



HOW THE SENATE MAJORITY SCHOOL FUNDING FORMULA SHORTCHANGES HIGH NEEDS STUDENTS

**A Report by the Alliance for Quality Education and
the Campaign for Fiscal Equity**

March 23, 2007

With data analysis, charts and graphs prepared by the

Fiscal Policy Institute

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SUMMARY OF KEY FINDINGS

- The Senate plan seriously undercuts Governor Spitzer's objective of extending educational excellence to students in struggling school districts. Overwhelmingly the Senate formula would transfer future increases in school aid from poor districts to wealthy districts in every region of the state.
- By adding a few paragraphs to the Governor's foundation funding proposal, the Senate Majority plan fundamentally alters the outcomes of the funding formula. In order to maintain Long Island "shares" it is necessary for the Senate to add \$211 million in additional aid this year that phases up to \$1.2 billion by 2010-11. By doing so the Senate masks the redistributive impacts of their formula changes.
- The Governor's plan would distribute new foundation aid through a formula based upon student need while guaranteeing an increase for every district. Governor Spitzer's new formula clearly prioritizes the needs of high needs students. This formula, which would be in place for the next generation of students, delivers 79.3% of new school aid to high needs districts, 19% to average need districts and 1.7% to wealthy districts.
- The Senate Majority substantially cuts the proportion of school aid for high needs districts to 66%. Most of this cut in future aid would be transferred to wealthy districts. The Senate would increase the proportion for wealthy districts from 1.7% to 10.5%.
- All five of the Big 5 Cities (Buffalo, New York, Rochester, Syracuse and Yonkers) would lose future aid increases under the Senate plan. Seventy-four percent of high need small cities and suburbs, 57% of high need rural districts and 52% of average need districts would also lose under the Senate plan. Among wealthy (or low need) districts 82% would gain. On balance wealthy districts gain and high needs districts lose.
- The same trend of who gains and loses is replicated on Long Island raising questions about whether the Senate Majority's articulated priority of Long Island "shares" are fairly distributed among school districts within Long Island. In fact 80% of needy districts (8 of 10) on Long Island and 44% of average need districts lose future resources under the Senate plan, while 74% of wealthy Districts gain.
- The \$1.2 billion in new foundation aid added by the Senate by 2010-11 is distributed in almost the exact opposite manner as the aid proposed by the Governor. Out of the \$1.2 billion, 45% would go to wealthy districts, 41% would go to average need districts and only 14% would go to high need districts.
- Another way to look at the two funding formulas is the percentage increase in annual school aid received by each district. By this measure there is a dramatic difference between the Governor's formula and the Senate Majority's. The Governor's plan would provide the largest percentage increases (34.6% to 46.4%) to poor districts, medium increases (28.3%) to middle class districts and smaller, but still reasonable, increases (12.5%) to wealthy districts. The Senate plan would be just the opposite by offering staggering 95% increases to wealthy districts, and would provide increases to middle class districts in the same range as those offered to poor districts.

EDUCATION STALEMATE IN ALBANY REFORM VS. STATUS QUO

BACKGROUND INFORMATION

With Everyone Agreeing to Add So Much Money in New School Aid, Why is there such a log jam?

The debate is not primarily about how much money to add this year or next, it is about what will be the long range school aid formula that determines how school aid is divided over the next generation. Governor Spitzer has proposed a fundamental reform plan designed to deliver educational excellence to every student while the Senate Majority plan would simply preserve the status quo.

State Budget is Deadlocked on Long Island “Shares”

March 21, 2007 Senator Tom Libous, R-Binghamton told the *Albany Times Union Capitol Confidential* regarding a meeting he had with the Governor: “I basically shared with him the conference is very much together, that issues that were important to us are education and the continuation of shares on Long Island.”

March 22, 2007 *Newsday* reported that Deputy Senate Majority Leader Dean Skelos (R-Rockville Centre) told the governor yesterday that “the shares are sacred.”

March 22, 2007 *New York Times* reporting on state budget negotiations: “The biggest stalemate remains the Senate’s demand that Long Island get a larger share of new state education aid; the governor wants to give aid to districts judged to need it most, while Long Island Republicans want to maintain the traditional share of education aid that has been negotiated over past years.”

What is the “Shares” Agreement?

“Shares” is an informal political agreement that has fundamentally governed the distribution of state school aid in New York for more than a quarter century. Under the “shares” agreement, Long Island never gets less than 13% of school aid increases, New York City never gets more than 38.6% and the rest of the state gets whatever is left over. “Shares” exists at the insistence of Senators from Long Island and is a way to divide education funding based upon politics, not based upon the educational needs of students. In fact while “shares” ensures that Long Island gets a set share of total new school dollars there is nothing about “shares” that is designed to ensure that needy school districts on Long Island have the resources necessary to meet student needs. Ironically, “shares” actually shortchanges high needs school districts on Long Island itself.

“Shares” is not written into law, but it epitomizes what is wrong with the New York State school funding system. For years school aid has been widely recognized as the singularly most politically manipulated element of the entire state budget process. Why? Because of “shares.” There is no way to maintain set “shares” through a logical process based upon the educational needs of students. In fact, the longstanding tradition in Albany is that a wide array of complex and confusing school funding formulas are massaged and manipulated every year in order to ensure that “shares” is maintained. In the Campaign for Fiscal Equity lawsuit, the state’s highest court, the Court of Appeals, found that state leaders have traditionally first set the division of “shares” and then manipulated the formulas to back into a school aid distribution that achieved those “shares.”

What is the Purpose of Governor Spitzer's new School Funding Formula? What is Foundation Aid?

Governor Spitzer's proposal would add a massive infusion of new funding tied to accountability in order to increase student success. To ensure that we are raising graduation rates the Governor has introduced a fair foundation funding formula. Foundation aid covers the basic operating costs of classroom education. The Governor has prioritized investment in smaller classes, full-day pre-k, quality teaching and more student time on task through after school and extended year programs. The foundation funding formula sets a predictable method for school aid distribution. It consolidates over 30 formulas that have traditionally been manipulated to meet the political calculus of "shares" into one singular formula. The Governor attempts to take the politics out of school aid distribution by creating a new formula that distributes aid based upon student need. The State Assembly has adopted the Governor's plan.

How is the Senate Majority Formula Different from the Governor?

By changing only a few paragraphs in the Governor's proposal the Senate Majority would transform the Governor's foundation formula into one that is primarily designed to maintain "shares." Their formula would in essence lock "shares" into place in a way that would no longer require the annual manipulations of the formula. In order to obscure the long term impacts of this change the Senate has added \$211 million to the Governor's foundation formula this year, an amount that would phase up to \$1.2 billion in additional foundation funding over the next four years. By doing so, the Senate Majority is able to say that they are not taking any funding away from any district in comparison to the Governor's proposal. In fact, the changes the Senate made to the Governor's formula would fundamentally alter the division of the school aid pie. The Senate dramatically increases the proportion of total aid distributed to wealthy districts around the state, by doing so they achieve the Long Island "share." For the slice of the pie going to wealthy districts to get larger under the Senate plan, someone else's slice has to shrink. Under the Senate plan big losers are the Big 5 Cities, the vast majority of needy small cities and suburbs, and a majority of poor rural districts and middle class districts. This debate is not primarily about how much money any school district receives this year, it is about what the formula will be by which we divide the school aid pie for the next generation.

Dividing the School Aid Dollar

- **Graph 1—Governor Spitzer’s Plan**
- **Graph 2--Senate Majority Plan**

Dividing the School Aid Pie

- **Graph 3—Governor Spitzer’s Plan (Distribution of Increased Foundation Funding Under Governor Spitzer’s Foundation Formula)**
- **Graph 4—Senate Majority Plan (Distribution of Increased Foundation Funding Under Senate Majority Formula)**

Governor Spitzer has proposed fair formula funding reform that ensures that every education dollar is distributed on the basis of need this year and in the future. After years of *Campaign for Fiscal Equity (CFE)* litigation to move from a politically pre-determined distribution system based on regional “shares” to a needs-based formula, the Senate Majority’s education proposal locks in the very same “shares” system for another generation driving new investment to wealthy districts.

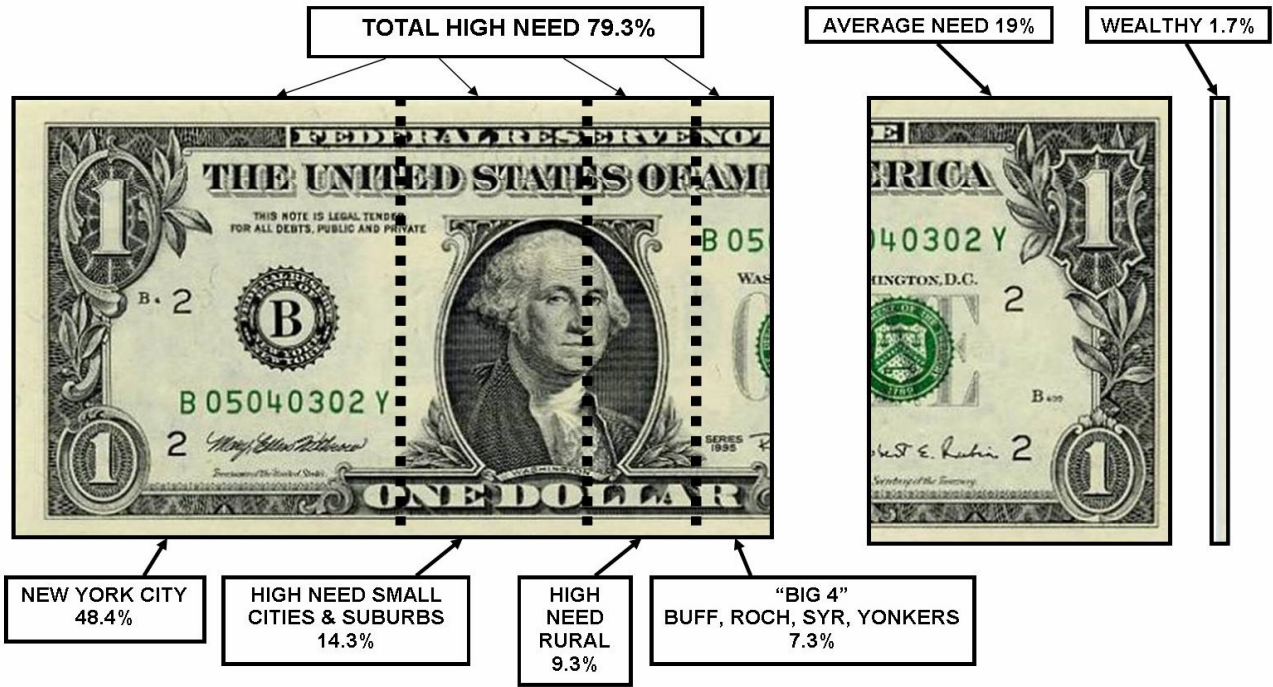
The core issue in this debate is no longer about the infusion of new money set in motion by the Governor, it’s about how we distribute each school aid dollar. An entire generation of students in need has received a substandard education since the beginning of the *CFE* litigation. Today’s choice as to whether we divide each education dollar through fair foundation funding reform or the status quo “shares” will determine whether or not New York State meets the needs of the next generation of students living in long under-funded school districts.

Graphs 1-4 contrast how the Governor and the Senate formulas would divide New York State’s education dollars with two sets of comparison charts: School Aid Dollar; School Aid Pie.

- In sum, Governor Spitzer’s foundation formula drives 79.3% to high needs districts, 19% to average need, and 1.7 % to the wealthy districts.
- The Senate Majority formula would shift future funding from high needs districts primarily to wealthy districts. The Senate Majority substantially cuts the proportion of school aid for high needs districts to 66%, while the largest portion of this cut would come from future aid for New York City, the Big 4 (Rochester, Buffalo, Syracuse and Yonkers), and high need small cities, suburbs and rural districts would all see their future aid increases reduced as well. Most of this cut in future aid would be transferred to wealthy districts. The Senate would increase the proportion for wealthy districts from 1.7% to 10.5%.

GOVERNOR SPITZER'S PLAN FOR DIVIDING THE SCHOOL AID DOLLAR

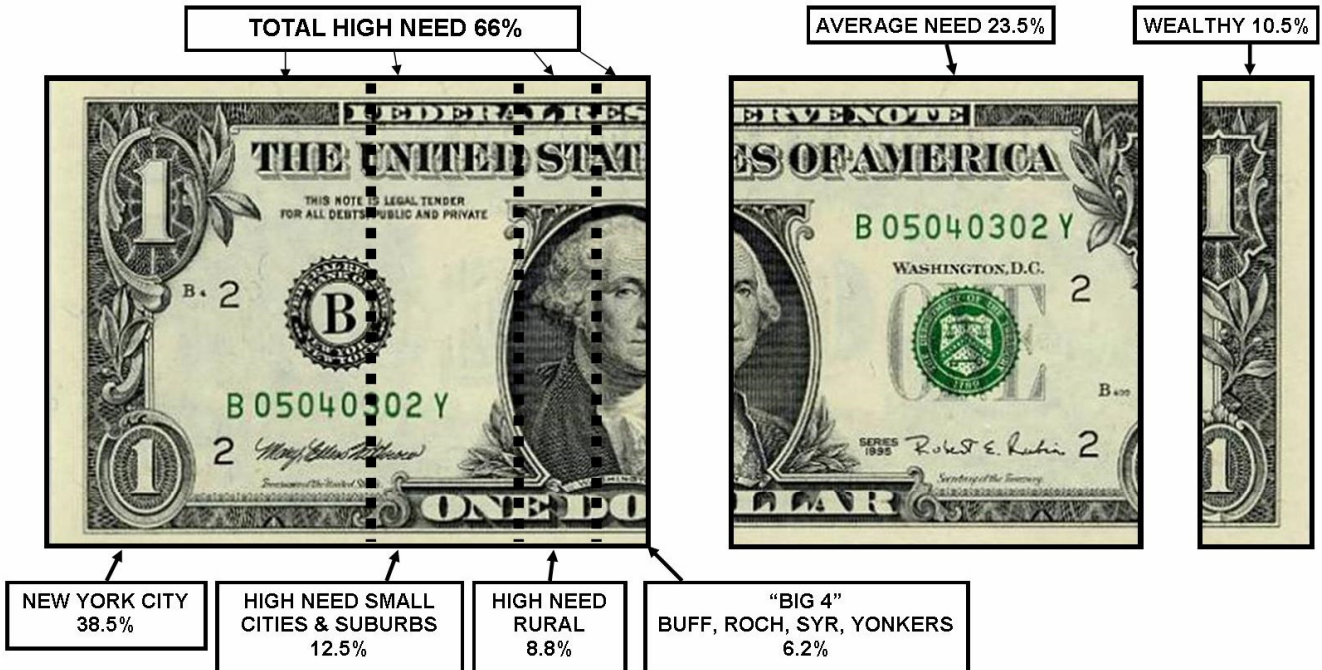
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Governor Spitzer has proposed a fair and equitable education funding plan that will ensure needy districts across the state get their fair share not only this year, but from now on. The Governor proposes a \$7 billion increase in total school aid statewide over the next four years with the majority of the investment going to high need urban and rural districts.

SENATE MAJORITY PLAN FOR DIVIDING THE SCHOOL AID DOLLAR

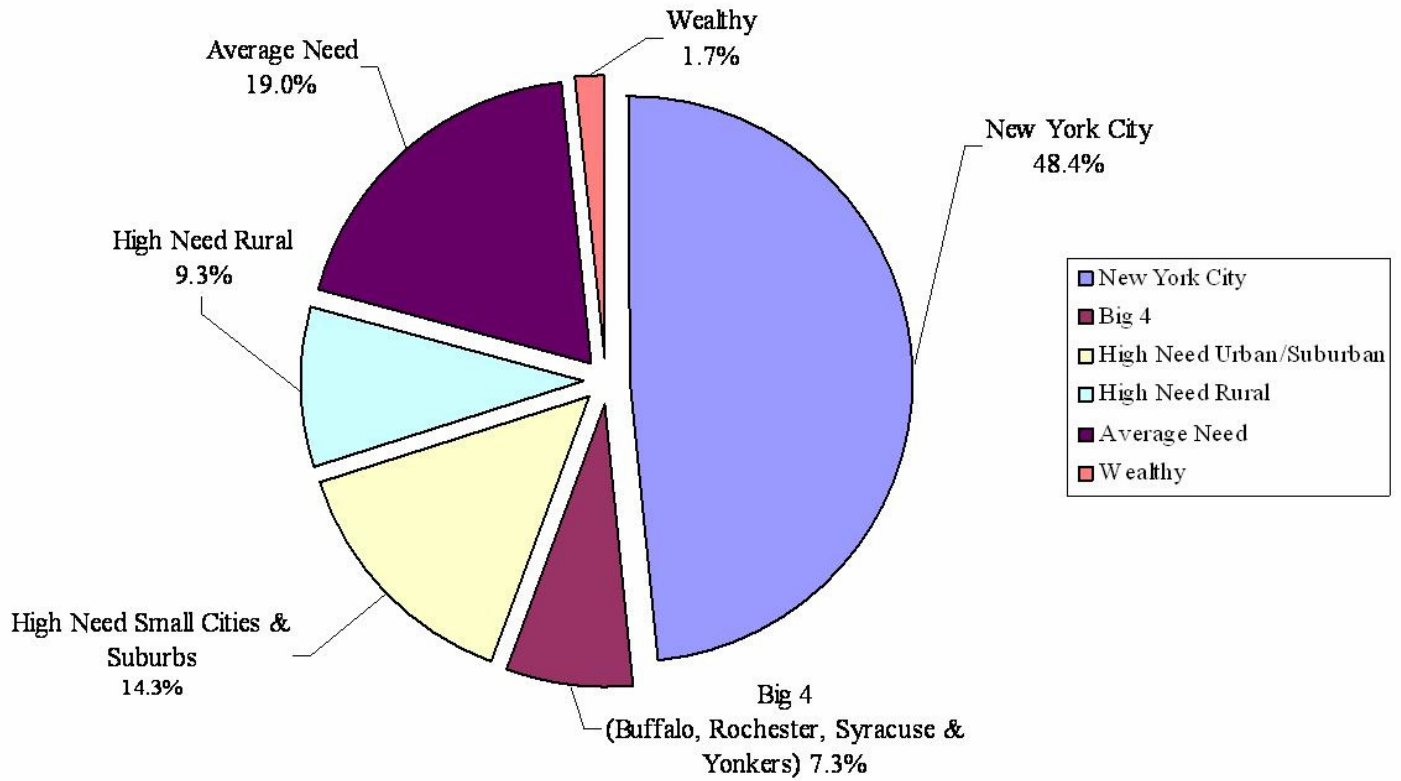
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The Senate Majority proposes to fundamentally change the Governor's fair foundation formula and replaces it with an unfair formula that favors wealthy districts at the expense of poor districts. This plan will permanently shortchange needy districts across the state.

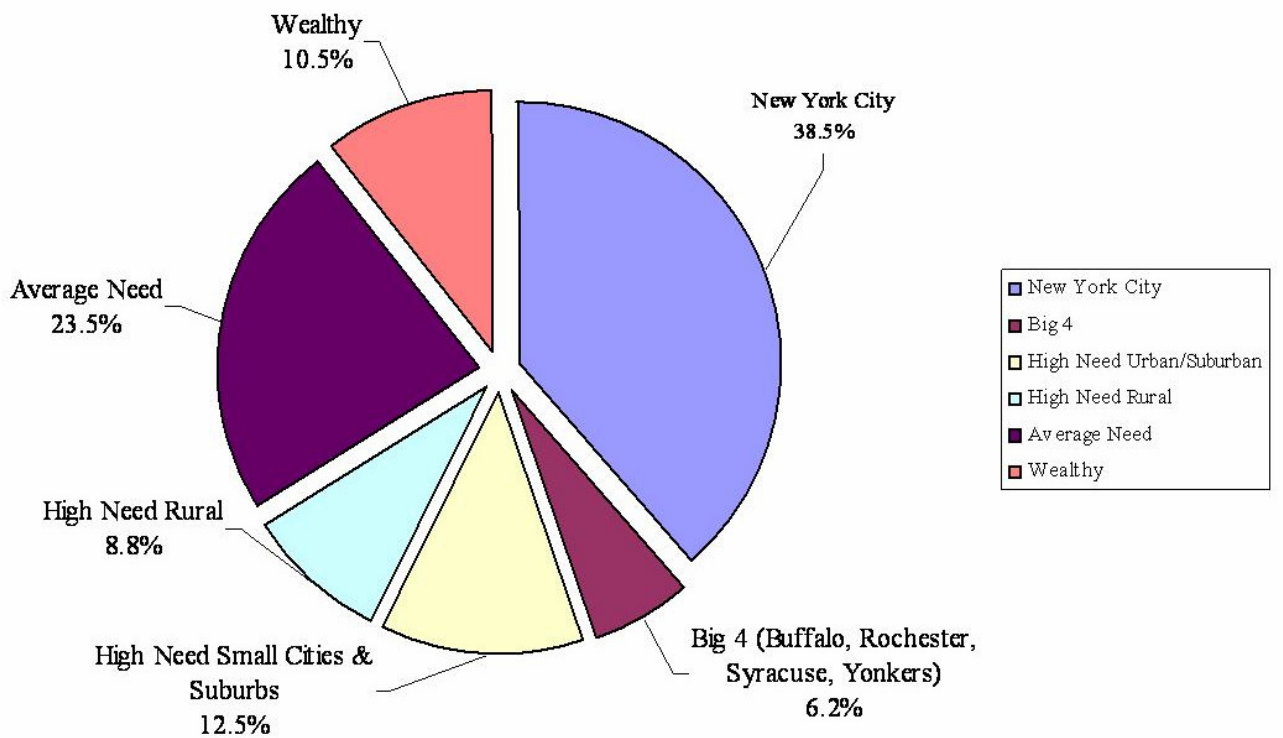
Distribution of Increased Foundation Funding Under Governor Spitzer's Foundation Formula

3



Distribution of Increased Foundation Funding Under Senate Majority Formula

4



School Districts that Lose and Gain Under Changes Made by the Senate Majority Formula to Governor Spitzer's Plan

- **Graph 5—Summary Tables**

- **Table 1—All Districts**

The Senate Majority Plan uses their foundation formula to redistribute the percentage share of funding away from high needs districts to wealthy districts. Graph 5 summarizes how each category of school district loses or gains based upon the Senate Majority changes to Governor Spitzer's formula.

- **Table 2--Long Island School Districts**

The Senate Majority has stated that maintaining Long Island "shares" is a central motivation driving their proposed formula. There is no question that the Senate plan would provide significant increases to Long Island, but these increases are not directed where the educational needs are the greatest.

Table 2 illustrates how Long Island school districts Senate fare under the Senate plan as compared to the Governor's plan—High Needs Districts are the lose resources under the Senate plan to enable wealth districts to gain resources.

Detailed List of Districts that Lose and Gain Sorted by County

- **Appendix**

This list shows that the Senate's Long Island "shares" formula system would hurt most high needs and average needs school districts in almost every region of the state. Multi-year impacts will compound as a result of the changes the Senate is promoting. If the Senate plan were adopted, needy school districts throughout the state would fall further and further behind with each passing year.

Summary of Who Loses & Who Gains

#5

Who Loses & Gains Statewide

	<u>Loses</u>		<u>Gains</u>	
	Total	Percent	Total	Percent
Big 5 Cities	5	100%	0	0%
High Need Small Cities & Suburbs	34	74%	12	26%
High Need Rural	89	57%	67	43%
Average Need	174	52%	163	48%
Wealthy	24	18%	109	82%

Who Loses & Gains on Long Island

	<u>Loses</u>		<u>Gains</u>	
	Total	Percent	Total	Percent
High Need Small Cities & Suburbs	8	80%	2	20%
Average Need	18	44%	23	56%
Wealthy	18	26%	52	74%

Senate Majority Adds Money to the Governor’s Budget through Formula Amendments That Lock in the Status Quo

- **Graph 6—Who Benefits from the Additional \$1.2 Billion in the Senate Majority’s “Foundation Plus” Proposal (Pie Chart)**

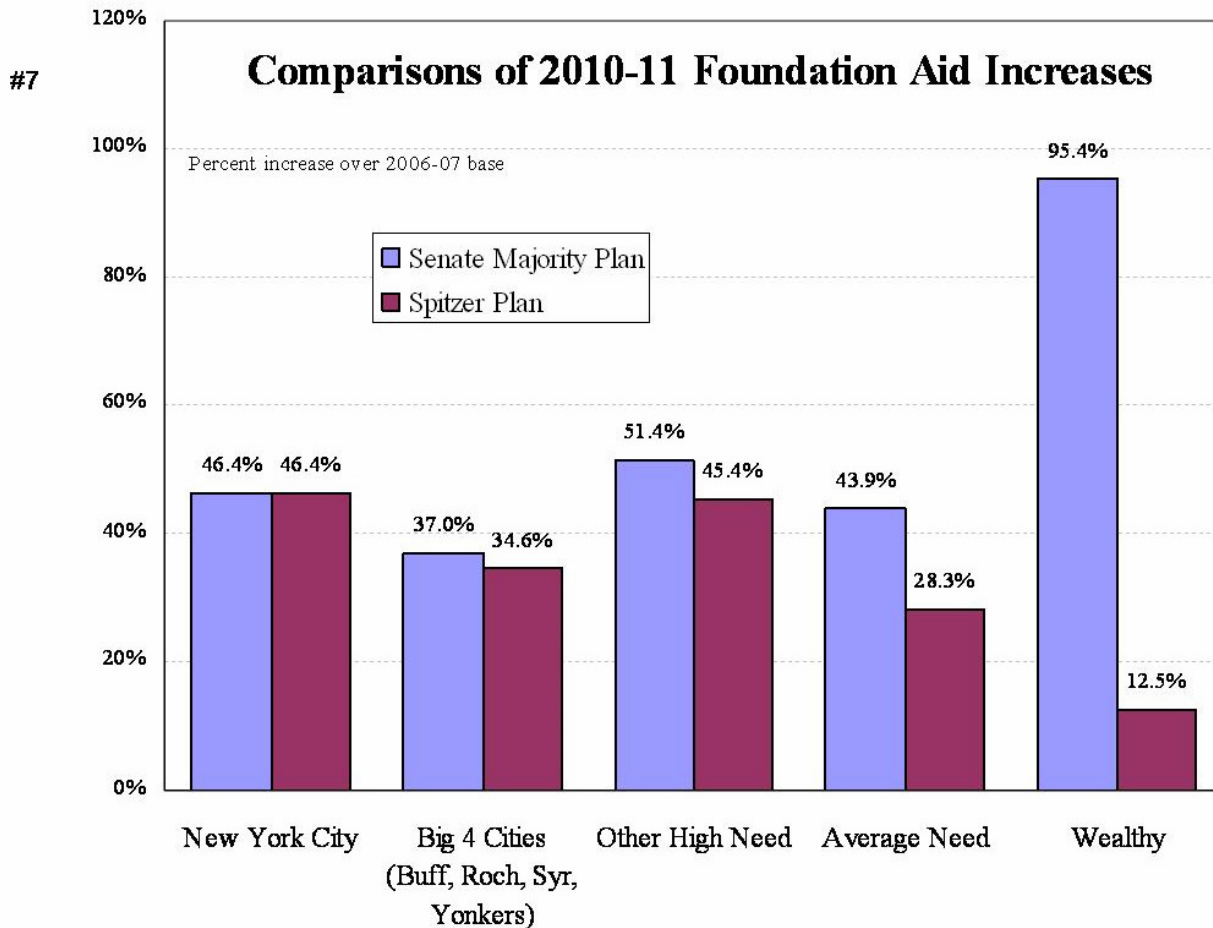
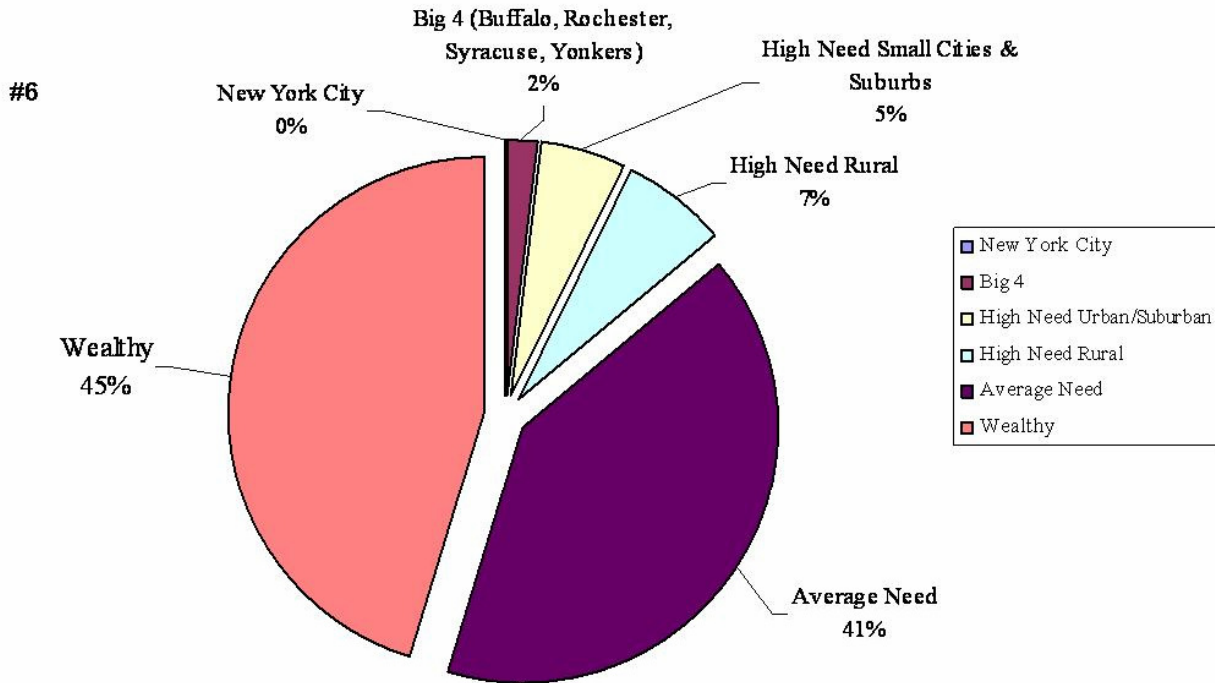
The Senate Majority’s education proposal adds \$1.2 billion in foundation aid over four years to the Governor’s proposal, the changes the Senate makes to the Governor’s formula would drive 45% of those additional dollars to the wealthiest districts while only 14% would go to needy districts with 0% additional foundation aid to New York City. The Senate Majority distribution proposal for the additional aid makes its priorities clear.

- **Graph 7—Comparison of 2010-11 Foundation Aid Percentage Increases For Each School Category between Governor Spitzer’s Plan and the Senate Majority Plan (Bar Graph)**

Graph 7 shows the overall impact of the Senate’s additional \$1.2 billion for schools statewide as compared to the Governor’s plan measured by percentage increase in each aid category. * The Governor would provide the largest percentage increases (34.6% to 46.4%) to poor districts, medium increases (28.3%) to middle class average need districts and smaller, but still reasonable, increases (12.5%) to wealthy districts. The Senate plan would offer a staggering 95% increase to wealthy districts, and would provide increases to middle class districts in the same range as those offered to poor districts. The Senate would offer percentage increases to wealthy districts that are about twice those it would offer to poor or middle class districts.

***Note:** The percentage increases in each category are a different view than percentage of distribution, i.e. New York City gets a 46.4% percent increase in funding under both proposals, while getting 48.4% of the total funding pie from Governor Spitzer and a 38.5% proportion under Senate Majority’s formula.

Who Benefits From the additional \$1.2 Billion in the Senate Majority's "Foundation Plus" Proposal



METHODOLOGY

The four year projections for the foundation aid increases under the Governor's proposal are available from the New York State Division of Budget. This information was used in the development of graphs #1, #3, #6 and #7.

The one year foundation aid increases under the Senate Majority proposal are available through the New York State Senate. The four year projections are based upon computer model of the Senate formula developed by the Fiscal Policy Institute. This information was used to develop graphs #2, #4, #6 and #7.

To project who gains and loses long term under the Senate Majority plan it was necessary to evaluate how both the Senate Majority's and the Governor's foundation formulas would divide school aid in future years. The respective school aid runs cannot be compared to each other on a district by district basis as a way of determining the impact of the formula because the Senate and the Governor are proposing to increase total school aid by differing amounts this year. To provide an accurate comparison of the formulas themselves it was necessary to estimate how much each school district would receive if the same amount of money were run through each formula. We used the school aid runs provided by the Division of Budget and those provided by the Senate to determine the proportion of total state school aid that each school district would receive. By comparing these numbers we were able to determine which districts would lose and which would gain under the Senate plan. This was used in creating chart #5 and the Appendix.

Charts, graphs, and calculations prepared by the Fiscal Policy Institute, Inc. or by the Alliance for Quality Education and the Campaign for Fiscal Equity based upon analysis conducted by FPI.