

New York City's Contract for Excellence:

Closing the Funding Gap or a Funding Shell Game?



**An Analysis by the Alliance for Quality Education
and the Public Policy Education Foundation**



Fiscal Analysis Conducted by: Fiscal Policy Institute

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Executive Summary

The Campaign for Fiscal Equity (CFE) court decisions found that many students in New York City were not being provided access to the “sound basic education” that is their right under the state constitution. In response, the governor and the state legislature enacted funding reforms to substantially increase state school aid across the state. The law, enacted in 2007, prioritized high need school districts and prioritized high need schools within those districts. New York State created a new funding formula to distribute state operating aid in a more equitable manner to fulfill its constitutional obligations. Under this formula, 70% of new foundation aid, the state’s basic classroom operating funding, is distributed to high need school districts—including New York City.

Funding Equity

Simultaneously, the law mandated that underperforming school districts, such as New York City, enter into a Contract for Excellence to ensure prioritization of high need students and utilization of best educational practices. Under the terms of the Contract for Excellence, 75% of Contract for Excellence funds must go to the neediest 50% of schools within a Contract for Excellence school district. This report finds that this requirement in the Contract for Excellence is effective at getting education funding to those who need it the most and correcting historic inequities. Within New York City the Contract for Excellence funds are effective at providing more funds to the neediest schools and students. A second way to examine the increased equity resulting from the Contract for Excellence is to look at progress in closing the funding gap between schools after first factoring in the additional costs needed to educate students living in poverty. Even under this higher standard of equity, the Contract for Excellence is successfully closing the funding gap.

- ◆ In 2007-08 and 2008-09 the New York City Contract for Excellence provided \$704 more per pupil to the schools with the highest poverty than to those with the least poverty.
- ◆ The “funding gap” is a measurement which compares funding levels after first factoring in the higher costs involved in educating students living in poverty. Under this calculation, the Contract for Excellence successfully reduced the funding gap.

Supplanting is a Violation of State Law

New York State law clearly mandates that the DOE is required to use the state funding to add to, or "supplement," local dollars going to schools and not replace, or "supplant," local funds. The law requires that the New York State Commissioner of Education enforce the requirement that the “increases in total foundation aid . . . have been used to supplement, and not supplant funds allocated by the district in the base year for such purposes.”¹ The intent behind the law is to make sure that new state funds resulting from

¹New York State Education Law, § 211-d. Contracts for Excellence.

the historic Campaign for Fiscal Equity settlement are invested in educational improvements for students, rather than in reducing a school district's local contribution. This report presents clear evidence that in 2008 the DOE used Contract for Excellence funds to "supplant" local dollars.

- In 2008 Contract for Excellence funding directed \$573 per pupil to highest poverty schools compared to \$158 per pupil to lowest poverty schools, a difference of \$415 per pupil before factoring student need into the comparison.
- While the Contract for Excellence provided the largest increases to the neediest schools, the DOE distributed cuts in the exact opposite manner with the largest cuts going to the schools with the highest poverty and the smallest cuts going to the schools with the least poverty. Enacted cuts to the highest poverty schools were \$444 per pupil while those to the lowest poverty schools were only \$203 per pupil--a difference of \$241 per pupil.
- The result was that instead of providing \$415 per pupil more for the highest poverty schools, the Contract for Excellence funds only provided \$174 more per pupil because the first \$241 per pupil were used to make up for the larger cuts in the poorest schools. Substituting the Contract for Excellence funds for City funds violates the restriction on supplanting.

This report is entitled *New York City's Contract for Excellence: Closing the Funding Gap or a Funding Shell Game?* The answer to the question posed by the title of the report is "both." The state's Contracts for Excellence funds are promoting educational equity and closing the funding gap between the highest-poverty and lowest-poverty schools. However, the City's "shell game" is undermining this important progress through supplanting.

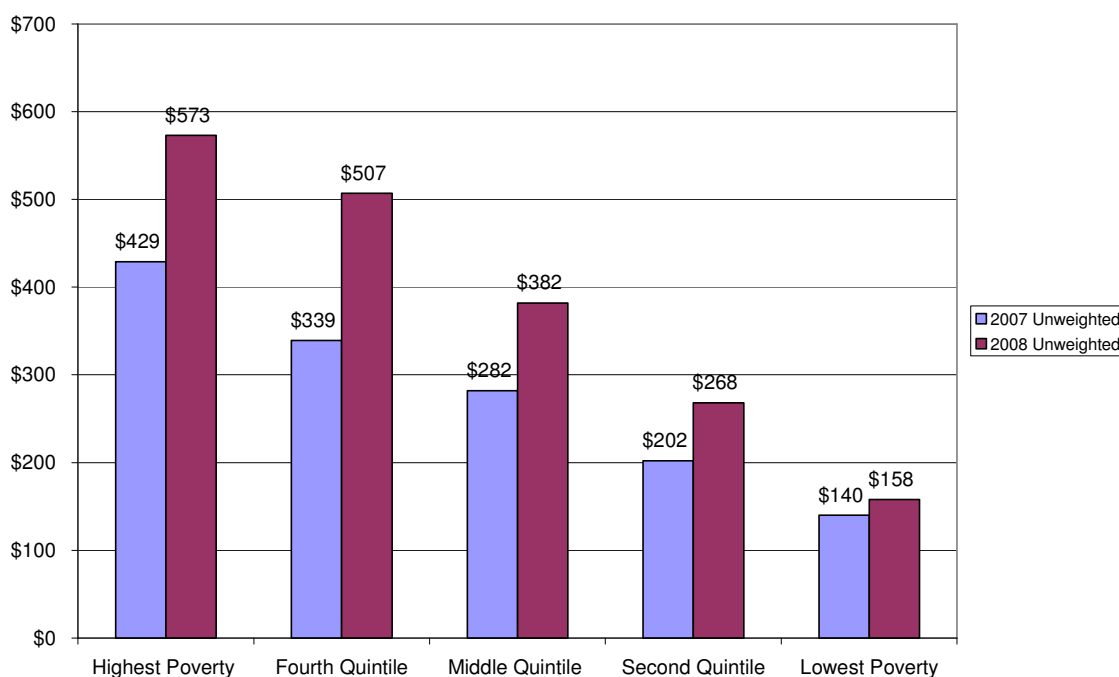
To remedy the findings of this report it is incumbent on the state Commissioner of Education to make a determination as to whether supplanting of Contract for Excellence funds occurred and to order a restoration of these funds by New York City. Otherwise the additional funding secured as a result of the Campaign for Fiscal Equity is being undermined and student progress cannot be expected to result.

Summary of Findings

The Contract for Excellence is Successfully Closing the Funding Gap in New York City

The Contract for Excellence is very effective at closing the funding gap between the highest and lowest poverty schools in New York City. In the 2007-08 and 2008-09 school years the highest poverty schools received increases in Contract for Excellence funds that were \$704 more per pupil than the lowest poverty schools.

2007-08 Contract for Excellence Funds, Unweighted Per Pupil



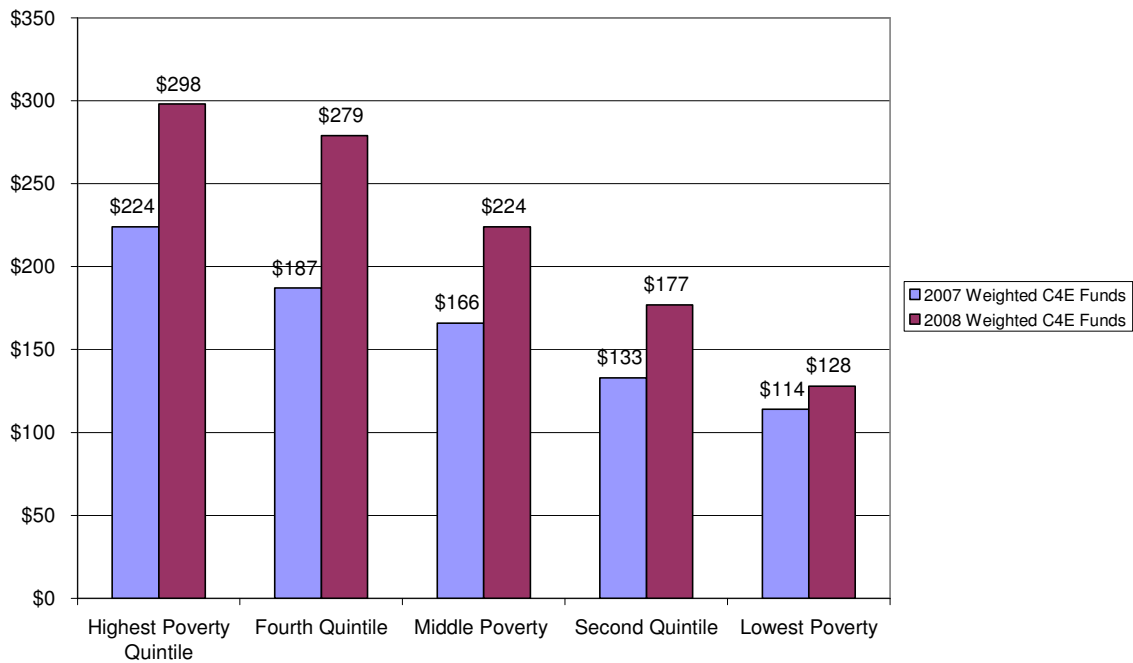
2007-08 Contract for Excellence Funds, Unweighted per Pupil

	2007 Unweighted	2008 Unweighted	2 Year Total Amount
Highest Poverty	\$429	\$573	\$1,002
Fourth Quintile	\$339	\$507	\$846
Middle Quintile	\$282	\$382	\$664
Second Quintile	\$202	\$268	\$470
Lowest Poverty	\$140	\$158	\$298
Difference	\$289	\$415	\$704

After Adjusting for Student Need, Contract For Excellence Still Promotes Equity

Policy makers universally recognize that it costs more to educate students living in poverty than to educate other students. Accordingly, a more accurate picture of the funding gap between the schools with the most and least poverty is provided if the additional costs of educating students in poverty are factored in before making the comparison. Following the methodology used by the New York State Board of Regents, this report examines the funding gap between New York City schools.² The methodology is called “weighting” for student need, and it reflects the consensus that it costs more to provide students in poverty an equivalent educational opportunity. The Regents have used a two-to-one weighting for student poverty, with each student in poverty counted as two pupils—this section of this report uses the same standard. This measure serves as a multiplier to provide additional resources to deliver equivalent opportunities to students. Even with this higher standard, the Contract for Excellence successfully closes the funding gap between schools.

2007-08 Contract for Excellence Funds, Weighted Per Pupil by Poverty



2007-08 Contract for Excellence Funds, Weighted per Pupil

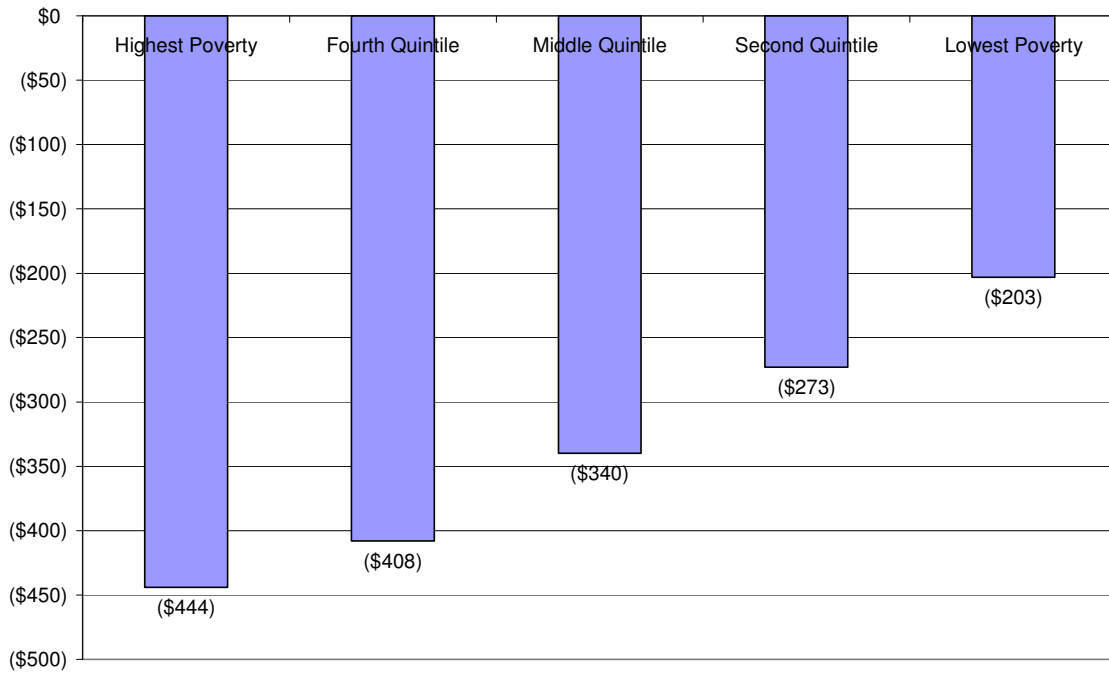
	2007 Weighted Per Pupil Funding	2008 Weighted Per Pupil Funding	2 Year total Weighted Gap Closing Amount
Highest Poverty	\$224	\$298	\$522
Fourth Quintile	\$187	\$279	\$466
Middle Quintile	\$166	\$224	\$390
Second Quintile	\$133	\$177	\$310
Lowest Poverty	\$114	\$128	\$242
Gap Closing Amount	\$110	\$170	\$280

² NY Fiscal Analysis and Research Unit. “Towards an Understanding of the Relationships among Student Need, Expenditures and Academic Performance.” 2003. <http://www.oms.nysed.gov/faru/articles.html>

Supplanting by the DOE Undermined the Contract for Excellence in 2008

- In 2008 Contract for Excellence funding directed \$573 per pupil to the highest poverty schools compared to \$158 per pupil to the lowest poverty schools, a difference of \$415 per pupil before factoring student need into the comparison.
- While the Contract for Excellence provided the largest increases to the neediest schools, the DOE distributed cuts in the exact opposite manner with the largest cuts going to the schools with the highest poverty and the smallest cuts going to the schools with the least poverty. Enacted cuts to the highest poverty schools were \$444 per pupil while those to the lowest poverty schools were only \$203 per pupil--a difference of \$241 per pupil.
- The larger increases in high poverty schools resulting from the Contract for Excellence were used to replace, or "supplant," city funds and to disproportionately place the burden of cuts in DOE funding on the highest poverty schools.
- The result was that instead of providing \$415 per pupil more for the highest poverty schools, the Contract for Excellence funds only provided \$174 more per pupil because the first \$241 per pupil were used to make up for the larger cuts in the poorest schools. Substituting the Contract for Excellence funds for City funds violates the restriction on supplanting.

Enacted Budget -- Reductions in City Funding per Pupil by student poverty

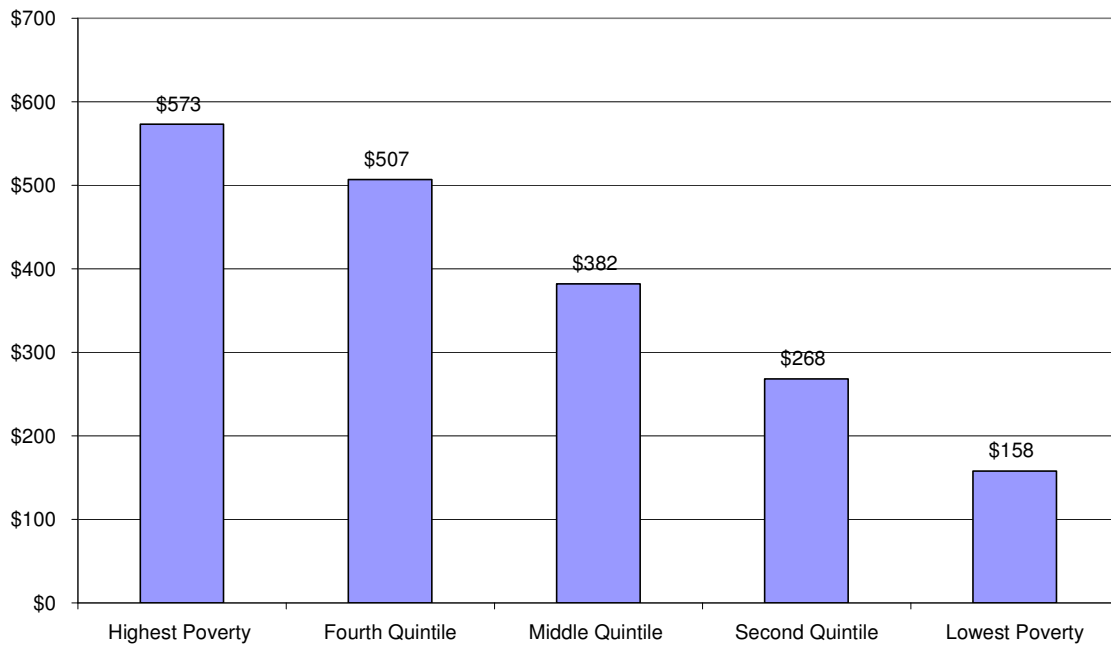


2008-09 Reductions in Enacted Budget -- Unweighted Per Pupil

	Reductions in Enacted City Budget Funding Per Pupil by Poverty
Highest Poverty	(\$444)
Fourth Quintile	(\$408)
Middle Quintile	(\$340)
Second Quintile	(\$273)
Lowest Poverty	(\$203)
Difference between Highest & Lowest Poverty	(\$241)

The DOE's enacted budget distributed cuts that disproportionately hurt the highest poverty schools. The highest poverty schools experienced a cut of \$444 per pupil, compared to the lowest poverty schools reduction of \$203 per pupil.

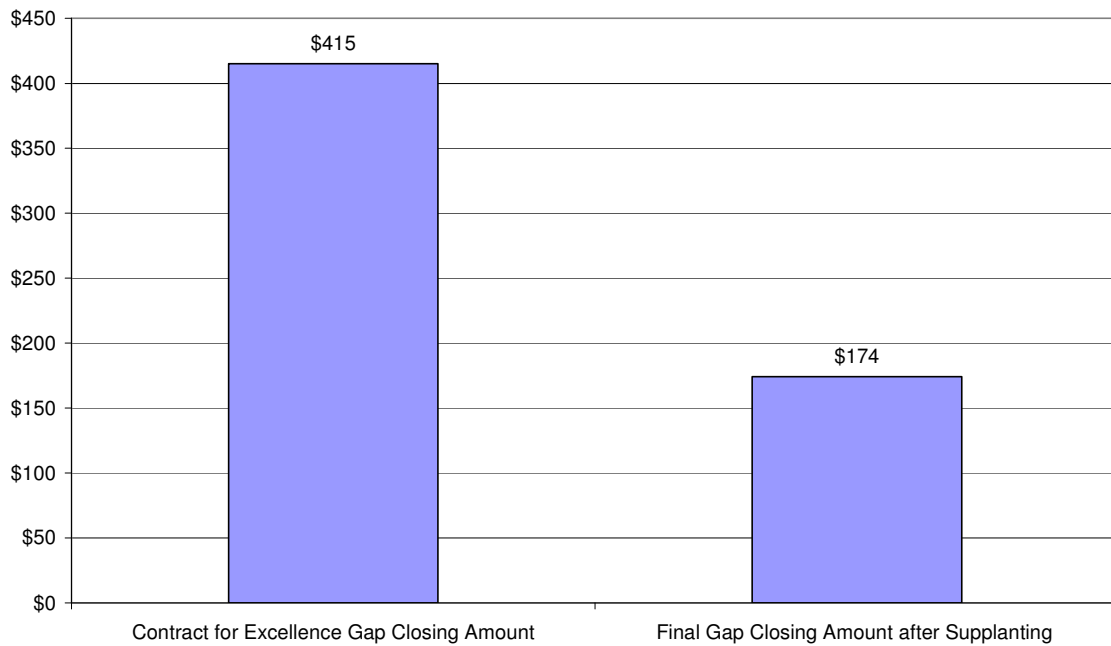
**2008 Contract for Excellence Funds Unweighted by Student Poverty --
Closing the Funding Gap by \$415**



2008 Contract for Excellence Funds, Unweighted Per Pupil	
	2008 Unweighted allocations per Pupil
Highest Poverty	\$573
Fourth Quintile	\$507
Middle Quintile	\$382
Second Quintile	\$268
Lowest Poverty	\$158
Difference between Highest and Lowest Poverty	\$415

The State's Contract for Excellence funds are distributed in a way that promotes equity. Funding provided by the State's Contract for Excellence is directed to invest more in the high need classrooms and close the difference by \$415.

**Supplanting Undermined Contracts for Excellence Closing the Funding Gap
from \$415 to \$174 per pupil**



Funding Streams Impact on the Per Pupil Funding Gap in 2008

Enacted City Budget Cuts Increased Funding Gap Amount	-\$241
Contract for Excellence Gap Closing Amount	\$415
Final Gap Closing Amount after Supplanting	\$174

Although the Contract for Excellence provided the largest increases to the neediest schools, the DOE distributed cuts in the exact opposite manner with the largest cuts going to the schools with the highest poverty and the smallest cuts going to the schools with the least poverty. Rather than the highest poverty students experiencing a net increase of \$415 per pupil, these students only saw an increase of \$174 per pupil.

Credits

This report was produced by the Alliance for Quality Education and the Public Policy and Education Fund of New York. The Alliance for Quality Education is a statewide non-profit coalition of over 230 organizations of parents, children's advocates, schools, teachers, clergy and others. The Public Policy and Education Fund of New York is a not-for-profit research and public education organization founded in 1986 to address social, economic, racial and environmental issues facing low and moderate-income New Yorkers.

All data and fiscal analysis in this report was generated by the Fiscal Policy Institute. FPI conceived the methodology and structure for looking at New York City schools over time. The Fiscal Policy Institute is a research and education organization focusing on tax, budget, and economic issues that affect the quality of life and well-being of New York State residents.

The Annenberg Institute for School Reform also collected data on student performance in New York City and conducted data analysis that was utilized in the preparation of this report; additionally the Annenberg Institute for School Reform reviewed the work substantially and provided input on structure. AISR provides educational data analysis, strategic support on community engagement, and conducts research and policy analysis to support urban communities working to improve schools.

This report was part of a more comprehensive analysis conducted by AQE, FPI, PPEF, and the Annenberg Institute for School Reform. For data analyzed in this report please contact the Alliance for Quality Education.