

“It’s not just that the funding is inadequate, but that the distribution of aid is not logically related to the various districts’ need and their ability to pay for education,” said Frank Mauro of the Fiscal Policy Institute who completed the data analysis for the report.

“No Funding, No Fairness” The State of Our Schools 2004

INTRODUCTION

This October 4, 2004 report, written by the Public Policy and Education Fund, examines what really happened to state school aid in 2004-05, the school year that followed the state Court of Appeals’ landmark June 2003 *Campaign for Fiscal Equity (CFE)* decision.

We looked at the funding in 2004-05 from two broad perspectives: the increases in state aid provided to school districts throughout the state, and the critical issue of adequate funding underlying *CFE*: the need to base state aid on the relative needs of children in school districts around the state, and on the relative ability of districts to raise revenue.

In order to address the adequacy issue, we compared the increase in education aid actually provided by the Governor and the Legislature for the 2004-05 school year (\$475 million) with the amount of increased state aid that would be necessary to provide children with their constitutional rights: the \$2.1 billion recommended by the “Sound Basic Education Task Force” (“SBE Task Force”) created by the Campaign for Fiscal Equity. The \$2.1 billion figure is the best benchmark we have available for how a rational and fair state funding formula would allocate our state aid dollars, as the proposal resulting from the Task Force, the *Adequate Foundation for All Plan*, was designed to fully comply with the requirements of the *CFE* decision. We call the percentage difference between what a school district would have received in the 2004-05 school year under the Task Force plan and what it actually received the “constitutional funding gap.”

In *CFE v. State*, New York State’s highest court held that New York City schoolchildren had been denied a “sound, basic education” in violation of the Education Article of the state constitution. In response, the Court of Appeals ordered the Governor and the Legislature by July 30, 2004 to: (i) determine the “actual cost” of providing a sound, basic education in New York City, (ii) ensure that every school has the resources necessary for providing the opportunity for a sound, basic education, and (iii) ensure a system of accountability to measure whether the reforms actually provide this opportunity.

The *CFE* lawsuit was in part a response to the overarching deficiencies in New York State’s education funding “formula,” which have been recognized for 30 years by state commissions, educational advocates, and now, the courts. The present system is extraordinarily “unfair to pupils and taxpayers in school districts with lower than average revenue-raising capability and/or higher than average needs... fails to provide adequate consideration to students with special needs; and does not recognize regional and/or local cost differences.”

METHODOLOGY

This study compares the amount of formula-based or computerized aid in the enacted 2004-05 state budget to the CFE *Adequate Foundation for All Plan* for 680 school districts in the state. For the enacted state budget, we use data from the State Education Department's "school aid runs." The "runs" use two measures: "Total School Aid," and a smaller number, that is used as the basis for this study: "State Aid for Basic Educational Operations," or simply "Operating Aid."¹ The Operating Aid figure excludes from Total School Aid a number of items (building aid, BOCES, transportation, full day kindergarten, special services, reorganization incentive aid, and growth aid) which either fluctuate widely or are otherwise unrelated to the amount actually available for school operations.

The Operating Aid figure is used in this study to compare school aid in enacted budgets with school aid figures proposed in the CFE *Adequate Foundation for All Plan* as a means of determining the extent that the state aid actually provided compares with a solid plan that addresses the requirements of the CFE decision and the state constitution.

In order to determine the distribution of Operating Aid increases throughout the state for 2004-05, this study also aggregates the district-by-district data in regard to Operating Aid increases based on three standard school district measures used by the State Education Department (SED): (i) SED Need/Resource Categories (SED classification of districts by ability to meet the needs of their students with local resources); (ii) numbers of students eligible for free and reduced price lunch (a measure of poverty); and (iii) the "combined wealth ratio (CWR)" (measure of a combination of the income and property wealth in any particular school district). This study also aggregates certain data by county.

SUMMARY OF FINDINGS

In light of the CFE decision, the annual fight over the 2004-05 state budget began with some hope of reforms to the system of unequal school funding in the state. However, the 2004 legislative session ended in monumental failure with a small increase in school aid and no fundamental reform of the state's irrational and unfair school aid formula.

1. School districts statewide received \$1.7 billion (78%) less of an Operating Aid increase than they would have received had the first year of the CFE *Adequate Foundation for All Plan* ("CFE Proposal" or "CFE Plan") been implemented. New York's local school districts received an Operating Aid increase of \$475.4 million, or 4.3% in the 2004-05 school year. Under the CFE Plan, they would have received a \$2.1 billion increase in 2004-05, as first step in a four-year plan. This amounts to a "constitutional funding gap" of 78%.² A constitutional funding gap is the percentage difference between what a school district should have received in the 2004-05 school year under the CFE Proposal and what it actually received in the enacted budget.

- ✓ New York City and 55 of the 57 counties in the rest of state all had constitutional funding gaps. The only exceptions were Hamilton County with 549 students and Putnam County with 17,103 students.
- ✓ Each of the state's five biggest cities had constitutional funding gaps. New York City had a funding gap of 76.9%, Buffalo, 75.0%, Rochester, 71.0%, Syracuse, 69.0%, and Yonkers, 68.3%

¹ This study uses the terms "State Aid for Basic Educational Operations" and "Operating Aid" interchangeably. As explained in the full report, since "Total State Aid" contains additional items such as building aid that do not reflect the funds available for school districts for basic school operations, we consider the Operating Aid measure the more appropriate one for the purpose of comparisons. The Total School Aid Increase for 2004-05 was \$740.5 million, or 5.3%.

² The plan CFE only proposed to give school districts in 2004-05 roughly 25% of the incremental increases they would have needed in 2004-05 to meet the requirements of the state constitution.

2. **Despite the CFE court order mandating that a greater share of state school aid dollars be distributed to needy school districts, the additional aid in the enacted budget was not distributed to school districts based on the relative student needs of each district. Nor was this additional aid distributed on the basis of the relative ability of the various districts' taxpayers to pay for education.**

○ ***Free and Reduced Price Lunch Measure (Poverty):***

- The wealthiest 20% of school districts (Poverty Deciles 9 & 10, encompassing the 136 school districts in the state with the lowest percentages of poor children) received Operating Aid increases of 3.7% and 3.2%, a larger increase than the school districts in Poverty Deciles 2 through 8 (whose increases ranged from 1.8% to 3.1%). (Poverty Decile 1, which includes New York City, received a 5.7% increase.)

○ ***SED "Need/Resource Category" Measure (SED Classification Based on School District Taxpayers' Ability to Pay for Education Relative to the Needs of the Children in Their District's Schools):***

- The five biggest cities in the state, all "high-need" districts, individually and collectively received higher funding increases than the state average of 4.3%. New York City (its own need/resource category) received an increase of 5.8%, and the "Big Four" Cities (Buffalo, Rochester, Syracuse and Yonkers), received an average increase of 6.6%.
- However, the "high-need" districts in the state other than the "Big 5" collectively did worse than the state average. The 43 high-need urban and suburban districts other than the Big 5 received a 3.6% increase, and the 159 high-need rural districts received a 3.2% increase = both less than the state average of 4.3%.
- The 135 districts with the most wealth relative to their student need (*i.e.*, the SED "Low-Need/Resource Category") collectively received a 3.5% increase -- similar to what the poor urban and suburban districts received (3.6%).
- Average-need districts received the smallest increase, a 2.3% increase.

3. **Under the CFE Plan, the distribution of aid would have been radically different, and the overwhelming majority of districts would have received greater funding than in the enacted budget.**

- ✓ A comparison between the 2004-05 enacted budget and the first year of CFE Proposal -- a plan that rationally directs state funding based on student needs and district capacity -- reveals that the enacted budget did not direct the additional funding based on relative student needs in each district and the relative ability of district taxpayers to pay for education. High-need and average-need districts suffered from a "constitutional funding gap." However, wealthy districts generally fared better off under the enacted budget than they would have fared had the CFE Plan been enacted: a "negative" constitutional funding gap.

○ ***Free and Reduced Price Lunch Measure (Poverty):***

- Each of the 8 deciles (each decile has 10% of the total districts) with the most needy children had a large "constitutional funding gap." The gap ranged from 68% (Poverty Decile 8) to 88% (Poverty Deciles 3, 4, 5, 6). The wealthiest 10% of school districts received 10% more on average in the 2004-05 budget than they would have received under the CFE Proposal, and the second wealthiest 10% received 65% more.

○ ***SED "Need/Resource Category" Measure (SED Classification Based on School District Taxpayers' Ability to Pay for Education Relative to the Needs of the Children in Their District's Schools):***

- Only the 135 "low-need" districts fared better under the enacted budget than they would have under the CFE Plan, collectively receiving 6.9 times the increase (\$23.0 million versus \$2.9 million) or 688.2% more than they would have received under CFE.
- The high-need districts as a whole had a constitutional funding gap of 77.9%, slightly higher than the state average.
- Average-need districts had a gap of 82.4%.

CONCLUSION

What this report found is extremely disturbing, but not surprising: the state continued to shortchange its school districts in 2004, particularly its “high-need” districts, despite a landmark court decision calling for a reversal of these trends. We found in this report that school districts statewide received \$1.7 billion less in Operating Aid this year than they would have received under the CFE proposal: a constitutional funding gap of 77.7% statewide.

Secondly, the state in 2004-05 utterly failed to address the mandate of the Court of Appeals. The additional aid provided by the Legislature in the enacted budget was not distributed to school districts based on the relative student needs of each district. Nor was this additional aid distributed on the basis of the relative ability of the various districts’ taxpayers to pay for education. For example, our analysis showed that the 207 “high-need” districts in the state -- districts with larger proportions of poor and other needy children -- had a “constitutional funding gap” of 77.9%, slightly higher than the state average. Funding for poorer districts shouldn’t be keeping pace with the rest of the state. We should be closing the funding gap for these districts.

This report debunks several common myths. Perhaps most prominent is the myth that only a small number of districts, or limited regions of the state, would benefit from funding reform. Our analysis demonstrates that 55 of the 57 counties in the state, in addition to New York City, would have received more state education funding if the CFE Plan had been enacted than they actually received in 2004-05. Even the limited number of districts that would not receive higher funding under the CFE Plan would not be cut, due to the “save harmless” feature in the Plan providing that no district would receive less funding than the year before the Plan was enacted.

And despite the efforts by some to portray the funding battle as a clash of cities versus suburbs and rural areas, our study found that high-need rural districts had the second highest constitutional funding gap of any of the six categories of school districts established by SED. Even wealthier suburban downstate counties had significant constitutional funding gaps, although not as great as most upstate counties. Average-need districts would also benefit from funding reform in the form of significantly increased state aid. Although the *CFE* lawsuit was undoubtedly motivated by the shortchanging of “high-need” districts, a rational legislative resolution of the case would financially assist the overwhelming majority of schoolchildren in the state.

Acknowledgements

This report was written by Bob Cohen of the Public Policy and Education Fund, Inc. (PPEF) based on data, tables, and charts provided by Frank Mauro, the Executive Director of the Fiscal Policy Institute (FPI).

PPEF supports community organizing, research, and public education on issues of concern to low and moderate income New Yorkers. FPI is a nonpartisan research and education organization that focuses on a broad range of tax, budget, economic and related public policy issues that affect the quality of life and economic well-being of New York State residents. Both PPEF and FPI are members of the Alliance for Quality Education.

The Alliance for Quality Education (AQE), is a coalition of over 230 organizations statewide dedicated to ensuring that the constitutional right to a quality education becomes a reality.

The full report is available on the AQE & PPEF websites.
www.allianceforqualityeducation.org / www.ppefny.org

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