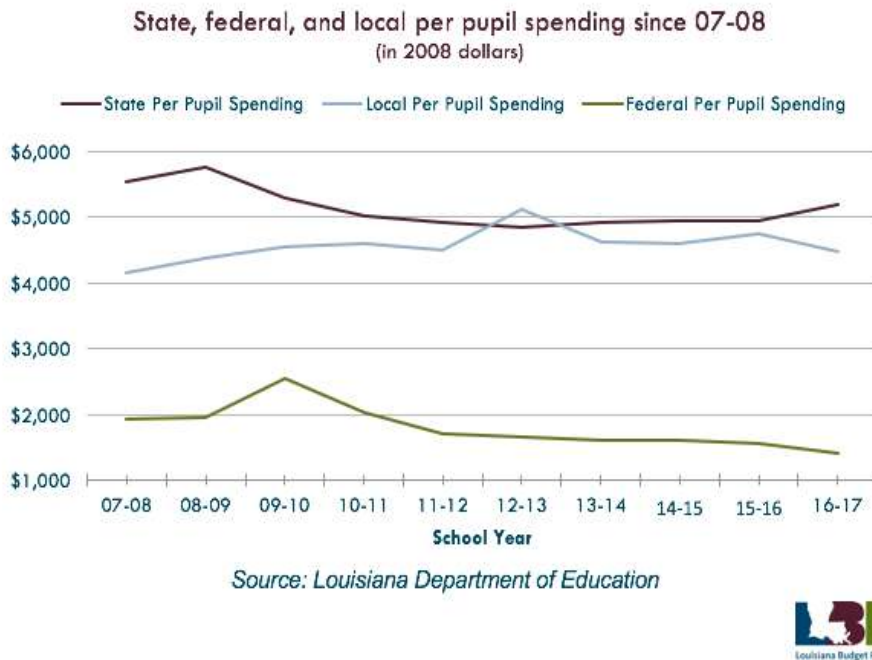


After adjusting for inflation, average state per pupil spending has decreased significantly since the 2007-08 school year. In the 2016-17 school year, the average school district would have needed an additional \$400 per student from the state just to keep pace with a decade’s worth of inflation. Even disregarding inflation, 1 in 4 school districts continue to receive state funding at actual nominal levels below what they received pre-recession.





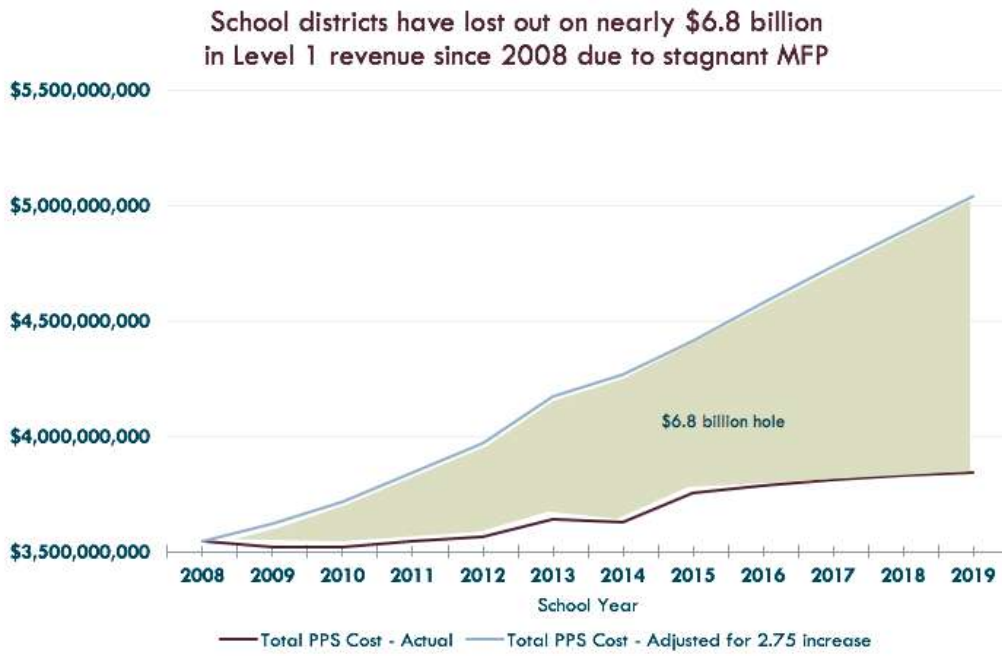
As inflation eroded the value of the state’s per-pupil spending, local governments stepped in to fill the gap. While federal and state support slowly eroded by a collective \$839 between 2008 and 2017, local per pupil spending dollars increased on average by \$314 after adjusting for inflation.



## Louisiana has a lot of catching up to do

The erosion of state support adds up considerably over time. Since the annual 2.75 percent increase was discontinued in 2008, schools and students have lost out on a collective \$6.8 billion in potential Level 1 revenue. That is enough to pay

more than 13,530 teachers the current Louisiana average salary of \$50,256<sup>3</sup> for 10 school years. The graph below compares actual Level 1 funding over the past decade to the total amount that school districts would have received if the 2.75 percent inflationary increase had been applied. The state would have been required to pick up 65 percent of that amount, meaning a total of \$4.4 billion of equitably distributed state money has been lost by local school districts.



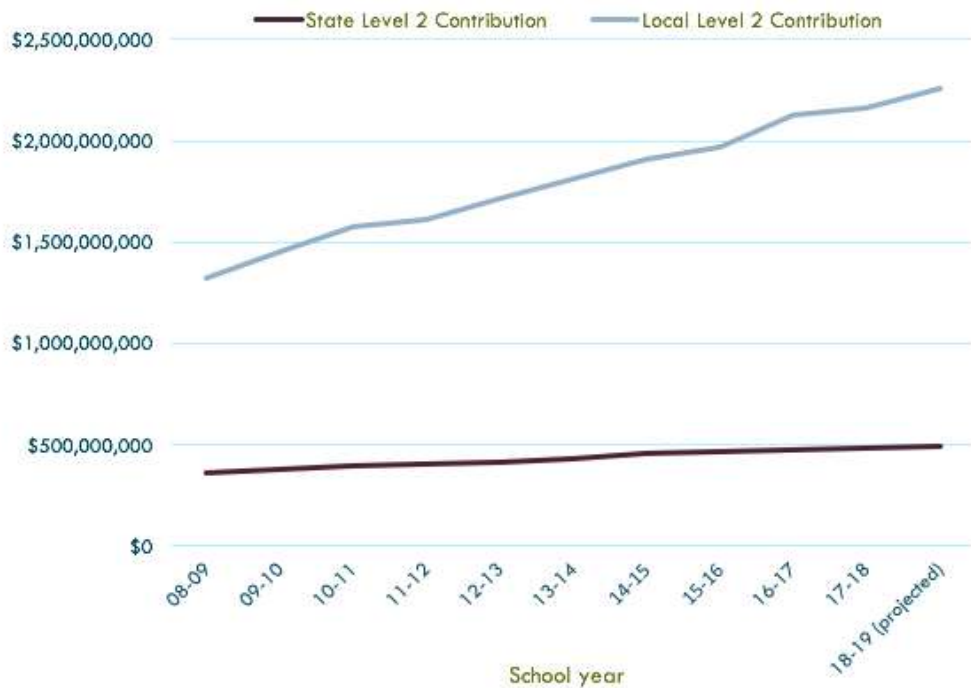
**Growth in local funding has significantly outpaced state funding in Level 2**

In theory, Level 1 funding is supposed to cover the minimum amount needed to operate a public school in Louisiana. Level 2 funding is designed to “reward” districts that prioritize education by contributing more than the minimum state requirement. But for several years, every Louisiana school district has raised significant amounts of revenue above their Level 1 obligation, indicating that the current base per pupil spending is not enough to meet basic needs.

An analysis of Level 2 funding over the last decade shows that local school districts have more than pulled their weight while state per-pupil spending was flat. Since the 2008-2009 school year (the first school year without a 2.75 percent increase from the previous year), local districts have raised nearly \$20 billion above the minimum contributions set in Level 1, which has been matched by an additional \$4.7 billion from the state (as mentioned earlier, there is a cap on the amount of local funding the state will match).

<sup>3</sup> National Education Association. *Rankings of the States 2017 and Estimates of School Statistics 2018*. April 2018.

## Local spending has significantly outpaced state match spending in Level 2 of the MFP



Source: MFP Budget Letters



Local spending through Level 2 has grown by 70 percent over the past decade. But state matching dollars have only increased by 35 percent over that time. This shows that while state funding has failed to keep up with inflation, local communities have worked hard to fill the gap to meet the needs of their students. While this is encouraging, the lack of growth in Level 1 of the formula continues to put districts at a disadvantage, particularly districts serving communities with extremely high levels of poverty.

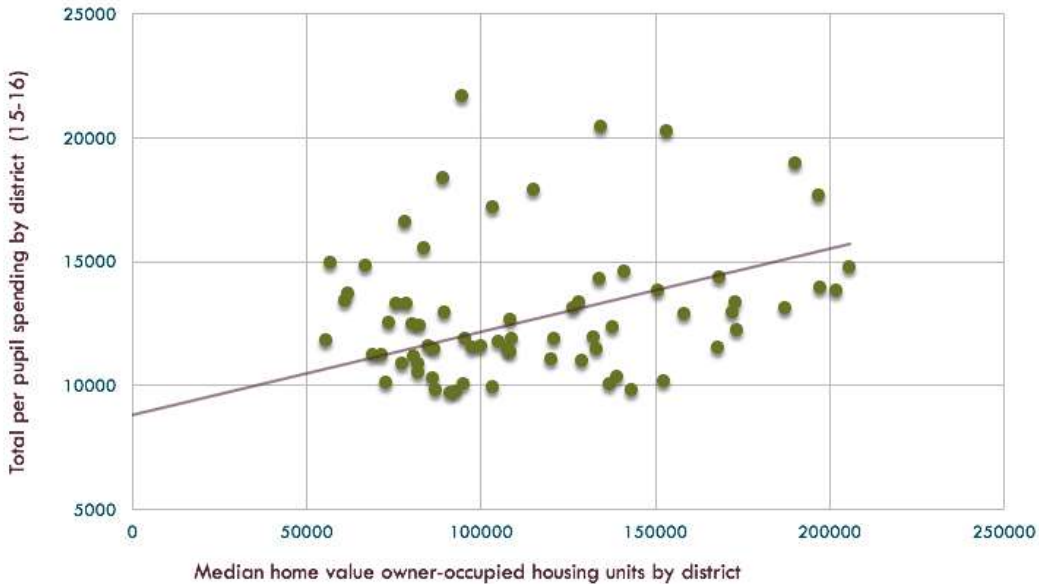
### ***Louisiana's funding formula is more equitable than most, but there is room for improvement***

While overall education funding in Louisiana has failed to keep pace with inflation, the distribution of those state dollars between school districts is more equitable than in most states. A 2013 analysis by the Education Law Center<sup>4</sup> showed that only eight of the 16 Southern Regional Education Board states included a weight for low-income students in their formula, and only nine included a weight for disability and/or English language learner (ELL) students. Louisiana is one of only five states that weighs for all three factors (weighting low-income and ELL together). This shows the state has made genuine attempts to equitably distribute dollars to schools and students.

<sup>4</sup> Education Law Center. *Funding, Formulas, and Fairness*. February 2013.

Louisiana’s funding formula may be more equitable than most, but there is still room for improvement. That is because local education dollars are generated from property and sales tax revenue, which varies greatly from parish to parish. Higher median home values yield more property tax revenue and likely higher sales tax revenue, as residents have more disposable income. This means that poorer districts with lower home values typically have less tax revenue to spend per pupil. Even though the state funding formula tries to compensate for this by weighting for low-income students, it is not enough to counteract the funding advantage in affluent districts with higher home values.

Where a student lives dictates how much a school district spends on their education



Source: Census Community Survey and Louisiana Dept of Education

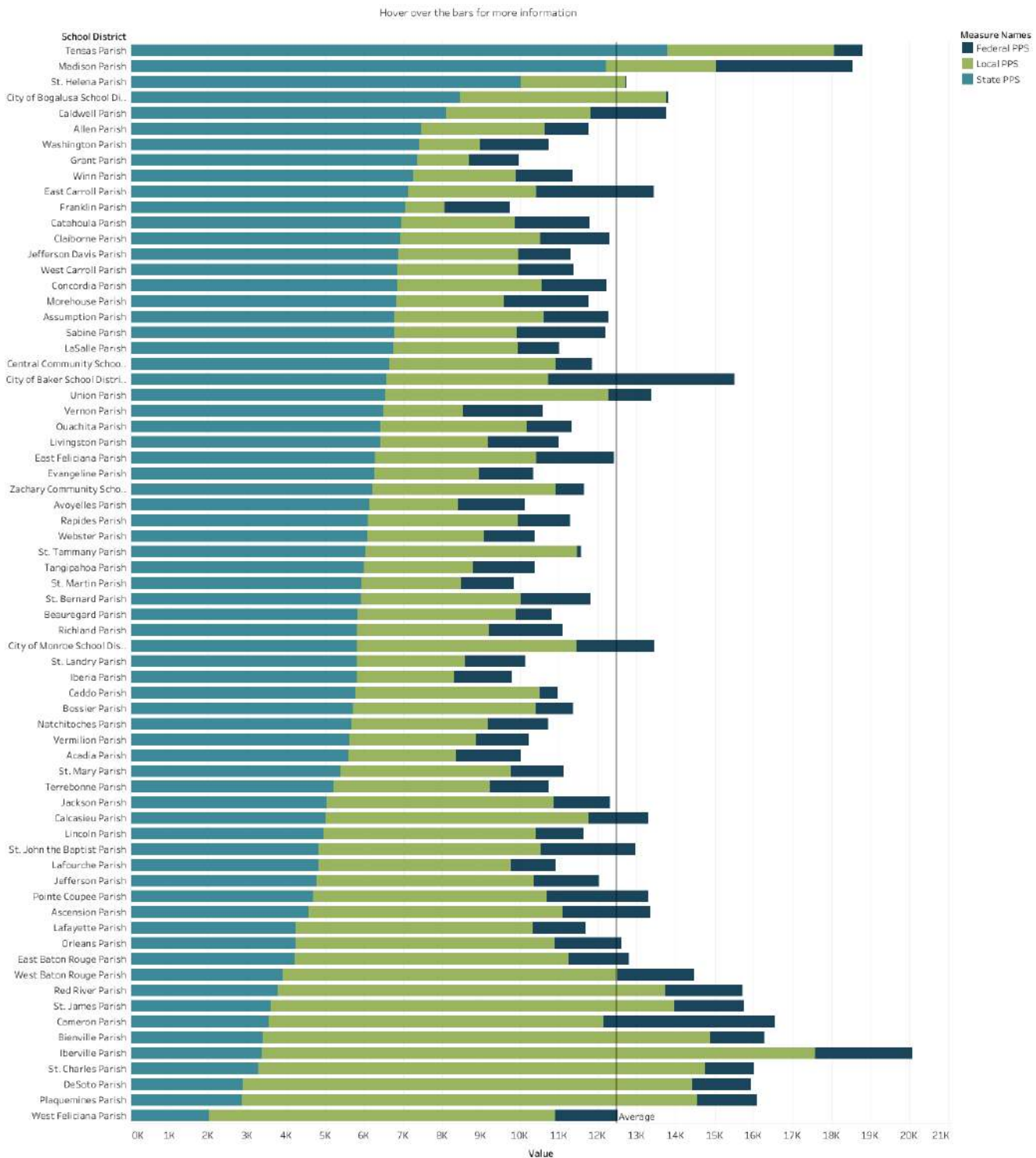


The table below breaks down Louisiana’s per pupil spending for the 2016-2017 school year by individual school districts to showcase how each district is funded. The districts are arranged by state per pupil spending in descending order, so the parishes receiving the most state funding per pupil are at the top and those receiving the least at the bottom. The reference line in the middle shows the statewide district average total per pupil expenditure of \$12,708. Click [here](#) for interactive table.

The districts that receive higher amounts of per-student funding from the state at the top and middle of the chart are more likely to be below the overall average for total per pupil spending because their local governments either can’t or won’t raise enough revenue to close the spending gap. Comparatively, districts that received the lowest amount of state funding per pupil (at the bottom of the chart) were still above the state average for overall spending because they are able to raise large amounts of local money. This means that while the state gives more funding to districts that are less able to raise local revenue, the amount of state money going to those poorer districts is often still not enough to create equity in total funding between the districts.



## Louisiana 2016-2017 Per Pupil Spending By District



Federal PPS, Local PPS and State PPS for each School District. Color shows details about Federal PPS, Local PPS and State PPS. The view is filtered on School District, which keeps 69 of 69 members.

### ***Stagnant base per pupil spending makes the formula less equitable***

Adequate state funding for education, particularly in Level 1 of the formula, is vital to reducing funding disparities between low-income and wealthier school districts. Research has shown that state funding reforms are crucial to closing achievement gaps between students in low-income and median-income districts. Short-term or one-time funding increases have little impact on student test scores, because they do not allow school districts to make significant changes and long-term investments. Stable, adequate state funding is crucial to closing learning gaps because it allows schools and districts to make significant and lasting reforms as opposed to one-time purchases.<sup>5</sup>

The stagnation of state support over the past decade has affected some districts more than others. Zachary Community School District (5,222 students) and Washington Parish School District (5,217) had almost identical enrollment in 2016-17. But while these districts are similar in size, they are polar opposites in wealth. Fewer than half of Zachary’s students (47 percent) were designated economically disadvantaged and/or English Language Learners, while 84 percent of the students in Washington Parish fit that description.

Because Washington Parish serves more poor children and children with disabilities, they have a higher weighted enrollment and thus receive more money, on a per-student basis, from the state. When the base per pupil spending fails to grow, weights for factors such as poverty, gifted, and disability have less of an impact. Because poverty is frequently the largest weight for Louisiana’s many school districts operating in extremely poor communities, our poorest schools are missing out on the most state dollars.

Both Zachary Community School District and Washington Parish School District lost out on millions of dollars in potential Level 1 revenue due to the state funding freeze, but Washington Parish was shorted \$1 million more than Zachary because of its high poverty. This is because of the weights in the formula that intend to distribute dollars equitably based on the needs of the student population. All of Louisiana’s 69 traditional community school districts struggle with poverty, but Louisiana’s poorest school districts often have student populations that

	<b>Zachary Community School District</b>	<b>Washington Parish School District</b>
<b>2016-17 Enrollment</b>	5,222	5,217
<b>Total Costs (Level 1*)</b>	\$28,473,476	\$32,196,834
<b>Total Costs if 2.75% increase maintained</b>	\$36,335,340	\$41,087,040
<b>Lost Revenue</b>	<b>\$7,861,864</b>	<b>\$8,890,206</b>
<b>Lost Revenue Per Pupil</b>	<b>\$1,506</b>	<b>\$1,704</b>
<i>Source: MFP Budget Letter 2016-2017</i>		

are 85 percent or higher economically disadvantaged, meaning that over 85 percent of the student population gets a 22 percent weight on top of their base per pupil spending of \$3,961. Twenty-two percent of \$3,961 is significantly lower than 22 percent of the ideal base per-pupil spending of \$5,194, meaning that school districts with high percentages of economically disadvantaged students lose out on even more money when the formula fails to grow.

When the state fails to adequately fund base per-pupil spending, school districts lose out on equitably distributed dollars. Level 2 of the formula widens the disparity, as Zachary’s stronger local tax base meant it was able to raise significantly

<sup>5</sup> Mark Dynarski. *It’s not nothing: The Role of money in improving education*. The Brookings Institute. March 2, 2017.

more revenue than Washington Parish. While Washington Parish raised an additional \$4.8 million in Level 2 funding, Zachary raised an additional \$20.5 million. This also meant Zachary received a state match of \$5.3 million compared to Washington's \$3.9 million. As a result, Zachary was able to spend more per pupil than Washington Parish despite the good intentions of the state formula.

This example shows what happens when the state puts the brakes on education spending. Wealthier parishes may have to spread themselves thin, but they usually have the means to make up the difference. Meanwhile, poorer areas fall farther behind the rest of the state and the country.

## **Louisiana can still turn the tide and ensure a bright future for our students**

Lack of growth in the funding formula has affected every school district, but it has been particularly tough for our poorest school districts. If the spending freeze continues, it will widen the gap between rich and poor districts, as low-income communities won't be able to make up the difference with local sales and property taxes.

While the state has failed to adjust the formula to keep up with inflation, the Legislature has appropriated additional funding to K-12 education outside of the formula in 2013, 2015, and 2016 of \$69 million, \$44 million, and \$20 million, respectively. It is encouraging that lawmakers prioritize education when resources are available, but research shows that this one-time money has little-to-no effect on closing gaps between low-income students and students from families in higher socioeconomic brackets.

To have a real impact on student outcomes, the state should prioritize closing the gap that has been created by the lack of adjustment since the 2008-09 school year and ensure the formula keeps pace with the cost of living in future years. Consistent long-term funding is crucial to closing achievement gaps and would benefit students more than sporadic additional appropriations.

Consistent funding and growth are key to allowing school districts to make long-lasting reforms. Research has shown that these school finance reforms increase school quality and benefit students of all socioeconomic backgrounds. Increases in per pupil spending are directly correlated with "large improvements in educational attainment, wages, family income, and reductions in the annual incidence of adult poverty" for low-income students as well as smaller but still statistically significant improvements in educational attainment and income as adults for wealthier students.<sup>6</sup> Adequate per-pupil spending and growth in the formula ultimately allows school districts to invest in the necessary tools to improve educational outcomes, but they can only make these investments if they know the money will be available each year.

Specifically, Louisiana policymakers should:

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<sup>6</sup> C. Kirabo Jackson, Rucker C. Johnson, Claudia Persico. *The effects of school spending on educational and economic outcomes: evidence from school finance reforms*. National Bureau of Economic Research.

- Increase base per pupil spending by 2.75 percent, which would increase the base to \$4,070 per pupil for the 2019-2020 school year.
- In 2020-21 and beyond, school, policymakers should consider moving away from the 2.75 percent adjustment, which does not always reflect actual inflationary increases and has proven difficult for the state to maintain. Instead, it should adjust the base annually based on the Consumer Price Index-Urban for the Southern region. This annual adjustment in per pupil spending would be calculated according to the most recent three-year average of the Southern CPI-U. This would allow for moderate annual growth in education funding, while also circumnavigating dips in the economy and inflation. By following the Southern CPI-U, Louisiana can also ensure that education spending is not outpacing the economy. Consistent growth that is also realistic for the state to maintain will be crucial in improving educational outcomes for Louisiana's students.

**Methodology:**

All Louisiana school finance data came from the Louisiana Department of Education (LDE). Per-pupil spending for the 2016-17 school year was calculated by the Louisiana Budget Project using the most updated LDE enrollment data and LDE school system budgets. All inflation adjustments were made using the Consumer Price Index (CPI). For more information or questions on methodology, please contact Neva Butkus at [Neva@labudget.org](mailto:Neva@labudget.org)

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**About the Louisiana Budget Project:**

The Louisiana Budget Project monitors and reports on public policy and how it affects Louisiana’s low- to moderate-income families. We believe that the lives of Louisianans can be improved through profound change in policy, brought about by:

- creating a deeper understanding of the state budget and budget-related issues
- looking at the big picture of how the budget impacts citizens encouraging citizens to be vocal about budget issues that are important to them
- providing insight and leadership to drive the policy debate