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NEPC Review: *Hidden Money: The Outsized Role of Parent Contributions in School Finance*

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June 2017

Summary of Review

While inequalities in school funding resulting from state and local policies have long been a source of concern to education researchers and policymakers, a recent report from the Center for American Progress examines a source of educational inequality that receives less attention: private fundraising by parents. It focuses on the 50 Parent-Teacher Associations (PTAs) that raised the most money in 2013-2014, with two main findings. First, the PTAs raising large amounts were located in schools and districts with low rates of student poverty. Second, while a PTA in a high-poverty community may raise only a few hundred dollars, PTAs in this sample raised hundreds of thousands of dollars each year. Using case studies, the report considers district regulation of private fundraising. This review concludes that the report's findings about the scope and beneficiaries of private fundraising are credible and important—showing the impact successful PTAs can have. However, the focus on a small number of schools and districts, a lack of attention to school and community context, and problems with the case study design limit the report's overall relevance. In addition, it is important to note that most funding inequalities arise at the state level; funds raised by parents represent only a minute portion of overall school spending. Nevertheless, the report's recommendations, especially in support of equity grants, will be useful to district-level policymakers.

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This review is one of a series made possible in part by funding from the Great Lakes Center for Education Research and Practice.

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NEPC Review:
Hidden Money: The Outsized Role of Parent Contributions in School Finance

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I. Introduction

Parent-Teacher Associations (PTAs) have been an active presence in U.S. schools since the early 20th century. While the original PTA (or National Congress of Mothers, as it was first named) was formed with a broad vision of improving education for all children,[1] PTAs have evolved over the years to provide a range of supports for individual schools, from fundraising, to help with fieldtrips or special events, to teacher appreciation and increasing school-family collaboration. In recent years, however, the fundraising function of PTAs has taken on increasing importance, and PTAs are raising more money than ever before. Funds raised by PTAs help pay for improvements to school facilities, materials, enrichment programming, and even additional teachers.

Of course, PTAs vary greatly in their fundraising capacity. Whereas some are able to raise hundreds of thousands of dollars each year, others raise only a few hundred or a few thousand. To the extent that PTA funds provide schools with supplies and programming they could not otherwise afford, this disparity can be a source of additional inequality—especially because there is evidence that schools serving more affluent populations are *more* likely than other schools to benefit from significant parental fundraising.[2] A new report from the Center for American Progress examines this phenomenon, focusing particularly on the implications for educational equity.[3] The report examines the 50 "richest" PTAs (defined as the PTAs that raised the most money in 2013-4) and how they spent their money, arguing that this creates new forms of stratification. It also uses case studies of several school districts to assess the consequences of district-level efforts to mediate inequalities resulting from parental fundraising.

II. Findings

The report's findings can be broken into two parts. First, the authors identified the fifty PTAs in the United States that were most successful in raising large amounts of money for their schools. The authors found that the funds raised by the nation's richest PTAs was quite significant (nearly $43 million in 2013-2014), that they paid for a rich array of additional supports, and that they tended to benefit already advantaged schools and communities. While the most successful PTAs added over $2,000 per student to their schools' budgets, even the least successful (in this group) added approximately $500 per student. The schools used this money to purchase arts and enrichment programming, after-school activities, equipment and even additional school staff. These PTAs were located in 23 school districts, 11 of which were in California. Only a few of the districts had any policies in place to manage parental fundraising.

The authors claim to find a strong relationship between the affluence of the school community and the amount the PTA raised. Indeed, most of the PTAs included in the top-fifty list were located in low-poverty districts, and, in fact, many on the list were in districts serving fewer than 10% low-income students. While some of the schools on the list were located in less-advantaged districts (such as New York City or Washington, DC), these schools tended to be strikingly more advantaged than the district as a whole. To take the most dramatic example, whereas 99% of students in the District of Columbia public schools are eligible for free or reduced-price lunch, but at Janney Elementary, which raised nearly $1.5 million, only 4% are eligible. At almost all of the top ranked fundraising schools, the percent of students eligible for free or reduced-price lunch was less than 50%, and at nearly three-fourths of the schools it was 10% or less.

The authors conclude that such disparities place schools serving lower-income populations at a significant disadvantage. Focusing on PTAs in DC, they note that low-poverty schools with active PTAs are able to provide a host of additional experiences for their students without affecting spending on core educational functions. In contrast, schools whose parent body cannot raise hundreds of thousands of dollars each year "had to pay for some of these same programs with public dollars, leaving less funding for other resources…" (p. 7).

The second part of the report examines two strategies districts have tried to address these inequalities: restricting how schools can use donated funds and creating equity grants to distribute funds more broadly across the district. To assess the consequences of these strategies, the authors use case studies of comparable districts that have and have not implemented these policies.

Montgomery County, MD, a diverse and affluent suburb outside of DC, began regulating the use of private donations in 1989, prohibiting its use to fund school staff. Anne Arundel County, also in MD, is a much smaller county located further away from DC that has similar poverty rates but a lower median income. Anne Arundel does not place any restrictions on the use of private donations. The authors examined PTA fundraising in both counties over a three-year period, finding that in both counties they raised comparable amounts of money and concluding that placing restrictions on the use of private funds does not depress parents' contributions. They further note, however, that this policy did not remedy other inequalities in school funding that affect school staffing levels.

Another strategy for redistributing parents' donations is to create "equity grants" and require that a portion of the PTAs' total revenues (after a certain base amount) be allocated to that fund, which then distributes the money to higher poverty schools. Portland, Oregon, implemented this model in the 1990s, while the demographically similar Seattle Public Schools did not. A comparison between PTA revenues in the two districts, also over a three-year period, suggests that this practice may depress fundraising slightly. At the same time, high-poverty schools in Portland received significant additional funding, "substantially narrowing the parent fundraising gap," while similar schools in Seattle received no additional resources. The authors conclude that these strategies have the potential to distribute funds more equitably without significantly depressing parental contributions.

The report ends with a set of policy recommendations designed to increase public awareness of private fundraising, reduce inequities resulting from substantial fundraising, and distribute privately raised resources more equitably across schools. These include: requiring schools to report private contributions, annually assessing the needs of schools to equalize funding, supporting partnerships between low- and high-poverty schools, creating equity funds, preventing schools from using private money to pay staff, including predictions about parent fundraising in school budgets, and encouraging district-wide donations.

III. Rationale for Findings

The primary assumption underlying this report is that resources matter in education: that more spending generally leads to better outcomes for children. A second assumption is that school funding in the U.S. is already unequal, because higher-poverty districts and schools have less to spend per pupil than lower-poverty districts and schools. Because private fundraising has increased dramatically in recent years and has the potential to exacerbate the divide between resource-rich and resource-poor schools, this study can illuminate an increasingly important source of educational inequality.

The report is also motivated by an interest in understanding the extent to which district-level policies can be effective in reducing inequalities that result from parent fundraising. If these policies succeed in reducing inequalities without significantly depressing fundraising overall, then other districts could potentially take similar steps.

IV. Use of Research Literature

The authors support their assumptions about the importance of funding and its inequitable distribution by citing scholarly literature on the scope and consequences of educational inequality. The report begins with research showing that many states and local districts allocate more money to districts and schools serving affluent students than to those with higher poverty rates, disparities that are particularly evident when it comes to staffing.[4] The authors also cite scholarship documenting the obstacles low-income students face and the ways in which additional resources can increase opportunities.[5]

Interestingly, the authors make less use of extant research on parent fundraising itself. They cite only one study of recent developments in fundraising.[6] The findings of this study, that fundraising has increased in ways that advantage already advantaged schools and districts, are consistent with this report's argument about the inequitable consequences of parental contributions. However, the report could have benefited from greater engagement with other relevant scholarship on the scope of parental fundraising, its role in public education, and parents' motivations and concerns in raising funds.[7]

V. Review of Methods

Part One: The Nation's Richest PTAs

To identify the 50 PTAs that raised the most money in the United States, the authors used GuideStar, a database with financial and other information about nonprofits.[8] The authors searched the database for parent-teacher groups, sorted by income, and then narrowed the results to public school PTAs with appropriate financial data. As the authors note, the fact that many PTAs do not file tax documentation represents an inherent limitation in the data. However, it does seem reasonable to assume that the PTAs that generate large amounts of money (therefore, the ones of greatest interest to the authors) are also more likely to file tax returns.

For each school, the authors then collected school and district data. The tables included in the Appendix display the names of the schools and districts, how much each PTA raised, the percent of students in the school and district eligible for free or reduced-price lunch, the number of students in the school, and the amount raised per pupil. These statistics, especially those showing extremely low poverty levels among most schools, are quite striking. The authors also conducted phone interviews with personnel from 15 of the districts to ascertain their policies on parental fundraising.

This focus on the "richest" (or highest fundraising) PTAs has some advantages. It helps the authors make a strong case for the ways substantial parental fundraising can exacerbate inequalities. After all, PTAs that increase school funding by more than $1,000 per student can provide a host of resources unavailable to students in other schools. But another consequence of this decision is that only a small number of districts (23) and an even small number of states (7 plus the District of Columbia) are represented. As a result, the picture the report paints of the "outsized role" of parents' contributions, while important, is also incomplete, leaving out the vast majority of schools and districts across the country.

The lack of information about school and district context represents another limitation. The authors include the percent of students eligible for free or reduced-price lunch, but nothing about per-pupil spending or the percent of a school or district's budget that comes from fundraising. The authors use Nelson and Gazley's study of school fundraising to argue that rather than compensating for insufficient district resources, wealthy PTAs exist in districts that already benefit from generous funding.[9] Yet the actual per-pupil spending of the districts in question varies, and, according to Education Week's Quality Counts data,[10] most (with the exception of Washington DC and New York) spent around or slightly below the national average in 2013.[11] This seems to undermine the authors' argument that these schools are sites of significant advantage or privilege. While within-district variation in school spending could benefit schools with lower poverty rates, that evidence is not included in the report. Nor did the report discuss median family income in the school or district. It uses low poverty rates as a proxy for affluence, but that seems problematic, as it assumes that all non-poor students are wealthy, an assumption that obscures significant differences in family and community wealth. Cost of living differences should likely also have been taken into account.

Part Two: District Policies

For the case study portion of the report, the authors used census and school district data to identify districts comparable to Montgomery County, MD, and Portland, OR. They then used tax documents from the IRS and information available through the GuideStar and ProPublica[12] databases to document the funds raised by PTAs in each district. Unfortunately, in both cases available data were limited, because, as noted above, all PTAs do not fill out the requisite IRS forms.

The report uses the comparison between similar districts (Montgomery and Anne Arundel Counties and Portland and Seattle) to claim that restricting or redistributing funds has a minimal effect on parents' fundraising. This is problematic for at least two reasons.

First, to truly understand the impact of the policies in question, the researchers would have had to study the districts before and after the policy went into effect—something that happened years before the research was conducted. The authors themselves acknowledge that such a design would be preferable to the comparison they offer. Given this design and the attendant inability to separate the effects of the policy from other factors, it is difficult to draw any strong conclusions. Second, the problems with this design are exacerbated by significant differences in context (especially between Montgomery and Anne Arundel Counties) that could affect fundraising in a number of ways. The authors also acknowledge this limitation. This problem could have been remedied at least in part by interviews with stakeholders in the districts in question—to understand how parents themselves understood the policies and their impact—but that was not a part of the study. Given the limitations of the data, the authors' findings about the (non)effects of certain policies on parents' fundraising are intriguing but hardly conclusive.

VI. Review of Validity and Findings

The report's finding that the 50 "richest" PTAs are raising significant amounts of money for schools with generally low poverty levels appear to be well-supported by the data. It is not clear, however, how widely these findings can be generalized beyond the schools in question, because the 50 schools were clustered in a small number of districts and states. In addition, its claims about the relationship between parent donations and larger patterns of educational inequality would be stronger with greater attention to context, namely median family incomes and per pupil spending. This is especially the case because the districts in which the PTAs were located were for the most part not particularly high spending. While some popular media accounts have told of wealthy communities and their fundraising, this does not mean that every school that raises large amounts of money serves equally wealthy families.[13] In addition, the amounts parents raise is trivial compared to overall school funding—less than 2% of public school spending.[14] This point does not negate the report's findings, but it does help to contextualize parents' efforts and raises questions about the true source of educational inequalities—which likely have more to do with government spending and patterns of segregation than private fundraising.[15]

The question of what schools and districts can do to combat inequalities resulting from parent fundraising is an important one. The findings from the case studies here show that equity funds do direct resources to high-poverty schools, which is promising. However, it would be premature draw any final conclusion about the extent to which policies regulating fundraising impact parents' activities.

Several of the authors' recommendations—such as increasing transparency around private donations so that districts and researchers can more accurately track resources, creating equity funds, and encouraging district-wide donations—are reasonable and follow directly from the findings. While these measures could generate parental opposition, they could also help ensure that schools without highly successful PTAs can benefit from parents' efforts. The other recommendations are less compelling. In particular, it is not clear from the data why restricting the use of PTA funds (so that schools cannot use them for staffing) would be beneficial, nor does it follow that districts should take predictions about parent fundraising into account when calculating school budgets. In fact, this last suggestion could remove some of the burden of funding public schools from school districts, a prospect that could raise a number of other issues and ultimately undermine support for public education.

VII. Usefulness of Report

This report usefully raises awareness about excessive fundraising and the extent to which it benefits schools and districts that are already relatively advantaged. Its points about the potential for private fundraising to increase educational stratification are especially prescient given the growth of educational privatization. The authors' assessment of the potential for districts to manage private fundraising is interesting but not definitive. Nevertheless, the questions this report raises about the impact of district policies could guide additional research. Many of the report's recommendations are quite promising. However, it is important to remember that privately raised funds comprise only a minor part of education spending, and that the true sources of educational inequality are structural factors (such as differences in property values, insufficient state aid, and concentrated poverty), rather than the actions of individual parents.

Notes and Resources

1 Woyshner, C. (2009). *The National PTA, Race, and Civic Engagement*. Columbus, OH: Ohio State University Press.

2 Nelson, A.A. & Gazley, B. (2014, February). The Rise of School-Supporting Nonprofits, Retrieved May 23, 2017, from https://ssrn.com/abstract=2363032

3 Brow, C., Saragrad, S. & Benner, M. (2017, April). *Hidden Money: The Outsized Role of Parent Contributions in School Finance*. Center for American Progress. Retrieved April 24, 2017, from https://www.americanprogress.org/issues/education/reports/2017/04/08/428484/hidden-money/

4 Heuer, R. & Stullich, S. (2011). *Comparability of State and Local Expenditures Among Schools Within Districts: A Report from the Study of School-Level Expenditures*. Washington, D.C.: U.S. Department of Education.

Clotfelter, C., Ladd, H., Vigdor, J., & Wheeler, J. (2007). *High-Poverty Schools and the Distribution of Teachers and Principals*. CALDER Center. Retrieved May 19, 2017, from http://www.caldercenter.org/sites/default/files/1001057_High_Poverty.pdf

5 Lee, V.E., & Burkam, D.T. (2002). *Inequality at the Starting Gate: Social Background Differences in Achievement as Children Begin School*. Washington, D.C.: Economic Policy Institute.

Lafortune, J., Rothstein, J., & Schanzenbach, D.W. (2015). *School Finance Reform and Distribution of Students' Achievement*. Cambridge, MA: National Bureau of Economic Research.

6 Nelson, A.A. & Gazley, B. (2014, February). The Rise of School-Supporting Nonprofits, Retrieved May 23, 2017, from https://ssrn.com/abstract=2363032

7 Hansen, J. (2008). The Role of Nongovernmental Organizations in Financing Public Schools. In H.F. Ladd & E.B. Fiske (Eds.) *Handbook of Research in Education Finance and Policy* (pp. 314–331). New York, NY: Routledge.

Posey-Maddox, L. (2016). Beyond the consumer: Parents, Privatization, and Fundraising in U.S. Urban Schooling. *Journal of Education Policy, 31*(2), 178-197.

8 https://www.guidestar.org/Home.aspx

9 Nelson, A.A. & Gazley, B. (2014, February). The Rise of School-Supporting Nonprofits, Retrieved May 23, 2017, from https://ssrn.com/abstract=2363032

10 Map: How Per-Pupil Spending Compares Across U.S. School Districts. *Education Week, 35*(28), 5. Retrieved May 18, 2017, from http://www.edweek.org/ew/section/multimedia/map-how-per-pupil-spending-compares-across-us.html

11 For example, Orinda Union Elementary School, which raised the most per student (over $2,500), was in a district that spent $9,773 per year, less than the national average of $11,841.

12 Tigas, M. & Wei, S. (2017). ProPublica Nonprofit Explorer. Retrieved May 19, 2017, from https://projects.propublica.org/nonprofits/

13 For examples, see:

McKenna, L. (2016, January 28). *How Rich Parents Can Exacerbate School Inequality*. The Atlantic.

Retrieved May 24, 2017, from
https://www.theatlantic.com/education/archive/2016/01/rich-parents-school-inequality/431640/

Karp, S. (2015, May 26). The Price of Fundraising. *The Chicago Reporter*. Retrieved May 24, 2017, from http://chicagoreporter.com/the-price-of-fundraising/

14 NCES Table 235.20: *Revenue for Public Elementary and Secondary Schools by Source of Funds and State or Jurisdiction: 2013-14*. Retrieved May 24, 2017, from
https://nces.ed.gov/programs/digest/d16/tables/dt16_235.20.asp

15 See, for example:

Darling-Hammond, L. (2010). *The Flat World and Education: How America's Commitment to Equity Will Determine Our Future*. New York, NY: Teachers College Press.

Rothstein, R. (2004). *Class and Schools: Using Social, Economic, and Educational Reform to Close the Achievement Gap*. New York, NY: Teachers College Press.

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Document Reviewed:	Hidden Money: The Outsized Role of Parent Contributions in School Finance
Authors:	Catherine Brown, Scott Sargrad, & Meg Benner
Publisher/Think Tank:	Center for American Progress
Document Release Date:	April 8, 2017
Review Date:	June 15, 2017
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Suggested Citation:

Cucchiara, M., (2017). *Review of "Hidden Money: The Outsized Role of Parent Contributions in School Finance*." Boulder, CO: National Education Policy Center. Retrieved [date] from http://nepc.colorado.edu/thinktank/review-fundraising