

**Jadon Kim**

Zoned Inequality: Housing Policy in Educational Access and Economic Mobility

I. EXECUTIVE SUMMARY

Many people have an understanding that the main cause of the school funding crisis in our country is a shortage of money available for schools. However, a more accurate representation of this issue is that the funding is inequitably distributed based on where students live. The reason for this is because of historical racially discriminatory policies, such as redlining, exclusionary zoning and racially restrictive covenants, which have persisted for many decades, that have concentrated wealth in certain geographic areas while impoverishing other areas. Given that students are assigned to schools based where they live, it follows that these housing decisions make educational ones as well. Thus, the school funding mechanism is set up to reflect inequality because it was based on the previous establishment of inequality, and to attempt to deal with the inequities in school funding without dealing with the residential segregation that has created those inequities is to put a band-aid on the Problem rather than treating the root cause of it.

This report explains how New Jersey's History of housing policy has not only created but continues to reinforce educational inequity in New Jersey by providing three recommendations for action: 1. to strengthen Inclusionary Zoning and require school proximity requirements to high-performing schools; 2. to reform School

District boundary lines in order to reduce inter-district segregation; 3. to recalibrate New Jersey's School Funding Reform Act to take housing-related disadvantages into account so as to decouple the relationship between where children live and the kind of future they may have access to.

II. OVERVIEW

In America, the availability of an education opportunity is oftentimes a reflection of where a student lives. Schools are normally assigned based upon their student's residence, thus limiting or developing their access to educational resources based on the real estate market in the area or region in which they live. Communities that have a greater property value can sustain a much stronger school system than can low-income communities that have been primarily developed by the constraints of past segregation policies (Baker et al. and Rothstein). While funding disparities are a key point of discrepancy when it comes to this issue, they alone do not explain the differences that exist between district educational outcomes. Disparities in educational outcomes also exist between those students who reside in a geographically isolated area and those who don't. Even when funding has been partially equalized, students in a geographically isolated or segregated area typically do not have the same access to advanced coursework, credentialed teachers, and an overall larger institution of connections.

A. Relevance

Education policy and economic outcomes are both connected to this issue. Access to education is linked to longer-term economic factors (ex: income, employment, and intergenerational mobility). There is evidence that children raised in higher-opportunity settings achieve better economic outcomes later in life (Chetty & Hendren). Although increasing school funding improves some outcomes (Jackson, Johnson & Persico; Biasi), the unequal geographies where students can access opportunities still matter, as educational inequality correlates with broader economic inequality.

III. HISTORY

The creation of today's school funding gaps was not happenstance; rather, they were the product of a calculated federal and state policy. From the 1930s onward, the Home Owners' Loan Corporation systematically provided mortgage loans to neighborhoods with mostly black residents via the practice of redlining. Additionally, racially restrictive covenants prohibited minorities from buying homes in primarily white neighborhoods. Meanwhile, the federal government encouraged the construction of highways and subsidized mortgages for whites looking to build homes in the suburbs (Rothstein). These policies were not only representative of the continued existence of segregated communities but also created new, institutionalized forms of segregation. White flight and exclusivity based on types of zoning, such as single-family zoning, further created inequity by concentrating wealth within the suburbs while restricting access to those suburbs. School districts generally correspond to

residential areas; thereby, the way in which housing has been developed will determine how educational resources are distributed (Rouse et al.).

These discrepancies were codified into the law. The U.S. Supreme Court ruled in *San Antonio Independent School District v. Rodriguez* (1973) that education is not an explicit constitutional right, therefore permitting states to utilize local property taxes as their primary means of funding educational facilities. State level changes addressing the funding disparities were also made in *Serrano v. Priest*, although many other cases helped establish an adequacy standard and set minimum thresholds from which disadvantaged areas could expect funding. These court rulings raised the baseline for those children but did nothing to change the distribution of residential housing, as there has always been—a residential location that is racially and economically segregated within a neighborhood.

A. Current Stances

Most current policies tend to emphasize funding redistribution, weighted student funding formulas or minimum adequacy thresholds (Jackson, Johnson, and Persico). Studies have shown that these methods improve student performance - especially for disadvantaged populations. At the same time, however, new research continues to indicate the extent to which racial segregation affects access to educational opportunities (Rauscher and Fiel). As a result, there is a growing recognition in policy discussions that it is important to view housing policy, school district boundaries, and access to education as interrelated issues rather than independent of one another.

IV. POLICY PROBLEM

A. Stakeholders

Those disproportionately impacted are predominantly from poor districts and from minority ethnic groups. The make-up of these areas reflects the centuries of racial inequities in the real estate field, as well as the impact of those inequitable systems over time in the schools (Rothstein; Rauscher & Fiel). In addition to a lack of access to educational resources, students face geographic distance from adequate educational resources; less access to rigorous courses, high student-teacher ratios (highly correlated to the ability to local school authorities to generate revenues), and weak pathways for students to pursue either postsecondary school or stable job opportunities; for example, redlined or disinvested districts will typically have higher student-teacher ratios due to the lack of revenues that resulted from either the real estate discrimination or disinvestment. Most of these families are unable to provide supplemental funds for their children to access additional educational resources (tutoring, out-of-school enrichment activities), limiting their children's choices within the school they are currently attending.

New Jersey is particularly adversely affected by this process. A report from New Jersey Policy Perspective shows that District Communities impacted by either redlining or blockbusting experience significantly lower property values and per-pupil revenues than other district municipalities. For example, while East Orange is composed of mainly African American students, Millburn is primarily white and affluent. The difference in the two communities' tax bases and resource profiles is staggering (NJPP 2021).

Teachers and administrators in underfunded districts commonly deal with things like large class sizes, limited teaching resources, and a lack of access to support (Baker et al.). The state government has the power to determine the formula used in allocating funding among localities but continues to experience strong resistance from wealthiest (property) districts and local control proponents against redistributing funds from wealthier districts to poorer tax bases. The higher education system, employers experiencing local shortages of skilled workers, and local municipalities sharing the burden of education inequities, have indirect interests in education reforms.

B. Risks of Indifference

Quantifiably, the repercussions of inaction increase over time. Once an underfunded school loses its highest qualified instructors, it will subsequently be unable to offer higher level courses and have no college capacity to help students with their academic progression. According to Baker et al., sustained per pupil funding deficits result in reduced graduation rates, decreased long-term earning potential for students, and increased relative dependence on government support. As a result, the impact on those who are directly affected is a cost that will ultimately be borne by both the taxpayer and the community.

The connection between generations is very important. Chetty and Hendren have shown that a person's adult earnings will be lower if they grew up in a neighborhood with little opportunity, and that this will affect their children's environment. If we do not intervene at

a system level, we will continue to repeat the disadvantages of the previous generation. Separate but equal schools in New Jersey, as documented by the Shanker Institute, have created the largest disparity in education. Districts with more than 90% of children who are either Black or Latino have poverty rates that are 9 times higher than in predominantly white districts. Children in those districts have lower average scores on standardized examinations (which have a lower average score of 1.3 standard deviations) (Di Carlo and Baker). The achievement gap is not a purely educational issue; the root of the problem is related to where children live.

C. Nonpartisan Reasoning

The connection between residential segregation and education equality issues is not political, it is a question of economics and civics. Continuous investment in equitable access to educational opportunities leads to enhanced educational performance, higher wages in adulthood and less poverty throughout life (Jackson, Johnson, and Persico). A more highly skilled workforce has an improved ability to produce taxes and reduce costs to the public for services—this is beneficial regardless of which party is represented.

Reforming the systems that we have is more financially sound than to continue patching them. The continual cycle of underfunding and then providing crisis-response grants is a waste of financial and structural resources (Di Carlo). A need-based funding formula that is tied to housing policy reform can establish planning continuity and direct resources to those students with the greatest need. To meet diverse accountability requirements from both sides, there should be public performance dashboards

that indicate per-pupil district spending as well as public district performance outcome measures, annual independent audits that verify formula compliance, and maintenance-of-effort provisions, so that states cannot backfill their cuts by using federal funds (Farrie and Kim; Baker et al.). These reforms provide fiscal conservationists with tools to verify efficiency and provide equity advocates with assurance that resources will be used for their intended purposes. The political impediment will not be reform's merits but rather the resistance of those that have benefited from the existing funding system; the best opportunity for success is to develop coalitions based on the common measurable costs associated with inaction.

V. TRIED POLICY

The *Abbott v. Burke* case, which lasted over three decades and had more than 20 rulings, serves as New Jersey's most extensive case study of educational equity reform mandated by the courts. As a result of the case, New Jersey was required to provide equal funding, universal pre-K, supplemental programs, and improved facilities to the state's 31 lowest-income urban districts (Education Law Center) and it resulted in improvements in graduation rates for Abbott districts and measurable gains in developmental milestones for students who participated in Abbott's early childhood programs. However, the residential segregation that is at the root of the disparities was not changed by Abbott. Therefore, in 2008, the New Jersey Legislature passed the School Funding Reform Act (SFRA) which created a weighted student formula based upon student need. As of 2023, the SFRA has never been fully funded and Black and Latino students still receive substantially less funding than what

the formula provides as a result of lower property values in formerly redlined neighborhoods limiting their ability to generate local revenues (Education Law Center 2023).

The Mount Laurel Doctrine (1975) that was developed in New Jersey requires that municipalities meet their fair share of affordable housing. For many decades there was no enforcement mechanism for this requirement, but in 2015, the New Jersey Supreme Court transferred the enforcement of the Mount Laurel Doctrine to the court system. Since that time, over 70,000 units of affordable housing have been constructed; over 80% of the multifamily housing constructed in the past 10 years has been developed under Mount Laurel obligations (Fair Share Housing Center). Governor Murphy's 2024 law (A4/S50) codified the methodology used to determine which municipalities have not provided their fair share and created enforcement mechanisms to hold accountable those municipalities that do not comply with the Mount Laurel Doctrine. However, neither Abbott nor Mount Laurel have addressed the fundamental issue facing the residents of New Jersey: both have established minimum levels of housing that each municipality must provide, but neither has addressed the issue of what causes people to use housing in that area.

As with New Jersey, many other states across America are facing similar issues. An example of this is the case of *Sheff v. O'Neill* in Connecticut, which resulted in the creation of a court-ordered program of inter-district magnet schools to help eliminate the racial and socio-economic isolation of the city of Hartford in 1996. This case demonstrates that court-ordered solutions that

cross district boundaries to help students improve academically have been tried before, and that when they are well-funded, they can result in academic improvement. At the national level, the Fair Housing Act's Affirmatively Furthering Fair Housing Rules, strengthened in 2023, require local governments that receive federal housing assistance funds to take positive steps to reduce residential segregation and to not just avoid discrimination. These previous examples support the proposal contained in this document, and provide evidence that a growing number of individuals at the local, state, and national level believe that the goals of housing integration and educational equity should be pursued together.

VI. POLICY OPTIONS

Strengthening and Expanding Inclusionary Zoning

The 2024 Affordable Housing Law creates a stronger framework than Mount Laurel. However, there are additional steps needed for the successful execution of the statutes as mandated. To alleviate the geographic disconnection of families living below poverty from access to high quality schools, the state should mandate that affordable housing units be spread throughout the area by making sure that new affordable units are built close to high-performing public school districts (Fair Share Housing Center). In addition, many of New Jersey's affluent areas (such as Somerset County and the towns surrounding Basking Ridge) will be mandated by the law to locate affordable housing units in areas with high property values and quality public schools rather than supporting construction in shopping districts or on the fringe of the property.

School District Boundary Reform

New Jersey has one of the most fragmented education systems in the United States with its 574 local school districts. The level of fragmentation creates a continuum of segregation and increases the disparities between adjacent districts in their educational resources (Di Carlo & Baker; NJ Future). If the boundaries of a school district coincide with a residential community's boundaries, then local efforts to reform a school district to address inequities cannot address the inequities that exist between communities.

In order to leverage the initiatives of inter-district public school choice, which exists, albeit in limited numbers throughout New Jersey, more schools could participate through a fiscal commitment from the State of New Jersey for transportation services. For example, the Asbury Park-Wall Township corridor contains a low-income, majority-minority school district that bounds up against a very affluent beach community. This is an exact example of the types of pairing that could occur with a voluntary inter-district agreement with State funding aid that would reduce resource discrepancies without eliminating either of the school districts. On a broader scale, there should be the establishment of a commission from the State of NJ to identify pairings of school districts that are appropriate for either consolidation or the development of resource-sharing agreements based upon Connecticut's Open Choice program, which has provided successful opportunities for students to attend schools outside of Hartford for over two decades. The primary political barrier to success will be disapproval from the communities involved, therefore a phased approach (starting

with voluntary agreements with accompanying financial incentives) is more feasible than a mandatory consolidation plan, and build a history of success that can then sustain more expansive reform.

Recalibrating the SFRA Formula to Reflect Housing-Driven Disadvantage

The formula used by the SFRA does not take into consideration the additional costs associated with decades-long patterns of housing disinvestment in many districts, including generational poverty, fluctuating student populations, and a range of economic and environmental stressors that create costs not covered by the current formula. Therefore, it would be appropriate for the state to modify the SFRA to include an additional funding component for districts in historically segregated residential communities as indicated by HOLC redlining maps and records of blockbusting. The existing poverty weight provides funding based on current income; this weight will capture funding based on historical years of educational debt.

Due to competing budget priorities and resistance from property-wealthy districts, political dynamics have created a barrier for fully funding the SFRA since its inception in 17 years (Education Law Center 2023). Two options may change this dynamic. The continuation of Education Law Center litigation, which has produced court orders compelling the state to comply with the SFRA formula for supplying resources to schools (e.g., See, e.g., Education Law Center, File A); (2) A federal Title I maintenance-of-effort requirement linked with the full funding of the SFRA creates an economic consequence for legislators who fail to comply

with this requirement. If the funding gap is not addressed through these options, recalibrating weights will only serve as a technical exercise on paper. The formula and its funding must proceed together.

VII. CONCLUSIONS

The issue of educational inequality in the United States is not primarily an issue related to schools but rather is an issue of housing presenting consequences for education. The geography where schools receive funds was formed by the practice of redlining, restrictive covenants, exclusionary zoning and federal disinvestment which has created a geographical landscape that supports systemic inequity through institutionalized structures that continue into the present day. As demonstrated in the case of *Abbott v Burke* and the Mount Laurel Doctrine, while there have been some legal mandates by the courts for a more equitable distribution of funds and for the use of inclusionary zoning to raise based on where one starts, neither has addressed the root residential structure and will remain as only partial solutions.

Measuring from all three options, expanding and enforcing inclusionary zoning (with proximity to high-quality schools) is the most effective direct approach because it targets the mechanism that creates segregated neighborhoods rather than just the downstream effects of that segregation on education; and uses the existing Mount Laurel framework in New Jersey as the legal and

institutional foundation to support this approach (Fair Share Housing Center). While both boundary change and SFRA recalibration need to occur in conjunction with one another, without integrated housing, both boundary change and SFRA will continue to exist only as "patchwork" solutions. The goal is not just to redistribute resources across the segregated system in a more equitable way but rather to dismantle the residential geography that makes the system segregated, such that the address of a child no longer determines their life chances.

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