Following the Money: Property Taxes and School Quality

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Abstract: *An examination of school funding in cities in Michigan and Texas found wide disparities in the total amount of property taxes collected, but also differences in property tax rates. Families living in high-poverty neighborhoods whose children attended schools with relatively low funding actually paid higher property tax rates than wealthy families living in low-poverty neighborhoods whose children attended schools that enjoyed relatively high funding.*

Key Words: School funding, social justice, property taxes, student achievement

The average breakdown for funding of public schools in the United States goes something like this. Percentages vary depending on the state and locale in which you live (*Digest of Education Statistics*, 2019):

Federal contribution=8%
State contribution=47%
Local contribution=45%

Each state has its own formula for funding public schools. Because rich and poor public schools may receive comparable funding through federal and state allotments, often the differentiating factor among public schools is the local contribution, collected mostly through taxes on property.

If Neighborhood A consists of 1000 homes that appraise at an average of $1,000,000 each, then the total value of property in Neighborhood A would be a billion dollars (1000 x $1,000,000). Together with federal and state funding, the taxes assessed on this billion dollars' worth of property would provide the funds needed to operate the neighborhood public school.

If Neighborhood B consists of 1000 houses that appraise at an average of $50,000 each, then the property taxes assessed would amount to fifty million dollars (1,000 x 50,000). Of course, the school located in Neighborhood B would also receive the federal and state stipends, but the total assessed value of property in Neighborhood B would be $950,000,000 less than the total assessed value of property in Neighborhood A.

In addition to increased funding at the local level, wealthy schools tend to have influential and active parent groups, who can generate huge sums of money to support the arts, sports, field trips, or whatever is needed. The Center for American Progress estimates the contributions of parent-teacher organizations to be about a half billion dollars nationwide, with most of it being generated by the wealthiest public schools (Brown et al., 2017).

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To summarize, almost half of a school's funding (45%) is contingent upon the relative wealth of the people who live in the neighborhood in which the school is located.

Over a period of six years, the researcher worked in both high-poverty and low-poverty K-12 public schools in Texas and Michigan. The stark differences in infrastructure, curriculum, human resources, and academic reputation were readily apparent in schools in the two states. The purpose of the study was to compare property tax policies, school funding, and student performance in high-poverty and low-poverty public schools in Texas and Michigan.

A SHORT REVIEW OF RELEVANT LITERATURE

Fifty years of data from the National Center for Education Statistics attest that schools in wealthy neighborhoods consistently have the following advantages (Wang et al., 2020):

1. Few disciplinary problems
2. High student achievement
3. Up-to-date technology
4. Better availability of counselors, librarians, nurses, support staff
5. Access to a more advanced and extensive curriculum
6. Safer, more modern buildings

On the other hand, schools located in areas of high poverty may have to confront a myriad of challenges, beginning with the physical condition of the school itself. Recent reports of urban schools located in poor neighborhoods have reported buildings with no heat during winter, unsafe water, rampant mold, poor ventilation, and animal and insect infestations (Latham, 2020).

Schools in high-poverty neighborhoods tend to have older, less well-maintained buildings, fewer experienced teachers, more disciplinary problems, limited access to services, less up-to-date technology, and reduced access to an advanced curriculum, such as Advanced Placement courses in high school (*Urban Schools: The Challenge of Location and Poverty* 2020).

THE PRESENT STUDY

This was a descriptive study utilizing a variety of online resources, including those dedicated to property taxes (city and county appraisal district websites), crime (F.B.I. and local police databases), school climate (collected via school report cards and mandated school crime summaries), student performance (school report cards and information from databases available through The College Board, ACT, and National Center for Education Statistics), and family income (U.S. Census Bureau). Results of the data collection are displayed in the two tables found below.

Table 1
Property Taxes, Crime, Income, and Average SAT in Two Cities in Texas

	Property taxes on a $600,000	Violent crime rate	Median household income	Average SAT score

		home		
Highland Park	$12,130[i]	Less than 1 (.44) violent crime for every 1000 people[ii]	$207,019[iii]	1295[iv]
Dallas	$16,274[v]	8 violent crimes for every 1000 people (18 times higher than H.P.)[vi]	$50,100[vii]	929[viii]

Note: Data are from [i] Dallas Central Appraisal District (2020), [ii] Texas Department of Public Safety (2020), [iii] U.S. Census Bureau (2020). [iv] *Texas Tribune* (2020), [v] Dallas Central Appraisal District (2020), [vi] Goodman, M. (2020, August 11), [vii] U.S. Census Bureau (2020), [viii] *Texas Tribune* (2020).

Perhaps it might be surprising to learn that residents of one of the wealthiest neighborhoods in Texas, Highland Park, pay a much lower property tax rate than households located outside of the school's attendance zone. The property tax rates in Highland Park are lower because the values of the houses are so much higher.

In addition to a lower property tax rate, residents of Highland Park also experience less violent crime and students in Highland Park schools enjoy stellar S.A.T. scores, well above the national mean.

Meanwhile, households located in Dallas Independent School District, on average, earn about $157,000 less than households in Highland Park and they live in one of the most violent areas of the country. Students in Dallas post below-average SAT scores, but if their parents could somehow move across school boundary lines into Highland Park, the test scores of their children could possibly improve by hundreds of points, their property tax rates would fall, and they would be less troubled by crime.

Table 2
Property Taxes, Crime, Income, and SAT Scores in Two Cities in Michigan

City	Property tax on a $200,000 home	Violent crime rate	Median household income	Average SAT score
Detroit	$14,000[i]	21 violent crimes for every 1000 people[ii]	$29,481[iii]	822[iv] (King High)
Rochester Hills	$6422[v]	Less than 1 (.7) violent crime for every 1000 people[vi]	$90,961[vii]	1128[viii] (Stoney Creek High)

Note: Data are from [i] Michigan Department of Treasury (2020), [ii] Davis Law Group (2020), [iii] U.S. Census Bureau (2020), [iv] Mack, J. (2019, May 20), [v] Michigan Department

of Treasury (2020), [vi] Mack, J. (2019, October 3), [vii] U.S. Census Bureau (2020), [viii] Stoney Creek High School (2020, January 30).

Detroit is one of the poorest cities in Michigan and values of houses located in Detroit are among the lowest in the United States. Because the collective value of homes is so low, Detroit has had to increase its property tax rate to raise the funds necessary to keep its public schools open. As a result, residents of Detroit pay a property tax rate that is more than double the property tax rate of residents of Rochester Hills, one of the wealthiest areas in Michigan.

Not only is the property tax rate significantly higher in Detroit, the violent crime rate is more than 20 times the violent crime rate of Rochester Hills. Yet, median income in Detroit is $60,000 less and SAT scores are hundreds of points lower. Rochester Hills wins in all categories; Detroit loses in all categories, including the property tax rate.

EDUCATIONAL IMPORTANCE OF THE STUDY AND CONCLUSION

Undoubtedly, superb schools exist in poor neighborhoods, but with the current system of funding utilized in cities in Michigan and Texas, the probability of finding a great school decreases as the wealth of a neighborhood declines. Of course, disparities in property tax rates, where the poor pay a higher rate of taxes than the rich, are not limited to Michigan and Texas.

The effective property tax rate of Palo Alto, California, the neighborhood surrounding Stanford University, for example, is the lowest in the state (McLaughlin, 2016), despite the fact that the median price of a home in Palo Alto is over three million dollars (Redfin, 2020). In contrast, home owners in Arvin, a small city near Bakersfield where the average price of a house is $185,000, pay three times the property tax rate of Palo Alto (Redfin, 2021).

While it is widely known that high-poverty schools tend to be associated with lower achievement, lower social mobility, and higher rates of crime (Harris & Kearney, 2014), it is less well known that the poor are often taxed at significantly higher rates than the rich. Apparently, the best advice for selecting a great public school in the U.S. is to "follow the money."

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