



# Are Friends of Schools the Enemies of Equity? The Interplay of Public School Funding Policies and Private External Fundraising

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School districts across the U.S. have adopted funding policies designed to distribute resources more equitably across schools. However, schools are also increasing external fundraising efforts to supplement district budget allocations. We document the interaction between funding policies and fundraising efforts in Chicago Public Schools (CPS). We find that adoption of a weighted-student funding policy successfully reallocated more dollars to schools with high shares of students eligible for free/reduced-price (FRL) lunch, creating a policy-induced per-pupil expenditure gap. Further, almost all schools raised external funds over the study period with most dollars raised concentrated in schools serving relatively affluent populations. We estimate that external fundraising offset the policy-induced per-pupil expenditure gap between schools enrolling the lowest and highest shares of FRL-eligible students by 26-39 percent. Other districts have attempted to reallocate fundraised dollars to all schools; such a policy in CPS would have little impact on most schools' budgets.

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**The Interplay of Public School Funding Policies and Private External Fundraising**

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Keywords: education finance, public school, school funding, non-profits, fundraising, equity

JEL codes: I22, I28, H75

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## **I. INTRODUCTION**

Over the past twenty years, public school districts in the United States have adopted school budgeting approaches that aim to distribute financial resources more equitably, allocating more funding to schools serving larger shares of students from disadvantaged backgrounds. Traditionally, school budgeting policies have centralized power in school districts with central office staff projecting student enrollment at each school and then allocating teaching positions based on those projections. In contrast, more recent policies like weighted-student funding<sup>1</sup> apportion funds (not positions) to schools directly based on total student enrollment and characteristics of the students they serve. This model gives school principals more autonomy over how to allocate spending across categories (e.g., teacher and staff, instructional materials, technology) to best meet student needs. It also makes the link between student characteristics (e.g., family income, special education status, English Learner (EL) status, homelessness, achievement levels (Levin et al., 2019)) and dollars allocated to schools more transparent. Dollars follow students with the recognition that some students have more need than others and that meeting those students' needs is more resource intensive. Although relatively uncommon for many years, weighted-student funding is now used in some form in more than 30 large U.S. school districts (Roza et al., 2021).

As weighted-student funding and other equity-based school budgeting approaches have grown in prominence, so too have the extent and magnitude of private dollars flowing into K-12 public schools through external fundraising. Some of these external fundraising efforts are exceptionally organized, sophisticated, and impressive in their scale; they are far above and beyond the quintessential bake sale. Private external fundraising in K-12 public schools encompasses a

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<sup>1</sup> Weighted student funding is also sometimes called student-based budgeting, fair student funding, student-centered funding (Education Resource Strategies, 2018).

variety of activities carried out by a wide range of organizations, including school-affiliated nonprofits, parent teacher associations (PTAs), and other community-based groups (e.g., community nonprofits, local school foundations, local businesses). Despite previous difficulties documenting and quantifying the flow of externally fundraised dollars into K-12 public education (Hansen et al., 2015), a growing scholarly literature and recent work by investigative journalists sheds new light on this previously unexplored area. Researchers and journalists have documented the unequal flow of external fundraising toward relatively more advantaged public schools, and even more affluent students within those schools (Brown et al., 2017; Cope, 2019; Murray et al., 2019; Nelson & Gazley, 2014). Investigative journalism has also illuminated the complicated and unequal power dynamics that private financial contributions and external fundraising can engender within public school systems and individual school communities (Joffe-Walt, n.d.; Karp & Moore, 2022).

District-led weighted-student funding policies offer the potential to increase equity in the distribution of funds to schools, directing more resources to schools serving more disadvantaged students. However, private parent- and community-led external fundraising tends to be concentrated at schools that serve relatively affluent students. In this paper, we bring together data from several unique sources to explore these two phenomena – more progressive school funding policies and more expansive school fundraising efforts. Our primary contribution is documenting the magnitudes and interplay of these potentially countervailing influences: Do external school fundraising efforts undo, or dampen, the effects of policies that aim to distribute funds equitably to schools within a district? We examine these issues in the context of Chicago Public Schools (CPS), a large urban school district that reformed its school-level budgeting process during the

2013-14 school year (discussed in more detail in Section II.A) and that is home to an extensive network of school-affiliated nonprofits that engage in external fundraising.

We present the results in three parts. First, we document the relationship between school-level per-pupil expenditures and the school-level share of free/reduced lunch (FRL) eligible students, as well as how that relationship evolved with the introduction of a weighted-student funding model in the district. We show that the school-level gap in average per-pupil expenditures between schools serving high (80-100 percent) versus low (0-20 percent) shares of FRL-eligible students increased nearly seven-fold (from \$213 to \$1,629) after the district's school-level budgeting reform, moving from near parity to a much higher level of per-pupil funding in schools serving students with fewer resources relative to those serving more financially advantaged students. Second, we show that external fundraising occurred in some form at nearly all CPS elementary schools during the period we study. The most extensive fundraising efforts were, however, concentrated in a small number of schools that served relatively affluent students (The median dollars raised at schools with low shares of FRL-eligible students was \$303 per pupil compared with \$33 per pupil at schools with high shares.). We also show that the schools raising the most money spent most of their fundraised dollars on areas most closely linked to student achievement: school personnel and instruction. Third, we explore the interaction between CPS budgeting allocations and external fundraising efforts to assess the extent to which external fundraising dampened the district's equity-based budgeting objectives. We show that externally fundraised dollars narrowed the per-pupil expenditure gap between schools enrolling the lowest and highest shares of FRL-eligible students by 26-39 percent. We conclude this paper by discussing the policy relevance of our findings and by reviewing examples of district-led efforts to distribute externally fundraised dollars more equitably across schools.

Our paper contributes to three strands of literature in economics and education. First, we add to existing literature on external fundraising in K-12 public schools that has studied PTAs, nonprofit organizations, booster clubs, and online fundraising in isolation (Elpus & Gris , 2019; Good & Nelson, 2021; Murray et al., 2019; Wolff & Carlson, 2021). By considering a variety of external fundraising sources in a unified framework, our work combines previously disparate strands of literature to paint a more complete picture of external fundraising in K-12 public schools.

Second, our paper adds to the growing literature on distributional issues related to external fundraising in K-12 public education, which finds that external fundraising tends to exacerbate multiple dimensions of educational inequality. Murray, et al. (2019) document that racial/ethnic diversity at the school-level is negatively correlated with the presence of a high-revenue PTA (i.e., a PTA that raises more than \$50,000 in annual revenue). Good & Nelson (2021) find that about 10 percent of public elementary schools in the School District of Philadelphia have an associated school-affiliated nonprofit, but that these schools were typically located in more affluent and more White parts of the city. Qualitative research suggests that although affluent families can bring significant resources into public schools, ensuring that those funds are spent in ways that benefit all students – and not just toward the specific interests of more affluent parents – requires intentional efforts (Cucchiara & Horvat, 2009; Murray et al., 2020). Posey-Maddox (2016) finds that while there are strong norms for middle- and upper-class parents to articulate goals of equity, fundraising efforts often take place in a small subset of affluent schools thereby potentially inducing inequity in resource allocation to schools within a district. We add to this work by further documenting large disparities in external fundraising based on school-level characteristics.

Finally, our work extends the traditional across-district comparisons in school spending that dominate the school finance reform literature (see e.g., (Jackson et al., 2016; Lafortune et al.,

2018) to consider spending inequality across schools within a single district. Using new data on school-level budgets to document how school spending differs within a district, we offer new insights into how policy (e.g., weighted-student funding) affects inequality in school spending. Taken together, the findings from this paper have significant implications for school funding policies and practices for allocating resources to schools from a district perspective. For example, some districts are implementing policies or considering ways to account for the fact that fundraising efforts are typically concentrated among schools serving more affluent students. Our paper suggests that efforts to redistribute individual schools' fundraised resources, at least in districts like CPS where fundraising happens at a relatively small set of schools, will likely not generate much revenue for schools that have less ability to fundraise. We speculate that redistribution efforts may also have an unintended consequence of discouraging parent and community investments in their own schools. Districts may need to consider alternative options for ensuring schools are funded adequately and equitably, taking into account the extent of external resources that benefit individual schools.

## **II. BACKGROUND**

### **A. The School Budget Process in Chicago Public Schools**

During the period we study (2011-12 to 2018-19), CPS changed the way the district allocated funds to schools from a centralized “position-based” system to a weighted-student funding approach called student-based budgeting (SBB) that gave more autonomy to schools. Prior to the 2013-14 school year, “General Funds” – the bulk of funds that supported basic instructional programs in the district – were distributed to schools using position-based budgeting. This meant that positions such as teachers, assistant principals, school counselors, clerks, librarians, and

art/music teachers were allocated to schools based on enrollment (Appendix B of the Chicago Public Schools Proposed Budget 2012-13, 2012; CPS School Funding Working Group, 2020). Prior to its replacement, position-based budgeting had long been criticized for its lack of transparency, complexity (there were multiple formulas that depended on school level and type), top-down approach, and for the year-to-year volatility in school staffing and funding that could be induced by relatively small changes in student enrollment (The Chicago Public Education Fund, 2015).

Beginning with the 2013-14 school year, CPS shifted to distributing General Fund dollars (rather than positions) to schools based on weighted student enrollment, where the weights depended on each enrolled student's grade level and the percentage of time spent in a general education classroom (versus receiving specialized instruction in a pull-out setting). Some of the explicit goals of the district's move to SBB were increased transparency, principal autonomy and flexibility over the school budget, year-to-year predictability (i.e., reduced school-level budget volatility), and equity. Following passage of the budget in the first year of SBB, CPS issued the following statement, "Student-based budgeting provides our diverse learning students a more fair and equitable funding model that meets each student's unique needs... This is an investment CPS has committed to in order to ensure that these students have all the support they need to thrive in the classroom" (Targeted News Service, 2013).

Just as was the case under the position-based budgeting regime, schools received supplemental funds based on students' English Learner (EL) status, special education status, and family income.<sup>2</sup> Under SBB, however, once funds were allocated to schools (by formula), school

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<sup>2</sup> Funding for schools serving low-income students is based on per-pupil allocations and, in the case of Title I, additionally based on the percentage of low-income students enrolled in a school. (The first three panels of Appendix Figure A1 illustrate the relationships between Title I and SGSA/Supplemental Aid per pupil and the share of FRL-eligible students enrolled.) Additional funding for special education flows to schools through



principals were allowed to spend the money for teacher and staff positions, programming, curriculum, etc. in whatever way the principal determined would best meet the school's needs. The Chicago Public Education Fund (2015) estimated that the move to SBB shifted the total share of school-level resources under the direct control of the school principal from around 17 percent to over 44 percent.

The implementation of SBB occurred at a difficult time for the district. In response to declining student enrollment, CPS closed 49 elementary schools in May 2013, claiming cost savings as the primary reason (Gordon et al., 2018). The district was also mired in other fiscal issues, including increases in debt service and pension obligations (Fitzpatrick, 2013b), and the budget reform was opposed by the Chicago Teachers Union (CTU) (Schmidt, 2013). To ease the transition from position-based to student-based budgeting, CPS offered exemptions and adjustments to the formula (e.g., CPS did not reduce funding for schools where actual enrollment fell below projections) (Fitzpatrick, 2013a a, 2013b b; Golab, 2013). Prior to the 2015-16 school year, these adjustments were phased out, although the district regularly adjusted the formula based on federal, state, and local revenues (Perez, 2015, 2016; Targeted News Service, 2015).

Although both position-based budgeting and SBB had mechanisms to provide more money to schools serving students who were economically disadvantaged, enrolled in early grades, enrolled in special education, or English Learners (EL),<sup>3</sup> a key difference between the systems was

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allocated positions based on students' Individualized Education Program needs although for FY2017 and FY2018 the district experimented with providing the additional special education funding on a per-pupil basis as a function of the amount of required services and the share of time spent in a general education classroom. Additional funding for ELs flows through allotments of Bilingual teacher positions. CPS also funds three foundation positions for each school—one principal, one clerk, and one counselor (*Reader's Guide to the Budget FY 22*, n.d.).

<sup>3</sup> Additional funding for schools serving low-income students enters school budgets in two ways: through the allocation of Supplemental General State Aid (SGSA, Supplemental Aid as of FY 2019) and federal Title I dollars. We plot the average share of per-pupil expenditures coming from these funds by FRL-eligibility bin in Panel (d) of Appendix Figure A1. For schools with FRL eligibility rates between 0 and 20 percent, the typical share of per-pupil expenditures from these sources is around 2.3 percent. In contrast, for schools with FRL

the amount of flexibility and autonomy that principals had in deciding how to allocate the funds to best serve their students. However, SBB may have also effectively increased school budgets for schools that on average employed less-experienced teachers, thus giving these schools additional funds to improve student outcomes. Based on national data, schools with less-experienced teachers, on average, tend to serve higher shares of students from low-income families (*National Teacher and Principal Survey (NTPS)*, n.d.). Thus, while the CPS SBB model for distributing general funds did not explicitly target low-income students, it could have increased per-pupil funding in schools serving higher shares of low-income students because more-experienced teachers typically earn more than less-experienced teachers.

## **B. External Fundraising**

Multiple types of organized, school-affiliated groups directly engage in or support external fundraising activities on behalf of schools in CPS. Some examples of these organized groups include PTAs, local school councils (LSCs), and other 501(c)3 nonprofit organizations affiliated with individual schools (typically called “Friends of [School Name]” in Chicago). The organizations engage in external fundraising activities in addition to individual efforts by parents, teachers, and principals.

External fundraising allows school-affiliated groups to help schools pay for additional teacher positions, sponsor art or other enrichment programs, or fund capital projects like revitalized playgrounds, auditoriums, and greenhouses. In this way, external fundraising can augment a school’s programmatic and extracurricular offerings and has the potential to buffer schools against year-to-year fluctuations in local, state, and federal revenues for school funding. In addition to allowing schools to augment their district-allocated budgets, external fundraising is also subject to

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eligibility between 81 and 100 percent, the typical share of per-pupil expenditures from these sources is around 16 percent.

fewer district rules and regulations. That is, there are no limits to how much a school can generate in external dollars, and schools have discretion over how to spend the money.<sup>4</sup>

School-affiliated groups and individuals raise external funds to supplement official district-allocated funds through a variety of efforts and strategies. Some examples include grant writing to foundations and hosting large events like auctions, galas, or fundraising drives. Teachers may bring in external funds for specific projects or supplies through web-based fundraising platforms such as GoFundMe, Amazon Wishlists, or Donors Choose, some of which will match individual contributions with donations from corporations or other large donors. Individual schools can also raise money through leasing/rental of their facilities (e.g., parking lots, auditoriums, swimming pools) and through cell phone towers placed on top of their buildings, although the availability of these strategies may depend on factors outside the school's control such as the proximity of their parking lot to professional athletic facilities or having ample roof space.

Alongside external fundraising activities carried out by and benefitting individual schools, CPS has its own charitable foundation, the Children First Fund, where donors give money to support district-wide initiatives rather than individual schools. Example initiatives include investing in technology for STEM schools, scholarships, and funding for school arts programs (*Children First Annual Report 2019, 2020*). The foundation often makes grants to individual schools directly in support of the district's efforts. Corporations and other local community foundations are among the largest donors to the Children First Fund, which had nearly \$10 million in revenue in 2019 (*Children First Annual Report 2019, 2020*).

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<sup>4</sup> We note that some school-affiliated organizations may be subject to state- or national-level rules that govern fundraising activities (e.g., Parent Teacher Associations).

### **III. RESEARCH QUESTIONS, DATA SOURCES, AND SAMPLE**

#### **A. Research Questions**

In this paper, we address the following research questions:

1. Did district-allocated per-pupil funds across CPS elementary schools vary by school-level FRL-eligibility, and how did this relationship change with the district's adoption of a weighted-student funding policy? Did the policy change result in reallocation of per-pupil funding across schools?
2. What modes of external fundraising did CPS elementary schools use? How much money did schools raise? What was the relationship between school-level FRL-eligibility and school fundraising? How did schools spend externally fundraised dollars?
3. How did the amount of externally fundraised dollars compare to the district's per-pupil funding allocations? Did school fundraising in more affluent schools offset any policy-induced increase of resources to schools serving large shares of FRL-eligible students?

#### **B. Data Sources**

Our work draws on data from four sources: (1) CPS Budget Books, (2) Internal Revenue Service (IRS) information on the revenues of school-affiliated nonprofits, (3) project and donation information from Donors Choose, and (4) demographic and enrollment information for CPS schools from the Common Core of Data (CCD) and CPS public-use data. We describe the data in more detail below and in Appendix B.

We first obtained school-level budget data covering the 2011-12 to 2018-19 school years from publicly available CPS Budget Books. These budget books report total fiscal year-ending budgets for each CPS school.<sup>5</sup> For the subset of school years 2013-14 to 2018-19, each school's

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<sup>5</sup> To validate the school-level budget data from CPS Budget Books, we compared it school-level budget data from the Illinois State Board of Education (ISBE) (available only for the 2018-19 school year). The panels of

budget was further broken down into 24 separate funds (i.e., funding sources). Some examples of these funds include Federal Special Education IDEA Programs (Fund 220), NCLB Title I Regular Fund (Fund 332), and Supplemental General State Aid (Fund 225) (please see Appendix B for a complete list). Of particular interest for this paper is the fund called “School Special Income” (i.e., Fund 124). This fund, “accounts for private foundation grants and donations that schools ... secure on their own and revenues that schools generate for school-specific functions” (Chicago Public Schools, 2016). We consider this measure to be an aggregate of external fundraising at the school level. Importantly, these school-generated funds are available to the school on top of SBB funds.

Second, we used data extracted from 990 and 990-EZ tax forms filed by school-affiliated nonprofits. These data came from the Urban Institute National Center for Charitable Statistics (NCCS) and the IRS. Using the names and addresses from IRS Business Master Files (BMFs), we matched 501(c)3 nonprofit entities – and information on their revenues – to CPS schools. The data from tax filings roughly corresponded to fundraising activities during the 2011-12 to 2018-19 school years. Some examples of nonprofits include entities like PTAs and Friends of School organizations. We note that registered nonprofits are only required to file a 990-EZ if their revenues are between \$50,000 and \$200,000 during the fiscal year and a 990 if revenues are above \$200,000. In the data, we observe some organizations filing with revenues below \$50,000.

Third, through a data sharing agreement with Donors Choose, we obtained information on funded projects from Donors Choose. Donors Choose is a free, web-based platform that allows teachers to initiate fundraising projects for their classrooms. These data from Donors Choose

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Appendix Figure A4 illustrate the relationship between school-level CPS budget data versus ISBE budget data, including centralized expenditures (Panel a) and excluding centralized expenditures (Panel b). The correlation between the measures in Panel (b) is 0.95. Also, throughout we refer to the budget data as “expenditures” although actual expenditures may be more or less than the budgets. The two have a correlation coefficient of 0.97.

contain information on funded, teacher-initiated projects for CPS schools during the 2015-16 to 2018-19 school years. We collapse this information to the school-by-year level.

Finally, from the CCD of the National Center for Education Statistics and CPS public records, we obtained data on student demographic characteristics, enrollment levels, and school characteristics. From the CCD, we use total school enrollment and enrollment by grade level, race/ethnicity, and FRL eligibility status, as well as school characteristics such as school address. We supplement CCD data with CPS data on the school-level enrollments of EL and special education students.

### **C. Analytic Sample**

We merged all data sources for 403 traditional elementary schools in the Chicago Public Schools (CPS) that were continuously open between the 2011-12 and 2018-19 school years. Using the four school years for which we have data from all sources enumerated above (school years 2015-16 through 2018-19), we created a cross-sectional dataset containing averages of all variables at the school level. This averaging smooths out year-to-year fluctuations in school budgets, fundraising, and student characteristics.

The percentage of students eligible for FRL<sup>6</sup> at the average CPS school is 84 percent. Most CPS schools serve a high concentration of students from low-income backgrounds. Specifically, at 75 percent of CPS schools, more than 80 percent of students are eligible for FRL while only 5 percent of CPS schools have fewer than 20 percent of students eligible for FRL (see Appendix Figure A2). In the analyses that follow, we focus on comparisons of CPS school-level budgets and

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<sup>6</sup> Eligibility for FRL is determined based on annual household income (adjusted for household size). For the years we study, the threshold for free lunch eligibility is household income less than or equal to 1.30 times the Federal income poverty guideline, and the threshold for reduced-price lunch eligibility is household income between 1.30 and 1.85 times the Federal income poverty guideline. During the 2018-19 school year, these translate into annual income thresholds of \$32,630 and \$46,435 (household size of four), for free and reduced-price lunch, respectively.

schools' external fundraising by the school's FRL eligibility rate. While FRL eligibility is an imperfect measure of student socioeconomic status, we use it as a central measure in our research questions because it is uniformly available at the school-level over our sample period; it is one of the inputs for distributing funds to schools in CPS (described in more detail in Section II.B); and it is strongly correlated with other community characteristics at the school level, including median household income, share of households with income below the federal poverty level, and the unemployment rate (see Appendix Figure A3).<sup>7</sup> Finally, families whose children qualify for FRL are likely less able to afford large financial contributions to schools arguably making it an important characteristic for understanding and documenting disparities in external fundraising across schools.

Table 1 reports summary statistics for our sample, with school characteristics in Panel A and per-pupil expenditures and key school funding sources in Panel B. As shown in Table 1, most students in our sample schools are Black (47 percent) or Hispanic (38 percent), 18 percent are English Learners (EL), and 14 percent are receiving special education services. Roughly 12 percent of the schools are magnet schools drawing students from outside their immediate neighborhood, and the average school size is 563 students, but enrollment ranges from 129 students to over 1500 students. Per-pupil expenditures shown in Table 1 Panel B average roughly \$10,000 in real 2018 dollars but range from around \$6,600 to more than \$18,000 per year. These expenditures include the school-generated funds that are captured by School Internal Accounts and Corporate, Foundation, & Facilities funds. While these funds average only \$63 and \$41 per pupil, respectively, some schools in some years are generating as much as \$1,176 per pupil from these

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<sup>7</sup> We note that FRL eligibility masks a lot of heterogeneity in family financial circumstances and resources. Further, FRL data may have become less accurate over time as school districts (including CPS) have moved to providing free meals for all students, thereby decreasing the incentive for families to apply for FRL.

sources. Donors Choose funds average \$8 per pupil, and our IRS 990 data indicate that school affiliated nonprofit organizations raise an average of \$32 per student with revenues up to about \$900 per student for some schools.

	(1) Mean	(2) SD	(3) Min.	(4) Max.
<i>Panel A. School Characteristics</i>				
Share FRL	0.827	0.230	0.099	0.997
Share Black	0.469	0.429	0.001	0.994
Share Hispanic	0.380	0.375	0.002	0.995
Share White	0.100	0.179	0.000	0.837
Share English Learner	0.179	0.188	0.000	0.656
Share Special Education	0.136	0.052	0.021	0.432
Magnet	0.122	0.295	0.000	1.000
Enrollment	563	284	129	1,601
<i>Panel B. Per Pupil Expenditures and External Fundraising (2018\$)</i>				
Per Pupil Expenditures	10,064.37	1,650.66	6,589.87	18,440.63
School Internal Accounts	63.20	123.92	0.00	898.74
Corporate, Foundation, & Facilities	40.65	89.70	0.33	1,175.83
Donors Choose	8.33	9.73	0.00	85.82
501(c)3 Nonprofit	31.57	113.31	0.00	911.69

**Table 1. Summary Statistics**

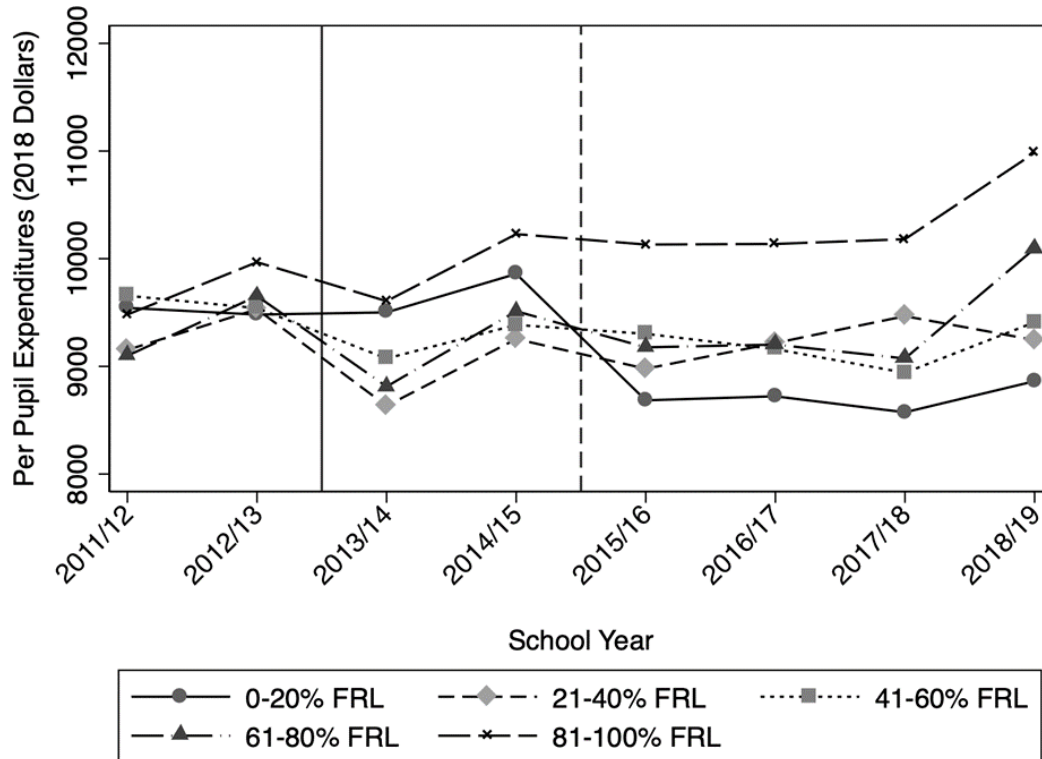
Notes: The sample is comprised of 403 traditional elementary schools between the 2015-16 and 2018-19 school years. Per-pupil expenditures are reported in 2018 dollars. Per-pupil expenditures exclude central office expenditures on behalf of schools. School Internal Accounts and Corporate, Foundation, & Facilities funds are sub-categories of funds included in total per-pupil expenditures. All variables are averaged at the school-level across the four school years in the sample.

## IV. RESULTS



**A. Research Question 1: The Evolution of the Relationship Between District-Allocated School Budgets and School-Level FRL-Eligibility Rates**

The CPS transition to SBB altered the relationship between per-pupil expenditures and school-level FRL eligibility, shifting more funding toward schools serving higher shares of FRL students. Figure 1 depicts average per-pupil expenditures for five bins of school-level FRL eligibility: 0-20%, 21-40%, 41-60%, 61-80%, 81-100%. Average per-pupil expenditures in the highest and lowest bins gradually diverge from one another (i.e., “fan out”) over this period, with both decreases in per-pupil expenditures in the lowest eligibility bin and increases in the highest bin. In the two school years preceding SBB (2011-12 and 2012-13, depicted to the left of the vertical solid line), average per-pupil expenditures across FRL-eligibility bins were very similar. In the two transitional school years (2013-14 and 2014-15), CPS implemented adjustments and “hold harmless” provisions (discussed in more detail in Section II.B) to ease the transition between budgeting systems. In these school years, the difference in per-pupil expenditures between the lowest and highest FRL eligibility bins remained fairly small. After this period of transition, however, average levels of per-pupil expenditures across bins fanned out further (depicted to the right of the vertical dashed line). Average per-pupil expenditures remained relatively constant at first then increased at schools with the highest share of FRL-eligible students (81-100 percent eligible). At the same time, average per-pupil expenditures declined and then remained relatively constant at schools with the lowest share of FRL-eligible students (0 to 20 percent eligible).



**Figure 1. Average Total Per Pupil Expenditures by Free/Reduced-Price Lunch Eligibility**

Notes: The sample is comprised of 403 traditional elementary schools that are continuously open over the period. Total per-pupil expenditures exclude central office expenditures on behalf of schools and are reported in 2018 dollars. The solid vertical line marks the adoption of SBB funding. The dashed vertical line marks the end of the SBB transition period.

Table 2 presents estimated means (standard errors) to formalize the visual relationships depicted in Figure 1. Panel (A) shows average per-pupil expenditures for the full sample (N=403) of CPS elementary schools in the Pre-SBB period (column 1), transitional period (column 2), and SBB period (column 3). Column (4) displays the difference in means between the Pre-SBB and SBB periods. Panel (B) then presents average per-pupil expenditures for the same time periods, disaggregated by school-level FRL-eligibility bins.

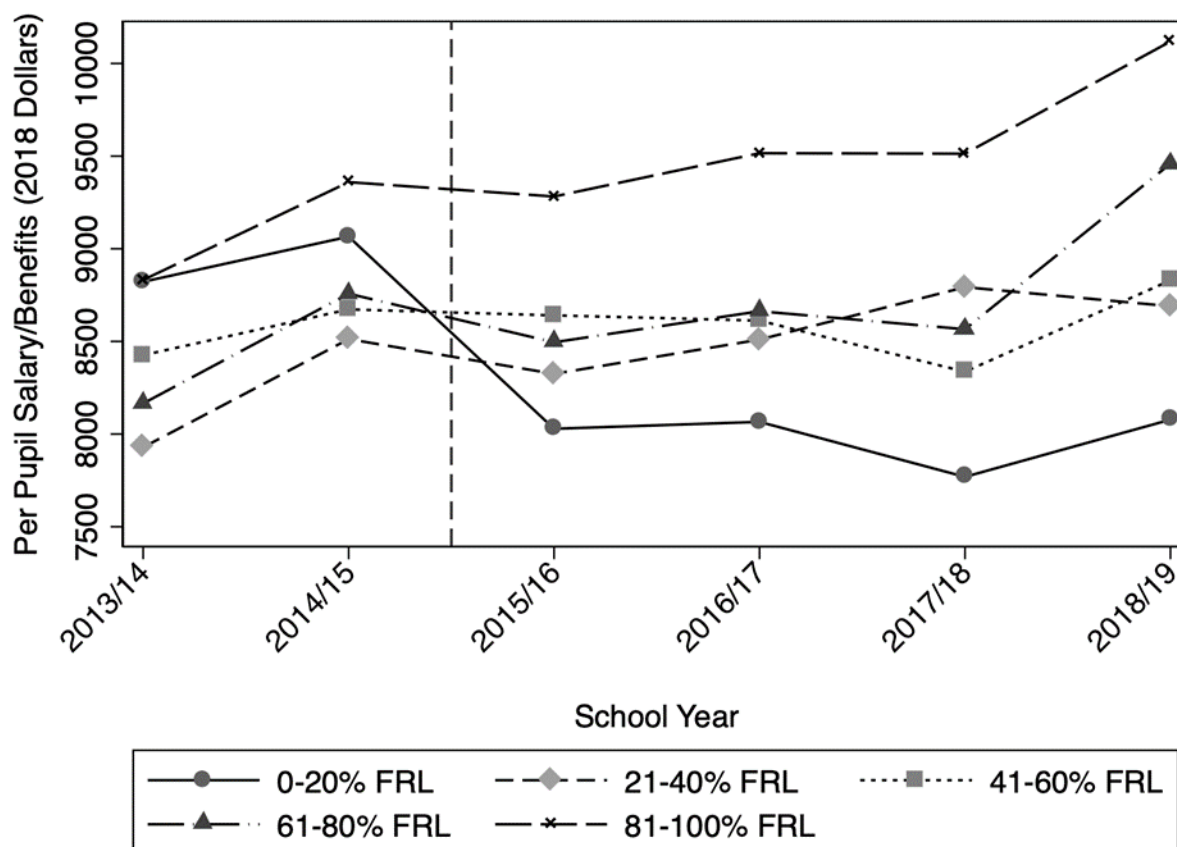
	(1) Pre-SBB	(2) Transition	(3) SBB	(4) Diff.: SBB-Pre
<i>Panel A. Full Sample</i>				
	9,659.35 (64.53)	9,768.64 (56.44)	10,064.37 (43.41)	405.02*** (59.25)
<i>Panel B. By FRL Eligibility Bin</i>				
0-20% (Low)	9,507.96 (512.00)	9,608.83 (602.31)	8,717.95 (183.41)	-790.00* (456.58)
21-40%	9,328.45 (346.21)	8,987.72 (256.53)	9,223.83 (225.45)	-104.62 (255.53)
41-60%	9,590.93 (234.66)	9,222.57 (179.98)	9,210.53 (119.88)	-380.40 (245.61)
61-80%	9,392.89 (212.39)	9,137.48 (173.72)	9,451.60 (117.02)	58.71 (237.68)
81-100% (High)	9,720.57 (71.84)	9,921.07 (62.00)	10,346.68 (49.37)	626.11*** (69.09)
Diff: High-Low	212.61 (700.38)	312.24 (727.08)	1,628.72*** (359.80)	

**Table 2. Average Total Per-Pupil Expenditures by Time Period, Overall and by Free/Reduced-Price Lunch Eligibility Bins**

Notes: The sample is comprised of 403 traditional elementary schools between the 2011-12 and 2018-19 school years for a total of 3,627 school-by-year observations. Per-pupil expenditures are reported in 2018 dollars. Per-pupil expenditures exclude central office expenditures on behalf of schools. The “Pre-SBB” period in Column (1) spans the 2011-12 to 2012-13 school years. The “Transition” period in Column (2) spans the 2013-14 and 2014-15 school years. The “SBB” period in Column (3) spans the 2015-16 to 2018-19 school years. Heteroskedasticity robust standard errors are clustered at the school level.

Three facts emerge regarding the evolution of per-pupil expenditures over this time period: First, average per-pupil expenditures at the school-level increased by about \$400 overall as shown in Column (4) of Panel (A). Second, average per-pupil expenditures increased the most in schools serving the highest shares of FRL-eligible students. Specifically, average per-pupil expenditures increased by \$626 (6 percent) in schools with the highest shares of FRL-eligible students. In contrast, there was a marginally statistically significant decline in per-pupil expenditures of \$790

(8 percent) for the lowest FRL-eligibility bin. Third, the SBB reform accomplished the stated objective of incorporating equity into its school-level funding formula. In the SBB school years, average per-pupil expenditures in high FRL-eligibility schools exceeded average per-pupil expenditures in low FRL-eligibility schools by \$1,629, which contrasts sharply with a pre-SBB difference of \$213 in average per-pupil expenditures between the schools in these two groups. In total, the gap in average per-pupil expenditures between schools in the highest and lowest FRL-eligibility bins increased nearly seven-fold during this period.



**Figure 2. Per Pupil Expenditures on Salary/Benefits by Free/Reduced-Price Lunch Eligibility**

Notes: The sample is comprised of 403 traditional elementary schools that are continuously open over the period. The dashed vertical line marks the end of the SBB transition period.

Given the changes in per pupil expenditures observed over this period and the pronounced differential across the highest and lowest FRL-eligibility groups, a natural question arises regarding how schools spent these funds. Figure 2 illustrates per pupil expenditures on salary/benefits following the adoption of SBB for the same FRL-eligibility groups. The evolution of per pupil expenditures on salary/benefits roughly mirror the patterns observed for per pupil expenditures overall: although per pupil expenditures on salary/benefits were nearly identical in the highest and lowest FRL-eligibility schools during the transition years (per pupil expenditures were around \$8,800 in 2013-14 in both groups), by the 2018-19 school year, schools in the highest FRL-eligibility group were spending over \$10,100 per pupil while schools in the lowest FRL-eligibility group were spending around \$8,000 per pupil. The patterns in Appendix Figure A5 demonstrate that although salary/benefits per teacher position were falling over this period, this decline was dominated by increases in the number of positions per student (i.e., that average class size was falling faster) for schools in the highest FRL-eligibility group.

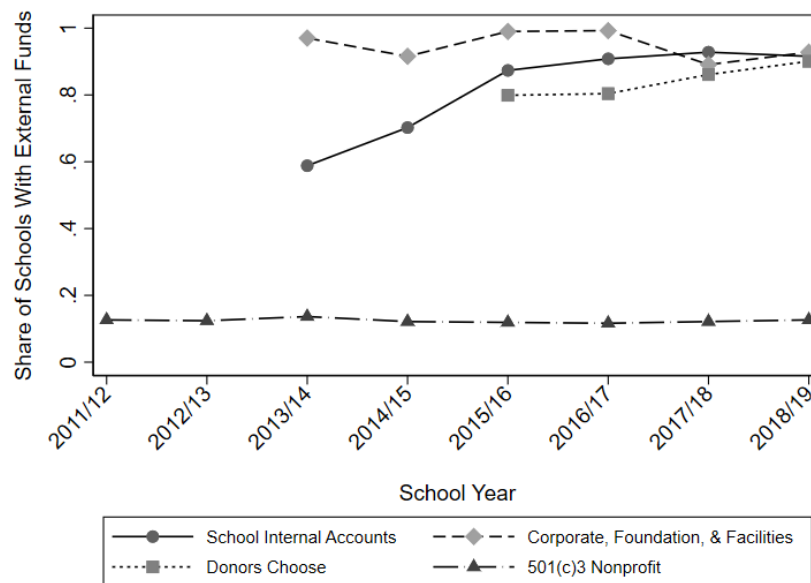
**B. Research Question 2: External Fundraising in CPS: Modes and Magnitudes Over Time, External Fundraising by FRL Eligibility, and How Externally Fundraised Dollars Were Spent**

Over the study period, we find that nearly all CPS elementary schools generated external funds from at least one source. Panel (a) of Figure 3 depicts the share of elementary schools with positive external fundraising (i.e., externally fundraised dollars greater than zero) from 1) School Internal Accounts, 2) Corporate, Foundation, & Facilities, 3) Donors Choose, and 4) 501(c)3 nonprofits.<sup>8</sup> Between 2013-14 and 2018-19 school years, the share of schools with external

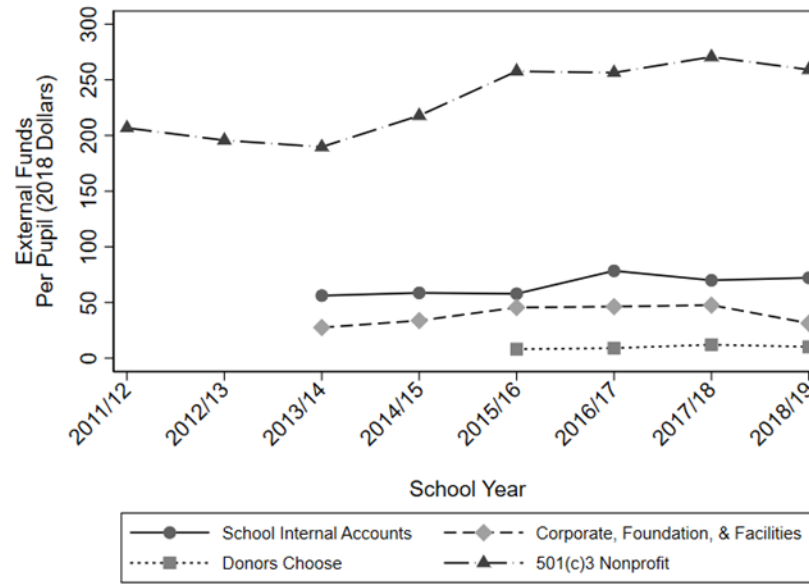
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<sup>8</sup> We note that external fundraising from Corporate, Foundation, & Facilities and School Internal Accounts are grouped together in CPS Budget data (Fund 124). We separate them here because they originate from different sources.

fundraising from School Internal Accounts increased from around 59 percent to 92 percent (a 57 percent increase in relative terms). The share of schools with Corporate, Foundation, & Facilities funds fluctuated around 95 percent, with a low of 89.0 percent in 2017-18 and a high of 99.3 percent in 2016-17. The share of schools with external fundraising from Donors Choose funds also grew over the period for which we have data, from 80.0 percent in 2015-16 to 90.0 percent in 2018-19 (a 12.5 percent increase in relative terms). Finally, the share of CPS elementary schools with external fundraising raised from a school-affiliated nonprofit remained constant at around 12 percent between 2011-12 and 2018-19. We note that there is the possibility of “double-counting” externally fundraised dollars in the categories of School Internal Accounts and school-affiliated nonprofits. We return to this issue in later sections but note that the flat trend in the share of schools with external fundraising from nonprofits suggests that this type of external fundraising alone cannot account for all funds flowing into School Internal Accounts.



(a) Share of Schools with Non-Zero External Fundraising Dollars by Source



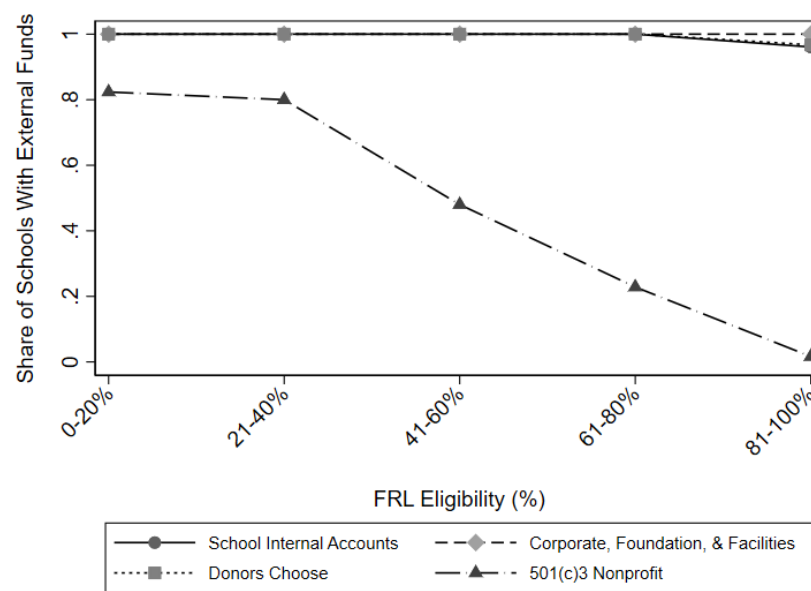
(b) Average Per-Pupil Externally Fundraised Dollars by Source

**Figure 3. Trends in External Funds Per-Pupil by Source**

Notes: The sample is comprised of 403 traditional elementary schools continuously open over the period. All dollar values are reported in real 2018 dollars. We document fundraising trends over time from each of the following sources: School Internal Accounts; Corporate, Foundation, & Facilities funds; Donors Choose; and 501(c)3 Nonprofits. Panel B averages are conditional on a school having non-zero external dollars from a given source. We present all years available for each data source.

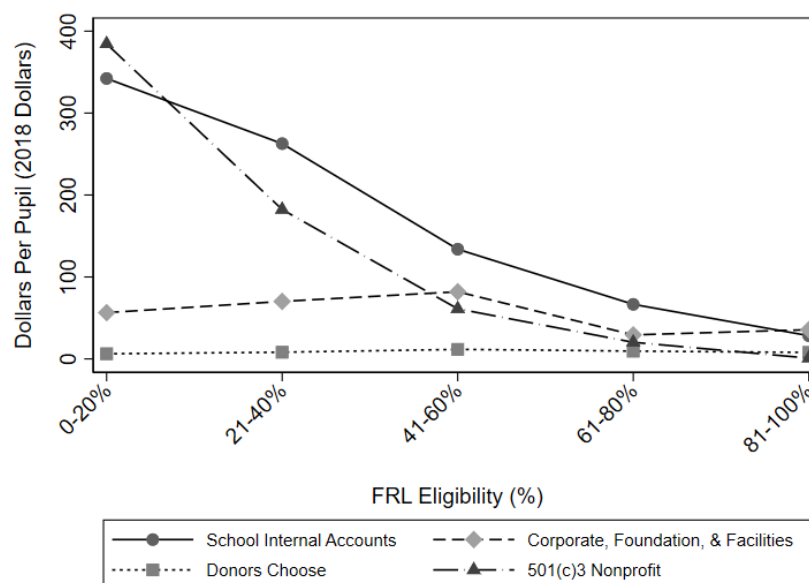
While raising at least some external funds was common, the magnitude of the amount raised varied dramatically across schools. Trends in external dollars on a per-pupil basis are shown in Panel (b) of Figure 3. The plots depicted here are conditional on a school having positive dollars from an external fundraising source and depict the mean per-pupil dollars raised from a given funding source. Analogous figures depicting the unconditional means are in Appendix Figure A6. First, we find that average externally fundraised dollars per pupil generally increased over time in real terms across most funding sources. Over the period for which we have data on all four sources (2015-16 through 2018-19), average externally fundraised dollars in School Internal Accounts funds increased from around \$58 per pupil to just over \$70 per pupil. In contrast, Corporate, Foundation, & Facilities funds fell by \$14 per pupil, from \$46 per pupil in 2015-16 to just above \$31 per pupil in 2018-19. Although Donors Choose was a popular funding source used by most

elementary schools, the dollars per-pupil raised were small in magnitude relative to other sources. That said, the average dollars raised through Donors Choose increased 25 percent over the period from \$8 per pupil to \$10 per pupil. Finally, between the 2015-16 and 2018-19 school years the 501(c)3 nonprofit groups were raising an average of roughly \$260 per pupil every year. This was up from around \$200 per pupil in the earliest data we have. However, as shown previously, relatively few schools raised funds from 501(c)3 nonprofits.



(a) Share of Schools with Non-Zero External Dollars by School Free/Reduced-Price Lunch Eligibility





(b) Average Per-Pupil Dollars Raised by School Free/Reduced-Price Lunch Eligibility

**Figure 4. External Funds Per Pupil by Source and School Free/Reduced-Price Lunch Eligibility**

Notes: The sample is comprised of 403 traditional elementary schools. Per-pupil funds at the school level are averaged over the 2015-16 through 2018-19 school years and then by school FRL status. All dollar values are reported in 2018 dollars.

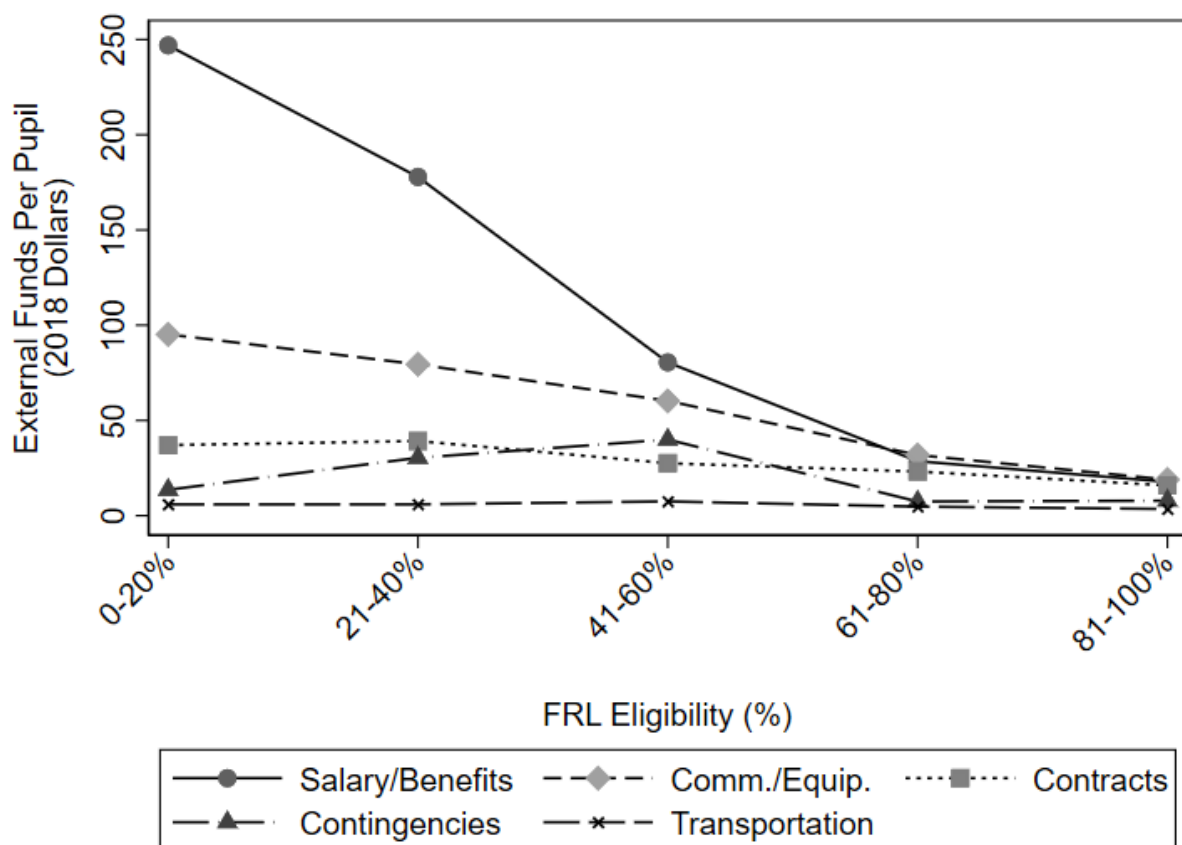
To further explore how external fundraising varied across schools, we investigated the relationship between external fundraising and school-level FRL eligibility. In Panel (a) of Figure 4 we document that nearly all CPS elementary schools had external funds in three of the four categories – School Internal Accounts; Corporate, Foundation, & Facilities; and Donors Choose – regardless of their share of FRL-eligible students. In contrast, the relationship between having external funding from a 501(c)3 nonprofit and school-level FRL eligibility was strongly negative. 82.3 percent of schools in the lowest (0-20 percent) FRL-eligibility bin had external funds from a school-affiliated 501(c)3 nonprofit; this percentage declined to 80 percent, 48 percent, 24 percent, and 2 percent, respectively, across the second through fifth bins based on school-level FRL eligibility.

Panel (b) of Figure 4 plots levels of fundraising by school-level FRL eligibility (conditional on having funds in the category). We show large discrepancies in average per-pupil external funds for schools in the lowest and highest bins of FRL eligibility for both School Internal Accounts and school-affiliated nonprofits.<sup>9</sup> Among schools in the lowest FRL-eligibility bin, School Internal Accounts had \$342 per pupil on average compared with only \$29 per pupil among schools serving the highest shares of FRL-eligible students. These averages are \$384 and \$1, respectively, for per pupil dollars raised through school-affiliated 501(c)3 nonprofits. In contrast, we find that average per-pupil funding from the Corporate, Foundation, & Facilities and Donors Choose sources were much less disparate: averages among the lowest and highest FRL-eligibility groups were \$6-\$8 per pupil from Donors Choose (in both groups) and \$56 versus \$36 per pupil for Corporate, Foundation, & Facilities funds. Indeed, further investigation into the sources of Corporate, Foundation, & Facilities funds reveals that there are a handful of schools in the middle FRL-eligibility bins that generated large revenues from parking lot rental (see Appendix Table A1).

To complement our exploration of the relationship between external fundraising and FRL eligibility, we further examine how schools spend externally fundraised dollars. Using detail contained in the CPS budget data, we classified spending from Corporate, Foundation, & Facilities funds and School Internal Accounts into five expenditure categories: Salary/Benefits, Commodities/Equipment, Contracts, Contingencies, and Transportation (for a list of items included in each expenditure category, see Appendix B, Section V.)

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<sup>9</sup> Notably, much of the school-affiliated nonprofit funds may enter the school's budget through its Internal Account. For example, if the money is raised to help pay for an additional teacher to reduce class size, the money has to be deposited into the School Internal Accounts fund in order for the principal to use the money to pay for the teacher.



**Figure 5. External Funds Per Pupil by FRL Eligibility, Separately by Expenditure Category**

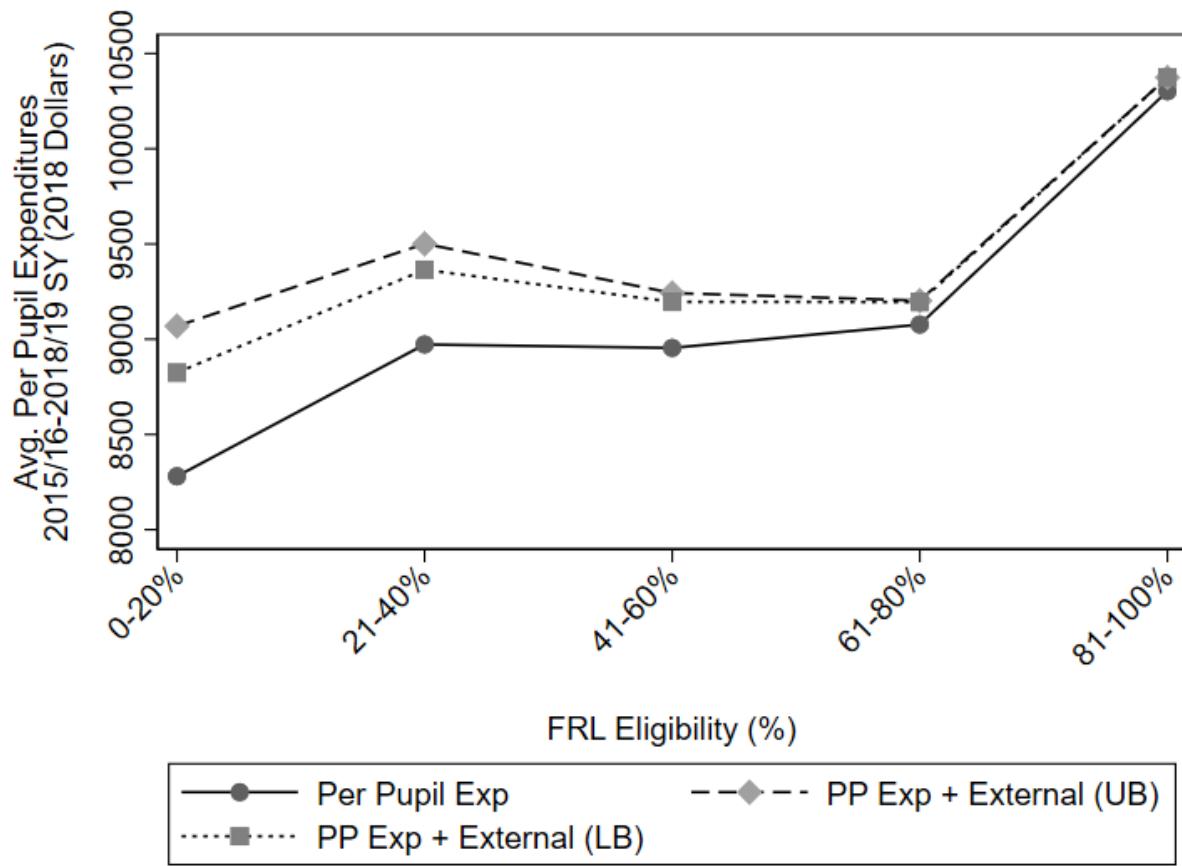
Notes: The sample is comprised of 403 traditional elementary schools. Per-pupil allocations are reported in 2018 dollars and averaged over the 2015/16 to 2018/19 school years. We show five expenditure categories from the CPS budget data: salary/benefits, commodities/equipment, contracts, contingencies, and transportation. External funds per pupil report combined spending per pupil from School Internal Accounts and Corporate, Foundation, & Facilities funds.

In Figure 5 we plot external funds per pupil from Corporate, Foundation, & Facilities funds and School Internal Accounts (combined), separately for our five expenditure categories across the five bins of school-level FRL eligibility. Within each of the five FRL-eligibility bins, average per-pupil external funds were highest for the two expenditure categories most closely linked to school personnel and instruction: salary/benefits and commodities/equipment. Despite this common pattern within bins, however, per-pupil spending on these expenditure categories varied dramatically across bins. Schools in the lowest FRL-eligibility bin outspent schools in the highest

bin on salary/benefits by a factor greater than 13 (\$247 per pupil compared to \$18 per pupil). Schools in the lowest FRL-eligibility bin outspent schools in the highest bin on commodities/equipment by a factor greater than 5 (\$95 per pupil compared to \$19 per pupil).

### **C. Research Question 3: The Interaction Between Student-Based Budgeting and External Fundraising**

In this section, we assess the extent to which external fundraising threatens to undo CPS-led efforts to direct more financial resources to disadvantaged (i.e., FRL-eligible) students in the district. Figure 6 plots average per-pupil expenditures allocated to schools through the SBB process (net of centralized expenditures, School Internal Accounts, and Corporate, Foundation, & Facilities), separately by FRL eligibility bin (solid line). Average per-pupil expenditures for schools in the lowest FRL eligibility bin were \$8,280. In contrast, average per-pupil expenditures for schools in the highest FRL eligibility bin were \$10,302, a difference of \$2,022 per pupil. We refer to this difference by school share of FRL eligibility as the “policy-induced per-pupil expenditure gap.” Average per-pupil expenditures in the middle three FRL-eligibility bins were very similar to each other, ranging from \$8,972 to \$9,077. We note that these magnitudes differ slightly from those presented previously due to removal of funds generated through School Internal Accounts, and Corporate, Foundation, & Facilities.



**Figure 6. Average Per-Pupil Expenditures (Including External Funds) by School Free/Reduced-Price Lunch Eligibility**

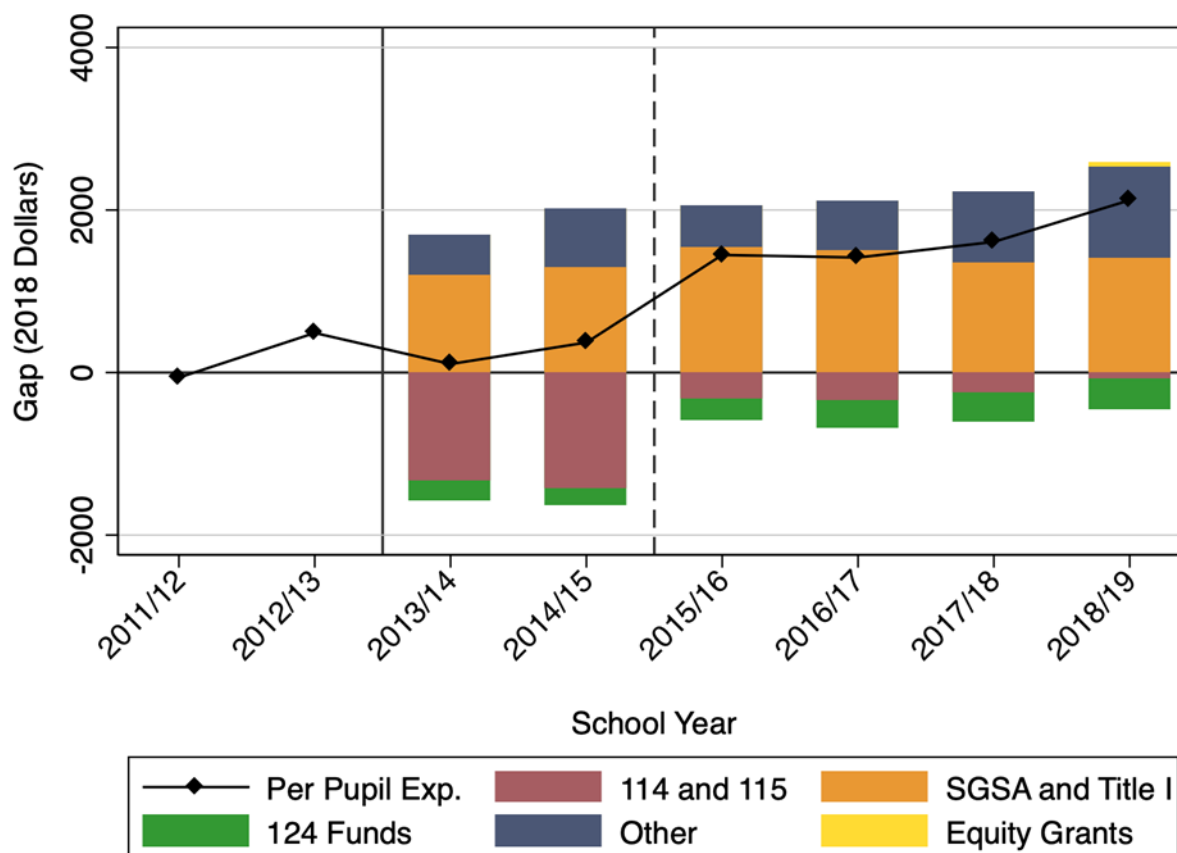
Notes: The sample is comprised of 403 traditional elementary schools. Per-pupil expenditures and per-pupil external funds are reported in 2018 dollars. UB = Upper Bound, LB=Lower Bound.

To better account for the total dollars flowing in to schools, we added external fundraising to the district-allocated school-level budget. Although straightforward, we took steps to address the potential for overlap (i.e., “double counting”) of dollars in School Internal Accounts and 501(c)3 nonprofit organizations. This overlap could occur, for example, if a school-affiliated nonprofit made a financial gift directly to the school that was then counted a second time in School Internal Accounts. To address this possibility, we created bounds by assuming either (1) complete overlap (i.e., all dollars in the School Internal Account came from a school-affiliated nonprofit) or

(2) no overlap (i.e., school-affiliated nonprofits did not give financial resources to schools directly but instead funded services or made direct purchases for the school's benefit). We note that external funding from Donors Choose and Corporate, Foundation, & Facilities funds are unaffected by this possible overlap.

The two possible cases described above – when added to the unaffected external funds from Donors Choose and Corporate, Foundation, & Facilities – generated bounds on per-pupil external funds at the school-level. We added these bounds to per-pupil expenditures allocated through the district's SBB process to generate measures of total financial resources per pupil at the school-level. We plot these total resource measures per pupil by FRL eligibility bin in Figure 6 (dashed and dotted lines reflecting the two possible cases).

Given that per-pupil funding from School Internal Accounts and school-affiliated nonprofits varies inversely with school-level FRL eligibility, it is unsurprising to see that the bounds on total financial resources per pupil are wider for schools with few FRL eligible students and narrower for schools with more FRL-eligible students. Among schools in the lowest FRL-eligibility bin, the lower bound estimate of external fundraising per pupil is around \$544 and the upper bound is around \$788. Among schools in the highest FRL eligibility bin, the lower and upper bounds are both roughly \$73. Adding these bounds to per-pupil expenditures from SBB yielded the following per-pupil measures of total financial resources: among schools in the lowest FRL eligibility bin, the range is \$8,825-\$9,069; among schools in the highest FRL eligibility bin, both the upper and lower estimates are \$10,374. These measures of total financial resources per pupil shrink the policy-induced per-pupil expenditure gap to \$1,305-\$1,549 per pupil, which represents a 23-35 percent decline in relative terms (compared to the original policy-induced per-pupil expenditure gap of \$2,022).



**Figure 7. The Gap in Per Pupil Expenditures Between the Highest and Lowest FRL-Eligibility Schools, Overall and by Source**

Notes: The sample is comprised of 403 traditional elementary schools that are continuously open over the period. Total per-pupil expenditures exclude central office expenditures on behalf of schools and are reported in 2018 dollars. The dashed vertical line marks the adoption of SBB funding. The solid vertical line marks the end of the SBB transitional period.

As a final exercise, we look at the difference in per-pupil expenditures between schools in the highest and lowest FRL-eligibility bins over time and disaggregate these differences by source. The black diamonds in Figure 7 represent the total difference (gap) in per-pupil expenditures between schools in the highest and lowest FRL-eligibility bins between the 2011-12 and 2018-19 school years. The solid vertical line represents the onset of SBB funding, and the dashed vertical line marks the end of the transition period. When the gap is zero, average per pupil expenditures at schools in the highest and lowest FRL-eligibility bins are equal. For school years 2013-14

through 2018-19, we use the CPS budget data to disaggregate the total gap by source. Red bars represent the combined special and regular education funds (114 and 115); orange bars represent Title I and state supplemental aid (SGSA and Title I); green bars represent the School Special Income Fund (124 Funds); yellow bars represent Equity Grant<sup>10</sup> funds; and navy bars represent all other categories.<sup>11</sup> The size of the bar for each category reflects the size of the gap in average per pupil funding between schools in the highest and lowest FRL-eligibility bins. When schools in the highest FRL-eligibility bin receive more dollars per pupil from a particular source than schools in the lowest bin, the bar for that source lies above the zero-line. Correspondingly, when schools in the highest FRL-eligibility bin receive fewer dollars per pupil from a source than schools in the lowest bin, the bar for that source lies below the zero-line.

The 2011-12 school year was the only year in which the gap in average per-pupil expenditures was negative (although small), with schools in the highest FRL-eligibility bin spending \$62 per pupil less than schools in the lowest FRL-eligibility bin. The gap was positive in every subsequent school year, reflecting, in part, that CPS was successful at directing relatively more funding toward schools with the highest shares of FRL-eligible students, particularly in later school years. The gap in per-pupil expenditures was relatively small during the SBB transition period, \$105 to \$369 per-pupil, after which the per-pupil spending gap widened to around \$1,500 per pupil. This gap stayed relatively constant through 2017-18 and then widened further again in

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<sup>10</sup> CPS introduced Equity Grants in FY19 to supplement school-level budgets for schools with declining enrollment (Revuluri et al., 2020).

<sup>11</sup> Other funds involve tuition-based preschool; building operations and maintenance; workers' compensation/tort; school lunch; and federal and state grant funds, including state preschool funds and federal Head Start, school improvement, teacher quality, and IDEA grants. The largest of these are the early childhood education funds (Head Start and state preschool) and the school improvement funds, both of which allocate more funds on a per-pupil basis to schools in the highest FRL-eligibility bin.



2018-19, in part due to Equity Grants that were awarded to schools with low total enrollment (most of which are in the highest FRL-eligibility bin).

Notably, gaps in per-pupil special and regular education funding (114 and 115) narrowed from around  $-\$1,400$  during the SBB transition period to  $-\$350$  in 2016-17 and  $-\$77$  in 2018-19.<sup>12</sup> Once again, we see that the switch to SBB helped equalize regular and special education funding for high- and low-FRL eligible schools. Not surprisingly, Title I funding and supplemental state grants, shown in orange, are fundamental in ensuring that relatively more dollars are allocated to schools serving larger numbers (and higher shares) of FRL-eligible students. Over all years shown, these funds contributed between  $\$1,200$  and  $\$1,500$  per pupil to the gap in spending between high- and low-FRL eligibility schools.

Offsetting the forces that work toward equalizing or increasing funding for schools in the highest FRL-eligibility bin—adoption of SBB and categorical aid for FRL-eligible students—are the School Special Income (124) funds shown in green. The per-pupil gap in Special Income funds is  $-\$240$  in 2013-14 growing in absolute value terms to  $-\$387$  in 2018-19. Thus, external fundraising undoes 20 to 27 percent of the funding gap generated by the categorical Title I and state supplemental aid funds. The total funding gap widened more in 2018-19. In part, this was due to the district’s adoption of “Equity Grants” aimed at supporting schools with low or declining enrollment, which tended to be schools in the high FRL-eligibility bin. These funds contributed  $\$63$  per pupil in 2018-19, not quite enough to offset the difference in external funds raised by schools in the low FRL-eligibility bin.

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<sup>12</sup> The regular education funds are substantially larger than the special education funds on a per-pupil basis (including all pupils, not just those receiving special education services). For FY 2019, the total special education ending budget was less than one-third the size of the total regular education fund ending budget (Chicago Public Schools, 2019). However, because CPS experimented with including some special education funding in SBB in school years 2016-17 and 2017-18 we cannot disaggregate the funds separately.

## **VI. DISCUSSION OF FINDINGS AND POLICY ALTERNATIVES**

In this paper, we show that the relationship between per-pupil expenditures and the school-level share of FRL-eligible students increased substantially following CPS adoption of a SBB policy. Specifically, the average difference in per-pupil expenditures between schools serving high (80-100 percent) versus low (0-20 percent) shares of FRL-eligible students increased substantially from \$213 to \$1,629 following this reform. This resource reallocation occurred during a time of increases in overall spending with per-pupil expenditures growing by \$400 on average during this period. At the same time on the district's efforts to increase resources in schools with high FRL-eligibility rates, we document the near universality of external fundraising by CPS elementary schools. Despite this widespread prevalence, most external fundraising is concentrated in a small number of schools that serve relatively affluent students, and these schools typically spent their fundraised dollars on school personnel and instruction. Finally, we explore the interaction between CPS budgeting and external fundraising, showing that externally fundraised dollars narrow the policy-induced per-pupil expenditure difference between schools enrolling the lowest and highest shares of FRL-eligible students by 26-39 percent.

School districts in early stages of investigating the extent of external fundraising have sought to gather information as a first step in crafting policies. Public schools in New York City surveyed parent organizations and released data on external fundraising for the first time in 2019; the data document large disparities, with some schools raising over \$1,000,000 and others reporting very little external fundraising (Brody, 2019). In response to growth in the prevalence and magnitude of external fundraising that typically occurs at schools serving already well-resourced student populations, some school districts have experimented with policies designed to

eliminate or lessen the extent and impact of unequal external fundraising across schools. Examples include policies that centralize and reallocate at least some of the dollars that individual schools fundraise. Other policies seek to regulate external fundraising activities by placing limits on the solicitation and acceptance of large financial gifts, prohibiting expenditures on specific categories (e.g., personnel), or “taxing” external fundraising and redistributing the revenue across schools within the district. Whether these policies redistribute fundraised dollars in a way that results in increased spending on instruction and ultimately better student outcomes, result in dampened fundraising efforts, or both is an open question for future research.

To combat inequality in external fundraising across schools within the district, two school districts in California – Santa Monica-Malibu Unified School District (SMMUSD) and Albany Unified School District (AUSD) – centralized their PTA fundraising efforts in the 2010s. Based on a stated concern about the implications of unequal external fundraising across schools, the SMMUSD School Board formed a philanthropic foundation to centralize and distribute all PTA fundraising in the district (Goldstein, 2017; Schaller & Nisbet, 2020). By 2018, however, the single foundation was reorganized into two separate entities: one supporting Santa Monica and the other (to be created) supporting Malibu (Santa Monica Education Foundation, n.d.). Similar efforts to centralize external fundraising were undertaken by AUSD, a small district in Albany, California, where concerns for unequal fundraising led the district to equalize programming opportunities across the district’s three elementary schools through a centrally managed annual fundraising campaign and more district involvement in planning programming across schools (Raguso, 2014).

Other school districts have implemented policies that “tax” externally fundraised dollars from individual school-support organizations (e.g., PTAs) and then redistribute the revenue to other schools with limited or no external fundraising. School districts in Evanston, Illinois and

Portland, Oregon have adopted this type of policy. Following community-initiated efforts that started in 2016, the PTA Equity Project (“PEP”) in Evanston, Illinois brought together all PTAs in the district and redistributed external fundraising across organizations in 2018-19 (PTA Equity Project, 2020).<sup>13</sup> In 2019, the Fund for Portland Public Schools brought together affiliated and independent local school foundations (LSFs) to coordinate fundraising activities and redistribute some funds across schools (i.e., individual schools that raise an excess of \$10,000 keep a portion of the excess and pool the remainder with other funds to be redistributed across schools in the district) (The Fund for Portland Public Schools, n.d.).

Less “hands-on” approaches have left external fundraising to school-affiliated organizations but have sought to limit the scope of external fundraising activities with the addition of school board oversight or explicit regulation. School districts in Palo Alto, California and Seattle, Washington have adopted policies that added School Board oversight to the acceptance of large financial gifts and expenditures undertaken by external fundraising groups (Palo Alto Unified School District, 2020; Seattle Public Schools, n.d.). School districts in Austin, Texas and New York City have prohibited PTAs from spending on specific categories, such as personnel (Drabicky, 2021; New York City Department of Education, 2021).

While CPS has not explicitly regulated a school’s ability to fundraise or how a school spends fundraised dollars, the district has embedded other structural ways to increase equitable school funding in the district, above and beyond its student-based budgeting policy. First, CPS established an Office of Equity in 2018, and the office is charged with developing and promoting equity-based frameworks to influence district-wide decisions. Other attempts to promote equitably resource allocation include periods during which the district “held schools harmless” for student

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<sup>13</sup> PEP has now transitioned its efforts to support a centralized funding model.

enrollment declines, meaning that these schools receive the same level of resources as in years past but serve fewer students, effectively increasing per-pupil expenditures at those schools (that tend to serve high shares of FRL-eligible students). Because, as we show in this paper, a reallocation of fundraised dollars in CPS would not meaningfully raise per-pupil funds across the district's elementary schools, structural policy changes like these will likely be more impactful than policies regulating school fundraising efforts – at least in this district context.

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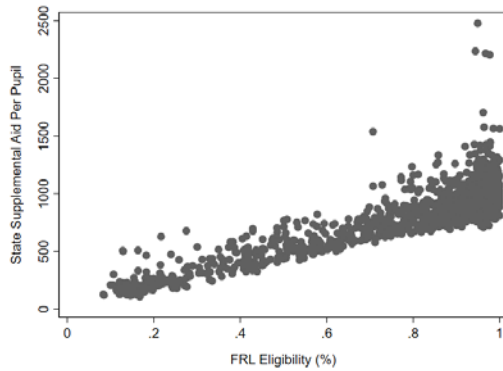
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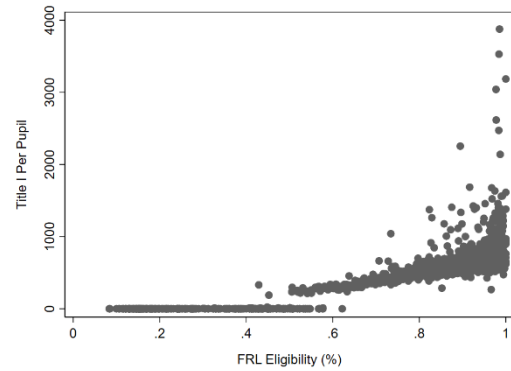


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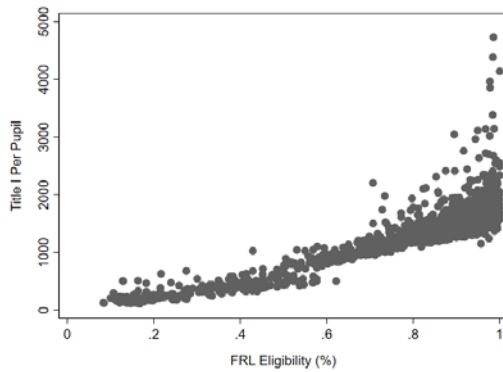
## Appendix A: Figures & Tables



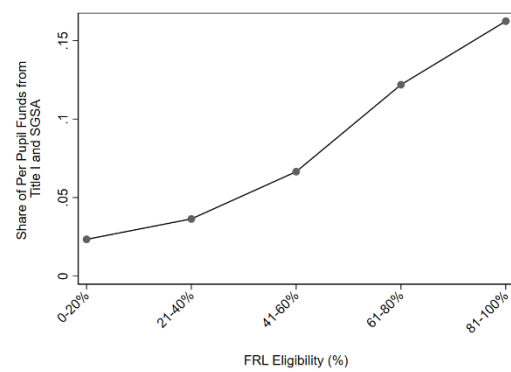
(a) SGSA Funds Per Pupil by FRL Eligibility



(b) Title I Funds Per Pupil by FRL Eligibility



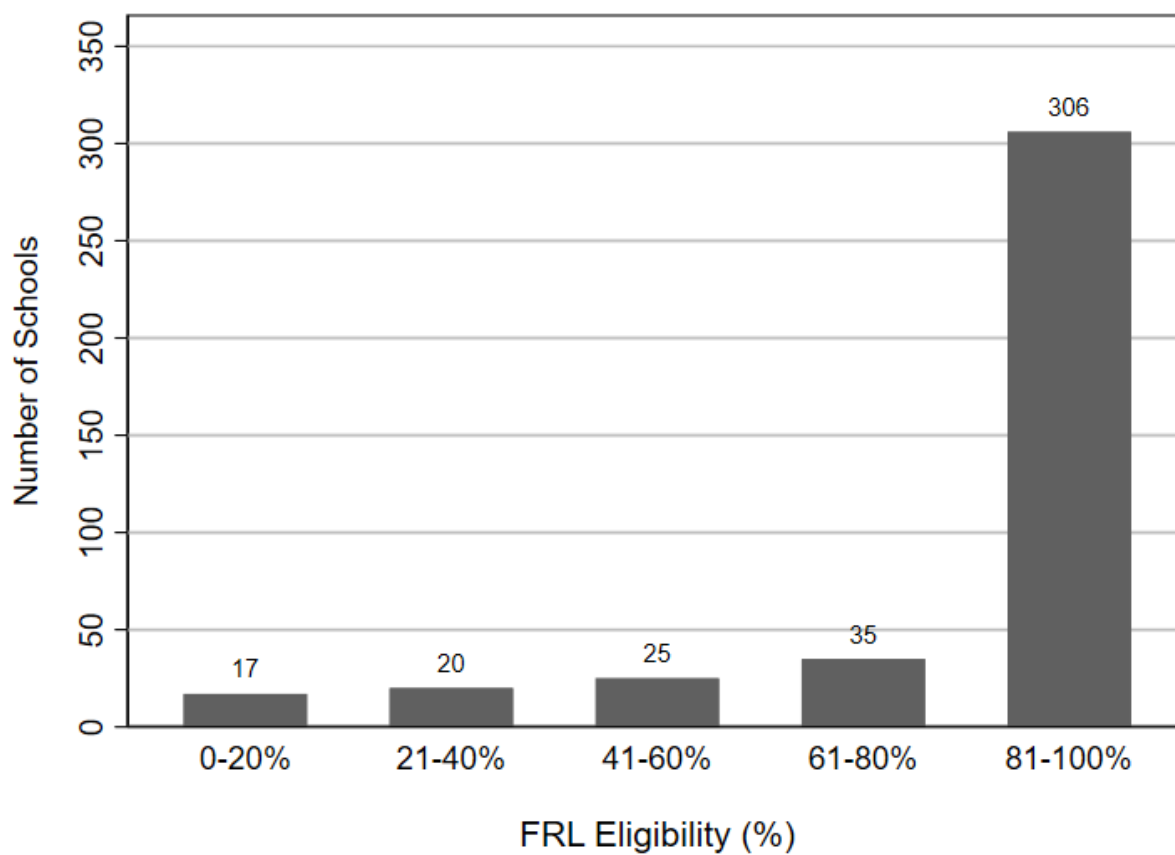
(c) SGSA and Title I Funds Per Pupil



(d) Share of Per-Pupil Expenditures from SGSA and Title I, by FRL Eligibility (Bin)

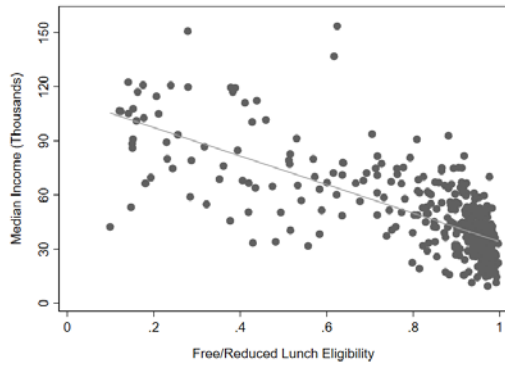
### Appendix Figure A1. Title I and Supplemental General State Aid (SGSA) Funds Per Pupil by Free/Reduced-price Lunch Eligibility

Notes: The sample includes 403 traditional public elementary schools in CPS during the 2015/16 through 2018/19 school years. SGSA funds are grant aid from the state of Illinois to local school districts based on the number and share of students from low-income families. SGSA funds become Supplemental Aid in FY 2019. Title I funds are federal funds provided to school districts and schools with high numbers or high percentages of children from low-income families.

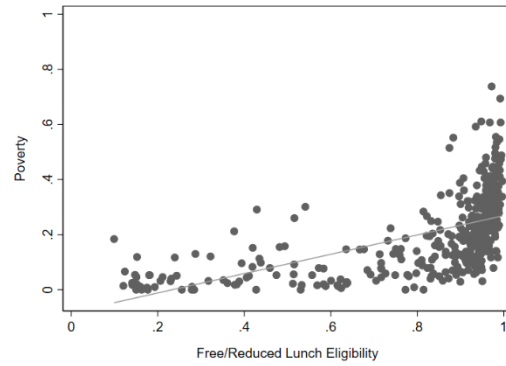


**Appendix Figure A2. Number of CPS Elementary Schools by Free/Reduced Lunch Eligibility Bin**

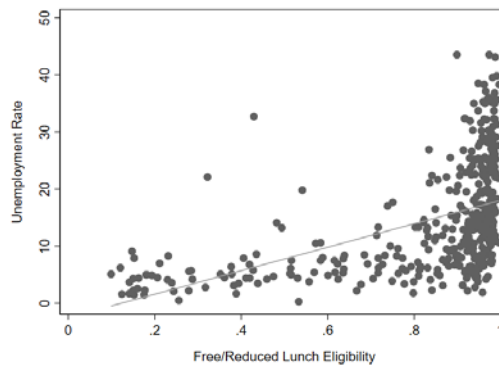
Notes: CPS elementary schools are assigned to a free/reduced lunch eligibility bin based on the average percentage of free/reduced eligible students between the 2017/18 and 2018/19 school years.



(a) Free/Reduced Lunch Eligibility versus Median Income (Thousands)



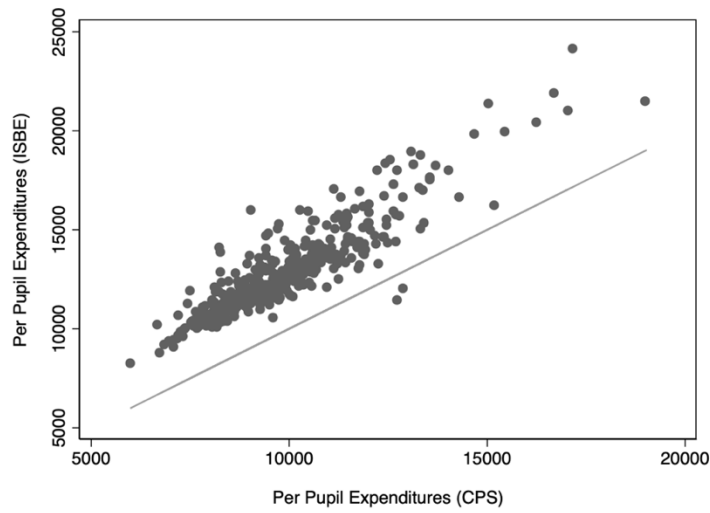
(b) Free/Reduced Lunch Eligibility versus Poverty



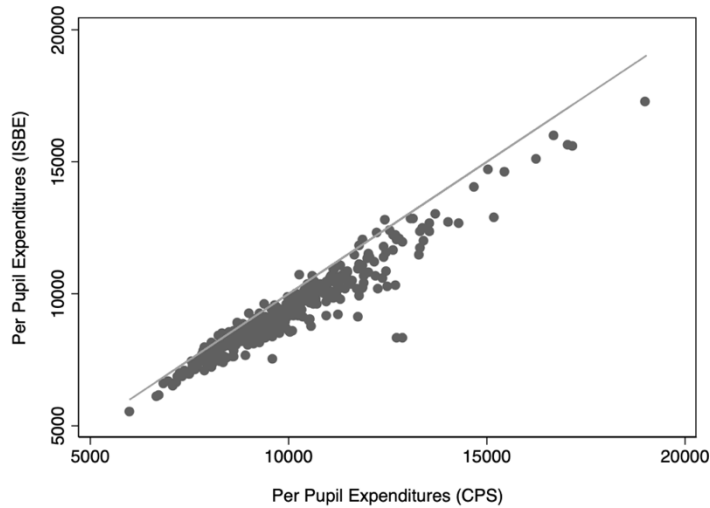
(c) Free/Reduced Lunch Eligibility versus Unemployment

### Appendix Figure A3. Correlation Between School-Level Free/Reduced Lunch Eligibility and Census Tract-Level Measures of Disadvantage

Notes: Median income (in thousands of 2016 dollars), share of households with income below the federal poverty level, and unemployment rates are measured at the Census tract-level and were obtained from the American Community Survey 5-Year Estimates (2012-2016). Each CPS school in our sample was matched to the Census tract in which it was located. Free/reduced-price lunch eligibility is negatively correlated with median income (-0.73), positively correlated with the poverty rate (0.57), and positively correlated with unemployment rates (0.49).



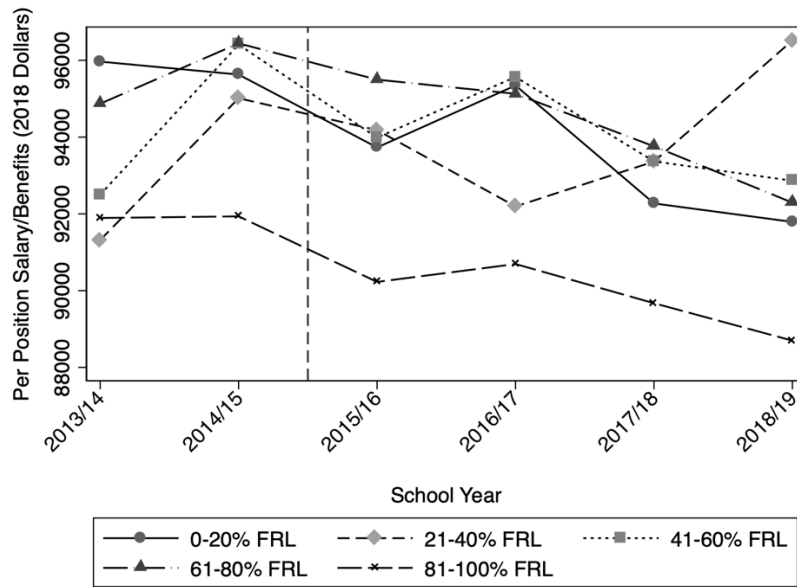
(a) ISBE Data Contains Site-based and Centralized Expenditures



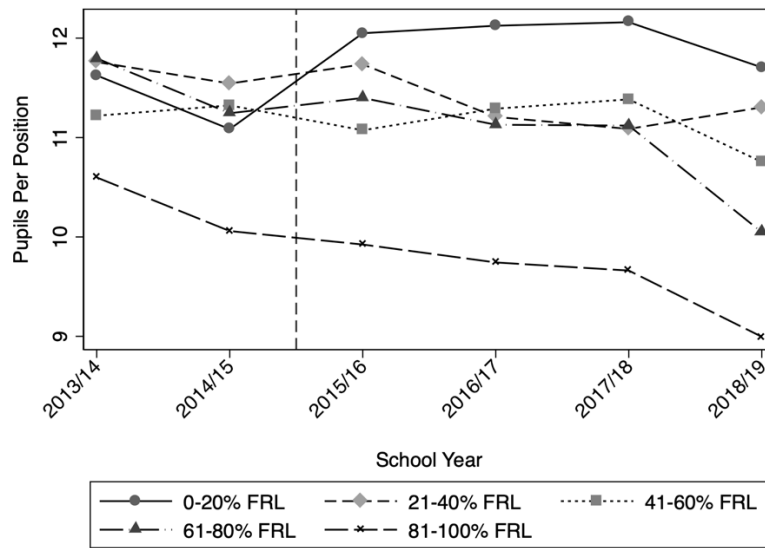
(b) ISBE Data Contains Site-based Expenditures Only (Centralized Expenditures Removed)

#### **Appendix Figure A4. Per Pupil Expenditures in Chicago Public Schools Budget Data versus Illinois State Board of Education (ISBE)**

Notes: The sample includes 403 traditional public elementary schools in CPS during the 2018/19 school year. All dollar amounts are expressed in 2018 dollars. The x-axis represents per-pupil expenditures reported in CPS school-level budget data. The y-axis represents per-pupil expenditures reported in Illinois State Board of Education (ISBE) data, which we obtained from the National Education Resource Database on Schools (NERD\$). The 45-degree line is depicted in gray. In Panel (a), ISBE per-pupil expenditures contain both site-based and centralized expenditures. In Panel (b), ISBE per pupil expenditures contain only site-based expenditures (centralized expenditures are removed).



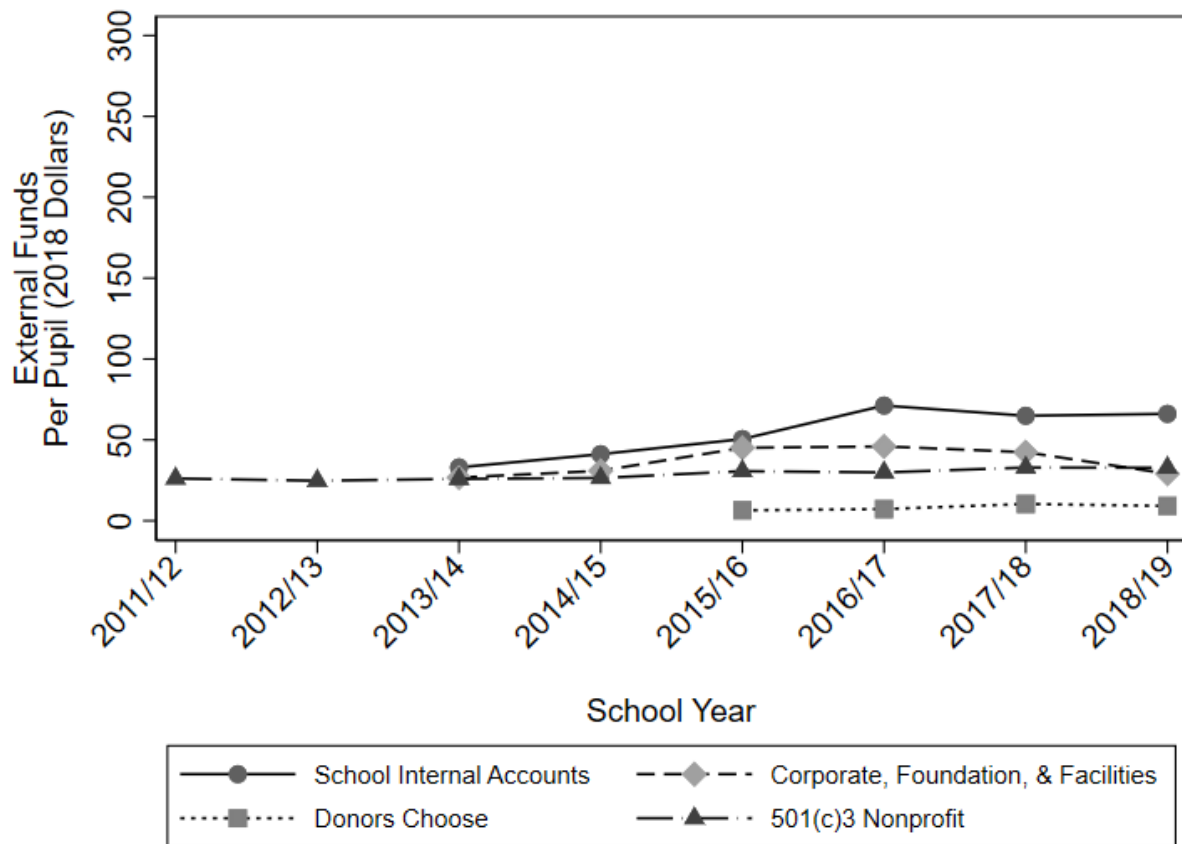
(a) Per Position Expenditures on Salary/Benefits, by FRL Group



(b) Pupils Per Position, by FRL Group

### Appendix Figure A5. Per Position Expenditures on Salary/Benefits and Pupils Per Position, by FRL Group

Notes: The sample includes 403 traditional public elementary schools that were continuously open during the sample period.



**Appendix Figure A6. Average Per-Pupil Dollars Raised by Source, Unconditional**

Notes: The sample is comprised of 403 traditional elementary schools continuously open over the period. All dollar values are reported in real 2018 dollars. Per-pupil averages are conditional on a school having non-zero external dollars from a given category. We present all years available for each category.

Rank	School Name	FRL group	Average total dollars raised	Average dollars raised per pupil	Average raised as a percentage of the school budget
<i>Parking lot rental</i>					
1	Inter-American Magnet	41-60%	722,383	1,046	11%
2	William B Ogden School	21-40%	749,550	787	5%
3	Joseph Brennemann School	81-100%	125,111	296	3%
4	Walt Disney Magnet School	61-80%	308,514	197	2%
5	Lasalle Language Academy School	21-40%	46,773	85	1%
<i>Cellular tower rental</i>					
1	Manuel Perez Jr Elementary School	81-100%	72,668	231	2%
2	Stone Scholastic Academy	41-60%	125,685	201	2%
3	Peter Cooper Dual Language Academy	81-100%	92,529	194	2%
4	Luke O'Toole School	81-100%	65,855	175	2%
5	John Gregory School	81-100%	56,919	157	1%
<i>Vending</i>					
1	Peter Cooper Dual Language Academy	81-100%	7,024	15	0%
2	A Philip Randolph Magnet School	81-100%	2,196	4	0%
3	George Washington Carver Elementary	81-100%	1,864	4	0%
4	Arthur A Libby School	81-100%	1,064	3	0%
5	William E B Dubois School	81-100%	634	3	0%
<i>Other facilities rental</i>					
1	Peirce Sch. Of International Studies	61-80%	9,521	9	0%
2	Audubon Elementary School	21-40%	4,938	9	0%
3	Edgebrook School	0-20%	1,548	3	0%
4	Ravenswood School	41-60%	1,462	3	0%
5	Ryder Math/Sci Specialty School	81-100%	625	2	0%

**Appendix Table A1. Top-five ranked schools in terms of per-pupil dollars raised in each facility category**



Notes: Calculations based on average per-pupil revenue over the 2015/16-2018/19 school years. All dollar values are in 2018 dollars.

## Appendix B: Data

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### **I. Main Data Sources**

#### **A. CPS Budget Books**

We obtained full budget data (“Budget Books”) from Chicago Public Schools (CPS) for fiscal years 2015-2021, which roughly correspond to the 2013/14-2019/20 school years. We note that there is typically a one-year lag in reporting “ending” budgets (versus appropriations, which are reported contemporaneously). These Budget Book data contain information at the school-by-fund grant-by-account-by-program-by-fiscal year level. An example of a line-item (observation) in these data is the total amount of budgeted funds for Lincoln Elementary (school) from Student-Based Budgeting (fund grant) for Teacher Salaries (account) for Music (program) in FY2015 (fiscal year). For most analyses, we aggregate these data up to the school-by-fund-by-year level, although in some cases we disaggregate to explore how funds were spent (e.g., by account). Funds are broad classifications that contain multiple fund grants. As an example, Fund 114 is the “Special Education Fund” and is comprised of the following eleven fund grants: Special Education Fund, State Special Education Block Grant, Temporarily Assigned Teachers, Diverse learner Supports & Services - Pilot Program, Special Education Workload Reduction, Special Education – Transportation, Special Education - Non-Public Tuition, Summer Special Education Program, Transportation - Safety Personnel, Tuition Handicap Children-Other Dist, Special Education Transportation – Summer.

CPS Budget Books are public-use and can be obtained here: <https://www.cps.edu/about/finance/budget/>

In addition to the Budget Books data, we also obtained school-level budget data for fiscal years 2013-2021, which roughly correspond to the 2011/12-2019/20 school years. These data provide information on total budgeted funds at the school-level, although they are not broken down by fund nor by expenditure category (e.g., program or account).

#### **B. IRS Data from 990 and 990EZ Tax Returns**

We obtained data extracted from tax return forms 990 and 990Z that were filed by 501(c)3 nonprofit organizations with the Internal Revenue Service (IRS). The extracted information (from paper-based forms) included the following variables: EIN (Employer Identification Number, tax period (month and year of filing), assets, and revenue. We obtained these data from the Urban Institute National Center for Charitable Statistics (NCCS) for tax years 2015-2017 and the IRS for tax years 2018-2021.

Raw Files from the IRS can be downloaded here: <https://www.irs.gov/statistics/soi-tax-stats-annual-extract-of-tax-exempt-organization-financial-data>

Urban Institute NCCS data can be found here: <https://nccs.urban.org/>

To align tax filing data with school years, we used the following assignment rules (based on the reported month-year information for filing reported in the data):

- 1) For any tax form filed during the summer months (May, June, July, August, September), we assumed that all reported revenues were spent during the previous school year. For example, if an organization filed its return in June 2014, we assumed that all reported revenues were spent during the 2013/14 school year.
- 2) For any tax form filed during the fall semester (October, November, December), we assumed that some of the revenue was spent during the current school year and some was spent during the previous school year. We used the following weights: October (1/8 in current year, 7/8 in previous year); November (2/8 in current year, 6/8 in previous year); December (3/8 in current year, 5/8 in previous year).
- 3) For any tax form filed in the spring semester (January, February, March, April), we assumed that some of the revenue was spent during the current school year and some was spend during the previous school year. We used the following weights: January (4/8 in current school year, 4/8 in previous year); February (5/8 in current school year, 3/8 in previous year); March (6/8 in current school year, 2/8 in previous year); April (7/8 in current school year, 1/8 in previous year).

### **C. National Center for Charitable Statistics (NCCS) Business Master Files**

We obtained Employer Identification Numbers (EINs) for education-related nonprofit organizations in Chicago, IL from month-by-year Business Master Files (BMFs) published by the National Center for Charitable Statistics (NCCS). These files spanned January 2010-April 2020. These NCCS BMFs are cleaned versions of information published by the Internal Revenue Service (IRS) and can be obtained here: <https://nccs-data.urban.org/data.php?ds=bmf>

From these files, we extracted the Employer Identification Number (EIN) of all nonprofit organizations that (1) were located in a Chicago zip code (see below) and (2) that had a National Taxonomy of Exempt Entities (NTEE) classification of “B94: Parent Teacher Group” or contained any of the following keywords: PTA, PTO, PTSA, Booster, Parent, Teacher, Friends. We then matched these organizations by hand to CPS elementary schools based on name and address.

We obtained zip codes for the city of Chicago from the City of Chicago Data Portal: <https://data.cityofchicago.org/Facilities-Geographic-Boundaries/Boundaries-ZIP-Codes/gdcf-axmw>

#### **D. Donors Choose**

Donors Choose is an online platform that allows individual teachers to request funds for specific projects. We obtained proprietary data directly from Donors Choose at the funded project-by-school-by-year level for the 2015/16-2018/19 school year. We collapsed this information to the school-by-year level to create variables measuring: (1) total dollars donated to the school and (2) the total number of funded projects. Researchers interested in obtaining data from Donors Choose should consult the following website: <https://www.donorschoose.org/data>

#### **E. Common Core of Data (National Center for Education Statistics)**

We obtained school-level information for the 2010/11-2019/2020 school years on school location, enrollment, and student demographic characteristics from the Common Core of Data using the Urban Institute Education Data Portal. Specifically, we obtained the following variables: school address (and associated latitude/longitude coordinate), total enrollment, and enrollment by gender, grade, race/ethnicity, and free/reduced-price lunch eligibility. For more information, see: <https://educationdata.urban.org/data-explorer>

#### **F. Chicago Public Schools Demographic Data**

We obtained school-level information for the 2010/11-2019/2020 school years on the enrollment of special education and bilingual students from Chicago Public Schools (CPS). These public-use data can be downloaded here: <https://www.cps.edu/about/district-data/demographics/>

### **II. Other Data Sources**

#### **A. Illinois State Board of Education (ISBE) Per Pupil Expenditures**

We obtained school-level budget data for the 2018/19 school year from the Illinois State Board of Education through the National Education Resource Database on Schools (NERD\$). These data are public-use and are available here: <https://edunomicslab.org/nerds/>

We used the following variables:

- pp\_total\_raw\_IL: per-pupil total expenditure total
- pp\_site\_raw\_IL: per-pupil site expenditure total

We used the Illinois data file called IL\_1819\_final\_October\_8th\_21.xlsx (downloaded on December 10, 2021).

#### **B. Census Tract Data from the American Community Survey**

We obtained Census tract-level data from the American Community Survey (5-Year Estimates from 2012-2016) from the United States Census Bureau (downloaded on July 19, 2022). We matched our sample of CPS elementary schools to Census tracts based on school address (latitude/longitude). Census tract data can be downloaded here: <https://data.census.gov/cedsci/>

We obtained a Shapefile (.shp) containing all Census tracts in Cook County, IL to match school locations (latitude/longitude) using the STATA command “geoinpoly.” We downloaded the Shapefile containing 2010 Census tract boundaries from: <https://www.census.gov/geographies/mapping-files/time-series/geo/tiger-line-file.2010.html>

### III. Chicago Public Schools School Funding Formulas

We obtained information on CPS school funding formulas from annually published budget books (specific formula sources are noted below). We were specifically interested in per pupil rates for the following categories: Student-Based Budget, Supplemental General State Aid (later Supplemental Aid), and Title I.

#### A. Student-Based Budget Base Rate

Fiscal Year	Base Rate (Per Pupil Nominal Dollars)	Base Rate (Per Pupil 2018 Dollars)	Source
2014	\$4,140.03	\$4,357.80	Appendix B of Fiscal Year 2014 Budget
2015	\$4,390	\$4,611.37	Appendix B of Fiscal Year 2015 Budget
2016	\$4,390	\$4,563.63	Appendix B of Fiscal Year 2016 Budget
2017	\$4,087	\$4,173.96	Appendix B of Fiscal Year 2017 Budget
2018	\$4,290	\$4,290.00	Appendix B of Fiscal Year 2018 Budget
2019	\$4,397	\$4,332.48	Appendix B of Fiscal Year 2019 Budget
2020	\$4,506.93	\$4,388.50	Appendix B of Fiscal Year 2020 Budget

CPS introduced Equity Grants in FY2020. Equity Grants provided an additional \$750 per pupil to elementary schools with enrollment less than 450 students (see: Appendix B of Fiscal Year 2020 Budget).

#### B. Supplemental General State Aid (SGSA)

SGSA funds were distributed across all schools in CPS in a way that was directly proportional to the enrollment of students who were eligible for free/reduced-price lunch. Title I funds, on the other hand, were only distributed to the subset of schools that had school-level poverty indices (a specific measure calculated by CPS) above 40 percent. The Title I formula distributed funds on a

per-pupil basis to all schools above the 40 percent poverty-index threshold. The formula-determined per-pupil rate increased for every 1 percentage point above the 40 percent threshold.

### **SGSA Formula by Fiscal Year**

Fiscal Year	Formula (Nominal Dollars per free/reduced lunch eligible pupil)	Formula (2018 Dollars per free/reduced lunch eligible pupil)	Source
2012	\$740	\$800.97	Appendix B of Fiscal Year 2012 Budget
2013	\$745.67 <sup>1</sup>	\$796.39	Appendix B of Fiscal Year 2013 Budget
2014	\$794	\$835.77	Appendix B of Fiscal Year 2014 Budget
2015	\$783	\$822.48	Appendix B of Fiscal Year 2015 Budget
2016	\$790.36	\$821.62	Appendix B of Fiscal Year 2016 Budget
2017	\$827	\$844.60	Appendix B of Fiscal Year 2017 Budget
2018	\$846	\$846.00	Appendix B of Fiscal Year 2018 Budget
2019	\$910	\$896.65	<a href="https://www.cps.edu/about/finance/budget/budget-2019/schools-and-networks-2019/">https://www.cps.edu/about/finance/budget/budget-2019/schools-and-networks-2019/</a>
2020	\$920	\$895.82	<a href="https://www.cps.edu/about/finance/budget/budget-2020/schools-and-networks-2020/">https://www.cps.edu/about/finance/budget/budget-2020/schools-and-networks-2020/</a>

### **C. Title I**

Title I is distributed to schools based on formula that contains a school-level poverty (index) measure. The poverty index is a weighted average of (1) the percentage of students in the school who are eligible for free/reduced lunch and (2) the percentage of students who live in families receiving TANF benefits. The weights were 60 percent and 40 percent, respectively, during Fiscal Years 2012-2018. In Fiscal Years 2019 and 2020, the weights were 70 percent and 30 percent, respectively.

If a school had a poverty index above 40 percent, that school received Title I funds according to a formula that increased the per-student transfer (linearly) with the poverty index. In Fiscal Year 2014, for example, the Title I formula for the per-student transfer was 430 dollars plus 24 additional dollars for every 1 percentage point increase in the school's poverty index.

### **Title I Formula by Fiscal Year**

Fiscal Year	Formula	Formula (2018 Dollars)	Source
2012	Base: \$430 per free/reduced lunch eligible student	Base: \$465.43 per free/reduced lunch eligible student	Appendix B of Fiscal Year 2012 Budget (formula is implied by

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<sup>1</sup> District schools also received a \$90.19 per free/reduced lunch eligible student supplement not given to Charter/Contract schools.

	Increase: \$15 per free/reduced lunch eligible student for every 1 percentage point increase in school-level poverty index	Increase: \$16.24 per free/reduced lunch eligible student for every 1 percentage point increase in school-level poverty index	examples on page 273)
2013	Base: \$430 per free/reduced lunch eligible student Increase: \$22 per free/reduced lunch eligible student for every 1 percentage point increase in school-level poverty index	Base: \$459.25 per free/reduced lunch eligible student Increase: \$23.50 per free/reduced lunch eligible student for every 1 percentage point increase in school-level poverty index	Appendix B of Fiscal Year 2013 Budget
2014	Base: \$430 per free/reduced lunch eligible student Increase: \$24 per free/reduced lunch eligible student for every 1 percentage point increase in school-level poverty index	Base: \$4452.62 per free/reduced lunch eligible student Increase: \$25.26 per free/reduced lunch eligible student for every 1 percentage point increase in school-level poverty index	Appendix B of Fiscal Year 2014 Budget
2015	Base: \$430 per free/reduced lunch eligible student Increase: \$21.60 per free/reduced lunch eligible student for every 1 percentage point increase in school-level poverty index	Base: \$451.68 per free/reduced lunch eligible student Increase: \$22.69 per free/reduced lunch eligible student for every 1 percentage point increase in school-level poverty index	Appendix B of Fiscal Year 2015 Budget
2016	Base: \$573 per free/reduced lunch eligible student Increase: \$23 per free/reduced lunch eligible student for every 1 percentage point increase in	Base: \$595.66 per free/reduced lunch eligible student Increase: \$23.91 per free/reduced lunch eligible student for every 1 percentage point	Appendix B of Fiscal Year 2016 Budget

	school-level poverty index	increase in school-level poverty index	
2017	Base: \$851.80 per free/reduced lunch eligible student Increase: \$17.04 per free/reduced lunch eligible student for every 1 percentage point increase in school-level poverty index	Base: \$869.92 per free/reduced lunch eligible student Increase: \$17.40 per free/reduced lunch eligible student for every 1 percentage point increase in school-level poverty index	Appendix B of Fiscal Year 2017 Budget
2018	Base: \$802 per free/reduced lunch eligible student Increase: \$16.04 per free/reduced lunch eligible student for every 1 percentage point increase in school-level poverty index	Base: \$802 per free/reduced lunch eligible student Increase: \$16.04 per free/reduced lunch eligible student for every 1 percentage point increase in school-level poverty index	Appendix B of Fiscal Year 2018 Budget
2019	Base: \$617.50 per free/reduced lunch eligible student Increase: \$12.35 per free/reduced lunch eligible student for every 1 percentage point increase in school-level poverty index	Base: \$608.44 per free/reduced lunch eligible student Increase: \$12.17 per free/reduced lunch eligible student for every 1 percentage point increase in school-level poverty index	Appendix B of Fiscal Year 2019
2020	Base: \$617.50 per free/reduced lunch eligible student Increase: \$15 per free/reduced lunch eligible student for every 1 percentage point increase in school-level poverty index	Base: \$601.27 per free/reduced lunch eligible student Increase: \$14.61 per free/reduced lunch eligible student for every 1 percentage point increase in school-level poverty index	Appendix B of Fiscal Year 2020

#### IV. Chicago Public Schools Budget Fund Codes (3-Digit Level)

- 114: Special Education Fund



- 115: General Education Fund
- 117: Tuition Based Program
- 124: School Special Income Fund
- 127: Playground Operating Fund
- 129: CTPF Pension Levy (Chicago Teachers Pension Fund)
- 210: Workers' & Unemployment Compensation/Tort
- 220: Federal Special Education IDEA Programs
- 225: Supplemental General State Aid
- 230: Public Building Commission O & M
- 312: Lunchroom Fund
- 314: Lunchroom - Lighthouse
- 324: Miscellaneous Federal & State Block Grants
- 326: Government Funded School Based Grants
- 332: NCLB Title I Regular Fund
- 334: NCLB Title 1 - Neglected & Delinquent
- 335: Education Jobs Fund FY2011
- 336: NCLB Title V Fund
- 353: NCLB Title V Fund
- 356: Title III - Emergency Immigrant Language Acquisition
- 358: Title IV Safe & Drug Free Schools
- 362: Early Childhood Development
- 367: Title I - Comprehensive School Reform
- 369: Title I - School Improvement Carl Perkins

## **V. Coding of Expenditure Categories in Chicago Public Schools Budget Books**

### **Salary/Benefits**

A51100	Teacher Salaries - Regular
A51130	Teacher Salaries - Extended Day
A51140	Termination Payout of Sick & Vacation Days - Teachers
A51300	Regular Position Pointer
A51320	Bucket Position Pointer
A51330	Benefits Pointer
A51350	Substitute Salary & Benefits consolidated Account
A51500	Teacher Salaries - Substitutes
A52100	Career Service Salaries - Regular
A52130	Career Service Salaries - Extended Day
A52140	Career Service Salaries - Other
A52150	Termination Payout of Sick & Vacation Days - ESPs
A52400	Career Service Salaries - Overtime
A52500	Career Service Salaries - Substitutes
A52800	Career Service Salaries - Adjustments
A56215	Property - Permanent Improvement
A57105	Pensions - Employer, Teacher
A57135	Pensions - Employee, Teacher

A57205	Pensions - Employee, ESP
A57210	Pensions - ESP Employer
A57305	Hospitalization & Dental Insurance - Employer
A57405	Medicare
A57415	FICA
A57505	Unemployment Compensation
A57605	Workers Compensation

### **Contracts**

A54105	Services: Non-technical/Laborer
A54125	Services - Professional/Administrative
A54130	Services - Non Professional
A54305	Tuition
A54320	Student Tuition - Charter Schools
A54405	Services - Telephone & Telegraph
A54505	Seminar, Fees, Subscriptions, Professional Memberships
A54510	Services - Equipment Rental
A54520	Services - Printing
A54525	Services - Printing Other
A54530	Services - Insurance - General Liability - Premium
A54555	Meals, Lodging, & Travel - Other
A54560	Delivery Service
A54565	Parent Reimbursements
A56105	Services - Repair Contracts
A57705	Services - Space Rental

### **Commodities/Equipment**

A53205	Commodities – Food Supplies
A53205	Commodities – Supplied Food
A53215	Commodities – Purchased Food
A53220	Commodities – Food – Confections
A53304	Instructional Materials (Digital)
A53305	Instructional Materials (Non-Digital)
A53306	Commodities: Software (Non-Instructional)
A53307	Commodities: Software Licenses (Instructional)
A53405	Commodities – Supplies
A53510	Commodities – Postage
A55005	Property – Equipment
A55010	Property – Furniture

### **Transportation**

A54205	Travel Expense
A54210	Pupil Transportation

A54210	Student Busing Services
A54215	Car Fare
A54220	Auto Reimbursement

### **Contingencies**

A57915	Miscellaneous - Contingent Projects
A57940	Miscellaneous Charges

## **VI. Coding of School Special Income in Chicago Public Schools Budget Books**

We divide School Special Income (Fund 124) into two main sources: First, there are what we call “Corporate, Foundation, and Facilities” funds. This category includes grants that foundations and corporations made directly to the school and revenue generated through private use of a school’s facilities (e.g., rental of athletic fields and parking lots, cell phone towers on school grounds). Second, we identify a category called “School Internal Accounts,” which may include funds directed to the school from Friends of School organizations, PTAs, or even student fees.

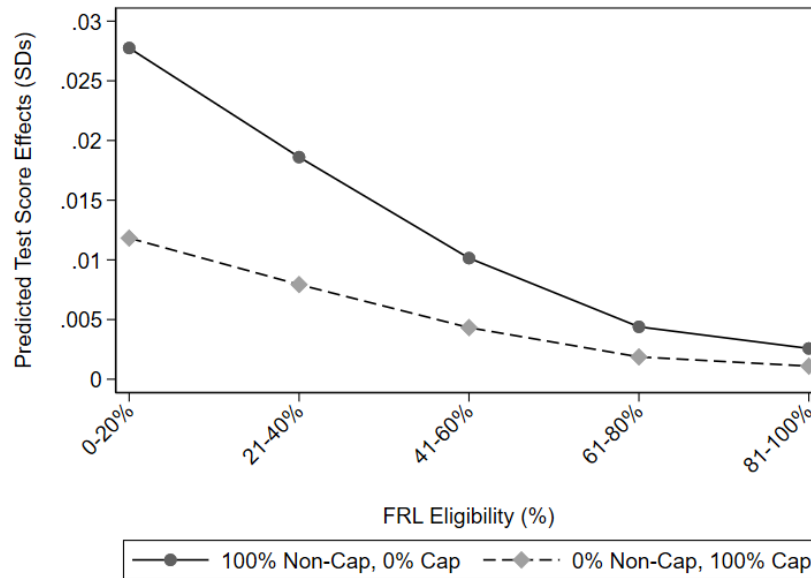
## **VII. External Fundraising, Test Scores, and The Predicted Effects of Redistribution**

Using causal estimates of the effect of expenditures on student test scores from the existing literature in the economics of education,<sup>2</sup> we rescaled our estimates of school-level per-pupil external funds into test score standard deviation units (SDs). Appendix Figure B1 illustrates average predicted effects of externally fundraised dollars on test scores – separately by free/reduced lunch eligibility bin – under two different assumptions about the share of fundraised dollars allocated to capital and non-capital projects. We first assumed that 100 percent of funds were allocated to non-capital expenses (solid line) and then assumed that 100 percent of the funds were allocated to capital expenses (dashed line).

Allocating all external funds to non-capital expenses is predicted to increase test scores by 0.028 SDs for schools in the lowest FRL-eligibility bin to 0.003 SDs for schools in the highest FRL-eligibility bin. Notably, these effects vary only because the average dollars raised varies by school FRL. We are not assuming heterogeneity in the effect of fundraised dollars by school FRL eligibility. Allocating all external funds to capital expenses, in contrast, is predicted to increase test scores by 0.012 SDs for schools in the lowest FRL-eligibility bin to 0.001 SDs for schools in the highest FRL-eligibility bin.

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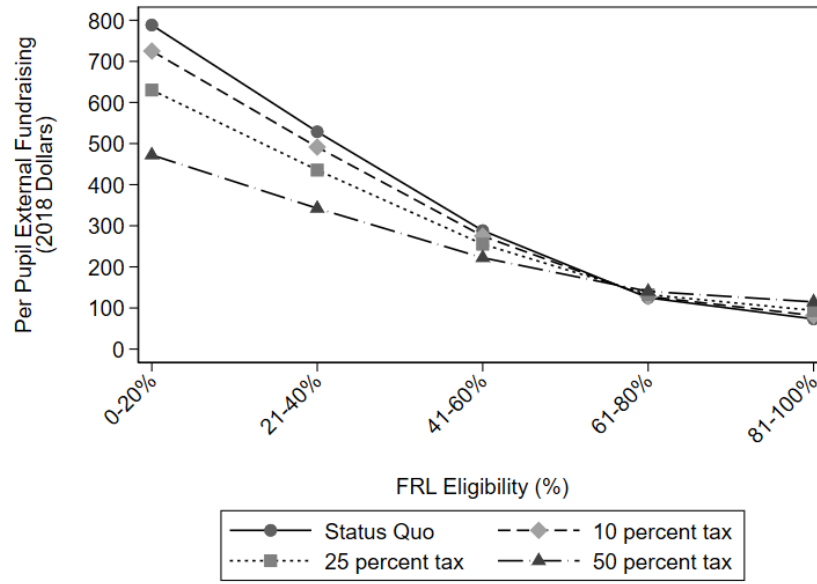
<sup>2</sup> Jackson and Mackevicius (2021) conducted a meta-analysis on the effects of school funding on student outcomes, using plausibly causal estimates generated across 31 studies. Their estimates suggest that a \$1,000 increase in per-pupil funding that is sustained across 4 years led to a corresponding 0.035 standard deviation increase in test scores. If the funds were expended on non-capital resources, the effect was a 0.043 standard deviation increase in test scores compared to a 0.015 standard deviation increase associated with capital spending.



### Appendix Figure B1. Predicted Effects of External Fundraising on Test Scores

Notes: The sample is comprised of 403 traditional elementary schools. Per pupil external funds are reported in 2018 dollars. Test scores are in standard deviation units.

We then compared the status quo (i.e., unregulated external fundraising) to hypothetical rules that the district could implement to redistribute externally fundraised dollars across schools. In Appendix Figure B2, we show the effects of a “tax” on externally fundraised dollars ranging from 10 to 50 percent. For example, under a 10 percent tax policy, 10 percent of school-level externally fundraised dollars would be centralized and then redistributed equally across all schools in the district (while the remaining 90 percent of fundraised dollars would remain at the school). Appendix Figure B2 illustrates the effects of a 10, 25, and 50 percent tax, respectively (along with the status quo policy of no redistribution).

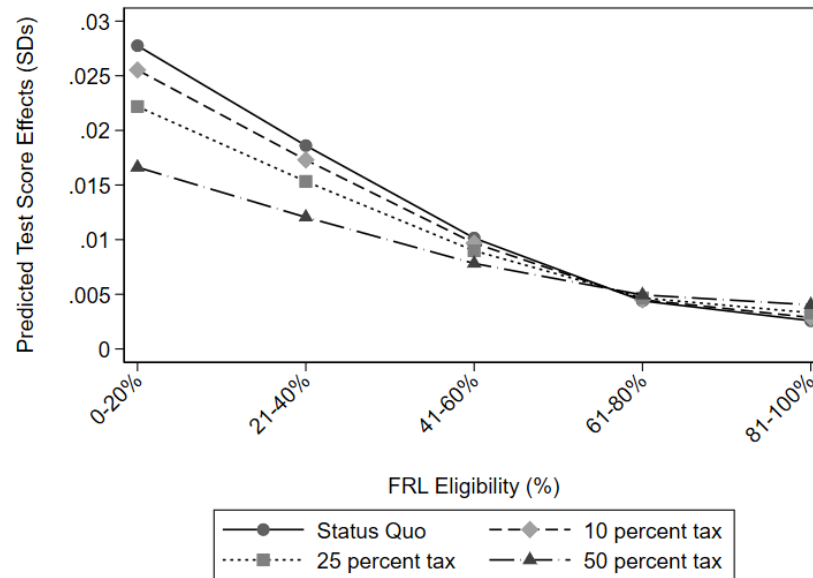


**Appendix Figure B2. Per Pupil External Fundraising, With and Without Redistribution**

Notes: The sample is comprised of 403 traditional elementary schools. Per pupil external funds are reported in 2018 dollars. Test scores are in standard deviation units.

The 50 percent tax policy would have the largest impact on schools with the lowest FRL eligibility: average per pupil externally-fundraised dollars would decline from \$788 to around \$472. Despite these large declines, however, the resulting average increase in per pupil externally-fundraised dollars at the highest FRL-eligibility schools would only be \$41.

As a final exercise, we rescaled the dollar estimates in the previous figure in terms of test score units (SDs). The associated predicted changes in student test scores would be about a 0.011 standard deviation decline in the highest FRL schools and a 0.001 standard deviation increase at the lowest FRL schools. In other words, redistribution of externally fundraised dollars would have a negligible effect on test score outcomes in schools serving the highest shares of FRL-eligible students.



**Appendix Figure B3. Predicted Effects of Redistribution on Test Scores**

Notes: The sample is comprised of 403 traditional elementary schools. Per pupil external funds are reported in 2018 dollars. Test scores are in standard deviation units.

Because externally-raised dollars are concentrated among relatively few schools, even the most stringent rules for redistribution of externally-raised funds (a 50 percent tax) would result in minimal changes in per-pupil expenditures at the schools that have few fundraised dollars while significantly reducing the per-pupil expenditures at the schools that have the capacity to raise the most dollars.