



INADEQUATE STATE AID TO PUBLIC SCHOOLS CAUSING LOW GRADUATION RATES AND RISING PROPERTY TAXES

Did you know that New York State ranks forty-eighth in the nation in graduation rates and first in property taxes? There is a dual crisis within New York State's school funding system and it is only getting worse. Low graduation rates are threatening the future of New York's kids and rising property taxes are unaffordable to many homeowners. Both aspects of this dual crisis share the same root cause: inadequate state aid to our public schools, as examined in depth in the new Alliance for Quality Education (AQE) report *New York State's Dual Crises: Low Graduation Rates and Rising School Taxes*. To address these dual crises, New York State needs to reform the broken school funding system and provide a large infusion of additional state aid. The new report finds:

- **The more money a school district spends on its children's education, the higher the graduation rate of that school district;**
- **The growth in school property taxes is low in years when state aid increases are higher and the opposite is true when state aid increases are inadequate;**
- **In 2006, districts with larger state aid increases are experiencing smaller school tax levy increases**

The Dual Crises

New York State has failed to provide far too many of our children with a "meaningful high school education" as mandated by the state constitution and the Campaign for Fiscal Equity decision. The clearest consequence of this failure is that over one-third of high school students today do not graduate in four years. In the 2006-07 enacted budget, the Legislature increased school aid by only \$1.1 billion—roughly the state aid figure necessary to simply maintain current school programs at their present levels. However, this increase barely scratches the surface of the challenges facing our schools and falls well short of what is needed to address the graduation crisis.

Simultaneously the trend is for local school taxes, the primary mechanism through which we fund our schools, to spiral ever upwards, making them increasingly unaffordable for many homeowners in the state, and for residents of certain regions of the state in particular. As of 2003, New York State provided less than 37% of total school funding—the lowest level in a half a century. New York State ranks thirty-fourth in the nation in relation to the proportion of school funding provided by the state. The result is that property taxes have grown by 60% from 1995-2005, more than twice the rate of inflation during this period. The consequence this year, as in past years, is that local school districts are forced to make education cutbacks in order to limit property tax increases. The students are the ones who suffer.

Comprehensive Findings

The more money a school district spends on its children's education, the higher the graduation rate of that school district (Figure 6). A comparison of the spending per pupil for school districts statewide and graduation rates provides concrete evidence:

- School districts with graduation rates of less than 50% spent an average of \$13,593;
- School districts with a 50% to 67% graduation rate spent an average of \$15,009;
- School districts with a graduation rate of between 67% and 90% spent an average of \$15,916;
- School districts with more than a 90% graduation rate spent an average of \$18,551—demonstrating a clear direct relationship between increased spending and graduation rates.

Although there are some anomalies in this trend, overall more school spending means more successful schools. To evaluate those districts that seem to buck this trend you must account for the higher cost of educating low income students and disabled children, as well as various regional factors and other factors that affect the total cost of educating a district's children. The report contains graphs that incorporate the costs of raising graduation rates among low-income students; when this calculation is included the evidence that increased funding equals higher graduation rates is even stronger.

The growth in school property taxes is low in years when state aid increases are higher and the opposite is true when state aid increases are inadequate (Figure 12). An analysis of year-to-year changes in state aid and local contributions made by school district taxpayers over 12 years presents a very clear picture:

- In the 6 years when state aid to school districts increased by 4% or more local contributions increased by an average of 2.1%;
- However, in the 6 years when state aid increased less than 4%, school district contributions increased by 7.2%;
- In the 5 years when state aid increased by less than 3%, local taxes went up 7.9%.

As the State fails to pay its fair share, school districts have to make up for the shortfall with more substantial increases in school taxes. When the state does pay its fair share, school tax increases are more modest.

In 2006, districts with larger state aid increases are experiencing smaller school tax levy increases (Figure 14). An analysis of the relationship between state school aid increases and school tax levies for 2006-07 show this trend is continuing even in 2006.

- Districts with an average percent increase in state aid of 7.48% had a school tax levy increase of less than 4%;
- Districts with an average percent increase in state aid of 6.95% had a school tax levy increase between 4% and 10%;
- Districts with an average percent increase in state aid of only 6.6% had a school tax levy increase of greater than 10%.

Conclusion

The inflationary increases in this year's state budget fail to address both the growing property tax crisis and the graduation crisis. Our new report clearly supports the conclusion that if the state takes on a much larger share of total school funding, we can provide funding necessary to provide every student the opportunity to graduate and we can stop over burdening local property taxpayers.

Such reform, coupled with a commitment by the State to provide a large infusion of additional school funding resources to school districts with the greatest unmet educational needs will have significant positive impacts in bringing property taxes under control and improving graduation rates and other educational outcomes. Any reforms that seek to solve only one part of this two-pronged crisis are certain to exacerbate the other. It is time for the State Legislature and the Governor to get serious about addressing these dual crises.

The Alliance for Quality Education (AQE) is a statewide non-profit coalition of over 230 organizations of parents, children's advocates, schools, teachers, clergy, labor unions, business leaders and others. AQE believes it will take fair funding and smarter spending to support better schools and give every child in New York State a quality education—from pre-K to high school graduation.

For more information please call us at 518-432-5315 or visit us on the web at www.aqeny.org.