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**PUBLIC POLICY AND  
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# A Tale of Two States: Equity Outperforms Inequity

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**January 11, 2014**



## Introduction

On opposite sides of the Hudson River, New York and New Jersey stand only a mile apart. But when it comes to how they fund their public schools, the yawning gulf between these two states is wide and deep.

Unfair describes school funding in New York. Many New York children in high poverty districts are not provided with the basic resources and opportunities necessary to succeed in school, while their peers in affluent districts enjoy all the advantages of well-resourced schools.

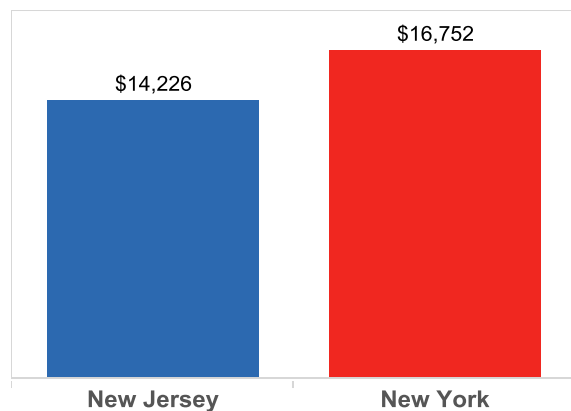
In sharp contrast, New Jersey school funding is fair. The state's finance system adjusts for the additional need created by student poverty and other disadvantages, and includes funds for universal, high quality preschool for all three- and four-year-olds in its lowest wealth communities.<sup>1</sup>

The bottom line is that New York's academic performance, as measured by high school graduation rates and test scores, trails New Jersey's by wide margins.

## Fair and Unfair Funding

A fair school funding system is one that provides enough funding to support the delivery of rigorous academic standards and allocates funding to districts to address the additional needs generated by student poverty, English language learners and other special circumstances.

### 2011 Per Pupil Funding (adjusted)



Source: Is School Funding Fair? A National Report Card (2014)

New York ranks high among the states in spending on public education. When adjusted to allow for state-to-state comparisons, New York's average funding level is \$16,752, second highest in the nation, and \$2,500 more per pupil than New Jersey. New Jersey also is high spending at \$14,226 per pupil, fifth place among the states.<sup>2</sup>

So why is school funding in New York "unfair" and in New Jersey "fair"?

The crucial difference is the pattern with which those funds are distributed among districts. Average spending levels can mask differences in how funding levels vary from one district to the next. A key factor in a fair system is that it

provides extra resources required for districts serving students with additional needs, namely low income students, students with disabilities, and those learning English. Students with these characteristics require additional resources to support proven programs and services essential for them to achieve academically. States that recognize this reality and have systems that allocate more resources to higher poverty districts are fair or

“progressive.” States that do the opposite, allocating less funding to high poverty districts despite higher student needs, are unfair or “regressive.”

**New York: Regressive**

New York school funding is **REGRESSIVE**. Data show that New York is one of the most regressive states in the nation, earning an “F” for how unfairly it distributes school funding. New York leaves low-wealth, high-poverty districts to make **do with only 87 cents for every dollar spent in high wealth, low poverty schools.**<sup>3</sup> This deep disparity severely disadvantages the state’s most at-risk students. The funding gap between New York’s 100 wealthiest and 100 poorest school districts is a whopping \$8,601 per pupil.<sup>4</sup>

In the Empire State, well-to-do suburbs spend at extraordinarily high levels, fueled by high property wealth and income, with very low levels of student poverty. They even receive aid from the state for schools and property tax relief despite their lack of need. Yet lower wealth New York cities, towns and rural areas spend dramatically less, even with higher property tax rates and large numbers of poor students. The state’s funding formula has, in the past, failed to account for the inability of many of these towns and cities to raise a sufficient amount of money to properly educate their students. While the high-wealth suburbs were able to continually increase spending with local revenues, the low-wealth communities were heavily reliant on a state aid formula that failed to meet their needs.

Lawmakers developed a new statewide funding formula to ensure adequate resources to all students in response to a 2006 court ruling in *CFE v. State*. In *CFE*, the Court of Appeals – the state’s highest Court – declared that the New York Constitution requires the state to provide all of its students with the opportunity for a meaningful high school education, which includes meeting the higher costs of educating at-risk students.

In 2007, New York State adopted a new “Foundation Aid” formula with the promise of more fairly distributing aid across the state. The Foundation formula was designed using the successful school district model, an approach that identifies per pupil funding levels based on evidence from high performing school districts. The formula includes adjustments for efficiency, low property wealth, and some needs-based weights, though these weights were not based on any analysis of the actual cost of the staff, programs, and services essential for students with special needs. The State also left in place the practice of sending

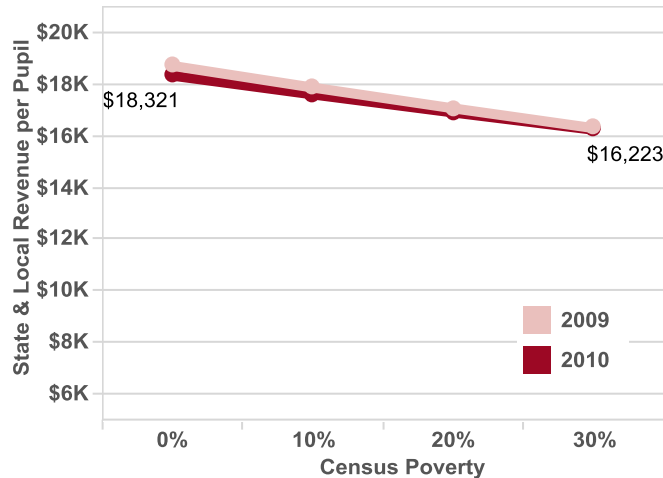
In 2009, for every \$1 available in low-poverty districts, high poverty districts had...



Source: Is School Funding Fair? A National Report Card (2014)

significant amounts of state aid to affluent districts through a skewed tax relief program that favors high-wealth communities, undermining the system's fairness.

### New York's Regressive Funding



Source: Is School Funding Fair? A National Report Card (2014)

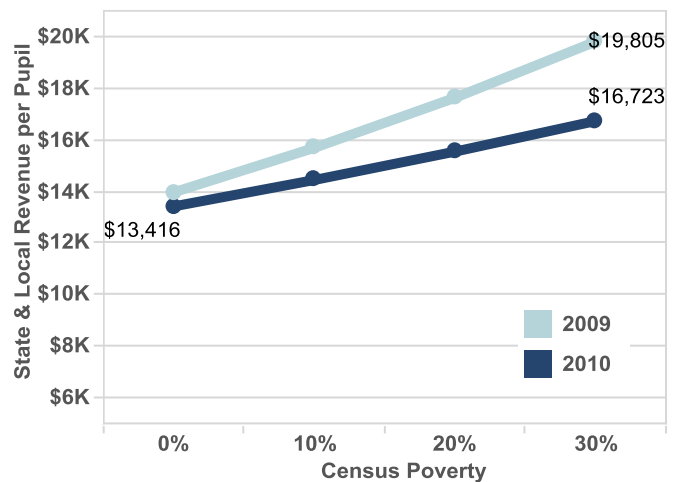
With the adoption of the Foundation formula, lawmakers made a commitment to increase state foundation aid for schools by \$5.5 billion over four years, targeted to the highest need districts.<sup>5</sup> Unfortunately, the State failed to live up to the promise in the law. After two years of increases, the State froze funding and then reversed all the gains in 2010 and 2011. State aid in 2014 remains below levels in 2009,<sup>6</sup> with low-wealth districts shouldering much of the burden.<sup>7</sup> ***The result has been severe cuts in programs, staff and services in those urban and rural districts serving the state's neediest students.***

The result: despite the enactment of the 2007 Foundation formula, school funding remains decidedly unfair. This continuing condition is the backdrop for a new round of litigation slated to begin trial later this September. The case – *Maisto v. State* – was filed by students in a dozen small city school districts, among the state's highest need, most underfunded, including Utica, Poughkeepsie and Jamestown.

### New Jersey: Progressive

In sharp contrast, school funding in New Jersey is **PROGRESSIVE**. The state funding system provides more state resources to high-poverty, low-wealth school districts to ameliorate their limited ability to raise local property tax revenue. ***The low-wealth, high need districts spent \$1.42 for every dollar spent on more affluent students in 2009.*** The state's progressivity declined somewhat through 2011, due to severe funding cuts.<sup>8</sup> This reduction in equity is an anomaly and is likely a temporary consequence of poor policy decisions in response to an economic downturn. In 2012, under court order, New Jersey restored \$500 million to the state's poorest school districts. Per pupil spending data for 2012 is not yet available.

### New Jersey's Progressive Funding



Source: Is School Funding Fair? A National Report Card (2014)

The demonstrated fairness of New Jersey's

funding system is the culmination of over a decade of legal and legislative efforts to improve funding equity. In response to the State Supreme Court's landmark *Abbott v. Burke* rulings, the State of New Jersey in 2008 adopted the School Funding Reform Act (SFRA), a statewide funding formula. The SFRA was designed to meet the actual cost of enabling all students to achieve the State's academic standards. This "standards-linked" formula is "weighted" for student need – it includes both a "base cost" for all students and the additional costs to ensure all children have the resources necessary to meet specific curricular benchmarks.

The driving force behind fair funding in the Garden State is the extra costs or "weights" built into the SFRA for students in poverty, for concentrated student poverty, and for students learning English. Using the professional judgment costing out method, experts were convened to determine the resources necessary to meet the State's curriculum standards in model districts of varying size and demographic composition. This process ensured that the weights for students in poverty, English language learners, and special education students reflected the actual costs of educating these students.

The SFRA also included state aid to continue implementation of the "Abbott" high quality preschool program in the state's poorest districts, and a promise to expand that program statewide over the next five years.

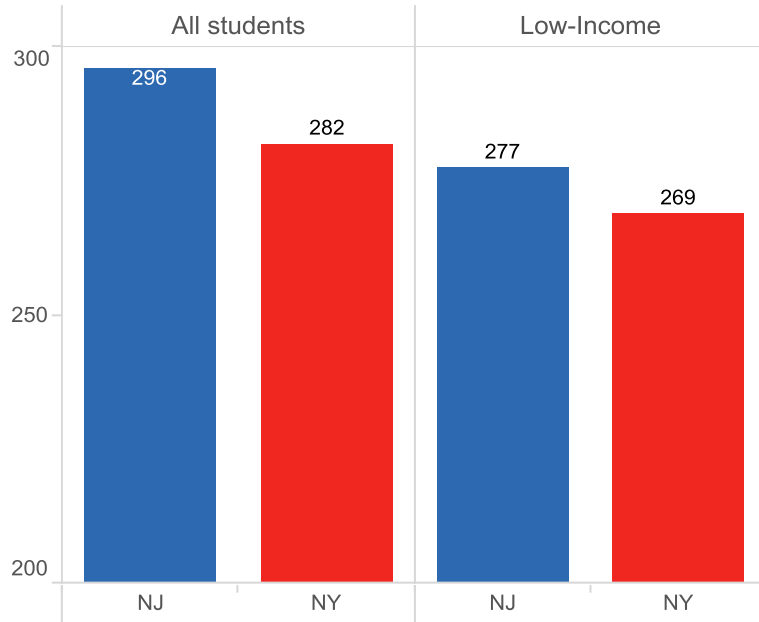
Implementation of the SFRA formula has been mixed since 2008. After two years of full funding, Governor Christie cut school aid significantly in 2011. Even with these temporary setbacks, New Jersey, unlike New York, spent more per pupil in high-poverty districts than in low-poverty districts in 2011. New Jersey continues to be among the nation's leaders in ensuring the resources necessary to provide all students with the opportunity to succeed academically.

### Achieving Success

*Unfair school funding contributes directly to lagging student performance. Numerous studies show that in New York and other states, school districts with higher student performance have higher levels of school funding.<sup>9</sup>*

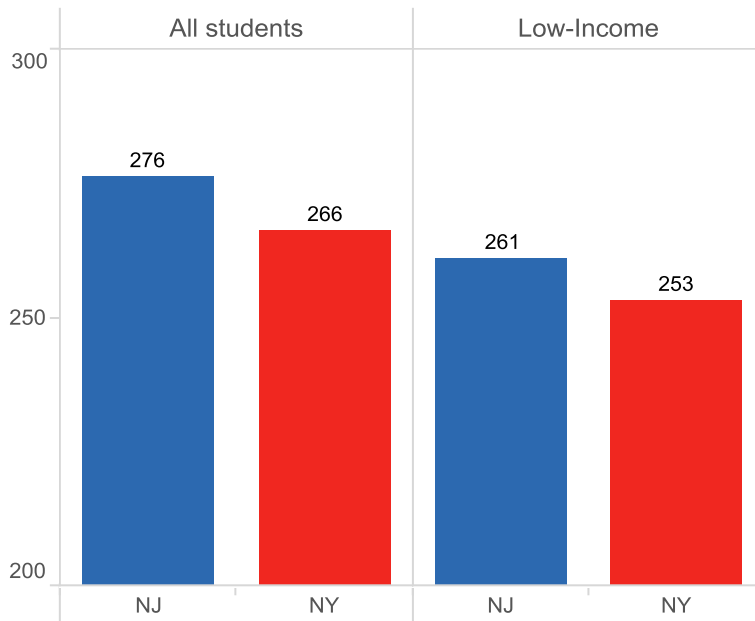
Yet, despite New York's higher average funding, New Jersey outperforms the Empire State when it comes to student achievement, high school graduation, and early childhood education, in large part because NJ funds for equity, raising outcomes for students in high-poverty schools.

### NAEP Grade 8 Math, 2013



Source: National Center for Education Statistics, NAEP Data Explorer

### NAEP Grade 8 Reading, 2013



New York's performance on the National Assessment of Educational Progress (NAEP) tends to hover around or below the national average. New Jersey, on the other hand, ranks among the highest performing states. For example, in 2013, New Jersey's eighth graders outperformed New York's by significant margins in both math and reading. This is true for the state as a whole and also among low-income students in particular.

Source: National Center for Education Statistics, NAEP Data Explorer

“The Garden State stands out as a beacon of educational equity. And its commitment to fair school funding pays huge dividends in outcomes for kids.”

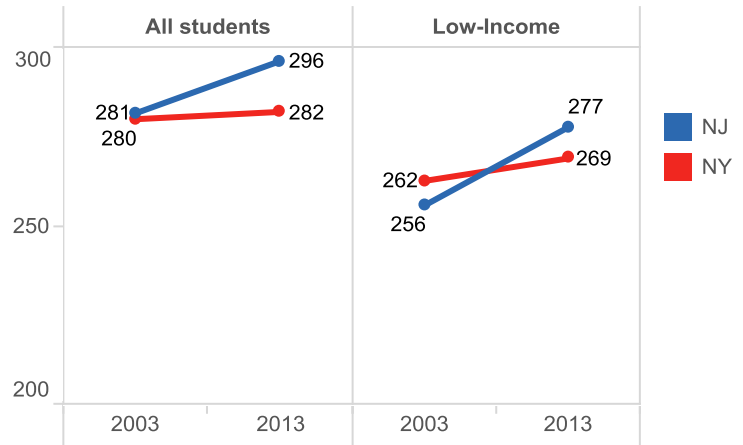
David Sciarra  
Executive Director  
Education Law Center

“As a New Yorker it hurts to say I am jealous of New Jersey, but they are clearly beating us when it comes to educational equity. New Jersey's higher spending in low-income schools results in higher graduation rates. New York continues to ignore the gross inequality in our schools while New Jersey is a national leader.”

Billy Easton  
Executive Director  
Alliance for Quality Education

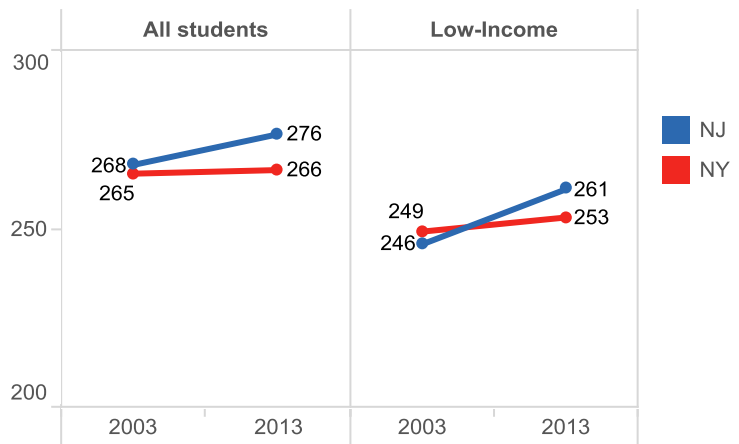
New Jersey has also seen considerable progress over the last decade. New Jersey's students made significant gains in math and reading, with especially large gains among low-income students. In contrast, there was no significant change in New York's overall scores, and low-income students only posted modest gains in math.

### Change in Grade 8 Math NAEP Scores



Source: National Center for Education Statistics, NAEP Data Explorer

### Change in Grade 8 Reading NAEP Scores

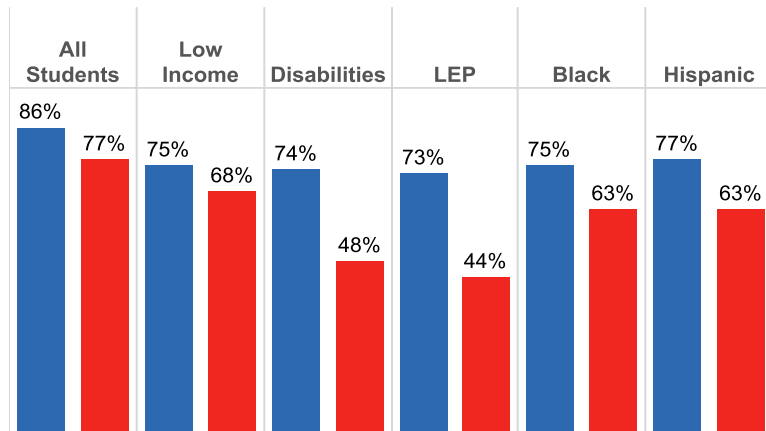


Source: National Center for Education Statistics, NAEP Data Explorer



New Jersey's success extends through high school. New Jersey has considerably higher graduation rates than New York. There are especially stark differences in the high school completion rates among students with disabilities and students learning English. While not even half of these students in New York are able to earn a diploma in four years, in New Jersey close to three-quarters are able to successfully complete high school on-time. Similar outcomes are evident among the states' black and Hispanic populations. While 75% of black and 77% of Hispanic students graduate on time in New Jersey, only 63% do in New York. Prior analyses have shown New York as the lowest ranked state for black male graduation rates, while New Jersey is 13<sup>th</sup>, mostly behind states with very small black populations.<sup>10</sup>

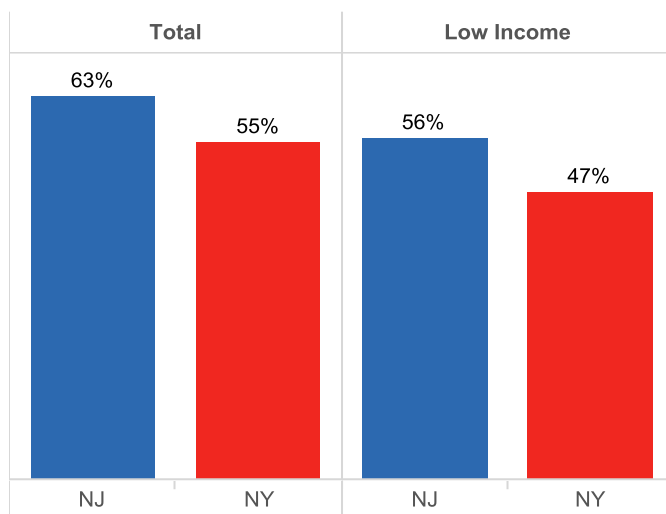
Adjusted Cohort Graduation Rate, 2011-12



Source: U.S. Education Department, ED Data Express

### The Early Childhood Difference

Percent 3- and 4-year olds enrolled in school



Source: Is School Funding Fair? A National Report Card (2014)

New Jersey's commitment to early childhood education, through the Abbott preschool program and other state-funded programs for low-income students, makes it the national leader in terms of the percentage of low-income children enrolled in early childhood education. In New Jersey, 56% of low-income three- and four-year-olds are enrolled in school compared to only 47% in New York. Unfortunately, New York's limited funding for preschool leaves far too many children without access and most others in half-day programs, especially children in high need communities. New York adopted an ambitious goal of "universal" access to preschool for its four-year-olds many years ago, but has failed repeatedly to

properly fund this crucial initiative. The New York State Education Department currently estimates statewide, full-day pre-K for four-year-olds will cost \$1.6 billion.<sup>11</sup>



These results show that not all high-spending states are equal. While New York's regressive funding pattern returns only modest dividends, New Jersey's results demonstrate that wise investments targeted to students with the highest need can dramatically improve outcomes.

## Conclusion

New York's unfair funding and underperformance on student outcomes, when compared to nearby New Jersey, are the products of years of under-investment in the state's public schools in low-wealth communities. New York should bridge the school funding and achievement gulfs with New Jersey, follow its neighbor's lead, and get on track to school funding fairness by restoring state aid under its own 2007 formula and by investing in expanded access to high quality preschool.

*The CFE Project at the Education Law Center (ELC) advocates for prompt implementation of adequate and fair school funding by the State of New York to comply with its own constitutional mandate to provide a sound basic and quality education to all students. CFE also supports high quality early childhood education, and educational opportunity for all children.*

*The Alliance for Quality Education is a coalition mobilizing communities across the state to keep New York true to its promise of ensuring a high quality public education to all students regardless of zip code. Combining its legislative and policy expertise with grassroots organizing, AQE advances proven-to-work strategies that lead to student success and echoes a powerful public demand for a high quality education for all of New York's students.*

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<sup>1</sup> Ellen Boylan and Shad White, *Formula for Success: Adding High-Quality Pre-K to State School Funding Formulas*, The Pew Center on the States, Education Reform Series, May 2010.

<sup>2</sup> Adjusted per pupil spending levels control for variations in student poverty, regional wages, district size, and population density.

<sup>3</sup> Bruce D. Baker, David G. Sciarra, and Danielle Farrie, *Is School Funding Fair? A National Report Card*, 3<sup>rd</sup> Edition, 2014.

<sup>4</sup> Marina Marcou-O'Malley, *Confronting the Opportunity Gap*, Alliance for Quality Education, February 28, 2013.

<sup>5</sup> Ibid.

<sup>6</sup> New York State Department of Education, State Aid Projections, Preliminary Estimate State Aids Payable under Section 3609 plus Other Aids, <https://stateaid.nysed.gov/>

<sup>7</sup> Bruce D. Baker, *School Funding Fairness in New York State: An Update for 2013-14*. Association of Small Cities Districts, 2014.

<sup>8</sup> Bruce D. Baker, David G. Sciarra, and Danielle Farrie, *Is School Funding Fair? A National Report Card*, 3<sup>rd</sup> Edition, 2014.

<sup>9</sup> John Yinger, *Reforming Education Finance in New York State*, Testimony Before the New NY Education Reform Commission, November 22, 2013.

<sup>10</sup> Schott Foundation for Public Education, *The Urgency of Now: The Schott 50 State Report on Public Education and Black Males*, 2012.

<sup>11</sup> Javier C. Hernandez, "Estimate for Statewide Pre-K in New York Puts Schools Chief in a Tangle," *New York Times*, January 29, 2014, accessed February 6, 2014, <http://www.nytimes.com/2014/01/29/nyregion/estimate-for-statewide-pre-k-puts-schools-chief-in-a-tangle.html>