

What the Commission Report Doesn't Say

John Yinger

The Maxwell School, Syracuse University

Presentation prepared for a conference titled "Right Makes Might: Working Together to Ensure Students' Right to a Sound Basic Education Now and for the Future," sponsored by the Campaign for Educational Equity, Thursday, January 23, Latham NY.

What the Commission Report Doesn't Say

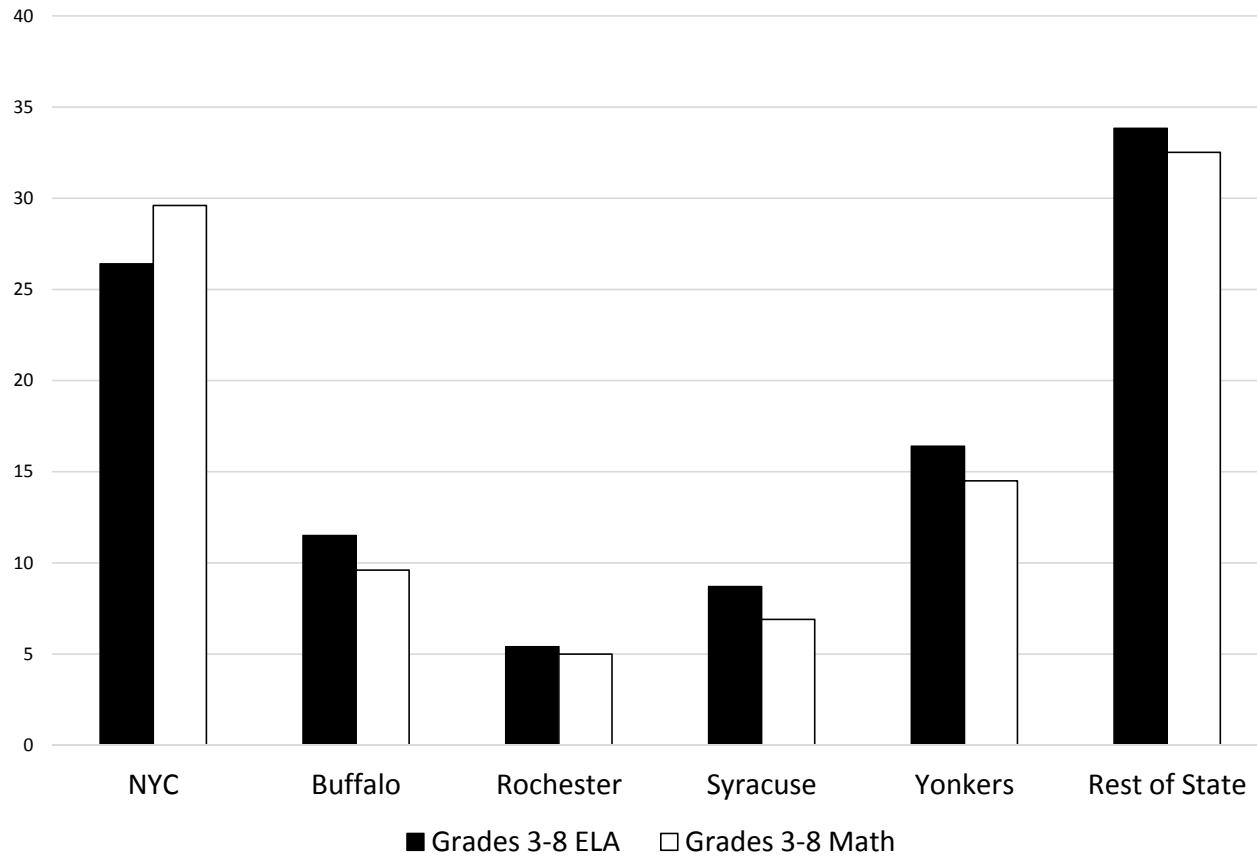
- When it came to the biggest issue of all, education finance, the New York Education Reform Commission stated the right principle, but punted on solutions:
 - “Whether we are spending too little or too much on public education in New York, the Commission believes the state should ensure that education funding is distributed in the most equitable manner possible. Simply put, **the Commission believes state funding should be driven to the highest-need districts—those students and communities that need it the most.** The state must ensure that this equalizing principle is addressed within the current funding formulas. We call upon the Governor and the Legislature to promptly review and address these issues and remedy remaining imbalances in the allocation of state funding of public education.”
- So let's review some basic facts.

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- **A large share of the students in our high-poverty schools clearly fail to receive a meaningful high school education—the constitutional standard established by the state's highest court.**
 - In 2013, 34% of the students outside the big cities passed the new ELA tests in grades 3 to 8 and 33 percent passed the new math tests; in Rochester, however, the passing rate was only 5 percent on both tests, and it was not much higher in Buffalo and Syracuse.
 - The high school graduation rate outside big cities is 80 percent, but falls below 50 percent in each of the Upstate Big Three. Below 50 percent!!! Does that sound like a meaningful high school education to you!?

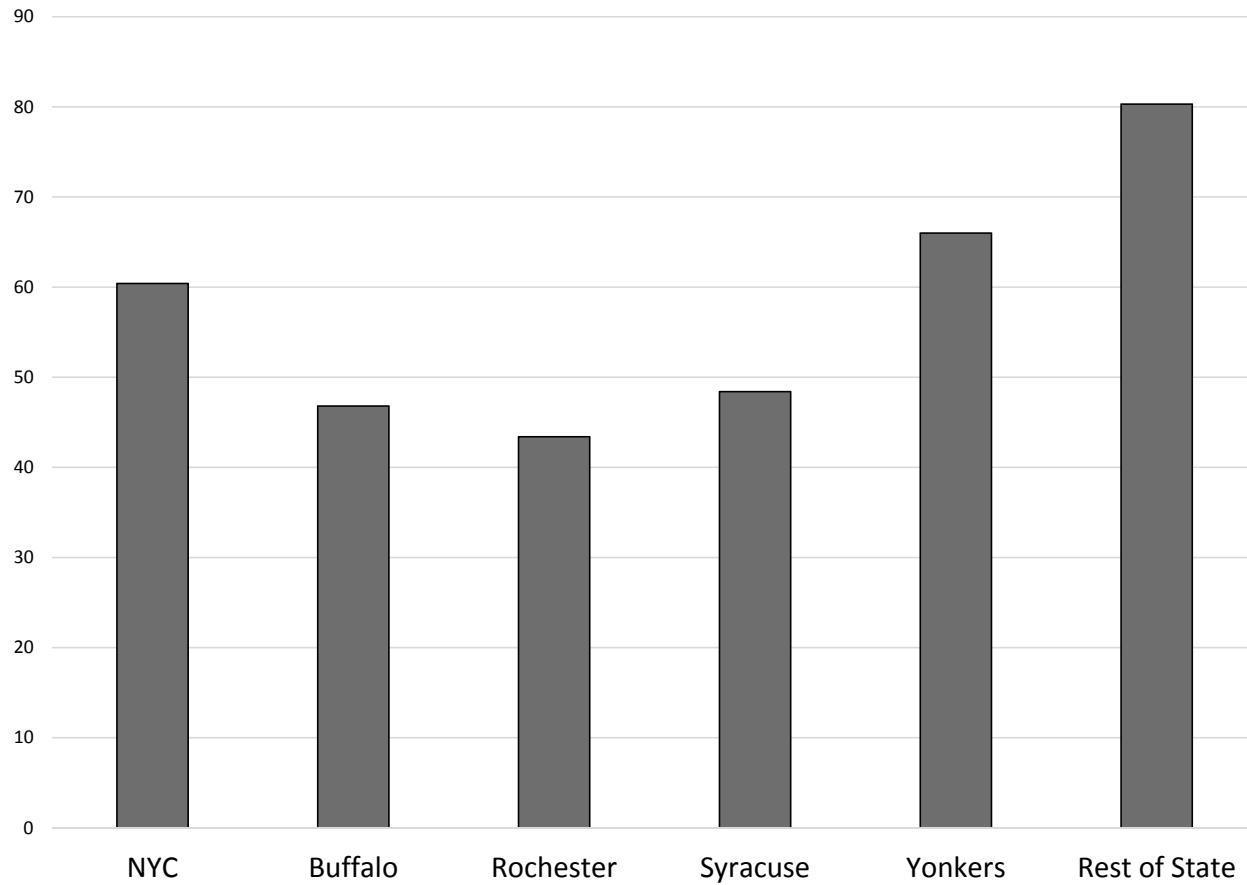
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Figure 1. Proficiency Rates in Various New York School Districts, 2013



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Figure 2. Graduation Rates in Various New York School Districts, 2012

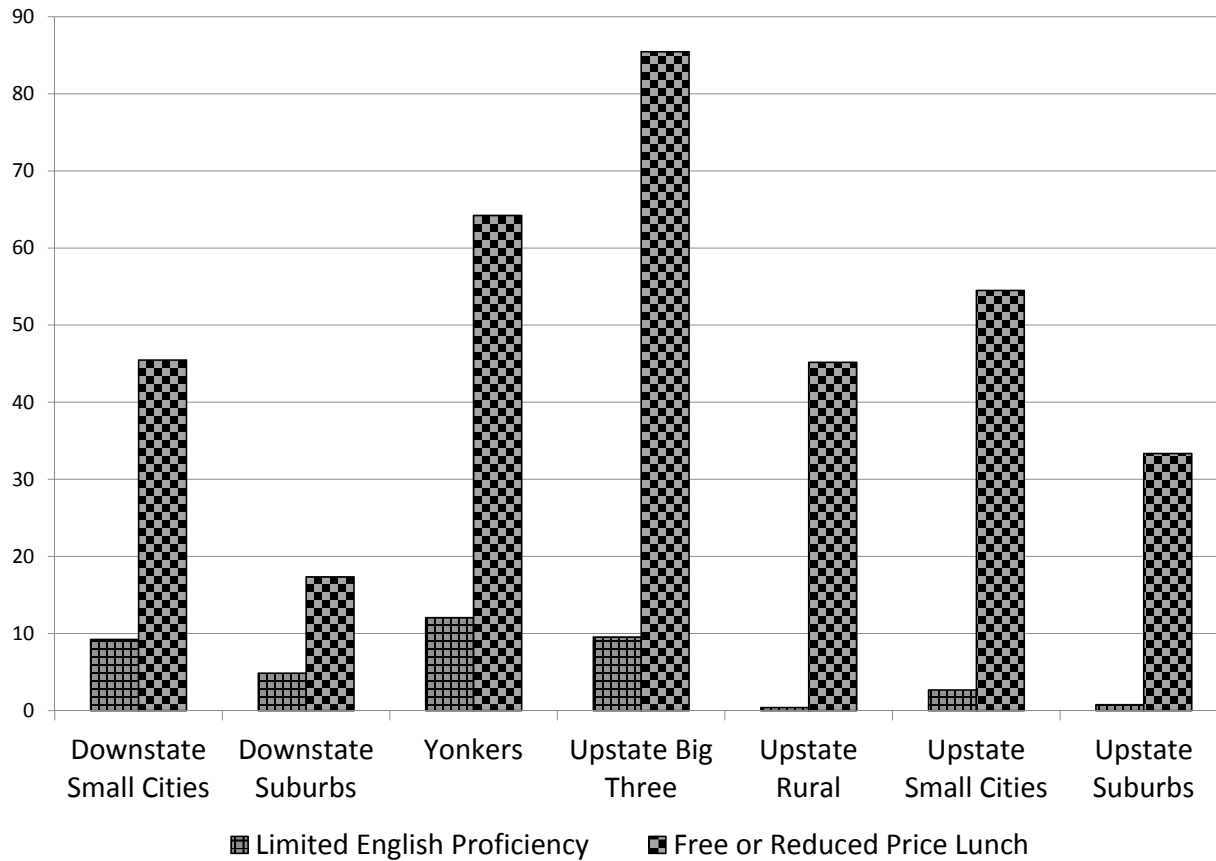


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- **Funding inequities make a major contribution to the poor performance and high dropout rates in high-poverty schools.**
 - A huge academic literature shows that high-poverty schools must spend substantially more than low-poverty schools to achieve the same student performance; higher spending is not sufficient, of course, but it is necessary.
 - Many scholars have also shown that New York falls far short of other states in the extent to which it gives high-poverty districts the aid they need to meet expected performance standards.
 - Courts in New York have accepted the principle that state aid must account for the higher costs of disadvantaged students.

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Figure 3. Concentrations of At-Risk Students, 2010-2011 (Percent)

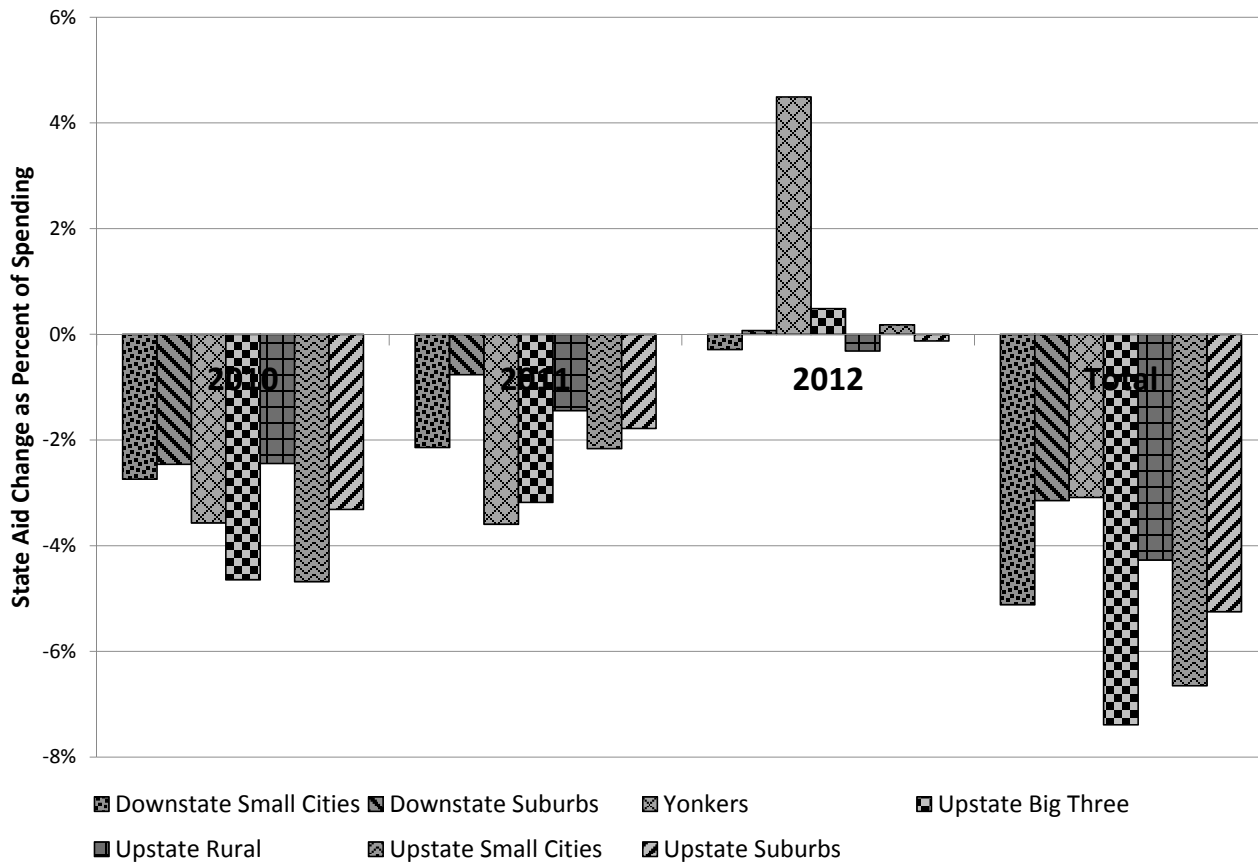


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- In 2007, the state's elected officials passed an education aid reform plan that was designed to extend to the whole state the constitutional principles established in the CFE case for New York City, including accounting for the higher costs of disadvantaged students.
 - When the recession arrived in 2009, the phase-in of this program was slowed and then halted.
 - Moreover, these aid reforms were then undone by the so-called Gap Elimination Adjustment (GEA) starting in 2009.
 - **Thanks to the GEA, the percentage cut in overall school funding from 2010-2012 was over twice as high for the Upstate Big Three (7.4%) as for the downstate suburbs (3.2%).**

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Figure 4. State Aid Cut-Back, 2010-2012



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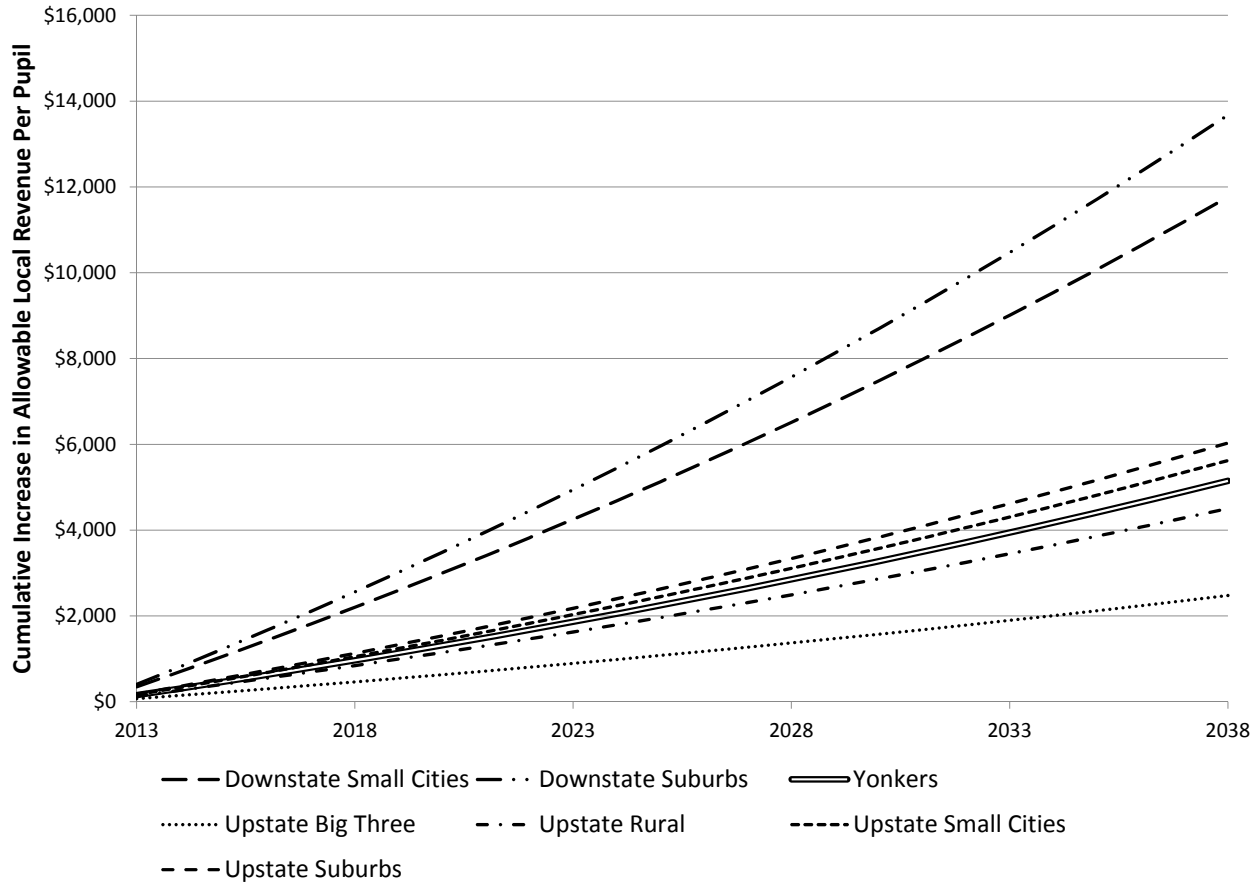
- **Despite claims to the contrary, New York State can afford to meet its constitutional obligation to ensure a meaningful high school education for all students.**
 - It is true that New York State spends a lot of money on education, but the reason we spend so much money is that our elected officials are committed to helping all school districts, not just those that fall short of the state's constitutional standard.
 - If our elected officials want to give money to districts in which student test scores and high school passing rates are already high, that's fine, but they should not then be allowed to claim that the State cannot afford to meet its constitutional obligations.
 - If our elected officials insist on linking the increase in state aid to the increase in the state's personal income, then the only way for them to meet their constitutional obligations is to shift the state aid budget away from wealthy districts toward those in greatest need.

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- **New York State has also added a major new source of inequity, namely the property tax cap, which limits property tax levy growth to 2% per year.**
 - In New York, as in most states, wealthier districts collect much more property tax revenue per pupil than do poor districts.
 - With the new tax cap, a rich district collecting \$30,000 per pupil, as some of our rich districts do, will be allowed to increase its property tax collections by \$600 per pupil per year, whereas the Upstate Big Three, which collect \$3,700 per pupil, will only be allowed an increase of \$74.
 - Over the next 25 years the average downstate suburb will be allowed to raise its property tax revenue per pupil by almost \$14,000, but the Upstate Big Three will only be able to raise their revenue per pupil by about \$2,000.
 - If we don't do something about this, the State's constitutional violations will only grow and grow and grow.

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Figure 5. Allowable Local Revenue Increases Under the Tax Cap

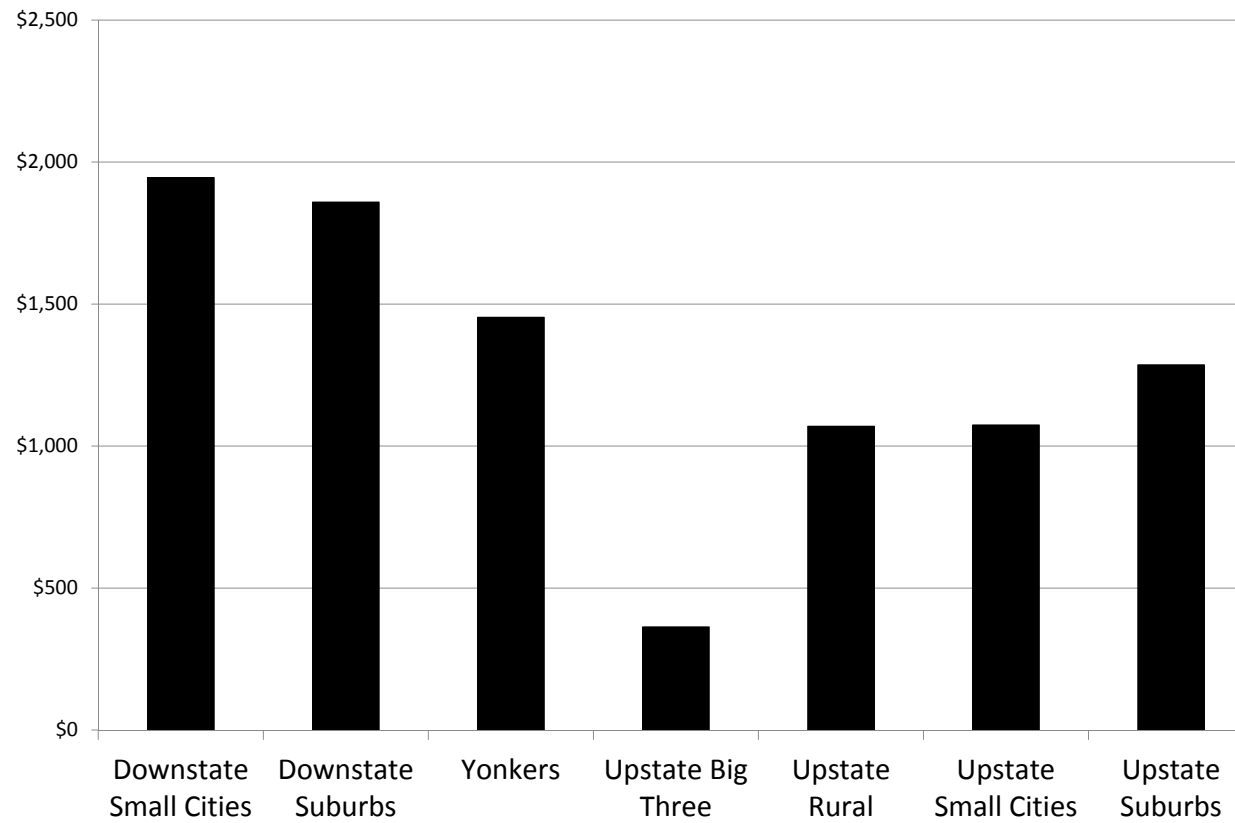


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- **New York also spends billions of state taxpayer dollars on property tax relief plans that magnify existing inequities.**
 - The \$3.3 billion spent every year on STAR property tax exemptions are focused on homeowners in wealthy counties and exclude renters; as a result, STAR payments per pupil are over 5 times as high in downstate small cities and suburbs as in the Upstate Big Three.
 - The proposed \$1 billion to compensate homeowners for increased property taxes, so long as they stay within the new tax cap, just magnifies the state's educational finance inequities; in the example just given, this plan would give \$600 per year to a homeowner in a very wealthy district, but only \$74 to a homeowner in the Upstate Big Three.

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Figure 6. STAR Payments Per Pupil, 2011-12



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- Despite all these problems, I see a few glimmers of hope.
- First, the Governor's Executive Budget implicitly indorses a return to the 2007 foundation aid formula. To be specific, the budget calls for a \$608 million increase in formula-based school aid, and **“Most of the allocated increase is provided through a \$323 million partial restoration of the Gap Elimination Adjustment (GEA).”**
 - With these dollar amounts, it would take a very long time to reach the aid promised by the 2007 foundation aid formula—and hence a very long time to bring the state into compliance with its constitutional principles.
 - But at least the principle is correct: **New York needs to get rid of the GEA and return to the 2007 formula!**

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- **Second, the Executive Budget calls for the state to pay for universal, full day pre-K statewide—with funding outside the foundation formula.**
 - Well-designed pre-K programs have been shown to be effective in boosting student performance, particularly for disadvantaged students, and this proposal for New York State to pay for them—to the tune of \$1.5 billion over five years—is certainly a step in the right direction.
 - Some of the costs of new pre-K facilities also would be covered by the \$2 Smart Schools Initiative Bond Act, assuming that it passes.

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- **In addition to restoring the 2007 formula and implementing universal pre-K, what should New York do?**
 - Seriously debate the possibility of cutting aid to low-need school districts until the constitutional violations in the state's education finance system are eliminated.
 - Remove the provision that gives higher STAR exemptions in wealthier counties and use the \$1.5 billion annual savings to help fund the aid 2007 formula.
 - Forget about the bizarre proposal to spend \$1 billion compensating homeowners, particularly those in wealthy school district, for raising property taxes—and spend the money to help fund the 2007 aid formula.
 - Eliminate the severe unfairness in the new tax cap by expressing it as a percentage of the baseline spending amount in the foundation aid formula—not of the property tax levy.

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- Finally, I want to emphasize that all the citizens of New York State are losers when so many of our children fail to receive a meaningful high school education.
 - This is a complicated world, and all of our citizens need a meaningful high school education to participate fully in their state and local governments and their communities.
 - This is a competitive world, and all of our citizens need at least a meaningful high school education to have productive careers, regardless of their line of work.
 - **New York simply cannot afford to operate with one of the nation's least equitable education finance systems—a system that leaves so many of our young people behind.**

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- **Note:** All figures are based on data available at the New York State Education Department web site: <http://www.nysed.gov> .