

**Upstate, Downstate:
Western New York Schools Will Benefit from School
Funding Reform**

Prepared by the Public Policy and Education Fund of New York

March 12, 2001

Upstate, Downstate: Western New York Schools Will Benefit from School Funding Reform is the third in a series of reports the Public Policy and Education Fund will be releasing on the impact of the Campaign for Fiscal Equity decision on school districts throughout the state.

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All of the data in this report relating to the impact of the Midstate proposal on Western New York school districts was provided by the Midstate School Finance Consortium. We are grateful to Larry Cummings and Midstate for developing their proposal, and for sharing their research and data with us.

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Introduction

A landmark State Supreme Court decision issued on January 10, 2001 could have an enormous positive impact on the quality of education for children across New York State. In his decision in *Campaign for Fiscal Equity v. State of New York* (the "CFE decision"), Judge Leland DeGrasse affirmed the constitutional right of every child in New York State to receive a sound basic education, and ordered the New York State Legislature to establish a new state education funding formula by September of 2001. The new formula must provide enough resources to every school to give every child in New York State a sound basic education. **The Public Policy and Education Fund is releasing this report to illustrate the beneficial impact the court decision could have on school children in Western New York.** This is the third in a series of reports the Public Policy and Education Fund will release on the impact of the CFE decision on schools throughout the state.

This report uses the school aid formula proposed by the Midstate School Finance Consortium as an example of what the Legislature could do to implement the CFE decision. The Midstate School Finance Consortium is comprised of more than 200 school districts in 27 upstate New York counties. Midstate has developed an approach to revising the funding formula that closely tracks the mandates in the Judge's decision. The Midstate Proposal allows us to analyze how implementation of the court decision might effect school funding. **Under Midstate's formula, nine out of ten Western New York districts would receive increased state aid, and the amount of state school aid to the four counties combined would increase 22%, providing an additional quarter of a billion dollars annually to area children and the regional economy.**

The Public Policy and Education Fund (PPEF) is a member of the Alliance for Quality Education ("AQE"), a new coalition of over one hundred organizations dedicated to a quality education for all children, which collectively have hundreds of thousands of members throughout the state; AQE has a local chapter and a significant number of endorsing organizations in the Western New York region. PPEF is not endorsing the Midstate formula, or any specific formula. Until the Legislature completes the "costing out" of a sound basic education as required by the Judge's decision, we will not know what level of per pupil spending is necessary. Once the cost of a sound basic education is established, PPEF and AQE are open to considering a variety of approaches to creating a new formula. Meanwhile, PPEF views the Midstate Proposal as a step in the right direction, and an excellent example of the type of formula that would meet the requirements of the court decision. The Proposal is used in this report to illustrate that a formula that addresses the court decision will have to provide increased state aid to most districts across the state rather than just New York City.

Background: The Campaign for Fiscal Equity Court Decision

[T]he present funding system does not deliver resources adequate to meet students' needs because it is not set up to do this; the system has no mechanism at all to assess need. Despite being a complex collection of nearly 50 disparate formula and grants purporting to relate to spending, the system no longer distributes education aid on any rational basis. Instead, it serves primarily to support a long-standing political deal that each year allocates to New York City and other parts of the state a set percentage of any increase in

state education aid, no matter the actual needs or cost of educating students. Campaign for Fiscal Equity statement.¹

On January 10th, 2001, State Supreme Court Judge Leland DeGrasse shook up the education world in New York State by ruling that the state's system of financing education was unconstitutional.² Judge DeGrasse ordered the State Legislature to restructure the state education financing system by September 15th, and directed the parties to report their progress in achieving this goal by June 15th.³ Ruling in *Campaign for Fiscal Equity v. State of New York*, the Judge held that the education funding system in the state violated the "Education Article" of the New York State Constitution, which requires the state to provide all children with a "sound basic education",⁴ as well as federal regulations prohibiting racial discrimination in programs funded by the federal government, including schools.⁵

The Judge was responding to voluminous evidence presented in the case that schoolchildren in New York City were not receiving a "sound basic education," a term that he defined to "consist of the foundational skills that students need to become productive citizens capable of civic engagement and sustaining competitive employment." The Judge found that New York City schools did not provide for many critical educational needs of children, making it difficult if not impossible for children to learn. He established seven key components of a sound basic education, and required that the state provide the resources to enable school districts to meet these goals:⁶

1. Sufficient numbers of **qualified teachers**, principals and other personnel.
2. **Appropriate class sizes.**
3. **Adequate and accessible school buildings** with sufficient space to ensure appropriate class size and implementation of a sound curriculum.
4. Sufficient and **up to date books, supplies, libraries, educational technology and laboratories.**
5. **Suitable curricula**, including an expanded platform of programs to help at risk students by giving them "more time on task."
6. Adequate resources for students with **extraordinary needs.**
7. A **safe orderly environment.**

The Alliance for Quality Education believes that it is **critical to examine the impact of this decision for all of the state's children.** We are particularly concerned about inaccurate

¹ Special Report: The Trial Court's Decision, Campaign for Fiscal Equity, Inc. (January 2001) (available on CFE's website at the following address: www.cfequity.org).

² The decision in *CFE v. State* and a summary of the decision may be obtained by visiting the Campaign for Fiscal Equity's website at the following address: www.cfequity.org.

³ The Governor has recently appealed this decision. As this report goes to press, the courts must rule as to whether the decision will be "stayed", a term that means delaying the effect of a court decision while an appeal is pending.

⁴ NY Const. Article XI, § 1.

⁵ 34 CFR § 100.3[b][1], [2].

⁶ *Campaign for Fiscal Equity v. State of New York*, Decision and Order, January 10, 2001.

media reports suggesting that the decision, resulting from a lawsuit brought by students, parents and organizations from New York City, would only benefit that community. As this report demonstrates, nothing could be further from the truth. As Judge DeGrasse himself stated in his opinion: "[While] this action has focused principally on how the current system affects New York City... **any remedy will necessarily involve the entire state.**"

Given that children in communities throughout the state face the same problems (shortages of qualified teachers, inadequate buildings, school overcrowding, and out-of-date textbooks) documented for New York City through the CFE litigation, the Legislature needs to increase funding to districts across the state to meet the constitutional requirement of providing every child with a sound basic education.

The backdrop of this report is Judge DeGrasse's order that the Legislature determine the actual costs of providing a sound basic education in districts around the State, as a first step in reform of the education funding system. PPEF believes that the data in this report illustrates convincingly that once the true costs are determined in a rational way, the overwhelming majority of schoolchildren from throughout the state will benefit from the CFE decision.

Midstate School Finance Consortium School Aid Proposal

In order to determine the impact of the CFE decision throughout the state, PPEF used the data contained in a proposal developed by the Midstate School Finance Consortium, a coalition of 218 school districts in 27 upstate New York counties with an above average proportion of rural and poor communities (the "Midstate Proposal").⁷ Midstate members share the concerns of the Public Policy and Education Fund that poorer upstate rural school districts often have not received their fair share of school aid increases. In response, Midstate developed a simple school aid formula to achieve the goals of "fairness for all children, equity for all taxpayers, and a school aid formula with predictability."⁸ We do not yet know how the Legislature will choose to change the current formula, but the Midstate Proposal provides one approach. Their model formula allows us to determine the impact across the state of a formula that provides each district with a minimum level of per pupil spending.

The Midstate Proposal would replace the present 58-page inequitable and chaotic school aid "formula" with a simplified new method of determining school aid that provides for greater equity between wealthy and poor districts, and places a greater emphasis on the true costs of educating children in each district. In summary, the Midstate Proposal calculates aid for each district by:

- applying a **"sound basic education" funding level** of \$8,176 for each pupil in the district, adjusted to reflect local costs;

⁷ The proposal was originally put forth in 1999. An updated Midstate Proposal was released in December 2000 (based on State Education Department data from May 15, 2000); this updated data was used in this report. For more information on Midstate and the Midstate Proposal, visit their webpage at: www.midstateonline.org.

⁸ By using the data contained in the Midstate Proposal, PPEF is not at this time endorsing the proposal as the sole or definitive method of restructuring the state education formula. Midstate's Proposal provides an excellent example of how the Legislature could implement the CFE decision, and illustrates the statewide impact of the court decision.

- calculating "**extraordinary needs aid**" to reflect the higher cost of educating students who come from families of below-average wealth, have limited English language skills and/or are living in sparsely populated areas;
- promoting **tax fairness** by a formula that ensures that communities throughout the state make an equal minimum tax contribution to their local schools; and
- protecting districts from being penalized by the new aid formula by a **guarantee that no district will receive less aid under the new formula than under present law.**⁹

Moreover, the Midstate Proposal meets many of the essential mandates of the CFE decision concerning the methodology to be used in determining the new school aid formula including ensuring that every school district has the resources necessary for providing the opportunity for a sound basic education, taking into account variations in local costs, and providing as much transparency as possible so that the public may understand how the State distributes school aid.¹⁰ It is thus a useful model for the Legislature to begin with in its efforts, mandated by the CFE decision, to examine the present school aid formula. Further, the Proposal is a useful gauge of whether mandated changes in the school aid formula would only aid one region of the state.

Findings

A new, fair formula that provides enough resources to provide a sound basic education to every child in New York State would be particularly helpful for children in Western New York. Under the Midstate Proposal, Western New York Schools would see the following benefits:

- **In the four Western New York counties covered by this report,¹¹ nine out of ten school districts (90% of all Western New York districts) would receive increased state aid under the Midstate Proposal;** that's 62 out of 69 districts. The remaining 7 districts (10%) would stay at their current level of funding, due to the feature of the proposal guaranteeing that no district will receive less aid under the new formula than under present law. **See chart 1.**
- **In every Western New York county, at least three-fourths of the districts would receive increased state aid.** In Erie County, every one of the 28 school districts would receive an increase. **See charts 1 and 2.**
- **The amount of state school aid to the four counties combined would increase 22%,** providing an additional \$265 million annually to area children and the regional economy. **See charts 1 and 3.**

⁹ See Appendix A, which contains a sample page from the Midstate Proposal, for an example of how Midstate would calculate school aid increases as proposed, and Appendix B, which is a worksheet developed by Midstate on how to calculate school aid for a district under the Midstate Proposal.

¹⁰ See Appendix C, which is a comparison of the court mandates contained in the CFE decision with the features of the Midstate Proposal.

¹¹ In this report, we have defined Western New York as a four county area comprising: Cattaraugus, Chautauqua, Erie and Niagara counties.

- **Erie County would receive a 26% increase in state aid** and Niagara County would receive a 18% increase, followed by Chautauqua (14%) and Cattaraugus (12%) counties. **See charts 1 and 3.**
- **The Buffalo city school district would receive a \$59 million increase in state aid, or 18%.** Jamestown would receive a 14% increase, Niagara Falls would receive a 15% increase, and Olean and Lockport would each receive a 28% increase. **See chart 4.**

No one can predict with certainty the final economic impact of the Campaign for Fiscal Equity decision on any single school district, because there are numerous factors that the Legislature may take into account in determining any new school aid formula. However, the Midstate Proposal illustrates that if every child is provided with a "sound basic education" in accordance with the requirements of the New York State Constitution, children throughout New York State and in Western New York will benefit.

Conclusion and Recommendations

This brief summary of the Midstate Proposal and its relationship to the CFE decision illustrates that meaningful school reform does not require that we pit children or taxpayers from different regions against each other. Everyone in the state has an interest in revising the outmoded and inequitable school aid formula. It is essential that the Legislature enact real reform in the 2001 session rather than cosmetic changes. **Every delay by the State delays the funding our schools need to provide every child with the quality education they deserve.**

In this regard, we note that the Governor's "Flex-Aid" proposal, and proposed increase in school aid of \$382 million of a \$14.1 billion budget does not correct the fundamental problem of educational inadequacies. "Flex-Aid", as its name suggests, enables school districts to use existing funding more flexibly; however, the Governor's proposal does not address the fundamental issue of adequate funding identified by the CFE decision. Further, \$382 million is far too little to meet even the immediate needs of our schools: this figure is \$1.1 billion less than if the present school aid formula were simply applied and school districts received previously mandated increases.¹² **Now is the time to increase investment in education, not move backwards.**

The Governor and the Legislature must act now to meet the deadlines in the CFE decision. The responsible course is not to wait and cynically hope that the decision will be overturned on appeal, but to do the right thing this session and rectify the problems with the state education formula, as mandated by the Court. As a first step towards this goal, we recommend that both houses of the Legislature take immediate steps to determine the cost of providing a sound basic education, and to develop alternate approaches to the formula. Appointment of an expert panel, as recommended by the Campaign for Fiscal Equity, is a positive way to move

¹² See Statistical and Narrative Summary of the Executive Budget: Fiscal Year April 1, 2001 to March 31, 2002, State of New York (the "Yellow Book"), Assembly Ways and Means Committee, New York State Legislature, January 2001.

forward. Rapid implementation of the CFE decision is the best way to provide every child with the quality education they deserve.

The Public Policy and Education Fund also believes that the Legislature must take certain steps this session, irrespective of its approach to the CFE decision. All of our proposals involve matters where the educational need is not subject to dispute,¹³ where the positive educational outcomes that will result are demonstrable, and where the Legislature itself has previously agreed that increased funding is necessary: **smaller class sizes, teacher training, adequate buildings, and early childhood programs**. PPEF therefore advocates these legislative changes this session, in addition to immediate implementation of the CFE decision:

- full funding of the class size reduction and universal pre-kindergarten initiatives in the LADDER (Learning, Achieving and Developing by Directing Education Resources) program at the appropriation levels agreed to in the 1997 State Budget Accord;
- significant increases in funding for teacher training and development to help prepare teachers across the state to teach to the new standards and to ensure that every child receives a quality education; and
- authorizing the State Dormitory Authority to do borrowing on behalf of individual school districts, to address the debt limit problem faced by the "Big 5" school districts, and the high transaction costs of small borrowings for smaller districts.

Now is the time to fundamentally reform education in New York State. New York State cannot afford to let this generation of children grow up without the level of education necessary to achieve competitive employment and a decent quality of life. Simply put, **our children can't wait for a quality education.**

¹³ See Background Facts: All Children Deserve Small Class Sizes, AQE, September, 2000; Background Facts: All Children Deserve to Be Taught By a Qualified Teacher and School Leader, AQE, September, 2000; Background Facts: All Children Deserve Sufficient Room to Learn in a Safe and Modern Classroom, AQE, September 2000; Background Facts: All Children Deserve the Benefits of Early Childhood Education Programs, AQE, September 2000.

CHART 1: WESTERN NEW YORK COUNTY SUMMARY

COUNTY	CURRENT STATE AID* (with save harmless)	MIDSTATE'S TOTAL AID	INCREASE IN STATE AID with Midstate	PERCENT INCREASE STATE AID	Total # School Districts	# of Districts With Increase in State Aid	% of Districts With Increase in State Aid
CATTARAUGUS	\$130,964,693	\$146,836,985	\$15,872,292	12%	13	10	77%
CHAUTAUQUA	\$181,496,280	\$207,385,862	\$25,889,582	14%	18	15	83%
ERIE	\$708,980,547	\$894,992,226	\$186,011,679	26%	28	28	100%
NIAGARA	\$208,711,250	\$245,995,112	\$37,283,862	18%	10	9	90%
TOTAL	\$1,230,152,770	\$1,495,210,186	\$265,057,416	22%	69	62	90%

*without small cities and rescue aid

CHART 2: % OF DISTRICTS IN EACH COUNTY THAT WILL RECEIVE MORE STATE AID

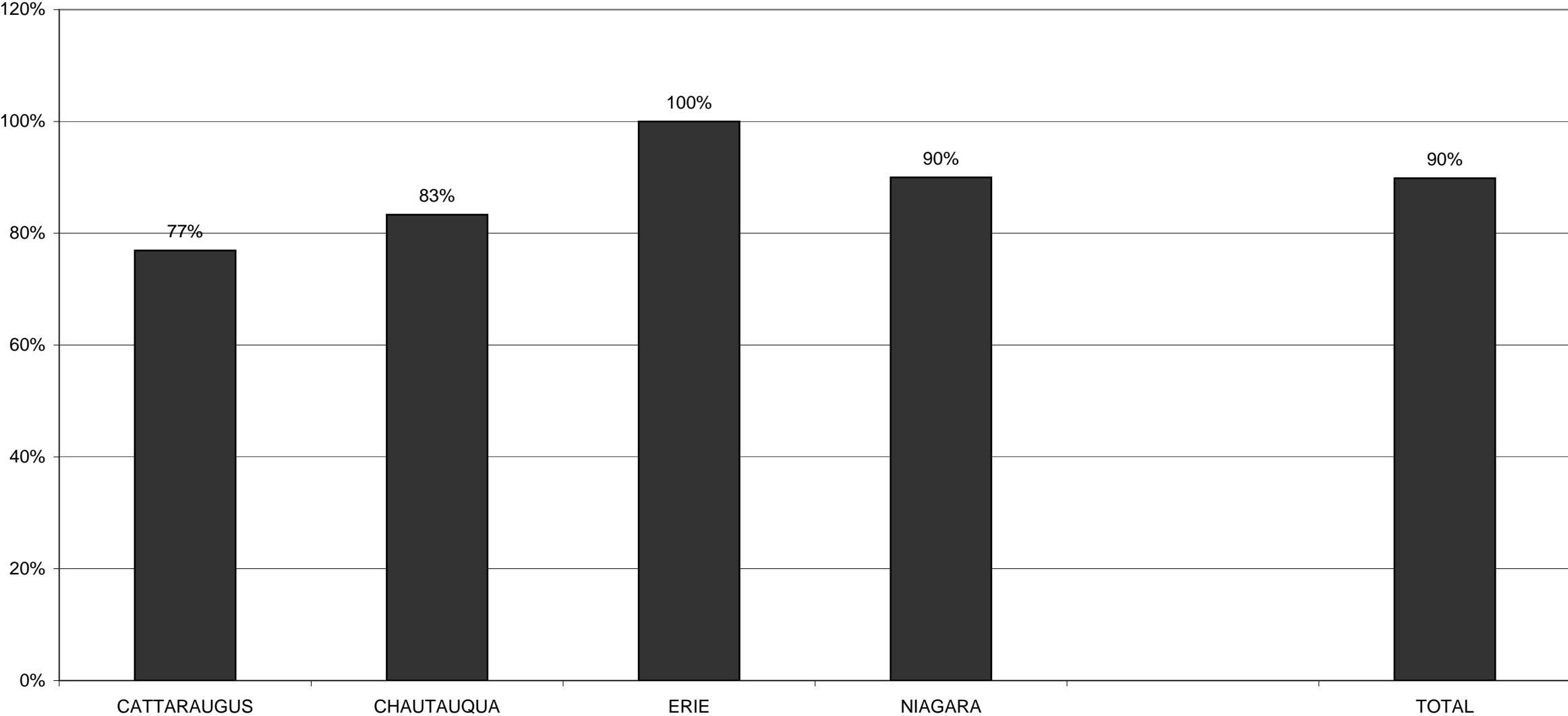


CHART 3: PERCENT INCREASE IN AMOUNT OF STATE AID

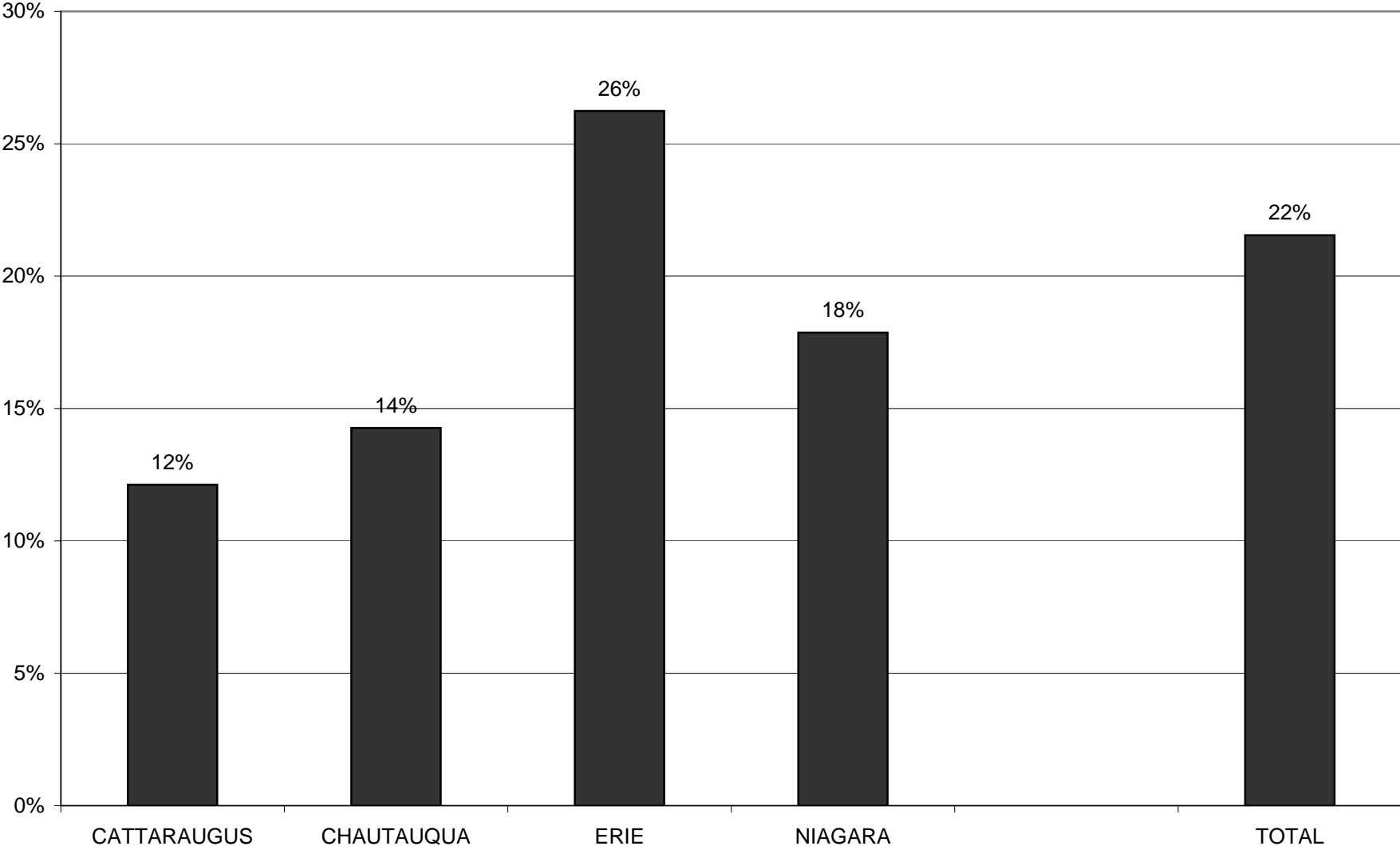


CHART 4: WESTERN NEW YORK SCHOOL DISTRICTS, Page 1 of 2

County	District Name	CURRENT* STATE AID (with save harmless)	MIDSTATE'S TOTAL AID	INCREASE IN STATE AID with Midstate	PERCENT INCREASE IN STATE AID
CATTARAUGUS	WEST VALLEY	\$4,135,969	\$4,585,932	\$449,963	11%
	ALLEGANY-LIMES	\$16,532,773	\$16,736,972	\$204,199	1%
	ELLCOTTVILLE	\$3,091,911	\$3,091,911	\$0	0%
	FRANKLINVILLE	\$9,812,053	\$11,071,017	\$1,258,964	13%
	HINSDALE	\$4,859,523	\$5,386,010	\$526,487	11%
	LITTLE VALLEY	\$3,941,116	\$3,941,116	\$0	0%
	CATTARAUGUS	\$7,353,570	\$7,353,570	\$0	0%
	OLEAN	\$14,937,050	\$19,144,345	\$4,207,295	28%
	GOWANDA	\$10,072,085	\$10,844,715	\$772,630	8%
	PORTVILLE	\$8,069,927	\$10,158,227	\$2,088,300	26%
	RANDOLPH	\$11,506,849	\$11,909,981	\$403,132	4%
	SALAMANCA	\$12,211,464	\$14,385,953	\$2,174,489	18%
	YORKSHRE-PIONE	\$24,440,403	\$28,227,237	\$3,786,834	15%
CHAUTAUQUA	SOUTHWESTERN	\$9,791,060	\$12,302,288	\$2,511,228	26%
	FREWSBURG	\$8,406,786	\$10,063,577	\$1,656,791	20%
	CASSADAGA VALL	\$9,917,075	\$12,251,824	\$2,334,749	24%
	CHAUTAUQUA	\$17,725,906	\$17,725,906	\$0	0%
	PINE VALLEY	\$8,394,277	\$9,868,707	\$1,474,430	18%
	CLYMER	\$3,887,654	\$3,887,654	\$0	0%
	DUNKIRK	\$14,503,110	\$14,503,110	\$0	0%
	BEMUS POINT	\$3,873,165	\$4,513,225	\$640,060	17%
	FALCONER	\$8,103,366	\$10,423,486	\$2,320,120	29%
	SILVER CREEK	\$9,559,904	\$11,293,729	\$1,733,825	18%
	FORESTVILLE	\$4,264,558	\$5,319,135	\$1,054,577	25%
	PANAMA	\$5,765,771	\$7,563,150	\$1,797,379	31%
	JAMESTOWN	\$46,383,582	\$52,928,408	\$6,544,826	14%
	FREDONIA	\$9,290,268	\$11,401,263	\$2,110,995	23%
	BROCTON	\$6,078,588	\$6,392,773	\$314,185	5%
	RIPLEY	\$3,738,665	\$3,871,844	\$133,179	4%
	SHERMAN	\$4,740,094	\$5,278,460	\$538,366	11%
WESTFIELD	\$7,072,451	\$7,797,322	\$724,871	10%	
ERIE	ALDEN	\$10,145,478	\$13,349,891	\$3,204,413	32%
	AMHERST	\$7,303,577	\$12,579,973	\$5,276,396	72%
	WILLIAMSVILLE	\$25,492,150	\$44,182,328	\$18,690,178	73%
	SWEET HOME	\$16,372,568	\$17,557,261	\$1,184,693	7%
	EAST AURORA	\$5,367,784	\$7,617,345	\$2,249,561	42%
	BUFFALO	\$324,067,414	\$383,420,172	\$59,352,758	18%
	CHEEKTOWAGA	\$6,373,139	\$7,203,518	\$830,379	13%
	MARYVALE	\$11,272,870	\$13,606,071	\$2,333,201	21%
	CLEVELAND HILL	\$8,884,800	\$11,024,102	\$2,139,302	24%
	DEPEW	\$13,271,291	\$15,478,463	\$2,207,172	17%
	SLOAN	\$7,077,537	\$8,381,309	\$1,303,772	18%
	CLARENCE	\$12,789,983	\$17,670,745	\$4,880,762	38%
	SPRINGVILLE-GR	\$13,023,365	\$17,329,589	\$4,306,224	33%
	EDEN	\$8,543,288	\$11,574,429	\$3,031,141	35%
	IROQUOIS	\$11,364,629	\$15,444,081	\$4,079,452	36%
	EVANS-BRANT	\$21,096,270	\$25,695,621	\$4,599,351	22%
	GRAND ISLAND	\$11,274,132	\$15,436,713	\$4,162,581	37%
	HAMBURG	\$16,604,319	\$23,398,015	\$6,793,696	41%
	FRONTIER	\$22,798,999	\$32,862,737	\$10,063,738	44%
HOLLAND	\$9,174,671	\$11,309,956	\$2,135,285	23%	

CHART 4: WESTERN NEW YORK SCHOOL DISTRICTS, Page 2 of 2

County	District Name	CURRENT* STATE AID (with save harmless)	MIDSTATE'S TOTAL AID	INCREASE IN STATE AID with Midstate	PERCENT INCREASE IN STATE AID
	LACKAWANNA	\$14,046,181	\$14,315,635	\$269,454	2%
	LANCASTER	\$22,120,214	\$27,890,556	\$5,770,342	26%
	AKRON	\$11,058,127	\$14,016,237	\$2,958,110	27%
	NORTH COLLINS	\$5,728,796	\$6,209,684	\$480,888	8%
	ORCHARD PARK	\$19,983,355	\$28,532,252	\$8,548,897	43%
	TONAWANDA	\$12,381,728	\$16,089,804	\$3,708,076	30%
	KENMORE	\$28,576,506	\$39,640,247	\$11,063,741	39%
	WEST SENECA	\$32,787,376	\$43,175,492	\$10,388,116	32%
NIAGARA	LEWISTON PORTE	\$11,115,721	\$11,436,244	\$320,523	3%
	LOCKPORT	\$29,926,355	\$38,301,816	\$8,375,461	28%
	NEWFANE	\$12,237,488	\$15,484,243	\$3,246,755	27%
	NIAGARA WHEATF	\$22,915,125	\$25,948,851	\$3,033,726	13%
	NIAGARA FALLS	\$66,002,107	\$76,209,240	\$10,207,133	15%
	N. TONAWANDA	\$28,564,871	\$33,994,589	\$5,429,718	19%
	STARPOINT	\$11,425,874	\$14,342,455	\$2,916,581	26%
	ROYALTON HARTL	\$10,890,032	\$13,481,452	\$2,591,420	24%
	BARKER	\$4,429,948	\$4,429,948	\$0	0%
	WILSON	\$11,203,729	\$12,366,272	\$1,162,543	10%

* (without Small Cities Aid and Rescue Aid)