



Will Education Funding Promises be Broken?

**Students in Poverty, Students of Color and English Language Learners
Face the Largest Cuts in Basic Classroom Operating Aid
under Proposed Budget**



**A report by the Alliance for Quality Education
February 14, 2008**

Data prepared by the Fiscal Policy Institute, Inc.

Promises Made in 2007

For fourteen years the Campaign for Fiscal Equity school-funding lawsuit faced a series of appeals and delays that stymied fair school funding reform. The New York State Court of Appeals ruled in the CFE case that the state was failing to meet its constitutional obligation to provide students with a “sound basic education” also defined by the courts as a “meaningful high school education.” Since the CFE lawsuit was originally brought by New York City parents, the ruling was restricted to New York City. However, the need for reform was statewide and the demand raised by community organizations, parents, educators and advocacy groups was for a statewide solution.

Over the years of debate on school funding reforms there emerged a set of principles for reform that attracted broad-based support. These principles included:

- fair funding targeted to meet student need;
- transparency;
- predictability; and
- accountability.

Many participants in the debate supported the idea of a foundation formula that was designed to put these principles into practice. Such an approach was advocated by the New York State Board of Regents, the State Assembly, the Senate Minority, and organizations representing school boards, superintendents, teachers, parents, and education advocates. While all shared a similar approach to establishing a foundation formula as the major vehicle for distributing classroom operating aid, there were different details for how to address various factors in the formula.

Finally in 2007, Governor Eliot Spitzer proposed a statewide foundation formula that was adopted into law with some modifications. This formula committed to a four year statewide increase in foundation aid of \$5.5 billion. This commitment is a promise enacted into law by the governor and both houses of the legislature.

Fairness: The adopted formula targeted 63% of the increases to high-needs districts in recognition of fairness and student need.

Transparency: The formula was built around a set of transparent factors rather than the normal highly politicized process of school aid distribution. These transparent factors include: student need (as measured by students in poverty, students with disabilities and students with limited English proficiency); district wealth (based on both property and income wealth); student enrollment; and regional cost differences. Districts that had the lowest need were guaranteed a 3% annual increase and were considered “hold-harmless.”

Predictability: The formula included a predictable phase-in so that districts could plan ahead from year-to-year to meet student need over time. In 2007 districts were to receive 20% of their total increase. In 2008 districts were to receive an additional 22.5% of the increase. And in 2009 and 2010 districts were to receive an additional 27.5% and 30% respectively. Statewide that meant that an increase of foundation aid of \$1.1 billion was committed for the first year, \$1.25 billion for the second, \$1.5 billion for the third year and \$1.65 for the fourth year. Since year one was 20% of the total four-year increase, any district, except those considered “hold

harmless,” could project their four-year total increase by simply multiplying their year one foundation aid increase by five. The formula also made it easy to project the approximate increase for every district in each of the four years based upon the first year increase.

Accountability: The foundation formula is also tied to accountability through the Contract for Excellence. The Contract for Excellence applies to districts that receive large annual increases in foundation aid and have at least one school that is classified as low performing. The Contract for Excellence requires these districts to target the bulk of their new foundation aid to best educational practices including: class size reduction, middle school and high school reform, extended time on task (after school programs, longer school days, weekend programs, tutoring, etc.) teacher and principal quality initiatives, expanding half-day pre-kindergarten and kindergarten into full-day. This year the governor has proposed to add programs for English language learners to the menu of options. Contracts for Excellence require targeting to high-need students and schools and must be approved by the state Commissioner of Education.

Proposed 2008 State Budget Does Not Fulfill the Promises

The proposed 2008 budget does not fulfill the promises made under the 2007 education reform legislation. The foundation aid increase in the proposed budget is only \$900 million, a shortfall of \$350 million. While the proposed budget is of critical importance, the enacted budget that is due to be adopted by April 1, 2008 is the budget that will determine whether or not New York’s elected leaders fulfill their promise to our school children. The governor has proposed a budget, the responsibility now rests with the legislature to restore the cuts in foundation aid and keep the promise.

From a public policy perspective there are several key reasons that the proposed foundation aid falls \$350 million short:

- The foundation phase-in rate for this year was reduced from an additional 22.5% to only 17.5%, a dramatic cut;
- Overall the formula worked well in terms of predictability and fairness, but it proved to be too sensitive to year-to-year fluctuations in property values and enrollment resulting in substantial cuts for some very high needs districts. For these districts, the formula does not have the predictability promised, it should be fine-tuned to ensure the predictable commitments to funding increases expected as a result of the 2007 reforms.
- The minimum increase guaranteed to every district in the state was 3%, the proposed budget reduces this to 2%. The maximum increase was capped at 25%, the proposed budget reduces that to 15%. The lowering of the minimum increase from 3% to 2% is thought to be reasonable by many education advocates as these “hold harmless” districts are generally the wealthier and/or better-funded districts. Lowering the cap from 25% to 15% dramatically hurts several high need districts.

The Promise of Accountability: The school funding reform of 2007 promised not only a major infusion of school funding, but a new system of accountability to ensure that the funding produced investments in best practices with measurable objectives for student outcomes. However, the fulfillment of this promise is endangered as well. The accountability of the Contract for Excellence is tied only to annual increases in foundation aid. Cuts in promised foundation aid will also reduce accountability, as there will be a smaller pot of funds subject to the Contract for Excellence. For instance, in New York City in 2007 foundation aid was

increased by \$470 million. After allowance for inflationary costs, maintenance of existing programs and new charter school costs--all three are allowable deductions--\$228 million remained to be subject to the Contract for Excellence. The promised foundation aid increase for 2008 was \$528 million. After the same allowable deductions, this would have left a \$272 million to be covered by the Contract for Excellence for a two-year total of \$500 million. However the proposed budget cuts the foundation aid increase to \$335 million. After the allowable deductions this would leave only \$79 million in new foundation aid covered by the Contract for Excellence unless the legislature restores the reduced foundation aid. Similar reductions in accountability will be found in districts around the state.

Cuts in Promised Foundation Aid Increases Disproportionately Hurt Poor Students, Students of Color and English Language Learners

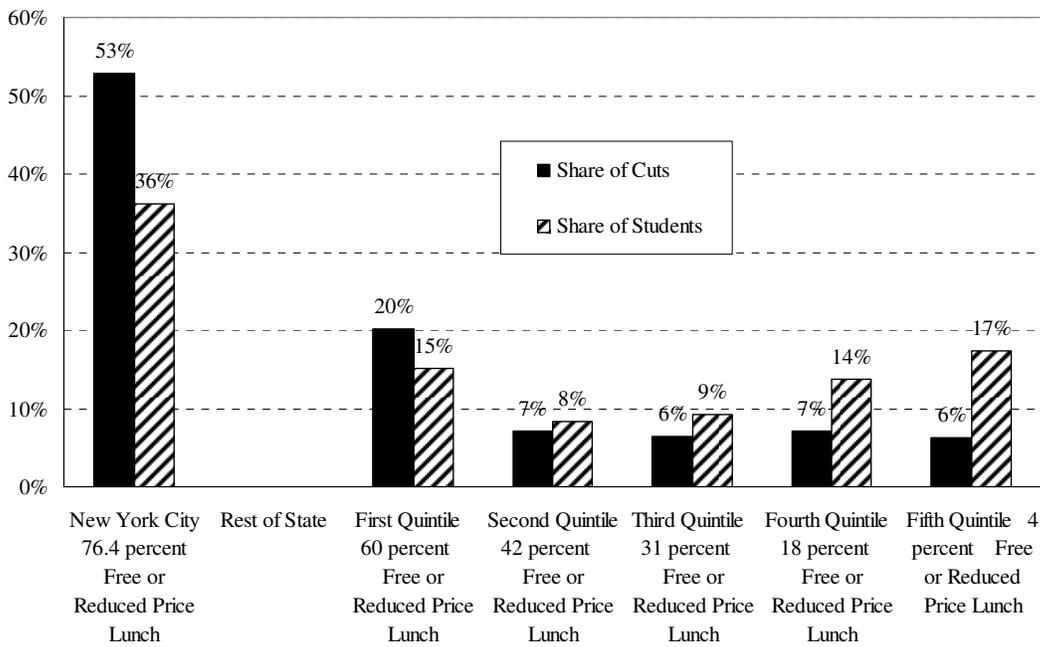
Year after year, study after study shows a significant gap between school funding between poor and wealthy school districts and between school districts with high and low proportions of students of color. The Education Trust, nationally recognized for its pioneering work on funding inequities released its seventh annual state-by-state evaluation of school district funding gaps in January 2008. Once again it found that New York State had the highest funding gap in the nation between poor districts and wealthy districts--a difference of \$3,068 per student. Among districts with the highest and lowest proportion of minority students, New York State again came in dead last with the highest funding gap in the nation with a difference of \$2,902 per student. The report also found a significant funding gap nationwide between districts with high concentrations of English language learners and those with low percentages of such students. The Education Trust report did highlight the fact that New York's promised increases in foundation aid provided hope that we would finally make significant progress towards closing that gap, however, the legislature must fully restore the promised foundation aid in order to continue on this track.

This report shows that school districts with the highest concentrations of poverty, students of color and English language learners face the largest cuts under the proposed budget. In conducting this evaluation, the Fiscal Policy Institute divided all school districts in the state, except New York City, into five segments, or quintiles based upon each of the following factors: percent of students living in poverty, percent of black students, percent of Hispanic students, and percent of English language learners. Due to the sheer size of the New York City school district it would have statistically distorted the findings had it been included in these segments (quintiles).

Cuts Disproportionately Hurt Students from Poor Households

The districts outside of New York City with the highest proportion of poverty--on average 60% of students living in poverty--face 20% of the proposed cuts despite having only 15% of all students in the state. At the other end of the spectrum, the districts with the least poverty, having on average only 4% of their students in poverty receive only 6% of the cuts despite having 17% of all students in the state. Among New York City students, 76% are living poverty, these students face 53% of all cuts in foundation aid despite New York City representing only 36% of all students in the state.

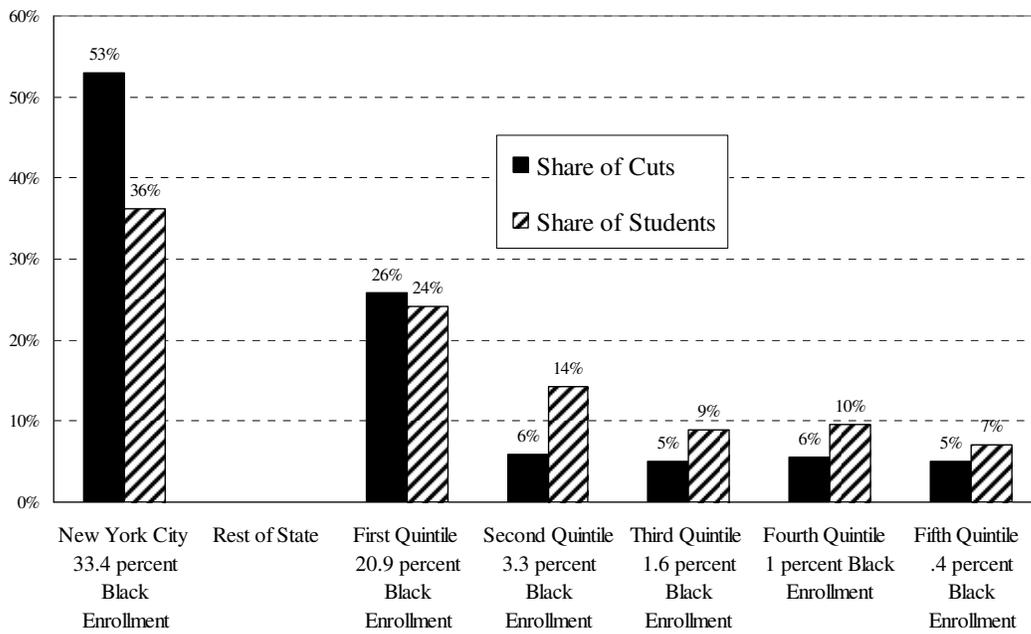
Foundation Aid Cuts by Level of Poverty



Cuts Disproportionately Hurt Black Students

The same pattern holds true for districts with higher proportions of black students. Districts, excluding New York City, with the highest enrollment of black students, 21% on average, have 24% of all students in the state and receive 26% of the cuts. By contrast districts averaging between one-half of one percent black student enrollment and 3% black student enrollment average cuts that are smaller than their share of the total students in the state. Taken together these districts have 40% of the students in the state and take only 21% of the proposed cuts. In New York City 33% of students are black. Despite the fact that New York City has 36% of all students in the state, these students face 53% of the cuts.

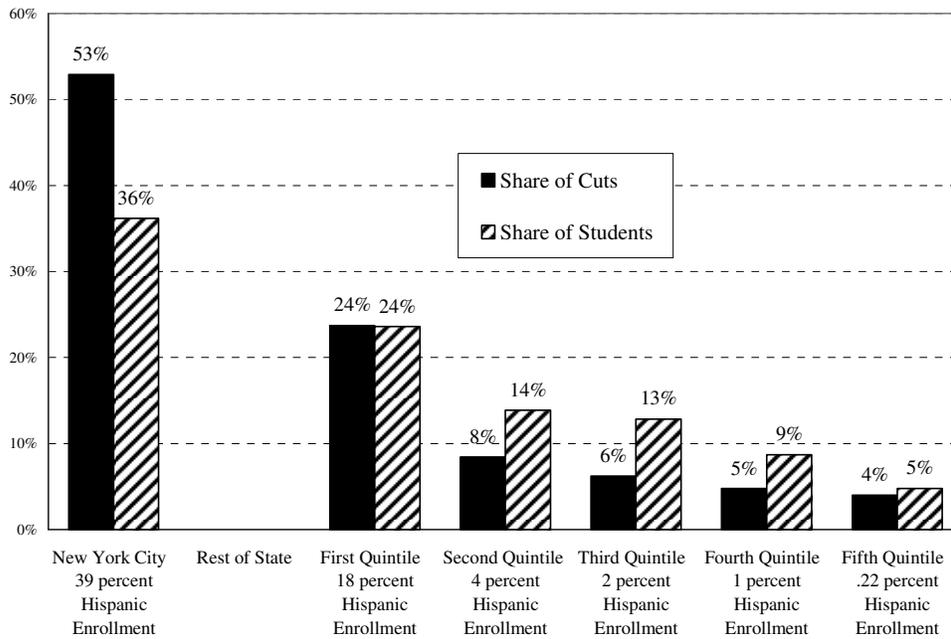
Foundation Aid Cuts Based on Black Student Enrollment



Cuts Disproportionately Hurt Hispanic Students

This pattern is replicated with regards to Hispanic students. Districts, outside New York City, with the highest proportion of Hispanic students, ranging from 7.1% to 68.2% and averaging 18%, have 24% of all students in the state and experience 24% of the cuts in foundation aid commitment. The remaining 80% of the districts have 41% of the students but are facing only 23% of the cuts. New York City's student population is 39% Hispanic. Despite having 36% of all students in the state, New York City faces 53% of the cuts.

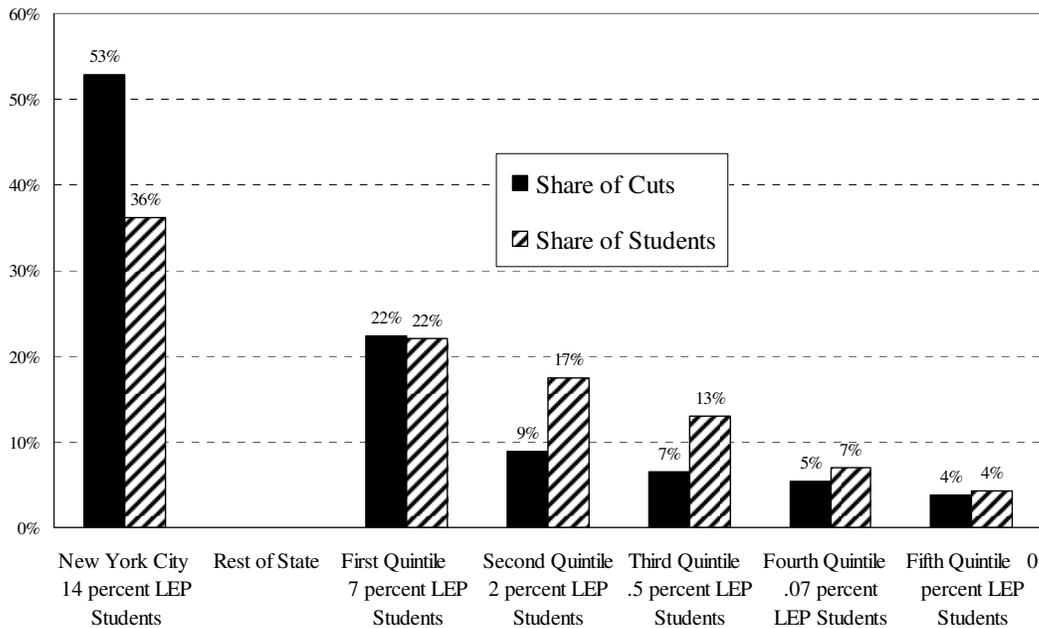
Foundation Aid Cuts Based on Hispanic Student Enrollment



Cuts Disproportionately Hurt English Language Learners

Students with limited English proficiency, the segment of the students at greatest risk of dropping out, also face disproportionate cuts. Only districts in the first quintile have any significant percentage of students with limited English proficiency (LEP). These districts average 7.26% LEP students; they have 22% of the total students in the state and receive 22% of the cuts. By contrast the rest of the school districts, outside New York City, average between 0% and 1.65% ELL students, they have 42% of all students in the state and receive only 25% of the total cuts. In New York City, 14% of students have limited English proficiency; despite having 36% of all students in the state, New York City faces 53% of the cuts.

Foundation Aid Cuts Based on Limited English Proficiency



What is the solution?

The solution is not to shift the cuts from poor students, students of color or English language learners to other groups of students. The solution is to restore all the cuts in foundation aid statewide and in every region including Long Island. The foundation aid formula needs full funding and it needs to be fine-tuned to ensure stable and predictable annual increases in basic classroom operating aid. Restoring the cuts in promised foundation aid is essential to fulfill the promise of taking New York off the bottom of the list when it comes to inequities based on poverty, race, ethnicity and language.

Long Island

The so-called Long Island "share" has been a centerpiece of school aid debates in New York State for decades. In fact, maintaining this political construct that in the past has guaranteed a set proportion of school aid increases to Long Island regardless of issues of fairness and equity has been the central demand of the Republic Majority in the State Senate. In pursuing fundamental reform in 2007, the greatest roadblock was the demand of Long Island Senators to maintain the status quo. Regarding last year's budget negotiations, *The New York Times* reported, "the biggest stalemate remains the Senate's demand that Long Island get a larger share of state education aid." Senator Dean Skelos, the leader of the Long Island delegation, declared that "the shares are sacred." Several upstate Senators joined with Senator Skelos in advocating for Long Island. For instance, Senator Thomas (R-Binghamton) said, the "issues that were important to us are education and the continuation of shares on Long Island."

Again in 2008, the Long Island Senators are beating the drums. Senate Majority Leader Joseph Bruno, as in past years, once again appears to be making the demands of Long Island Senators a top priority. The *Albany Times-Union* reported in December 2007 that "Bruno also took Spitzer to task on his record K-12 budget, saying the Senate Republicans had to add even more to keep Long Island from losing out in the equation."

When it comes to addressing school funding inequities on Long Island, the Long Island Senate delegation does not have a successful track record. The inequities between school districts based upon income and race are well documented on Long Island. *Newsday* described Long Island as the "nation's most segregated collection of suburban school systems" in its landmark 2004 series *Shame of the Suburbs* and went so far as to say these segregated school districts "represent nothing less than academic apartheid."

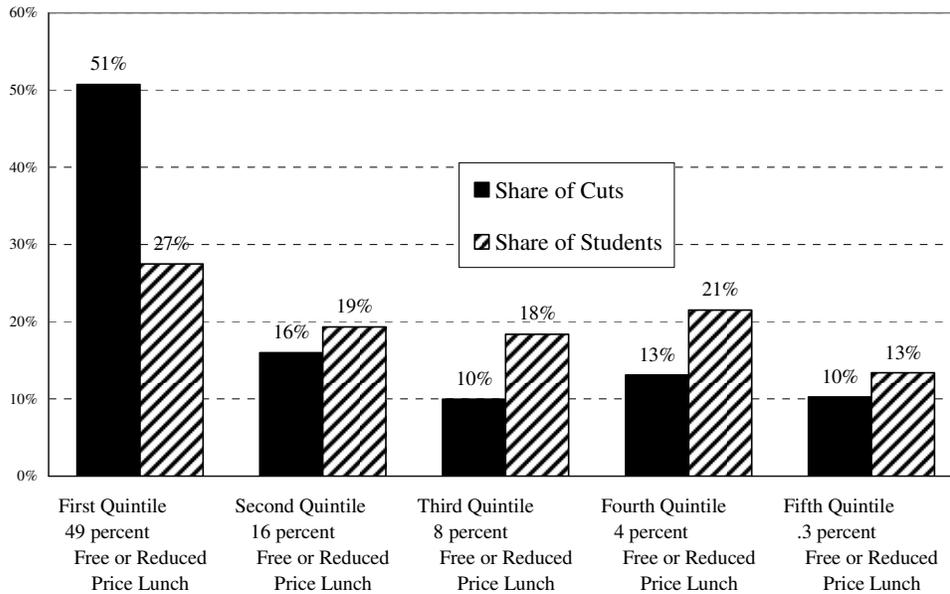
Newsday pointed the finger for part of solution on Albany and specifically called it "a test for Long Island's lawmakers." The report went on to say:

That's why any reforms of state-aid formulas under last June's [2003] Court of Appeals decision must assure a fairer share for poor suburban schools, as well as New York City. Whatever aid level the state eventually adopts, a great proportion of Long Island's take must be diverted to its neediest schools. This is a test of legislators' political clout and moral courage. The fiscal challenge is not nearly as daunting as it is in New York City, but the needs of Hempstead, Roosevelt, Wyandanch, Central Islip, Westbury and others are real and intolerable.

Instead, the powerful Long Island Senate delegation is united in opposing this type of reform. At a December 18, 2007 the entire Senate Majority Long Island delegation proclaimed their absolute opposition to this very type of fair school funding. Senator Skelos accused Governor Spitzer of having "an urban agenda" even though the foundation formula originally championed by the Governor dramatically helps high need districts on Long Island that have many characteristics in common with poor urban districts both upstate and downstate as well as poor rural communities statewide.

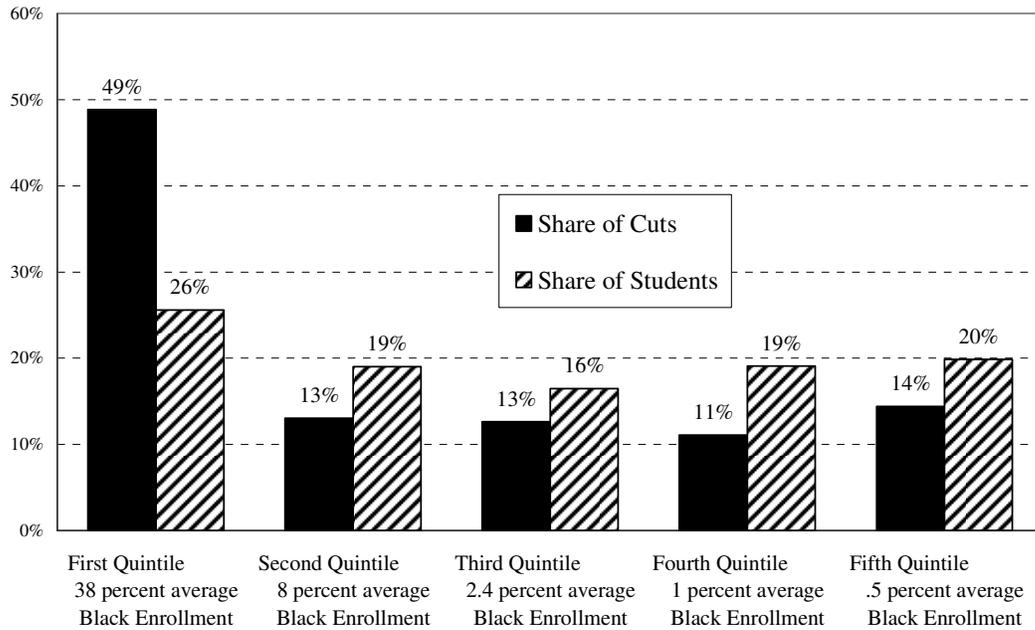
The analysis by the Fiscal Policy institute finds that when Long Island districts are looked at alone the trend mirrors the statewide trend. Districts with the highest proportion of poverty--on average 49% of students in poverty--have 27% of all students on Long Island but receive 51% of all the cuts on Long Island. By contrast, districts with only .3% of their students in poverty have 13% of all Long Island students and receive only 10% of the cuts on Long Island.

Foundation Aid Cuts on Long Island by Level of Poverty



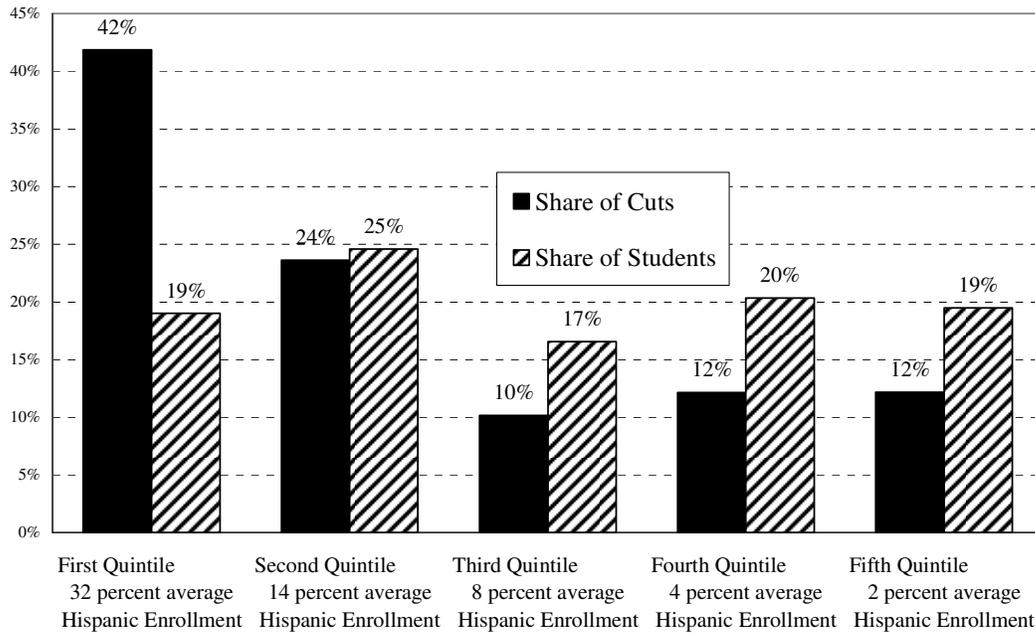
Districts with the highest percentages of black students also receive disproportionately large cuts. Districts averaging a 38% black student enrollment face 49% of the cuts on Long Island, despite having only 26% of all Long Island students. Those districts with a black student enrollment below 2.5% have 55% of all students and receive 38% of the cuts.

Foundation Aid Cuts on Long Island Disproportionately Affect Black Students



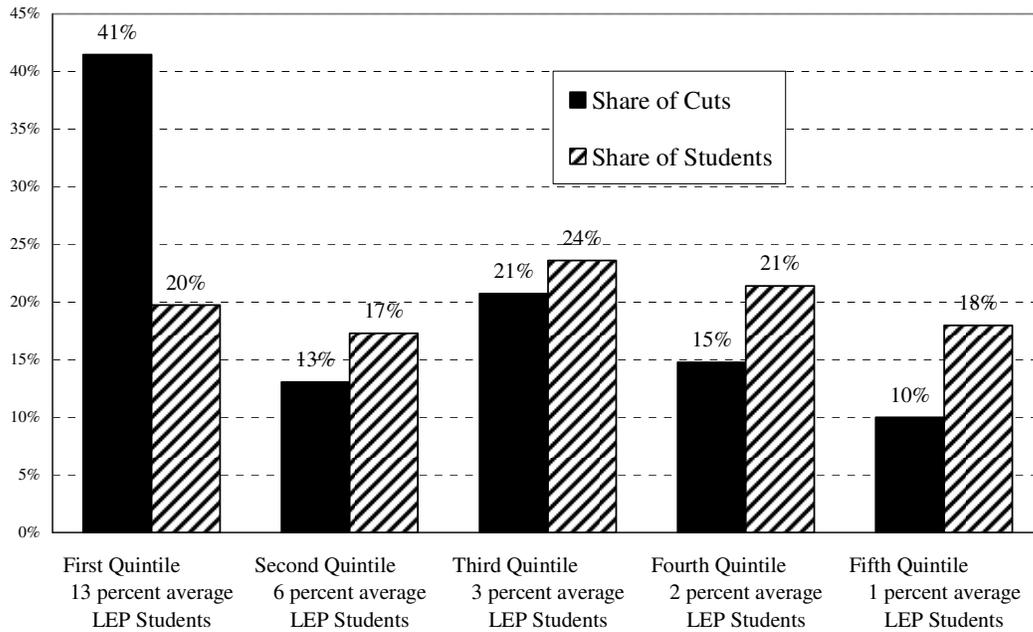
Long Island districts with the greatest proportion of Hispanic students—those averaging 32% Hispanic enrollment—face 42% of the cuts on Long Island despite having only 19% of the students. Those with only 2% Hispanic enrollment also have 19% of all Long Island students but face only 12% of the cuts.

Foundation Aid Cuts on Long Island Disproportionately Affect Hispanic Students



Districts with the highest concentrations of English language learners on Long Island also face the largest cuts in promised foundation aid. Districts that average over 13% English language learners have 20% of all students on Long Island, but would receive 42% of all cuts on Long Island. By contrast, districts with six-tenths of one percent English language learners have 18% of all Long Island students and face only 10% of the cuts.

Foundation Aid Cuts on Long Island Disproportionately Affect Limited English Proficiency Students



Ironically, the equitable funding distribution that Long Island Senators and their allies are fighting against for New York City and upstate New York would increase equity on Long Island. Fully funding the foundation formula and fine tuning the formula to achieve the predictable distribution projected in 2007 would provide increased proportions of aid to Long Island districts with high rates of poverty and high percentages of black students, Hispanic students and English language learners.

Schools Statewide

Race		Reduction in Foundation Aid - 2008- 09 Proposed minus 2008-09 Expected	Share of Cuts	Share of Students	Average Percent of Black Students
New York City		(193,922,862)	52.88%	36.17%	33.40%
		(172,774,880)			
First Quintile	Percent Black from 5.6% to 81%	(94,846,630)	25.9%	24.17%	20.92%
Second Quintile	Percent Black from 2.1% to 5.6%	(21,231,321)	5.8%	14.16%	3.37%
Third Quintile	Percent Black from 1.2% to 2.1%	(18,330,860)	5.0%	8.93%	1.61%
Fourth Quintile	Percent Black from 0.8% to 1.2%	(20,204,348)	5.5%	9.54%	1.02%
Fifth Quintile	Percent Black from 0% to 0.8%	(18,161,721)	5.0%	7.04%	0.45%

FRPL		Reduction in Foundation Aid - 2008- 09 Proposed minus 2008-09 Expected	Share of Cuts	Share of Students	Average FRPL Percentage
New York City		(193,922,862)	52.88%	36.17%	76.40%
First Quintile	FRPL from 48.6% to 100.7%	(73,695,230)	20.1%	15.21%	59.83%
Second Quintile	FRPL from 36.5% to 48.4%	(26,009,199)	7.1%	8.35%	42.17%
Third Quintile	FRPL from 25.6% to 36.2%	(23,465,699)	6.4%	9.15%	31.16%
Fourth Quintile	FRPL from 10.7% to 25.4%	(26,332,248)	7.2%	13.75%	17.90%
Fifth Quintile	FRPL from 0% to 10.6%	(23,272,504)	6.3%	17.38%	4.36%
		(172,774,880)			

HISPANIC STUDENTS		Reduction in Foundation Aid - 2008- 09 Proposed minus 2008-09 Expected	Share of Cuts	Share of Students	Average Percent Hispanic Students
New York City		(193,922,862)	52.88%	36.17%	38.90%
Rest of State					
First Quintile	Percent Hispanic from 7.1% to 68.	(86,931,466)	23.7%	23.61%	18.22%
Second Quintile	Percent Hispanic from 2.4% to 7.1	(30,882,170)	8.4%	13.88%	4.25%
Third Quintile	Percent Hispanic from 1.2% to 2.4	(22,795,771)	6.2%	12.84%	1.66%
Fourth Quintile	Percent Hispanic from 0.5% to 1.2	(17,506,530)	4.8%	8.71%	0.80%
Fifth Quintile	Percent Hispanic from 0% to 0.5%	(14,658,943)	4.0%	4.80%	0.22%

LEP Students		Reduction in Foundation Aid - 2008- 09 Proposed minus 2008-09 Expected	Share of Cuts	Share of Students	Average Percent LEP Students
New York City		(193,922,862)	52.88%	36.17%	13.80%
Rest of State					
First Quintile	Percent LEP from 2.72% to 32.32'	(82,197,472)	22.42%	22.10%	7.26%
Second Quintile	Percent LEP from 0.93% to 2.7%	(32,760,299)	8.93%	17.45%	1.65%
Third Quintile	Percent LEP from 0.23% to 0.93%	(24,130,340)	6.58%	12.99%	0.52%
Fourth Quintile	Percent LEP from 0% to 0.23%	(19,517,221)	5.32%	7.06%	0.07%
Fifth Quintile	Percent LEP from 0% to 0%	(14,169,548)	3.86%	4.24%	0.00%

Long Island Schools Equal groups of 24 school districts

Race		Reduction in Foundation Aid - 2008-09 Proposed minus 2008-09 Expected			Average Percent of Black Students
			Share of Cuts	Share of Students	
Long Island Total		(37,728,152)	100.00%	100.00%	10.31%
First Quintile	Percent Black from 16.8% to 81%	(18,420,124)	48.8%	25.57%	38.21%
Second Quintile	Percent Black from 4.2% to 15.4%	(4,920,733)	13.0%	19.01%	8.08%
Third Quintile	Percent Black from 1.6% to 4%	(4,763,412)	12.6%	16.46%	2.40%
Fourth Quintile	Percent Black from 0.9% to 1.6%	(4,185,382)	11.1%	19.10%	1.19%
Fifth Quintile	Percent Black from 0% to 0.9%	(5,438,501)	14.4%	19.86%	0.51%

Free or Reduced Price Lunch		Reduction in Foundation Aid - 2008-09 Proposed minus 2008-09 Expected			Average FRPL Percentage
			Share of Cuts	Share of Students	
Long Island Total		(37,728,152)	100.00%	100.00%	15.79%
First Quintile	FRPL from 24.6% to 86.2%	(19,144,926)	50.7%	27.46%	48.82%
Second Quintile	FRPL from 11.6% to 24.5%	(6,029,391)	16.0%	19.29%	16.37%
Third Quintile	FRPL from 5.8% to 10.9%	(3,751,986)	9.9%	18.38%	8.45%
Fourth Quintile	FRPL from 2% to 5.5%	(4,941,106)	13.1%	21.49%	3.66%
Fifth Quintile	FRPL from 0% to 1.3%	(3,860,744)	10.2%	13.38%	0.28%
		(37,728,152)			

Hispanic Students		Reduction in Foundation Aid - 2008-09 Proposed minus 2008-09 Expected			Average Percent Hispanic Students
			Share of Cuts	Share of Students	
Long Island Total		(37,728,152)	52.99%	100.00%	12.03%
First Quintile	Percent Hispanic from 19% to 63.8%	(15,798,342)	41.9%	19.02%	31.63%
Second Quintile	Percent Hispanic from 10.3% to 18%	(8,913,143)	23.6%	24.59%	14.23%
Third Quintile	Percent Hispanic from 6% to 9.9%	(3,837,901)	10.2%	16.55%	7.83%
Fourth Quintile	Percent Hispanic from 2.8% to 5.6%	(4,586,428)	12.2%	20.34%	3.88%
Fifth Quintile	Percent Hispanic from 0% to 2.8%	(4,592,339)	12.2%	19.49%	1.75%

Limited English Proficient Students		Reduction in Foundation Aid - 2008-09 Proposed minus 2008-09 Expected			Percent LEP Students
			Share of Cuts	Share of Students	
Long Island Total		(37,728,152)		100.00%	4.83%
First Quintile	Percent LEP from 7.95% to 32.32%	(15,646,026)	41.5%	19.74%	13.16%
Second Quintile	Percent LEP from 3.85% to 7.93%	(4,921,225)	13.0%	17.27%	5.59%
Third Quintile	Percent LEP from 2.18% to 3.78%	(7,819,964)	20.7%	23.62%	2.91%
Fourth Quintile	Percent LEP from 1.12% to 1.89%	(5,571,984)	14.8%	21.40%	1.54%
Fifth Quintile	Percent LEP from 0% to 1.08%	(3,768,953)	10.0%	17.98%	0.58%