

Urban planning researcher finds relationship between underfunded public schools and corporate tax breaks

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Use of corporate tax breaks to spur economic development appears to be connected with public school underfunding, said Dr. Christine Wen,

Texas A&M assistant professor of urban planning, in her recently published study that examined the relationship between business incentives and school finances in nine U.S. states.

"Overall, school district funding systems that are associated with smaller sums of corporate tax breaks are better off than districts with greater ones," said Wen. Adding to the concern is that the latter tend to have higher concentration of disadvantaged students.

A divide exists between [economic development](#) boosters, who see these tax breaks as a pathway to [economic prosperity](#), and coalitions that look to increase education equity, said Wen.

"Supporters argue that communities are better off with the new investment and job growth induced by corporate tax incentives, while opponents argue that the costs/benefit distribution of these incentives often result in higher tax impacts on lower income households—the ones that can least afford it," said Wen, whose paper was recently [published](#) in *Economic Development Quarterly*.

Even though Wen examined nearly all school district [financial statements](#) in the country for 2019, she limited the analysis to nine states, in part because a uniform standard for reporting tax break data doesn't exist.

"There is little standardization or structure in tax break reporting formats to allow for large-scale digital data retrieval," said Wen. "Many places in other states underreport the fiscal costs."

With this new data, Wen created four statistical models that assessed how tax breaks relate to [school](#) district revenue and spending.

These models showed that where corporate tax breaks are higher, there

are lower property tax revenues per student in public schools, less spending on teacher salaries, and more severe underfunding.

Wen said her research lays a foundation for future studies.

Additional studies would benefit from multi-year data collection, while a more geographically expansive dataset would require local governments' adoption of more rigorous reporting standards, she said.

More information: Christine Wen, Do Economic Development Tax Abatements Affect School Finances?, *Economic Development Quarterly* (2023). [DOI: 10.1177/08912424231174836](https://doi.org/10.1177/08912424231174836)

Provided by Texas A&M University

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