



State Aid Formulas & NY Senate Not Making the Grade for Our Schools, Children & Communities

An Examination of State Support of Public School Funding Since 2007

An Analysis of State Senator Performance in SSFC Member Districts

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Overview:

Parents in average and low-wealth communities throughout New York will go to the polls this May to vote on their school district's 2012-13 budget. Many will once more no doubt do so feeling deep disappointment – even rage – at their school board, administrators and teachers for cuts in programs, staffing and opportunities for their children.

This anger will be misplaced. It should rightfully be directed at the Governor and Legislature who will have once more failed to establish reforms to finally abolish the inequity between the education children receive in the “have” and “have not” school districts in our state.

The nearly \$20 billion of state aid that will be distributed to school districts this fiscal year will still leave hundreds of thousands of our children shortchanged. Too much of this money will continue to flow to the wealthiest communities, with the best opportunities reserved for the children who have members of the Senate who were once again willing to fight hard to preserve the largess they incessantly enjoy from New York State.

While the scenario depicted above unfolds in the not-too-distant future, it is not as speculative as it might appear. Rather, it describes in future tense an all-too-real circumstance that has been imposed upon a majority of New York State communities over each of the past three years.

For more than a decade nearly every researcher who has studied state education aid formulas, their distribution and school finance recognizes the inequities, distortions, favoritism and contrived nature of school state aid funding. Yet the Governor, the Assembly and especially the Senate have been unwilling to address it.

Although the distribution of school aid has always been contentious, the roots of the current problem date back to 1988. On September 19 of that year, Senator Ralph Marino, commenting on the leadership hold the Long Island delegation was continuing to consolidate in the upper house, told the *New York Times*, “There has been this shift, and I don’t think the Upstaters have really realized that and accepted it.”

Senator Marino’s assertion was a precursor of one particularly insidious illustration of this shift – the creation of something known as the “*Shares Agreement*”, which, with its inception the following year, instituted a calculated, methodical and political shift in the distribution of school aid that has continued for more than 20 years.

The Shares Agreement was essentially established to reflect the notion that education aid should flow to the school districts that have the most students. This approach, however, takes little or no account of other critical indices that should be considered, such as: the number of impoverished children in a district or a community’s property tax and income wealth.

Given the acutely onerous impacts the Shares Agreement has on disparities in school aid distribution, combined with the razor-thin majorities that have existed in the Senate since 2007, the Statewide School Finance Consortium (SSFC) undertook a two-part analysis and assessment that places a special focus on the 20 state Senators that represent the more than 350 school districts that comprise SSFC membership.

Part I provides a deep examination of state support of public school funding over the past four years starting with the creation of the new Foundation Aid formula spearheaded by the Spitzer Administration in 2007.

Part II is a performance appraisal of the 20 state Senators representing SSFC school districts reflective of the 2011-12 state education aid budget that was enacted into law. This assessment offers graphs and other data that illustrates the impacts of aid cuts on both per pupil and property tax levy bases in each

Senate district with comparisons to higher wealth and low wealth communities in other parts of New York.

Conclusions of the SSFC research appear on page 48. Key assertions include:

- With no changes in the education aid formula, an estimated 100 to 150 school districts will not have the cash reserves to sustain themselves over the next two years as they face state-created mandates, contractual obligations and pension costs. Simply put, in many locales residents will not be able to fund their school district.
- Unfair state aid distribution is not, as some say, a geographic issue that pits Upstate vs. Downstate. There are over three dozen Downstate school districts that share similar wealth and poverty factors as those Upstate and the same bleak future as SSFC member districts. Indeed, the needs of these districts are as underrepresented by their own Senator as true those in SSFC districts.
- Members of the Senate have been preoccupied with ascension to and maintenance of power, personally and as a conference. Regardless of which party has had the majority in the house, each party has ignored numerous opportunities to solve the equitable funding issue.
- There are 20 Senators, Republicans and Democrats, that represent SSFC member school districts. Past behavior of this delegation has enabled state aid unfairness to continue since 2007. Their performance will be imperative to the success of any initiative that results in greater equity, fairness, transparency and predictability in state aid distribution and will also likely prove to be a determining factor in who holds the leadership in the next Senate.

Part I – An Examination of State Support for Public School Funding Since 2007

State aid to school districts is determined by a formula that is contained within the state Education Law. In 2007-08 Governor Elliott Spitzer and the Legislature created a new state aid distribution system that was designated as Foundation Aid. The conception behind the creation of Foundation Aid was two-fold:

- First, to ensure that more funding would flow to school districts to help them meet renewed calls by the Board of Regents for increased student performance and higher graduation rates – known as the *Contract for Excellence*
- Second, to satisfy the recent decision handed down by the New York Court of Appeals in the Campaign for Fiscal Equity (CFE) case that cited the constitutional mandate that the state is obligated to provide sufficient financial resources to schools to provide all children with a “sound and basic” education.

While the CFE case focused solely on the inequitable distribution of education aid to New York City, the creation Foundation Aid was aimed at providing adequate levels of aid to all of the state’s schools, again to help them comply with the Regents’ Contract for Excellence.

Further, the distribution of these sufficient resources was to reflect the needs of the school district based on its wealth. Low wealth and average wealth school districts would receive greater per pupil aid support to reflect a greater relationship between their income and property wealth and student population composition (for example, higher levels of children who were impoverished, non-English speakers or evidenced other at-risk indicators).

The plan called for a phase-in of the new aid formula over four years to allow the state to gradually reallocate the resources needed to meet its objectives. In other words, Foundation Aid allocations would increase annually for districts from 2007-08 through the 2010-11 school year, at which time schools would arrive at the full funding levels defined under the new formula. It was not to be.

The Plan That Didn’t Work

By the third year of the phase-in, the state began to experience a severe financial crisis. As a result Foundation Aid was frozen in the third year of implementation (2009-10) at only 37.5% of the full implementation target and continued to be frozen into the fourth and original final target year for full implementation (2010-11). Of further concern, on the third year of the planned phase-in, the state implemented a “back door” state aid cut – more accurately defined as a “defunding system” – that was designated as the Gap Elimination Adjustment (GEA). As Foundation Aid was “frozen”, total education aid was simultaneously cut.

Specifically, the cut in state aid to school districts was intended to help eradicate the state’s own fiscal deficit with portions of the monies promised to schools redirected to other uses. GEA cuts totaled about \$2.14 billion. Adding insult to injury, reflecting the tardy receipt of federal Medicaid money, the state’s books were balanced with a further \$132 million being withheld from the last state aid allotment checks sent to school districts in June 2011. Some modest aid increases were provided – building construction aid, BOCES aid as partial reimbursements, transportation aid and support of programs for students with disabilities, to name a few – but these in no way mitigated the damage wrought by GEA cuts.

For the 2011-12 school year, the state implemented another, deeper, GEA cut of \$2.79 billion of promised aid to school districts. The amount of cuts was reduced by a last-minute partial restoration of \$229 million, which will be discussed later in this examination.

Key Elements in School Aid Changes 2010-11 and 2011-12 (\$ in Billions)			
Program	2010-11	2011-12	Change
Foundation Aid	\$14.894	\$14.894	\$0
Building Aid	\$2.489	\$2.660	\$0.171
Other Aids	\$4.479	\$4.622	\$0.143
Gap Elimination Adjustment	(\$2.138)	(\$2.786)	(\$0.648)
Restoration of GEA	\$0	\$0.229	\$0.229
Federal Offset to 201-11 GEA	\$0.726	\$0	(\$0.726)
Federal Education Jobs Fund	\$0.608	\$0	(\$0.608)
Reduction to Cover State Medicaid Shortfall	(\$0.132)	\$0	\$0.132
Total Aids	\$20.925	\$19.619	(\$1.307)

with disabilities aside, the loss of Foundation Aid revenue totaled \$4.826 billion over the last two school years. This is significant by any measure.

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Restoration of GEA		\$0.229	\$0.229
Reduction to Cover State Medicaid Shortfall	(\$0.132)	\$0	\$0.132
Total Aids	\$12.624	\$12.337	(\$0.287)
Net Difference	(\$2.270)	(\$2.557)	(\$0.287)
Total Difference for 2010-11 and 2011-12			(\$4.826)

Luckily, over the last two school years the federal government, through various subsidies, largely tied to economic Stimulus programs provided almost \$1.3 billion to help school districts retain employees and educational programs. However, this federal funding will run out by the end of the 2011-12 school year, creating a de facto budget gap for school districts that continue to try to maintain employment positions previously financed by federal Educational Jobs Funds (EJF) or Stabilization Funds.

Various other federal Stimulus monies and aids to foster school construction, consolidation of services, transportation and programs for students

Although school districts have been able to rely on the soon-to-be-exhausted federal monies to support educational programs and maintain staff, the ongoing responsibility to provide funding to school districts still rests with the Legislature and Governor. To date, no specific strategy or plan has been developed by state government to replace the federal funds or – more importantly – to finish the original Foundation Aid implementation scheme.

The data in the above graph provides a backdrop of the impact of last year's state aid cuts (GEA) and illustrates how difficult it is – and will continue to be – for low wealth and average wealth school districts to maintain basic programs.

GEA Cuts-The Budget Impact 2010-11

The following graphs focus on the relevant distribution over the last two budget years of state aid cuts to districts across the state. The trends displayed in these graphs are reflective of every school district in the state.

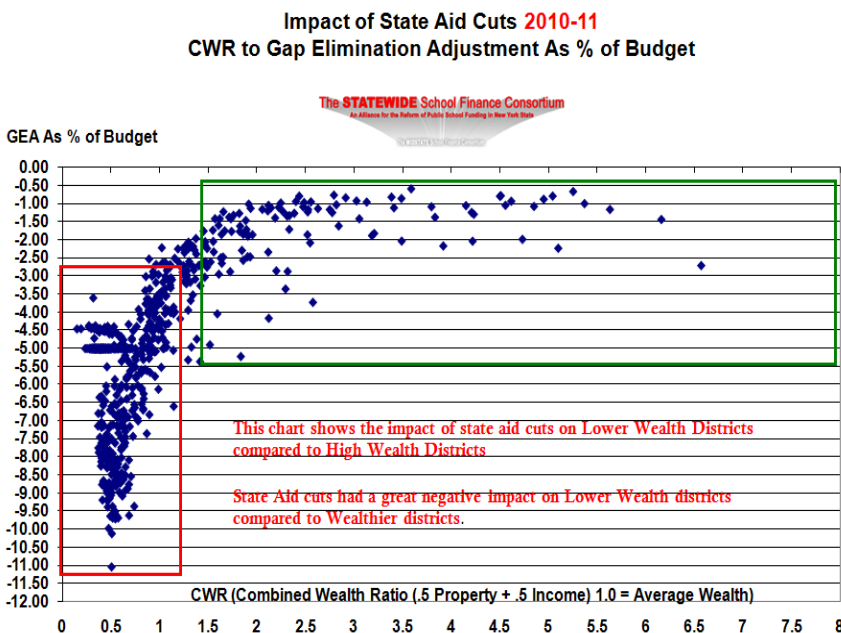
The scatter plot below shows the increased burden placed on school districts with state aid cuts under the Gap Elimination Adjustment enacted into law for 2010-11. The horizontal axis represents the Combined Wealth Ratio (CWR). The CWR is a district's income and property values compared to the state average. An average CWR equals 1. Districts with a CWR higher than 1 are wealthier than average. The vertical axis represents the state aid reduction as a percent of each school district's budget called Total General Fund Expenditures (TGFE). The CWR changes slightly each year, so the graphs have considered CWRs up to 1.25 as basically average wealth.

These graphs have been truncated at a CWR of 8.0 as the data beyond that displays the same pattern as the data for all other district with a CWR of 2.0 and higher. To go beyond a CWR of 8.0 adds no greater understanding of these data and serves only to make these data points smaller and more difficult to discern as the range increases. Additionally, it would only show the enormous wealth of about a dozen school districts that end up with such low-impact state aid cuts we fear that the focus on the equity issues in total would be lost on the shock of the significant inequity exemplified by the very few and the aggregate point about equity might be ignored. Therefore, the limit on the CWR has been set at 8.0.

Districts in the red box have a CWR of 1.25 or less. In terms of property and income values they are only slightly above average to well below average. These districts represent communities of average wealth to the poorest districts in the state.

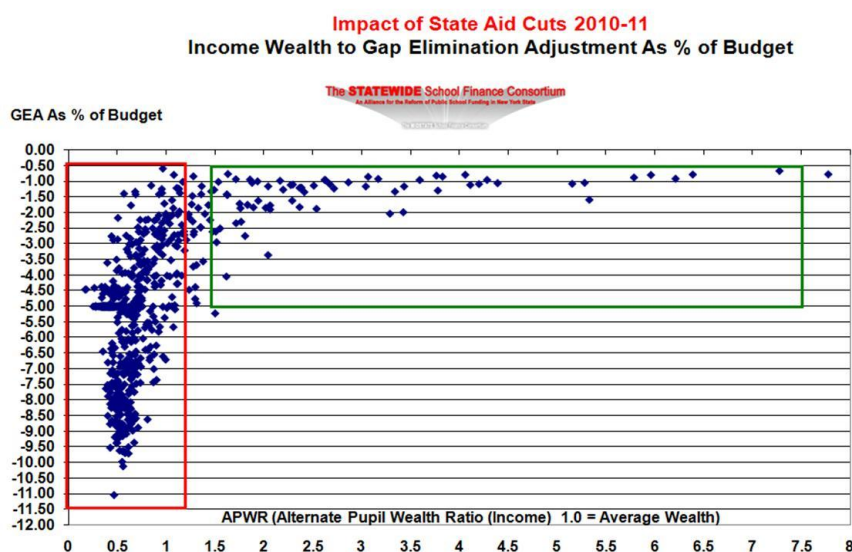
The districts in the green box represent districts that have a CWR greater than 1.5 (property and income values equal to or greater than 1.5 times the state average). These are the wealthiest state districts.

The poorest districts, those in the red box, had the greatest negative impact on their budgets caused by the loss of state aid under the Gap Elimination Adjustment cuts. However, the wealthier districts in the green box have the smallest negative impact on their budgets caused by the loss of state aid under the GEA cuts.



As demonstrated, this distribution system is clearly inequitable. This is especially true for average and below average wealth districts where the aid cuts they experience can only be made up by major increases in the local property tax levy (now essentially impossible because of the newly enacted Property Tax Cap law) or by significant staff cuts, program cuts or use of reserves...or some combination of any or all of these approaches.

This has created a particularly vicious cycle for the poorest districts – those that are least able to pay higher taxes and are already struggling to maintain even basic, mandated educational programs, cutting staff to the bone and using nearly exhausted reserves.



To determine if there was a possibility that a portion of the CWR could skew the result of the GEA cuts, an analysis of income and property values was undertaken. As both factors comprise the CWR, and because it is known that the relationships between property values and income may be significantly different across the state, graphs were created to isolate each variable independently.

An examination of the relationship between the Income Wealth of each district and their

corresponding negative budget impact of the GEA cuts is provided to the left.

This scatter plot demonstrates the increased burden placed on school districts with GEA cuts for the year indicated on the graph. The horizontal axis represents the Alternate Pupil Wealth Ratio (APWR). The APWR is a district's income values compared to the state average. An average APWR equals 1. Districts with an APWR higher than 1 are wealthier than average. The vertical axis represents the state aid cut as a percentage of each School District's Budget (TGFE).

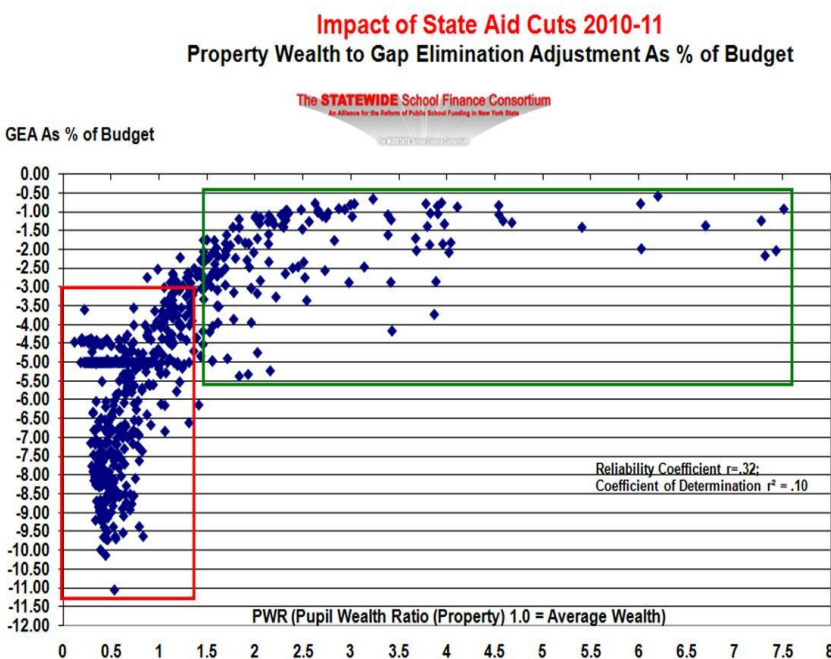
Districts in the red box have an APWR of 1.25 or less. These districts, in terms of income values, are only slightly above average to well below average and represent communities of average wealth to the poorest districts in New York State.

The poorest districts, the ones in the red box, will have the greatest decrease in state aid and increase in their tax levies caused by the loss of state aid under the GEA cuts. However, the wealthier districts in the green box have the smallest decrease in state aid and the smallest increase in their tax levies caused by the loss of state aid under the GEA cuts. The districts in the green box represent those districts that have an APWR greater than 1.5 (income values equal to or greater than 1.5 times the state average). These districts represent the wealthiest districts in New York State.

This again demonstrates that the distribution system is clearly inequitable. The shift of burden from the budget to the tax levy would be incredible for the districts that are most dependent on state aid. The poorest districts will be required to have the largest percent tax levy increases if the state aid cuts being offered by the Governor are put into place. Further, the average and below average wealth districts possess the least income capacity to create and maintain reserves and educational programs with the current tax burden.

The Property Wealth of each district provides another measure of negative impact to the budget based on the district's property wealth and thus it's fiscal capacity to have "something to tax."

The scatter plot below shows the increased burden placed on school districts with state aid cuts under the Gap Elimination Adjustment enacted into law for the 2010-11 budget year. The horizontal axis



represents the Pupil Wealth Ratio (PWR). The PWR is a district's property values compared to the state average. An average PWR equals 1. Districts with a PWR higher than 1 are wealthier than average. The vertical axis represents the state aid cut as a percent of each School District's Budget (TGFE).

Districts in the red box have a PWR of 1.25 or less. These districts, in terms of property values, are only slightly above average to well below average. These districts represent communities of average wealth to the poorest districts in New York State.

The poorest districts (red box) had the greatest decrease in

state aid, which therefore triggered an increase in their tax levies that was usually mitigated by districts through cuts in staff, programming and the use of reserves. This condition was caused by a combination of the GEA cuts and escalating costs of operation.

However, the wealthier districts (green box) have the smallest decrease in state aid and the smallest increase in their tax levies (caused by the loss of funding under state aid cuts). These districts have a PWR greater than 1.5 (property values equal to or greater than 1.5 times the state average) and represent the wealthiest districts in New York State.

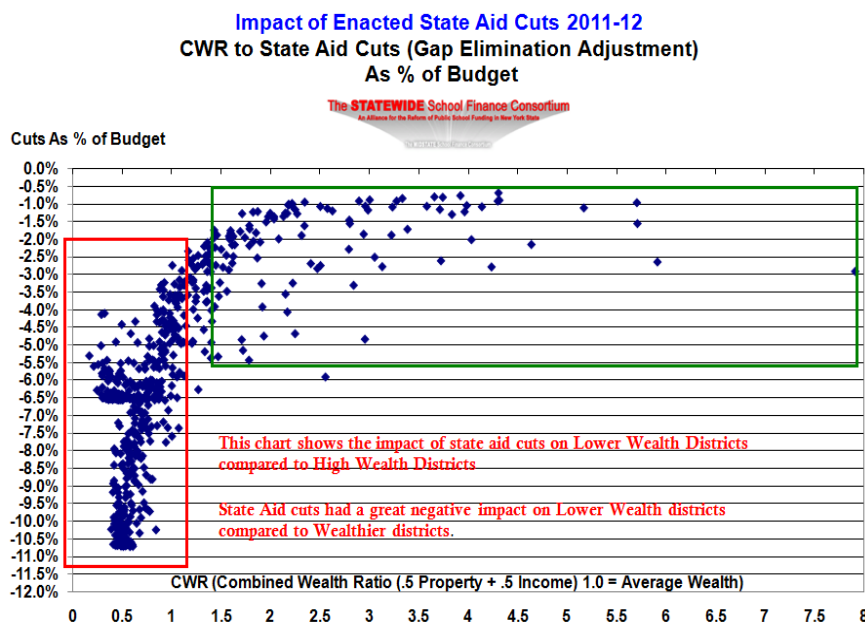
Again, this distribution is inequitable. The average and below average wealth districts have the least property wealth – and therefore lack the capacity to create and maintain reserves and educational programs as they possess limited to marginal taxing capacity. By contrast, the poorest districts, those least able to pay higher taxes and already struggling to maintain educational programs, endured the brunt of the GEA cuts with the diminishment of their programs, staff and savings accounts.

GEA Cuts-The Budget Impact 2011-12

The same trends that existed in 2010-11 continued into 2011-12 – except that the negative impacts became more ominous.

The scatter plot below shows the increased burden placed on school districts with GEA cuts for the 2011-12 budget year. The horizontal axis represents the Combined Wealth Ratio (CWR). The vertical axis represents the state aid reduction as a percent of the each school district's budget (TGFE).

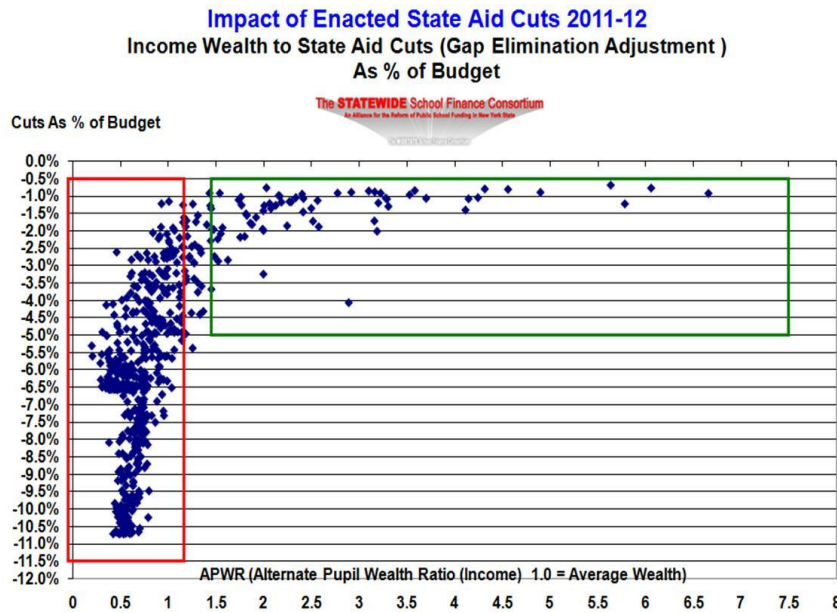
Districts in the red box have a CWR of 1.25 or less. These districts represent communities of average wealth to the poorest districts in New York State.



The poorest districts (red box), endured the greatest negative impact on their already weakened budgets caused by the loss of additional state aid with the GEA cuts.

However, the wealthier districts (green box) have the smallest pressure on their budgets caused by the GEA cuts. The districts in the green box denote those districts that have a CWR greater than 1.5 (property and income values equal to or greater than 1.5 times the state average). They represent the wealthiest districts in the state.

The inequity once more shows through. The cuts are deeper and the patterns are the same. For the second consecutive year, poor and average wealth districts must struggle with the impact of the GEA on their budget and hence their tax levy. The poorest districts, those least able to pay higher taxes and already struggling to maintain educational programs from the previous year's cuts, must dig deeper into program, staff and into their savings to offset a drastic increase in tax levy that voters would likely not support.



The same trend that existed in 2010-11 based on Income Wealth distribution continues into 2011-12, but the negative effect is deeper.

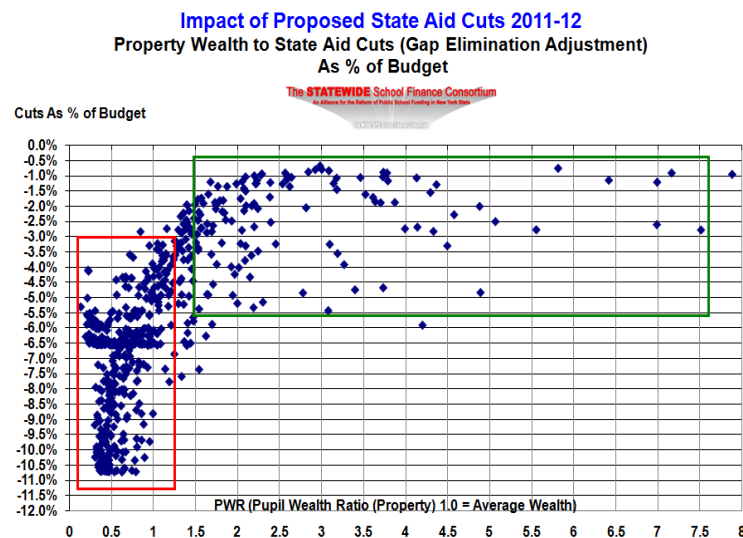
The poorest districts (red box) will have the greatest decrease in state aid and pressures to decrease their budget to control their tax levy as a direct result of the massive GEA cuts.

The wealthier districts (green box) again have the smallest strain on their budgets with minimal if any impact on tax levies – a result of the considerably lower GEA cuts per student. The districts in the green box represent those

that have an APWR greater than 1.5 (income values equal to or greater than 1.5 times the state average) – the wealthiest state districts.

School district residents pay their property taxes with their income. Those of marginal income fare the worst under the GEA cuts.

Just like the Income Wealth distribution of the GEA cuts, Property Wealth cuts display the same basic pattern. The scatter plot below shows the increased burden placed on school districts with the GEA cuts for budget year 2011-12. The horizontal axis represents the Pupil Wealth Ratio (PWR). The PWR is a



district's property values compared to the state average. An average PWR equals 1. Districts with a PWR higher than 1 are wealthier than average. The vertical axis represents the GEA cut as a percent of the each School District's Budget (TGFE).

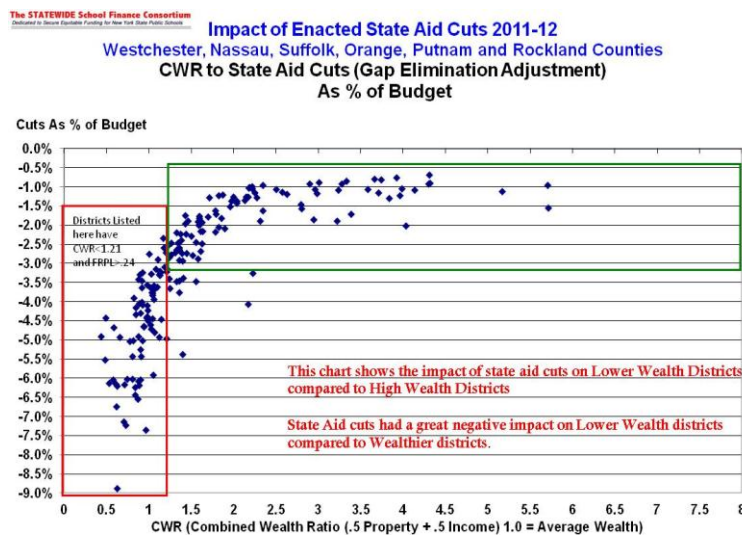
Districts in the red box have a PWR of 1.25 or less. These districts, in terms of property values, are only slightly above average to well below average. They represent communities of average wealth to the poorest districts in New York State. These districts will have the greatest decrease in state aid per student and greatest negative impact on their budgets and tax levies due to the loss of revenue under the GEA cuts.

The wealthier districts in the green box have the smallest decrease in state aid and the smallest impacts on their budgets and thus on their tax levies caused by the GEA cuts. The districts in the green box represent the wealthiest in the state – those districts that have a PWR greater than 1.5 (property values equal to or greater than 1.5 times the state average).

Obviously, the shift in financial burden would need to be borne by the tax levy if the district budget could not absorb it. As demonstrated in previous data the poorest districts, those least able to pay higher taxes and already struggling to maintain educational programs, could have the largest percent tax levy increases due to the GEA state aid cuts. Again, in terms of equity and the fiscal health of these districts, the current system of state aid cuts is unacceptable, inequitable and wrong.

The average and below average wealth districts have cut considerably from their meager resources to merely survive as a viable community school district. This is the second or third successive year that these districts will be forced to trim their budgets and use reserves. This is a financially unsustainable situation. After the two or three years of incessant cuts the least wealthy districts are desperately trying to retain staffs levels that are already insufficient, class sizes that are too large and the growing inability to assist students with special needs.

While SSFC has no member districts in Westchester, Nassau, Suffolk, Orange, Putnam or Rockland counties, our data has always analyzed all districts in the state. We have often included data in our reports, programs, presentations and meetings from other regions of the state. Some of these data are presented in the next graph.



It is readily apparent from the graph that the scatter plot has the same pattern as the data of the entire state. Further each of the districts within the red box has a CWR less than 1.21 and a Free and Reduced Price Lunch (FRPL) percent of at least 24% -- meaning that almost one of every 4 children are at some level of poverty.

The districts in these counties, as in the entire state, that are average or below average wealth, have experienced a more dramatic negative impact on their budgets as a result of the GEA cuts than districts of above average wealth. Consequently, the impact of the cuts is not an "Upstate vs.

Downstate" geographic issue – it is a wealth and demographic issue.

The impacts of state aid cuts on the budgets of average and below average wealth school districts is clearly a critical challenge. With cost escalations and uncertain revenues, budgets have been severely strained. Basic as well as elective educational programs have been lost to the point where the quality and veracity of the educational program is problematic.

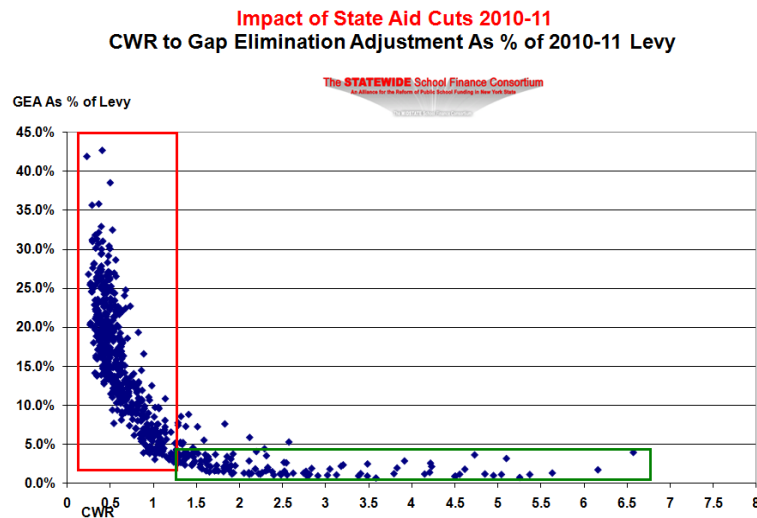
A significant loss of revenue logically creates pressure on a school's budget. But it also creates pressure on a community's property tax levy. Levy revenues are important to a district's overall revenue picture. Except for minor miscellaneous sources of revenue, the tax levy along with state aid and appropriated fund balances are the primary counter-balance to budget expenditures.

Tax levy increases to support a school district's budget is the least desirable alternative for obvious reasons – school district residents are loath to increase taxes and do so only reluctantly. National data confirms that tax levels in New York in general and in some counties (all of which are members of the SSFC) have some of the highest property taxes in the nation. In fact, the enactment the Tax Cap law is proof enough that New Yorkers want a brake applied to tax increases.

GEA Cuts-The Levy Impact 2010-11 and 2011-12

The next set of graphs highlights the impact of GEA cuts on the tax levies of school districts that are not able to identify alternative sources of revenue to support their current budget.

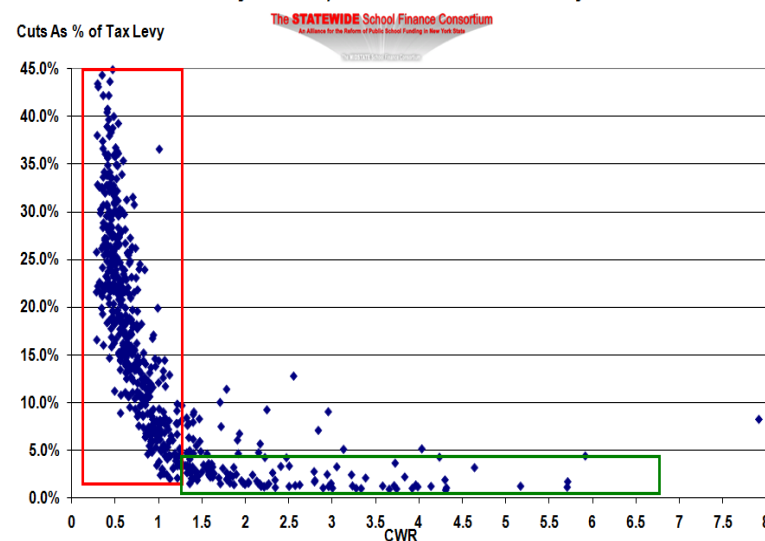
To cover GEA cuts for budget year 2010-11 as indicated on the graph below, some districts needed to increase their levies in 2010-11. Due to the unrealistic level of increases called for in most cases, these levies were in fact not boosted by the amount shown in the graphs. Instead higher tax levy increases were kept at modest levels by districts making sometimes massive cuts to educational programs, interscholastic and co-curricular activities, transportation, deferred equipment and bus purchases – not to mention the loss of over 10,000 school district employees state-wide over the last two years. As demonstrated on the graph, poor and average wealth districts again bore the brunt of these draconian cuts. Conversely, wealthy school districts barely, if at all, reached any discomfort level.



The poorest districts will have the greatest increase in their tax levies caused by the loss of state aid under the 2010-11 GEA cuts. This includes the Federal JOBS Restoration money of \$608 million to be spent over the 2010-11 and 2011-12 school years. Most of the funds, approximately \$400 million, will be spent in 2011-12 alone. Average and below average wealth school districts – and especially the poorest districts – simply do not have the capacity to shift this incredible burden to the tax levy.

Going forward school districts in the red box must continue to cut staff, programs and services and

Impact of Enacted State Aid Cuts 2011-12
CWR to ENACTED State Aid Cuts (Gap Elimination Adjustment) As % of 2010-11 Tax Levy



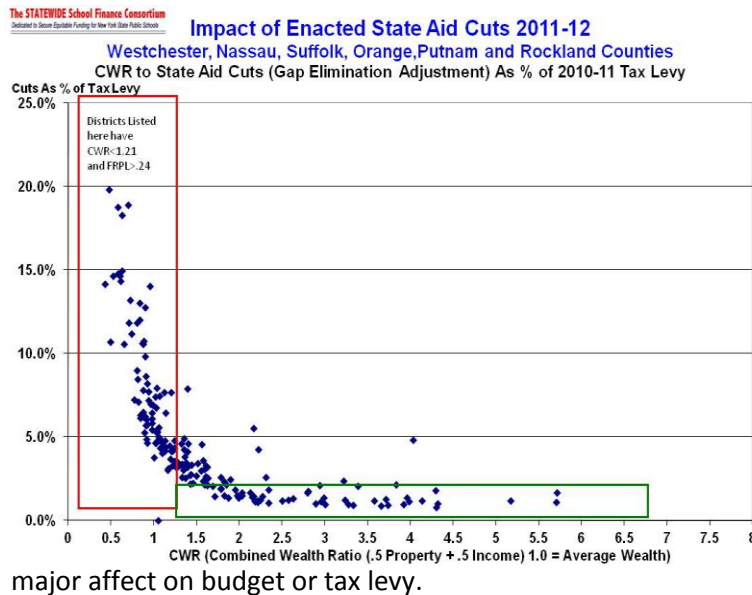
whatever reserves that exist to avoid adding to the tax burden. This is the same strategy used by school districts in the 2009-10 budget year when Foundation Aid was frozen. As noted, this will diminish the ability these districts will have to provide a viable educational program – and again underscores that the impacts of GEA are unacceptable, inequitable and wrong.

To cover state aid cuts for budget year 2011-12, the graph at left shows how some districts would have needed to increase their levies. Again, the high figures of up to almost 45% are unrealistic to put before voters and will be avoided by more budget, program and staff cuts, as well as the use of any existing reserves.

The poorest districts (red box) were in the greatest jeopardy to increase tax levies caused by the loss of state aid under GEA. Also, as noted, this is the last year to spend the federal *JOBS* Restoration money if a district had not already exhausted these funds in the 2010-11 school year.

The complete demonstration of unfairness permeates these data. The poorest districts again would have been required to endure the largest percent tax levy increases. So, for the third consecutive year, school districts in the red box will continue to cut staff, programs and services and use up whatever reserves exist to avoid additions to the tax burden in their communities.

As depicted in the graph below, SSFC non-member regions suffer the same problems as SSFC member



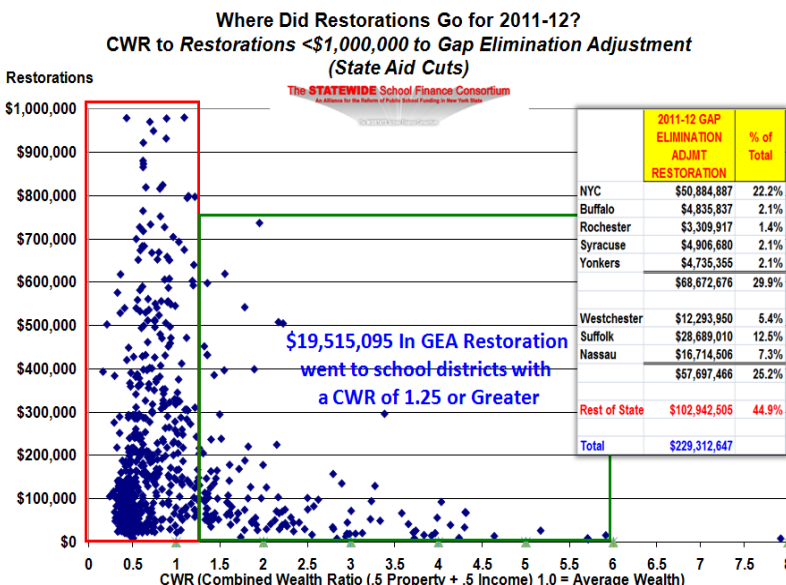
districts. Wealthy districts, on the other hand, have a much easier situation over the two years of GEA cuts.

Undoubtedly, the continuous existence of the current and frozen state aid formula and the current size and formula for the GEA cuts will diminish the length of time average and low wealth districts will have to provide a viable educational program. The wealthiest districts – those with the greatest revenue generation power and the largest reserves – and those less dependent on state aid will be able to maintain their significant and quality programs for a considerable period of time with little

major affect on budget or tax levy.

The 2011-12 Partial Restoration:

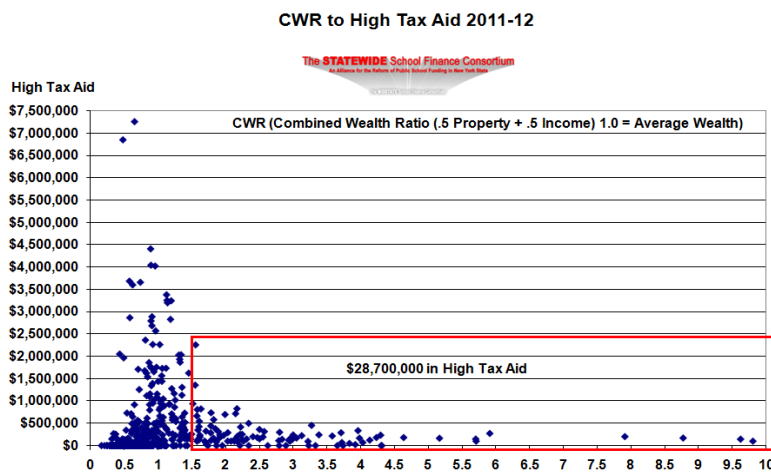
At the behest of the state legislature there was a small, partial restoration of state aid to school districts. This restoration totaled \$229 million for the 2011-12 school budget year. While the distribution of these funds appeared on the surface to be based on need, this was not the only criterion. The funds were only somewhat targeted to districts where there was a critical need in favor of a political assurance that “everyone gets something.”



One-third of the restoration funds went to the Big 5 city school districts (New York, Yonkers, Syracuse, Rochester and Buffalo), but over 25% went to the wealthiest counties in the state. Less than 45% went to the rest of the state. The over \$19.5 million in “restoration” (8.5% of the total) that went to the wealthiest districts would have had a greater positive impact if they had been distributed to the state’s neediest school districts. This was a politically-motivated decision not an educationally sound fiscal decision.

Other Aid Issues: “Skimming Off the Top”

The politics to alter the formula and thereby reach a legislative consensus was significant. Some assessments of the 2007-08 and now 2008-09 Foundation Aid formula point to the maintenance of the “shares agreement” that was mentioned in the Overview section of this report. Modifications to the state aid plan have been a continuous process in Albany. One case in point was the creation of “High Tax Aid.”



As its name would imply, High Tax Aid was intended to address high property taxes. Poorer districts have low incomes and property values and thus less “tax capacity.” Property taxes in these communities are usually comparatively high even to fund modest educational programs. However, in many cases the “high taxes” paid by wealthier districts are the result of a community decision to fund expansive and expensive school program offerings, lower class sizes, advance college placement programs and other enrichments over and above what the state mandates that

less wealthy school districts cannot afford to provide. Thus for the wealthiest districts High Tax Aid supplements the costs of their expensive extra programs while it denies fiscal resources that could be reallocated to the neediest school districts.

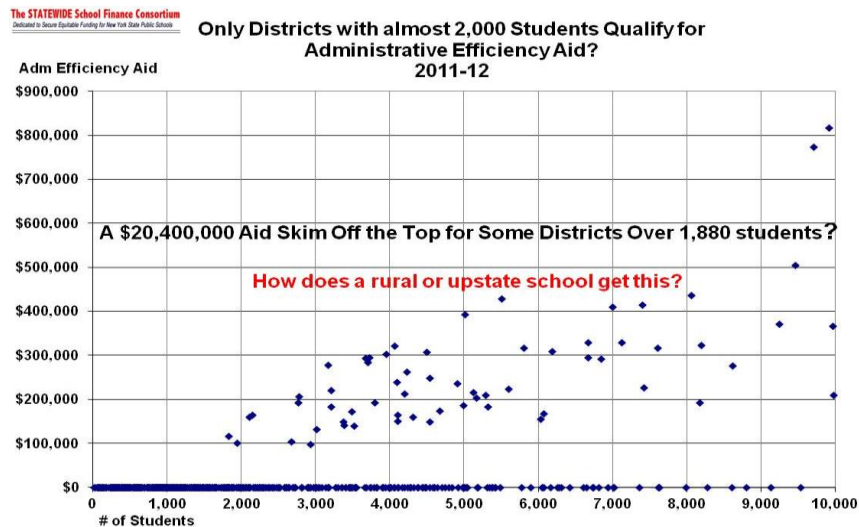
An analysis of High Tax Aid in 2008 concluded that it was in part basically a “workaround” for high wealth and “high tax” districts regardless of the reasons for program costs while the intention of the aid was to assist those districts of average and below average wealth that generally possess ordinary programs. It was done with the creation of a three tiered system capped by a final category called “due minimum” that provided more opportunities for wealthy districts to circumvent the original goal of the aid category.

An analysis of the high tax aid formula reveals a sinister picture. With each successive tier numbers of districts considered wealthy by any measure were included as an eligible recipient of the aid. For instance, in the Tier three test a district needed a Regional Cost Index (RCI) greater than 1.3 to be eligible. That would limit Tier Three to downstate districts as only downstate districts have a RCI of 1.3 or higher. Further, 60 districts not eligible for any of the regular “tiers” of aid however, received high tax aid under the provision of the “due minimum”. There were 17 districts that were eligible for 50% of the allotment using this mechanism; four had CWRs higher than 2.20 but below 3.0; six were between 3.0 and 4.0; one was between 4.0 and 5.0, one between 9.5 and 10.0; one between 10.5 and 11.0, three between 20.0 and 30.0 and one above 40.0. Clearly all of these are wealthy and surely a formula like this isn’t an accidental creation. Indeed, this is a scheme where money is directed to wealthy districts as it is skimmed from the total state aid fiscal structure.

Even the first criteria for High Tax aid eligibility, the Tax Ratio is flawed. The Tax Ratio is a measure of tax effort by finding the ratio of the residential tax levy (with condominiums) as divided by gross income as a set minimum but arbitrary level. This measure is also flawed because the numerator includes taxes paid by vacation home owners but the denominator does not include income of vacation home owners. Their income is reported in the district where their primary residence is located. This inflates the measure for districts with a high concentration of vacation homes (even if the actual residents have low income levels). It also understates the tax burdens for districts with high numbers of renters. In this case the taxes paid by residents of multifamily dwellings are not included in the numerator but the

income of renters is included in the denominator. Such logical flaws are infused into state aid formulas by design not by mistake.

The newest state aid creation was an attempt to reward efficiency. It doesn't and it won't. The introduction of a new aid formula for the 2011-12 school year entitled "Administrative Efficiency Aid" was anything but.

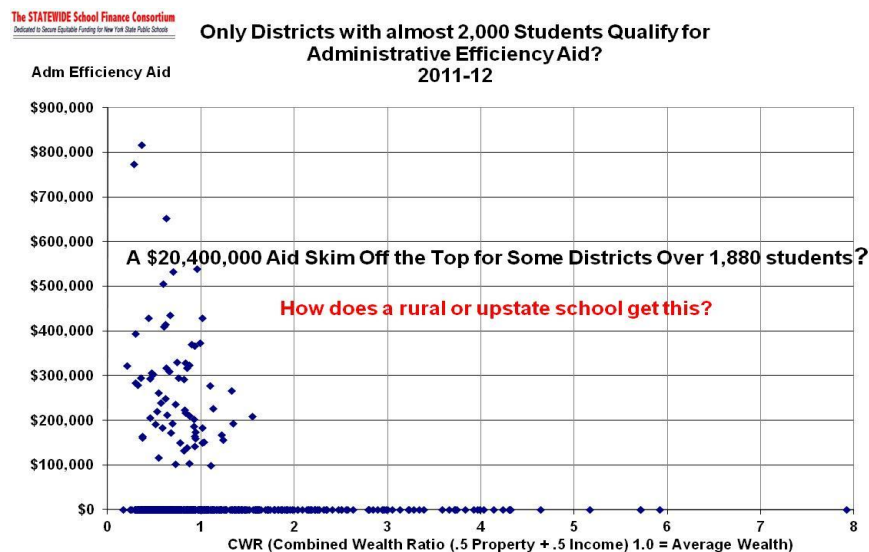


Currently there are school districts in which the superintendent is also the school business official and the principal, yet the district is not eligible for administrative efficiency aid. How efficient must one get? There are districts that have practically jettisoned their entire administrative staff, yet no aid has been forthcoming.

Moreover, no district with less than 1,880 student receives the aid. There are few poor school districts with more than 1,880 students, although

they do exist. This threshold, whether artificially or accidentally created ignores a significant body of research about the productive qualities and performance of small schools throughout the country.

Further, our analysis of these data suggests that Administrative Efficiency Aid does not reward or punish administrative efficiency. Almost no districts with a CWR beyond 1.5 are eligible for Administrative Efficiency Aid.

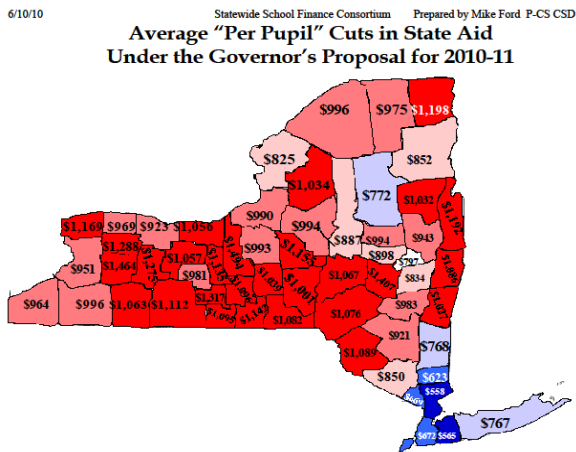


One is left to wonder whether or not this aid category would actually entice districts to become more administratively efficient. This is especially true if they enjoy what wealthy districts have: a CWR above 1.5, less of an impact on the their budgets and levies due to GEA cuts per student and tremendous taxing capacity due to a large amount of income and/or property wealth, possess significant reserves and considerable upper level programs and offerings at all grade levels. They actually

may not desire to change through unattractive reductions, decrease the number of administrators, eliminate or share positions and duties or alter pay scales to demonstrate greater financial efficiency. For them the aid threshold may be too high and thus attractive to be an incentive as to warrant or encourage a change in these school districts. Besides, there is no penalty for school districts such as these to remain inefficient.

The Maps Don't Lie

The distribution of aid cuts per student is clearly visible when one looks at a map of the state. The graphs are color coded. The deepest reds are the counties with the greatest loss of state aid in the GEA cuts. All of these counties lost over \$1,000 per student. (The statewide average aid cut per student is \$937.)

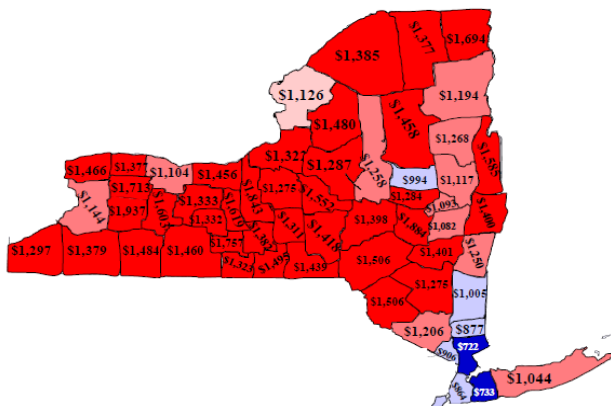


The counties with the medium red color experienced around \$1000 or a little less per student on average. The light red counties incurred aid losses per student that were still above average but less than the two previous categories.

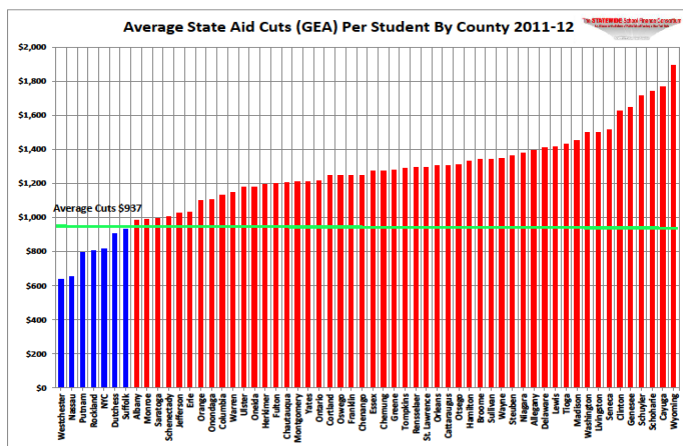
Counties with blue lost aid per student below the state average. The deeper the blue the more below average was their loss. Clearly, these counties did well when compared to any of those in some shade of red.

Over the last few years the area of the greatest cuts is in largely rural or suburban Upstate areas and four of the Big 5 cities: Buffalo, Rochester, Syracuse and Yonkers.

Average Per Pupil Loss in State Aid under the Governor's Proposal – February 2011



The cuts began to effect parts of Long Island with greater intensity in the 2011-12 school budget cycle. Although parts of Long Island, the northern suburbs and counties of New York City have pockets where significant cuts exist, the school districts in these areas have been largely unscathed in comparison to the rest of the state.



The determining factor once again is wealth. Those districts with the lowest or lower wealth lose more per child in part because they are more state aid dependent as they lack the community fiscal capacity to exist without the aid.

The dilemma arises when wealthier districts endure marginal impacts on their overall district budgets and levies with their aid cuts while less wealthy districts endure significant impact on their local budgets and levies.

“Eighth Grade Math”

As noted, state aid cuts have a greater negative impact on lower wealth districts than wealthier ones. To clarify this point it is important to start with meaningful and accurate metrics.

Taxes Rise Disproportionately When State Aid is Frozen

District A: High Wealth District	District B: Average Wealth District	District C: Low Wealth District	District D: High Needs District
Annual Budget: \$20 Million	Annual Budget: \$20 Million	Annual Budget: \$20 Million	Annual Budget: \$20 Million
10% State / 90% Local Funding \$2 Million State Aid	25% State / 75% Local Funding \$5 Million State Aid	50% State / 50% Local Funding \$10 Million State Aid	75% State / 25% Local Funding \$15 Million State Aid
Proposed Budget Increase: 2% = \$400,000	Proposed Budget Increase: 2% = \$400,000	Proposed Budget Increase: 2% = \$400,000	Proposed Budget Increase: 2% = \$400,000
Proposed New budget: \$20.4 Million	Proposed New budget: \$20.4 Million	Proposed New budget: \$20.4 Million	Proposed New budget: \$20.4 Million
State / Local Funding: \$2 Million State \$18.4 Million Local	State / Local Funding: \$5 Million State \$15.4 Million Local	State / Local Funding: \$10 Million State \$10.4 Million Local	State / Local Funding: \$15 Million State \$5.4 Million Local
LOCAL TAX INCREASE: 2.22%	LOCAL TAX INCREASE: 2.67%	LOCAL TAX INCREASE: 4%	LOCAL TAX INCREASE: 8%

The table at left provides a model to illustrate the effect of frozen state Foundation Aid upon the tax levy of school districts of different wealth capacity, but having the same size budget.

When state aid is frozen, a wealthy school district with an annual budget of \$20 million; receiving 10% in state funding and 90% in local funding; and with a proposed budget increase of 2%; would see a local tax increase of 2.22 %. A poor district with the same budget, receiving 75 % in state funding and 25% in local funding, with the same proposed budget increase, would see a local tax increase of 8 %.

When wealthy and poor districts are in the same vicinity and state aid is frozen for both, it appears as if the wealthier school district has managed finances well while the poorer district has not. Nothing could be further from the truth. It is not a measure of inefficiency. It’s about the power of wealth.

The Relationship Between Aid Cuts, Tax Increases & Budgets

District A: High Wealth District	District B: Average Wealth District	District C: Low Wealth District	District D: High Needs District
Annual Budget: \$20 Million	Annual Budget: \$20 Million	Annual Budget: \$20 Million	Annual Budget: \$20 Million
10% State / 90% Local Funding \$2 Million State Aid	25% State / 75% Local Funding \$5 Million State Aid	50% State / 50% Local Funding \$10 Million State Aid	75% State / 25% Local Funding \$15 Million State Aid
Impact of Sliding Scale Cuts: 13% of Aid = -\$260,200	Impact of Sliding Scale Cuts: 10.5% of Aid = -\$525,000	Impact of Sliding Scale Cuts: 7.3% of Aid = -\$730,000	Impact of Sliding Scale Cuts: 4% of Aid = -\$600,000
New State / Local Funding: \$1.7 Million State \$18.3 Million Local	New State / Local Funding: \$4.5 Million State \$15.5 Million Local	New State / Local Funding: \$9.3 Million State \$10.7 Million Local	New State / Local Funding: \$14.4 Million State \$5.6 Million Local
Aid Cut as % of Budget: -\$260,200 = 1.3% of Budget	Aid Cuts as % of Budget: -\$525,000 = 2.6% of Budget	Aid Cut as % of Budget: -\$730,000 = 3.7% of Budget	Aid Cut as % of Budget: -\$600,000 = 3% of Budget
LOCAL TAX INCREASE: 1.4%	LOCAL TAX INCREASE: 3.5%	LOCAL TAX INCREASE: 7.3%	LOCAL TAX INCREASE: 12%

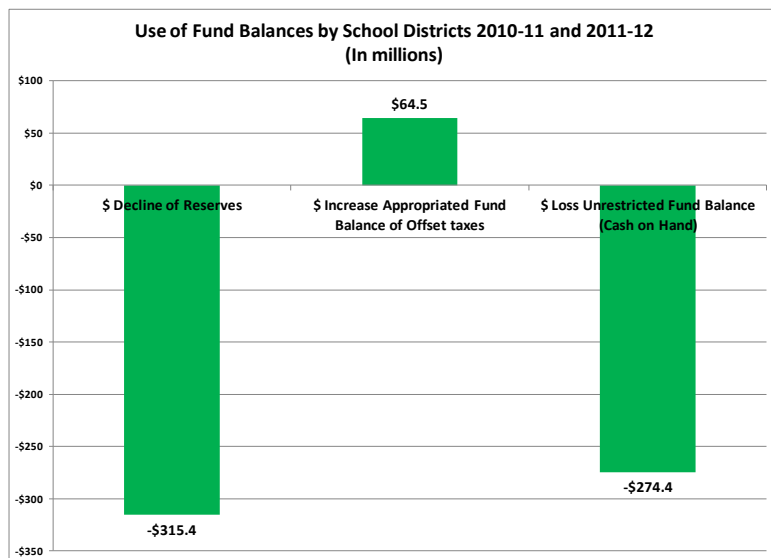
Something similar but more dramatic happens when state Foundation Aid decreases for districts of different wealth but the same size budget. When state aid is decreased, a wealthy school district with an annual budget of \$20 million; receiving 10% in state funding and 90% in local funding; and with a proposed aid cut of 13%; would see a local tax increase of 1.4 %. A poor district with the same budget, receiving 75% in state funding and 25% in local funding, with a proposed aid cut of only 4%; would see a local tax increase of 12 %.

Again, state aid cuts have a greater negative impact on lower wealth districts than wealthier ones. Similarly, when wealthy and poor districts are in the same vicinity and state aid is decreased to both, it appears as if the wealthier school district has managed finances better than the poorer district. It’s not about better management, it’s all about wealth, capacity and fairness.

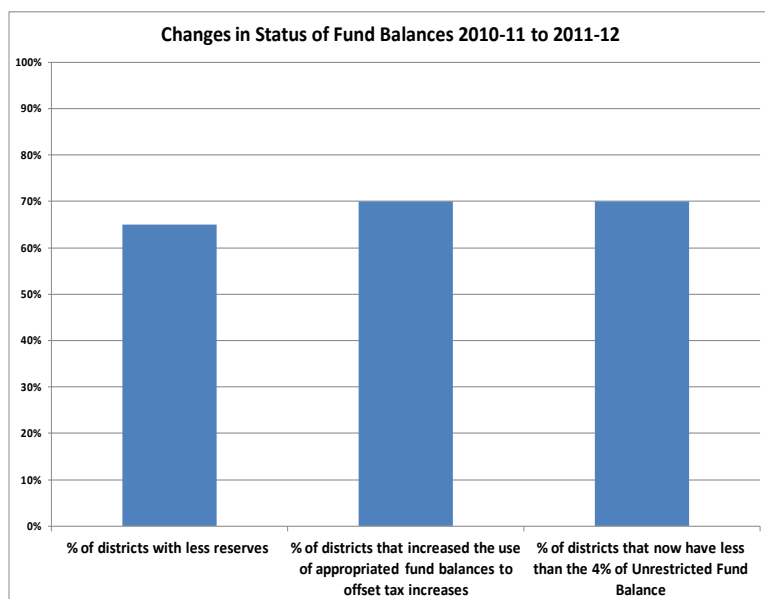
The Continuous Loss of Fund Balances

To get one's arms around the basics of school finance, one needs to understand that there are four significant "moving parts" -- the school budget, the tax levy, state aid and fund balance. The budget is the spending plan. State aid and tax levies are revenues to implement the spending plan. Fund balances take on multiple roles.

Restricted fund balances are placed into reserves to hold monies for determined future liabilities. Some fund balance is appropriated to support the budget and lower the local tax levy. These are normally thought to be excess funds that the district does not need to support operations and thus are returned to the taxpayers as a reduction to the taxes to be levied. The last is the unrestricted fund balance. These are monies set aside principally for emergencies, unknown expenses that may arise and to maintain a cash flow within the district's finances to ensure prompt and full payment of bills and payroll.



As noted, state aid cuts affect budget and tax levy. This is particularly true when combined with a more in-depth analysis of the use of fund balances as a way to maintain acceptable tax levy rates in the eyes of the districts' residents. State records reveal that during the combined 2010-11/2011-12 school years, districts used \$315.4 million of restricted fund balances (reserves), increased use of appropriated fund balances by almost \$64.5 million to offset tax increases and jettisoned over \$274.4 million of unrestricted fund balance for emergencies or to maintain cash flow.



In total, districts found themselves with \$654.3 million less cash and thousands fewer employees in a single year.

Another way to look at the loss of fund balance is to determine the percent of districts that have used each type of fund balance. State records indicate that in the combined 2010-11/2011-12 school years 65% of all school districts spent portions of their restricted fund balances (reserves); 70% increased the use of appropriated fund balances to offset tax increases, and almost 70% of all school districts now have less than the 4% of unrestricted fund balance that can be used for emergencies or to maintain cash flow – an amount

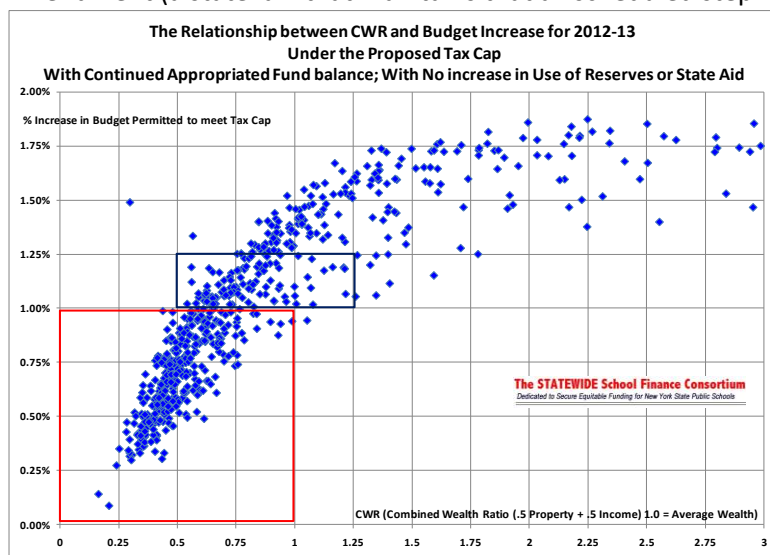
many educational finance experts consider to be an artificial and insufficient requirement amount for cash on hand. (Under Real Property Tax Law 1318, school districts are mandated to have unrestricted fund balances of no more than 4 %.)

The loss of fund balance at this rate is unsustainable. SSFC research demonstrates that as many as 100 districts will simply run out of cash over the next 18 months and hundreds of others will do the same over the following 30 to 36 months. Higher wealth districts, those with large property and income values, largely remain flush with cash and can maintain the loss of fund balances for years and even decades at the current rate of state aid cuts.

Implications of the Tax Cap

Yet another math problem for school district officials has reared its head as they wrestle with the new “Tax Cap” law. Simple math makes it clear that the larger a tax levy is the larger a single percent on that levy will raise in revenue. It follows that the smaller the levy the smaller a single percent will raise in revenue. It is also evident that the districts with the largest levies have the least state aid per pupil because they have on average higher incomes and/or property values than those which are not wealthy.

Again middle school math is relevant. For example, let’s suppose that half of a school district’s budget goes to pay teaching staff and that staff is guaranteed an annual 2% increase in salary by the Triborough Amendment (a state law that maintains that all scheduled step increases – pay raises – stay in force until



a successor contract is agreed by the union and the school district) then the budget, all things being equal, must increase by at least 1%. This does not account for any other increase to the district such as pension costs, medical insurance increases in utility cost or fuel for district buses and so on. Nor does it count any new revenues or monies that can be leveraged against the budget to produce a lower levy.

In this hypothetical example the budget must increase by 1%. But what of the levy if it is capped at say, 2%? It depends. It depends on whether or not the amount of money that equals a 1% increase in budget is

greater or less than a 2% increase in levy. It is very clear that wealthier, less state aid dependent school districts are able to raise more money per percent of levy than average or below average wealth school districts. As the graph above indicates, this scenario will result in the need to cut the budget to an increase below 1% through: cuts to staff, purchases, programs and the like; the use of more reserves than the previous year; or somehow find other sources of revenue. This situation places average and below average wealth school districts at a serious disadvantage compared to wealthier districts. Note on the above graph that all of the districts in the red box can only have less than a 1% budget increase with the hypothetical 2% tax cap than the rest of the districts in the graph. The red box contains lower wealth school districts.

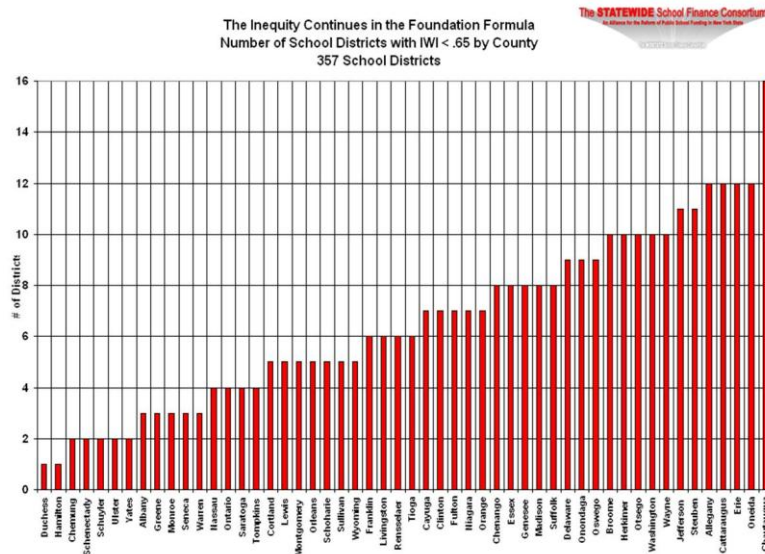
A visit to the websites of wealthy school districts will provide all the data to underscore the evidence of their wealth. These wealthy districts are successful by every measure – student performance, graduation rates, student offerings and programs of every variety, community involvement and financial support, the best educators and administrative teams that money can buy and the list goes on. And because of those strengths they have the costs that go with them. But they enjoy the financial capacity to fund such a school district and that is reflected in the financial support provided in the tax levy. They continue to maintain these programs that require additional financial support from residents. The miracle of the Tax “Cap” is that these wealthy districts will be able to raise much more money than poorer school districts in support of their programs.

Problems with the Foundation Aid Formula

1.) Income Wealth Index (IWI)

IWI has a floor of .65. This means that districts having Income Wealth Index below .65 (roughly only two-thirds the wealth of an average wealth school district) are treated as if their Income Wealth were .65. Assistance to these “neediest of the needy” is therefore essentially truncated with no deference to

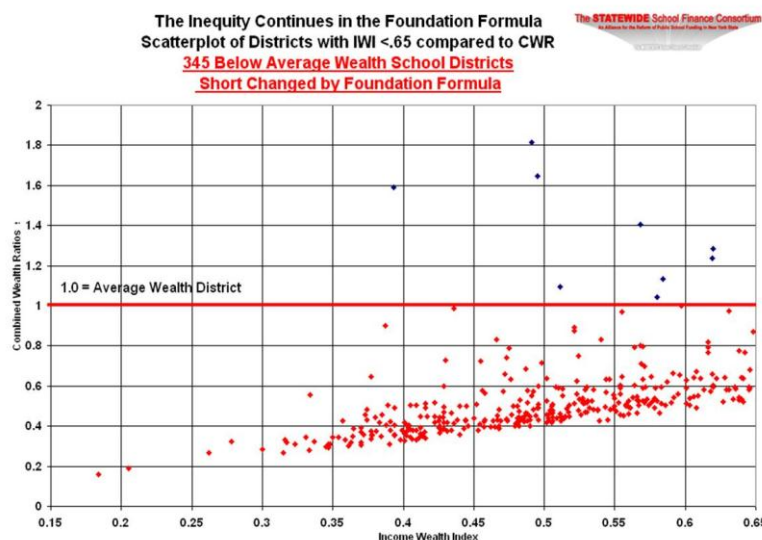
their plight. This seriously disadvantages the poorest districts in the state. If poorer districts’ actual IWI was used in the Foundation Aid formula more aid would flow to the poorest school districts.



Additionally, the IWI ceiling for this formula is 2.0. It is unknown why aid should be driven to school districts with an IWI at that level. One would think that if the target of such aid was below average and average wealth districts, especially in consideration of an income index, the maximum should be in the 1.25 to 1.3 range to allow for fluctuation over time and to ensure the goal of the aid is on target.

Again these graphs point to the relative geographical nature of the aid mechanism as compared to the need for a more demographic approach. The counties with the greatest number of districts currently ineligible for aid under the IWI portion of the Foundation Aid formula are listed on the graph above.

Those denied access to assistance with the IWI portion of the state aid formula are among the poorest school districts in the state as the graph below shows. Many fall far below the floor of .65 and fall into the .20 to .60 range. A few can fall below .20 and are basically financially destitute.



The financial yield for the poorest among them would be significant based on their needs and current fiscal condition.

That they are denied this aid because they are “too poor” is beyond belief. Further, that this condition has been perpetuated since the 2007-08 school year by three governors, a majority-stable Assembly and during a time period

when both parties had a chance to fix it in the Senate is incredulous and speaks volumes about politics in New York State compared to the needs of children and taxpayers.

2.) Local Tax Effort

The current Foundation formula contains a calculation intended to require a minimum local tax effort. However, it is not allowed to work as intended. The intended Local Tax Effort test is circumvented by four “sharing ratio” tiers that allow wealthier districts to select the tier that most beneficially generates aid not intended to go to wealthier districts in the preceding portions of the Foundation Formula. Further, while wealthy districts may have \$1 million or more behind every student in tax levy capacity, low wealth districts may only have about \$200,000 in tax levy capacity behind each child. The capacity to levy taxes to create or sustain program and opportunities for student therefore varies tremendously between high wealth and low wealth school districts.

The Local Tax Effort section of the Foundation Aid formula that exists today is only a shadow of the originally intended concept. While the 2007 Foundation Aid proposal advanced by Governor Spitzer included many of the elements from the Board of Regents “Successful Schools” model for Foundation Aid, substantial changes including but not limited to the inclusion of “State Sharing Ratios” became part of the formula. These “ratios” were intended to drive funds to school districts that lost some measure of support under the new Foundation Aid plan. Moreover, other formulas were altered to also redirect funds to districts that did not do well under the new mechanisms that originally attempted to make the formula more equitable.

3.) Measures of Poverty

The relative value of the Free and Reduced Lunch Program (FRPL) and Extra Ordinary Needs Students (EONS) counts is muted under the current Foundation Aid formula. Poorer districts are disadvantaged by this metric and thus do not receive the amount of aid needed to educate these children with special needs. Many low wealth districts have significant immigrant populations, most of these students are designated as English Language Learners (ELL). These children must become an enhanced metric used to drive aid to these districts. (A single shining light with this concern is that these measures were given more weight under the Restoration of Aid in 2011-12 GEA.) These measures operate best when they are in balance with other modifications to the Foundation Aid Formula.

4.) Administrative Efficiency Aid

The formula for Administrative Efficiency Aid makes it impossible for smaller districts (regardless of their demographics, geography or topography) to be eligible for this aid. The measure of economy of scale is too high for all but the largest districts to meet. This report has already discussed the mechanics and erroneous assumptions behind this impractical and useless aid category. The monies attributed to this aid would better be spent elsewhere to support more needy school districts.

5.) The Regional Cost Index

The current Regional Cost Index is too large and inappropriate. It is used to send more money to wealthier portions of the state. We believe the Geographic Cost of Education Index (GCEI, Chambers, 1997) would be a better and broadly based index to use.

The use of an index increases state aid to a district by multiplying the index number by some other metric. If the index is large the poorest regions are always 1.0 and everyone else is simply higher due to such things as higher standard of living costs. In effect, the larger the index the greater the number used to multiply against some metric. If the index has a range of 22 points (For example, 1.0 to 1.22; where the resultant figure would look like 1.22 times “x” for the region with the highest index number) it would yield a certain result for higher standard (cost) of living regions. Yet if the index was larger, say 44 points (For example 1.0 to 1.44; where the resultant figure would look like 1.44 times “x” for the region with the highest index number) the resultant computation would be even higher; significantly higher. Thus, in an effort to maintain the standard of living of the wealthiest regions monies are allocated through this part of the formula. This part of the formula works against others as it ensures the maintenance of a high standard of living in one region while it maintains the lower standard of living in another.

See: http://apps.olin.wustl.edu/macarthur/papers/Wilson_Lambright_Smeeding_EFP_Submission.pdf

6.) Need/ Resource Capacity Computation

The Need/Resource Capacity (N/RC) uses the 2000 census data which is ten years old and Free and Reduced lunch data from 2000-01 and 2001-02. The state should use the most up to date indices of poverty/wealth when formulating a state aid distribution for education.

However, in any case, the N/RC is used wrongly in the GAP Elimination Adjustment calculation. Total General Fund Expenditure (TGFE) check - limits aid lost in relation to the district's TGFE. If a district is high need then the aid lost is limited to 6.8% of the 2010-11 TGFE. Average need districts can lose up to 11%. Need-Based Restoration differentiates the dollar amount restored per student based on the N/RC. (N/RC is also inappropriately used to determine High Needs Building Aid)

Mandate Relief Under Discussion

Current mandate relief issues need to be addressed by state government and the Board of Regents as a way to bring real cost savings through greater productivity and efficiency. With the advent of the GEA cuts and the "Tax Cap" it is critical to the ability of school districts to cut costs by being rid of unnecessary and unfunded state mandates.

Most of the unfunded mandates that are problematic or expensive for school districts are a primary product of two sources – elected members of state government and the Board of Regents. While they are not the only source of unfunded mandates they are the major contributor.

The problem for school districts is twofold.

First, some mandates accomplish nothing more than just using up the staff resources of school districts. There is only so much time in a day, some things are worth doing and some things aren't when mission and time must be subject to triage. Often more mission critical duties are minimized to meet mandates that require significant attention and paperwork. The eradication of these types of mandates doesn't always save significant sums of money but it would allow for the reallocation of staff to accomplish primary mission targets.

Second, many unfunded mandates have a cost. Aside from health and safety mandates, almost all are wrapped up in labor law, education law and the regulations of the Commissioner of Education.

However, these alone will not ameliorate the fiscal problems faced by school districts due to the current inequitable Foundation Aid formula or the last two years of grossly inequitable cuts under the GEA. Each of these items bears consideration and closer examination. The current general areas of discussion are listed below. It is an incomplete list but includes the "sacred cows" of the public educational sector. For a more detailed list consult the New York State School Boards Association (NYSSBA) or New York State Council of School Superintendents (NYSCOSS) websites.

The Legislature and Governor

Triborough
Pension Reform
Medical Insurance
Special Education Paperwork
BOCES
3020a
Overhaul Public Employees Relations Board

The Board of Regents

Seat-time requirements
Special education
Certification Requirements

Part II – An Analysis of State Senator Performance in SSFC Member Districts

This report will illustrate the degree of success that Senators who represent SSFC member school districts have had in terms of achieving fair and equitable distribution of public school funding that is transparent and predictable. All evaluative comparisons made in the report are based on data contained in State Education Department public reports. They demonstrate how well Senators representing low wealth/high needs and average wealth SSFC school districts fared by comparison to a sample of school districts that are similar and/or wealthier in other regions of the state.

The SSFC perspective on effective representation in the Senate is simple and straight forward – equity must exist in educational funding to support each child regardless of where they live. Inequity of funding toward any school district diminishes their capacity to provide the educational experiences their students need.

As outlined in Part I of this report, there have been major program cuts, staff cuts and a significant reduction in district fund balances over the last several years. Therefore, educational and fiscal sustainability of below average and average wealth school districts are in jeopardy if the current funding and defunding patterns continue unaltered.

Clearly, all of the previous data in Part I pointed to many non-SSFC member districts as major benefactors of the distribution of state aid and favorable cuts to state aid compared to other poorer districts that largely make up our membership. However, SSFC has always taken care to point out that more than three dozen districts in Westchester, Nassau and Suffolk counties share similar or identical demographic data with their poorer upstate counterparts. We have also suggested that these districts would equally benefit from the needed changes we recommend.

The graphs that follow highlight the current data with regard to the distribution and fiscal and educational impacts of the most recent GEA cuts. These data provide a vehicle to analyze current conditions in an effort to form future directions and initiatives. It is important that educational and fiscal policy be “data-driven” so it reflects true conditions and thus spurs appropriate action by the Governor and Legislature. Such action needs to be immediate, long term and systemic.

In order to solve a problem you must recognize that one exists. Our assessment was therefore driven by seeking answers to the following key research questions:

- Is there data that would suggest that a critical mass of SSFC member school districts, as represented by their own regional Senators, could be considered to be seriously disadvantaged by the last round of GEA cuts when compared to other districts?
- Is there any appreciable way that the distribution of the GEA cuts of SSFC member school districts, as represented by their own regional Senators, could be considered inequitable when data is compared across demographic metrics with different regions of the state?
- Is there any data that reveals the degree to which distribution of the GEA cuts of SSFC member school districts, as represented by their own regional Senators, could be considered closely aligned with any demographic metric of non-member districts in other regions of the state?
- Can these data be instructive so as to provide SSFC member school districts the motivation to actively address any inequitable distribution of the GEA cuts and other identified areas of inequity through vigorous and dynamic engagement with their Senators that will result in the eradication of the inequity?
- Can these data be instructive so as to provide the Senators of SSFC member school districts and others the motivation to actively address any inequitable distribution of the GEA cuts and other identified areas of inequity through a strong and influential initiative that will result in the eradication of the inequity?

To that end two critical pieces of data must be shown:

- The first is how well SSFC member districts have fared as represented by their own Senator in the last round of GEA state aid cuts. The potential impact of the GEA cuts on the budget and tax levy of the SSFC member school districts these Senators represent is shown, as well as the loss of aid per child, as both mean and median averages respectively.
- The second is to demonstrate the degree to which these data would suggest that the Senators of SSFC member districts agree to work to secure any identified need of their constituent school districts. Most probably this would need to be done in concert with non-member SSFC school district Senators and various Senate leaders to remedy any inequities that exist in the distribution of GEA cuts, or any other areas identified as inequitable in support of the public schools in New York State.

The use of a sample of school districts from non-member regions of the state – that are actually reflective of the wealth factors we assert – are critical to our analysis to discern to the degree possible any inequities that may exist.

How to Interpret the Graphs

In Part I of this report, scatter plots were utilized to include all of the state's nearly 700 school districts. The focus of Part II is to illustrate the relative performance of state Senators who represent SSFC member districts to determine to what degree they have been successful in providing equitable funding to their school districts.

Simultaneously, Part II focuses on SSFC member school districts, as well as a grouping of other, non-member districts to demonstrate a clear understanding of the impact of wealth on the GEA cuts of 2011-12. The graphs on the next several pages have been developed for that purpose.

First, it is necessary to compare the impact of aid and the cuts in aid per student across a spectrum of data so that accurate conclusions can be drawn. To that end the graphs have been arranged to show the relative impact of state aid cuts on district budgets and levies as well as the magnitude of the cuts per student.

The graphs begin with an analysis of SSFC member Senators as a group and compare how SSFC member districts fared when compared to reasonable samples of low wealth and wealthy districts in non-member areas. Clearly, the samples are representative of non-member districts that realistically resemble or are only marginally different from member districts based on their Combined Wealth Ratio (CWR) or Free and Reduced Price Lunch (FRPL) data. The non-member samples contain no outliers or exhibit attributes that would associate them with wide variations so as to render them inappropriate for these comparisons.

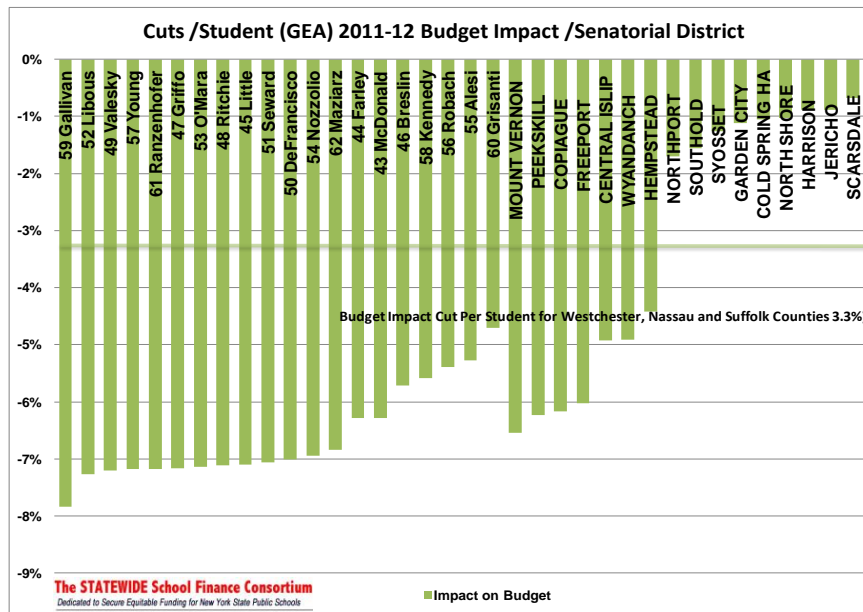
To make the graphs easier to read the impact on budget and levy is portrayed as a negative percent. Budgets reflect expenditures (TGFE) and levies reflect local revenues.

The negative amount for budget that is used represents how much the budget would need to be reduced, as a percent to absorb the cuts. For example, if the negative impact of the GEA on a district budget is -14%, then the district would need to cut its budget by 14% to absorb the cuts without an increase in the levy.

The levy percent is the negative impact on the annual levy (a loss of revenue). The levy would need to be increased by the absolute value of the percent (to replace the revenue lost) shown to sustain the budget. If the levy impact shown is -20% then the district would have to increase its levy by 20% to maintain its current budget (the loss of aid was equivalent to the loss of 20% of the levy revenue).

Mean and median average cuts are provided in a subsequent set of graphs. These compare SSFC member districts within our Senatorial regions compared to the same sample group as other graphs in this section.

We begin with budget impact of the cuts sustained by these districts with the 2011-12 GEA state aid cuts. Below is the first data set.

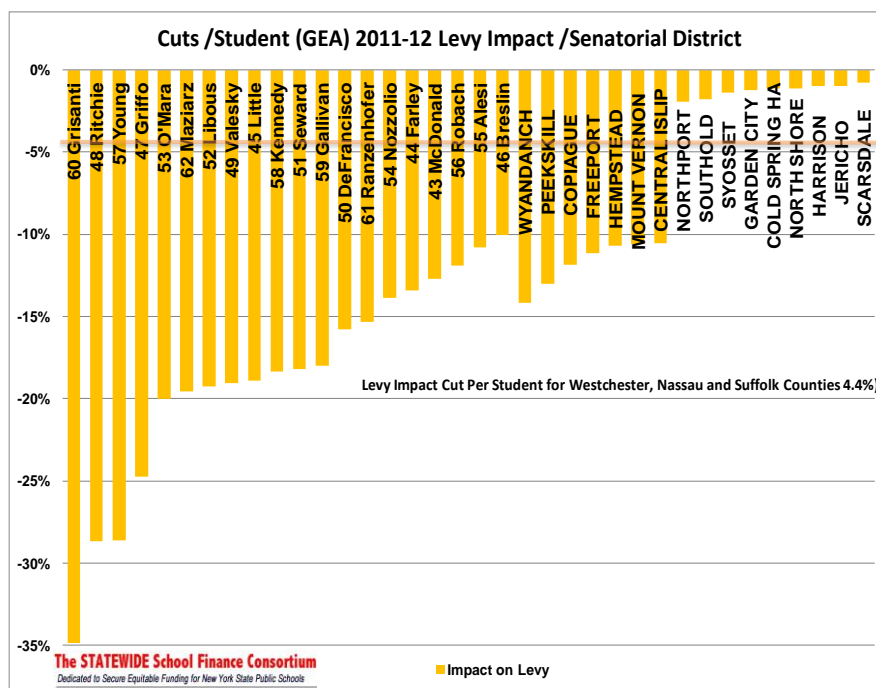


This graph illustrates the impact of the 2011-12 GEA state aid cuts on the budgets for each of the 20 Senatorial districts of SSFC members compared to seven low wealth districts and nine high wealth districts in Westchester, Suffolk and Nassau counties.

The graph clearly shows that SSFC member Senatorial districts would need anywhere from a 7.8% to 4.7% decrease in their budgets to absorb the GEA cuts. Moreover, the low wealth sample from Westchester, Suffolk and Nassau would require a

similar range of cuts (6.5% to 4.4%). However, in contrast, the wealthy districts would only require a 1.7% to .07% cut in their budgets to absorb the GEA cuts.

As a point of reference, the sample low wealth district CWR ranges from .432 to .869 and the high wealth sample range is above average from 1.787 to a considerably wealthy 4.315. (The CWR does go over 40.0 in part of that region of the state with four districts in the above 20.0 range and another seven between 5.3 and over 10.5.) As mentioned in Part I, it would be rare for such high wealth districts to be among the SSFC membership as those in the sample.



The next graph illustrates the impact of the 2011-12 GEA state aid cuts on the tax levy for each of the 20 Senatorial districts of SSFC members, compared to seven low wealth districts and nine high wealth districts in Westchester, Suffolk and Nassau counties.

The graph clearly shows that SSFC member Senatorial districts would need anywhere from a 34.8% to 10.7% decrease in their budgets to absorb the GEA cuts. Moreover, the low wealth sample from Westchester, Suffolk and Nassau would require a somewhat similar range of cuts (14.2% to 10.6%).

However, in contrast, the wealthy districts would only require a meager 1.8% to .08% cut in their budgets to absorb the GEA cuts. Again, the wealthy districts do well and, by comparison, the low wealth districts and SSFC members within each Senatorial district do poorly.

It must be noted that the huge negative impact on low wealth districts did not materialize in their levy requests to voters in 2011-12 or in 2010-11. This is the result of those districts' use of a combination of massive amounts of fund balance and layoffs of staff to counteract the impact of the GEA cuts.

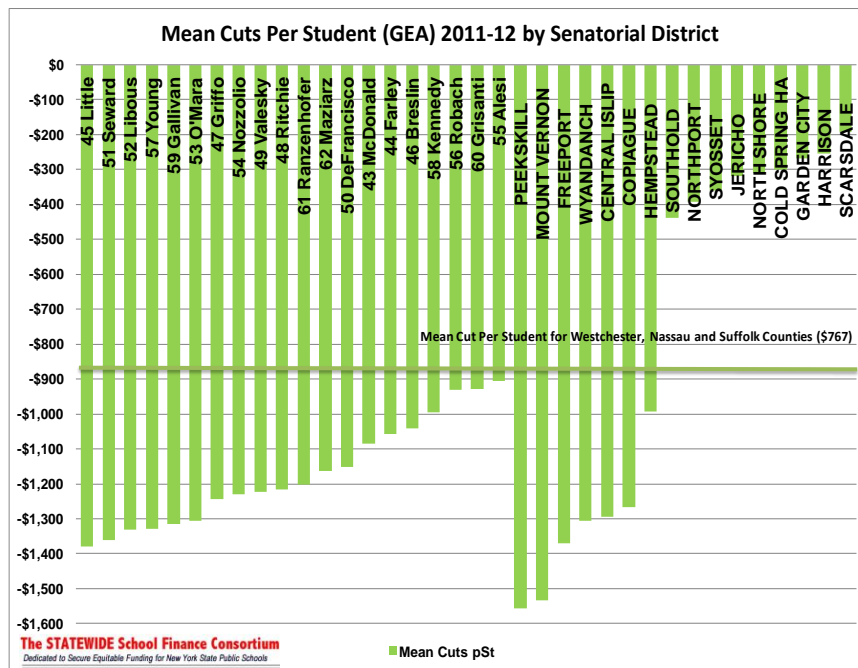
The next set of data concerns the mean and median cuts per student incurred by SSFC member districts, represented by the Senators named on the graph, as well as the sample districts provided earlier in the last set of data.

Data set A				Data Set B
100				15
100	80	mean	46	15
100	100	median	15	15
85				85
15				100

The mean and median are measures of central tendency; they are forms of averages. The mean is the sum of all the data divided by the number of data in the set. The median is the middle piece of data when the data is arranged in rank order. The mean can be higher or lower than the median. The example to the left should illustrate the conditions under which either phenomenon could exist.

The mean and median negative impact of the GEA cuts per student point to the severity of the loss of state aid revenue relative to a district's ability to absorb such losses and continue to maintain educational programming and adequate fund balances.

The similarity of impact of mean GEA cuts between Senatorial districts of SSFC members and low wealth



districts in other parts of the state is undeniable, as is the comparative low impact on high wealth districts. The low wealth districts chosen from Westchester, Suffolk and Nassau do about the same or worse than SSFC member districts in some cases.

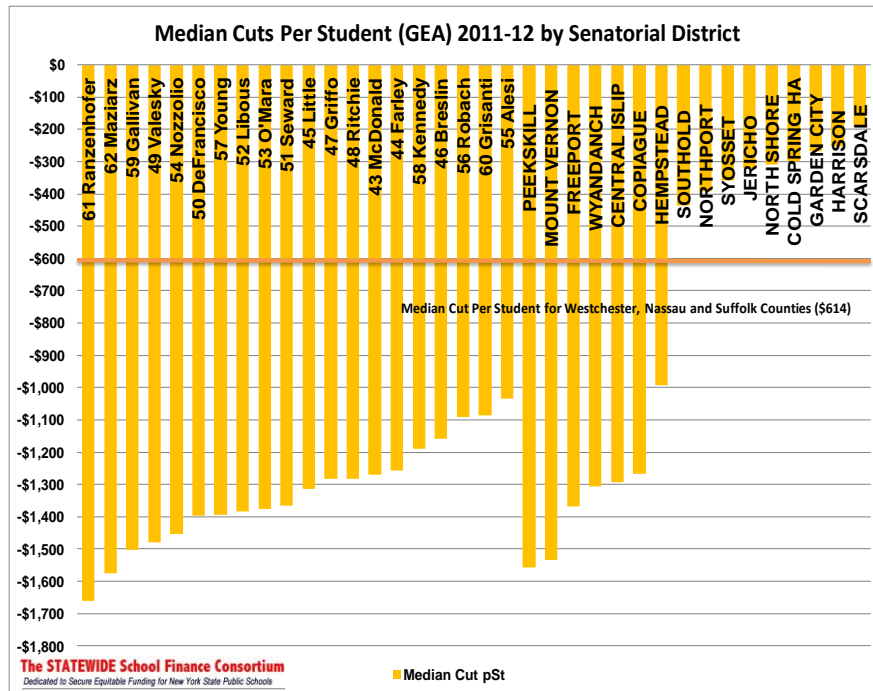
The amount of GEA per student for low wealth and SSFC member districts is a substantial dollar value compared to the high wealth districts.

Low wealth and similar SSFC member districts would not have the ability to absorb the aggregate value of all of these per student cuts due to public pressure on their tax

levy, the lack of reserves to offset the loss of aid or the ability to lay off staff given the reality that a large number of staff has already been laid off.

Average and low wealth districts simply cannot offset the loss of \$1,380 to \$906 per student, as is the case for most SSFC member districts (a \$1,556 to \$993 state aid loss per student for the sampled low wealth districts) compared to the \$437 to \$192 loss of aid per student incurred by the wealthy districts sampled here. The inequity is dramatic.

The similarity of impact of median GEA cuts between Senatorial districts of SSFC members and low wealth districts in other parts of the state is also undeniable, as is the comparative low impact on high wealth districts. The low wealth districts chosen from Westchester, Suffolk and Nassau do about the



same or worse than SSFC member districts in some cases.

The amount of GEA per student for low wealth and SSFC member district is again a substantial dollar value compared to the high wealth districts.

Average and low wealth districts simply cannot offset the loss of \$1,662 to \$1,033 per student for SSFC member districts (a \$1,556 to \$993 state aid loss per student for the sampled low wealth districts) compared to the \$437 to \$192 loss of aid per student incurred by the wealthy districts.

Additional data is provided

so the reader can see the wealth measures exhibited by each group illustrated in the graph. These comparative data should assist the reader to note if there are any gross inequities within the data presented.

Graphic Representation of Inequities Between Low & Average Wealth Schools Resultant from GEA 2011-12 Cuts by Senate District

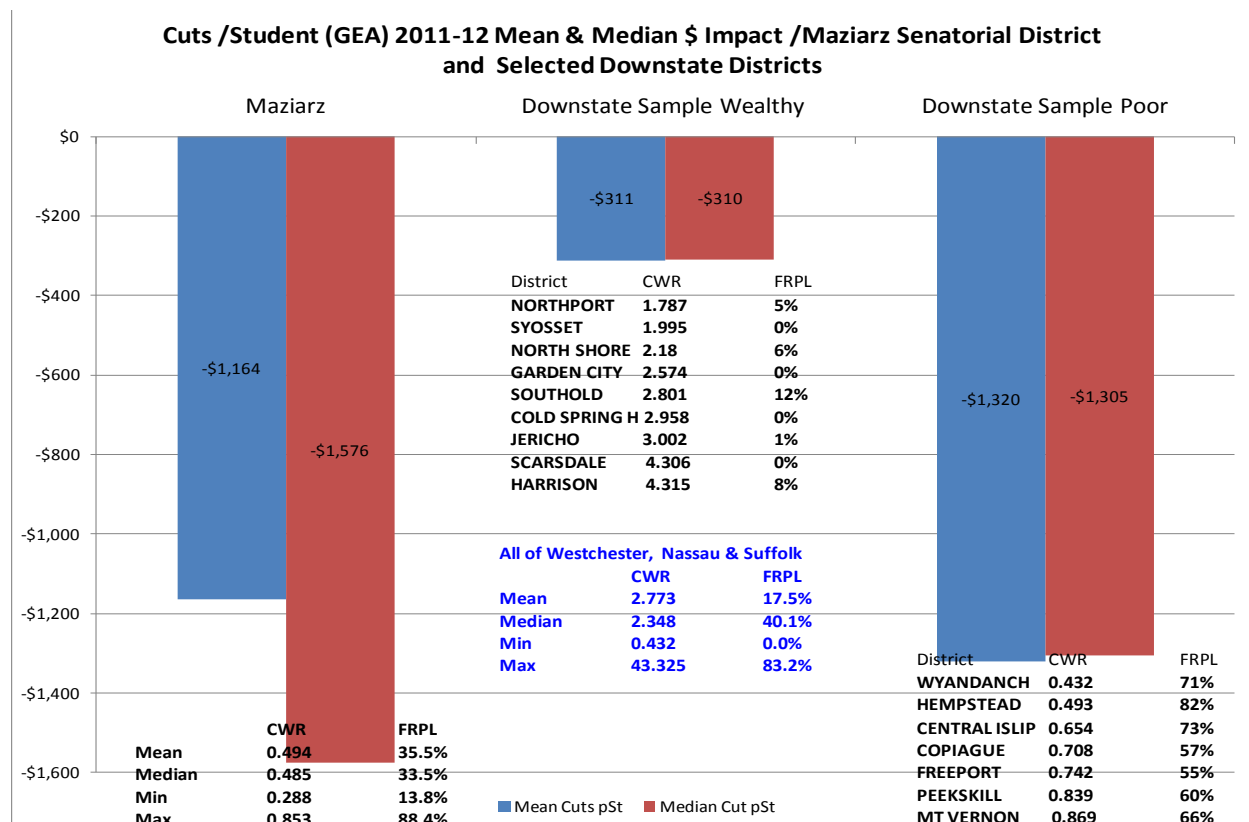
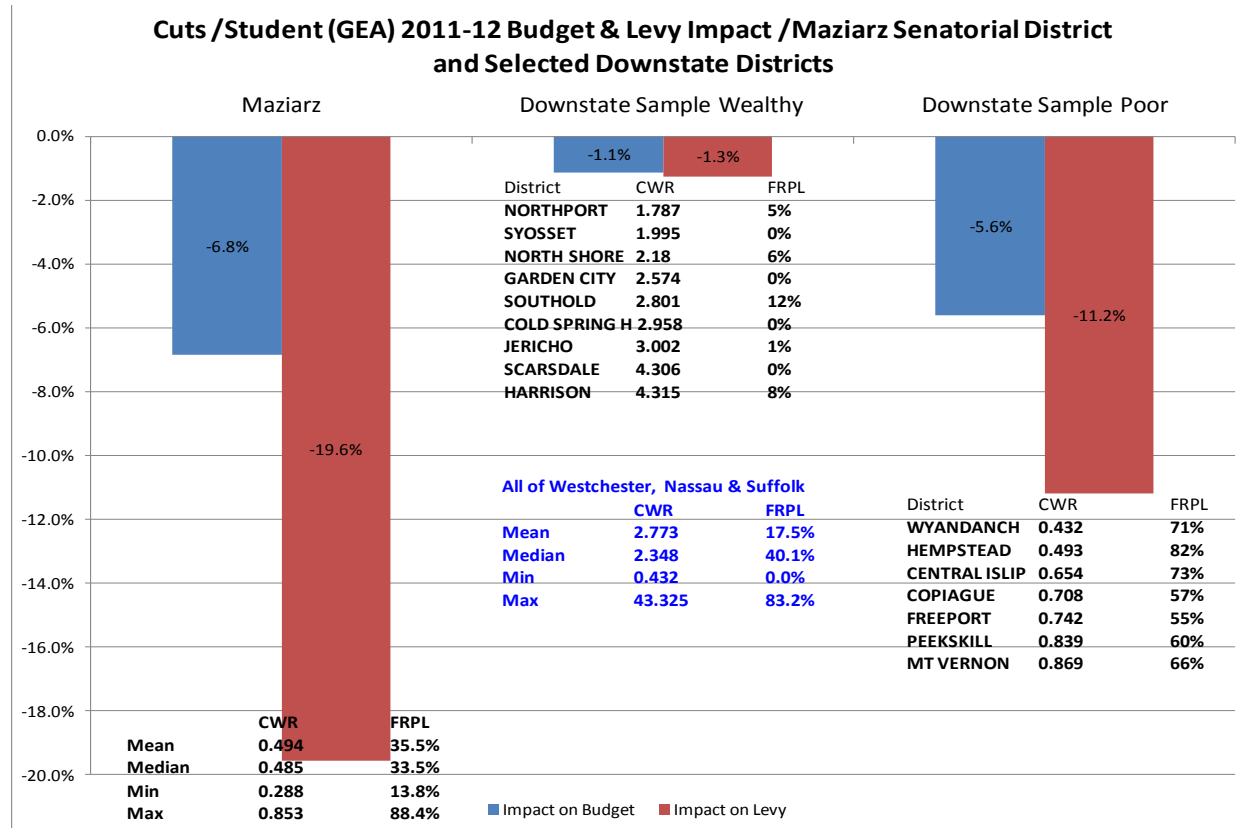
The graphs that follow are the results of our data analysis of the Senatorial districts that represent SSFC members. They include Senate districts 43 through 62.

Comparative data sets are provided on the graphs so that valid comparisons can be made as to how each Senator's district fared when compared to wealthier and equally wealthy school districts not in his/her district. If others fare better than a SSFC member Senator's district, we contend that the Senator has been unsuccessful in securing equity in that measure for their school districts.

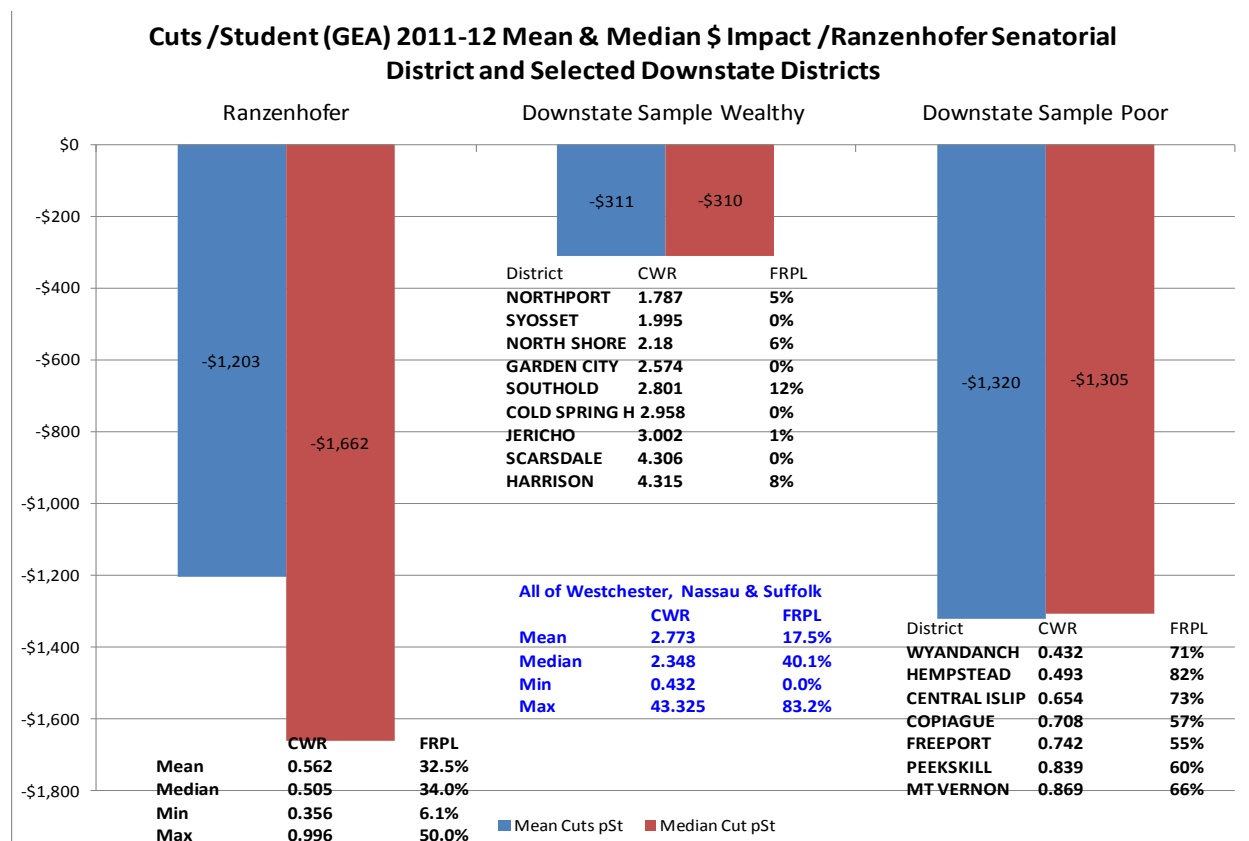
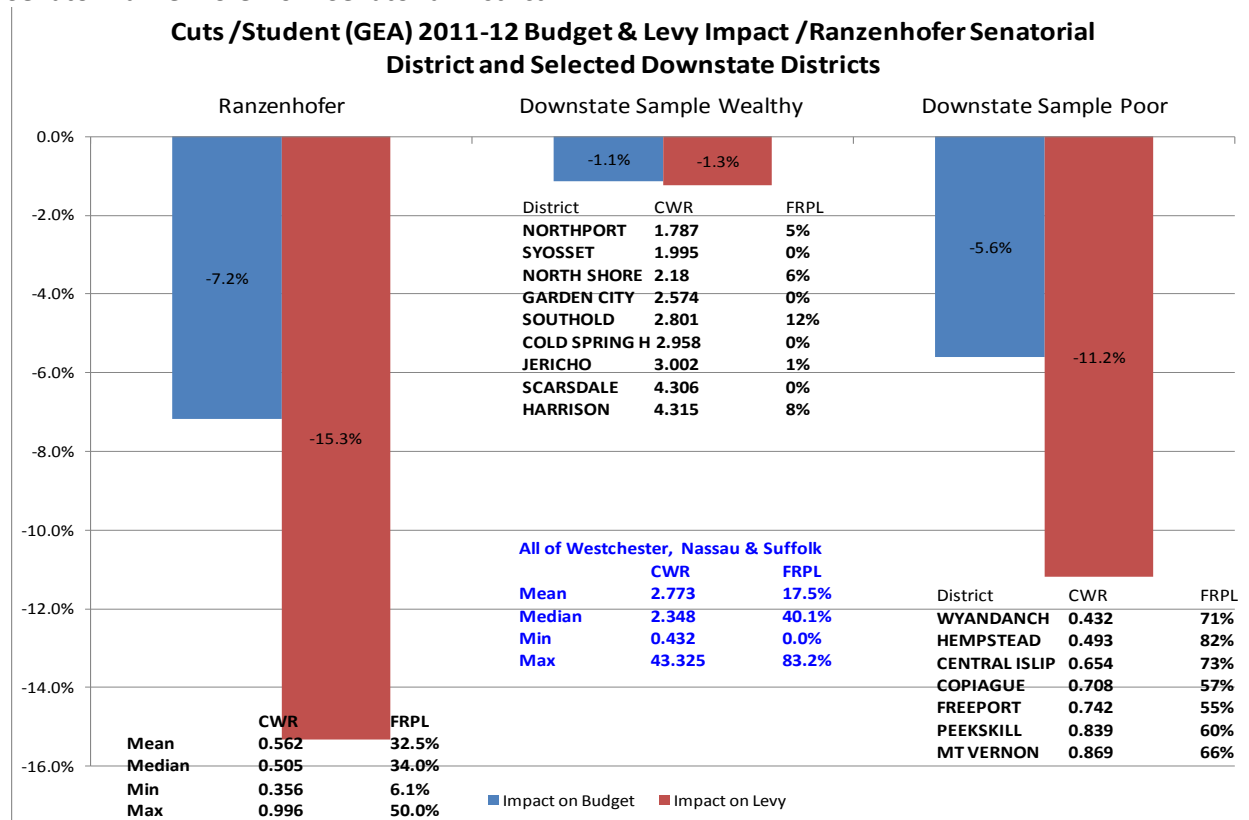
There are three types of graphs that are included in the remainder of this document. The first is a comparison of SSFC Senatorial representatives and the amount of state aid cut per student from the districts they represent, as compared to sampled cuts per student in Westchester, Nassau and Suffolk counties. The data are further disaggregated so as to assist in the verification of whether the location of students is or is not a factor that determines the loss of aid per student.

Another set of graphs illustrate the impact of the state aid cuts in districts across the state by Senatorial district on school district budgets and levies. The graphs compare SSFC Senatorial representatives and the degree to which state aid cuts to the school districts they represent impact potential budget cuts or levy increases, as compared to Westchester, Nassau and Suffolk counties. These data are further disaggregated so as to assist in the verification of whether location of students is or is not a factor that determines the loss of aid per student.

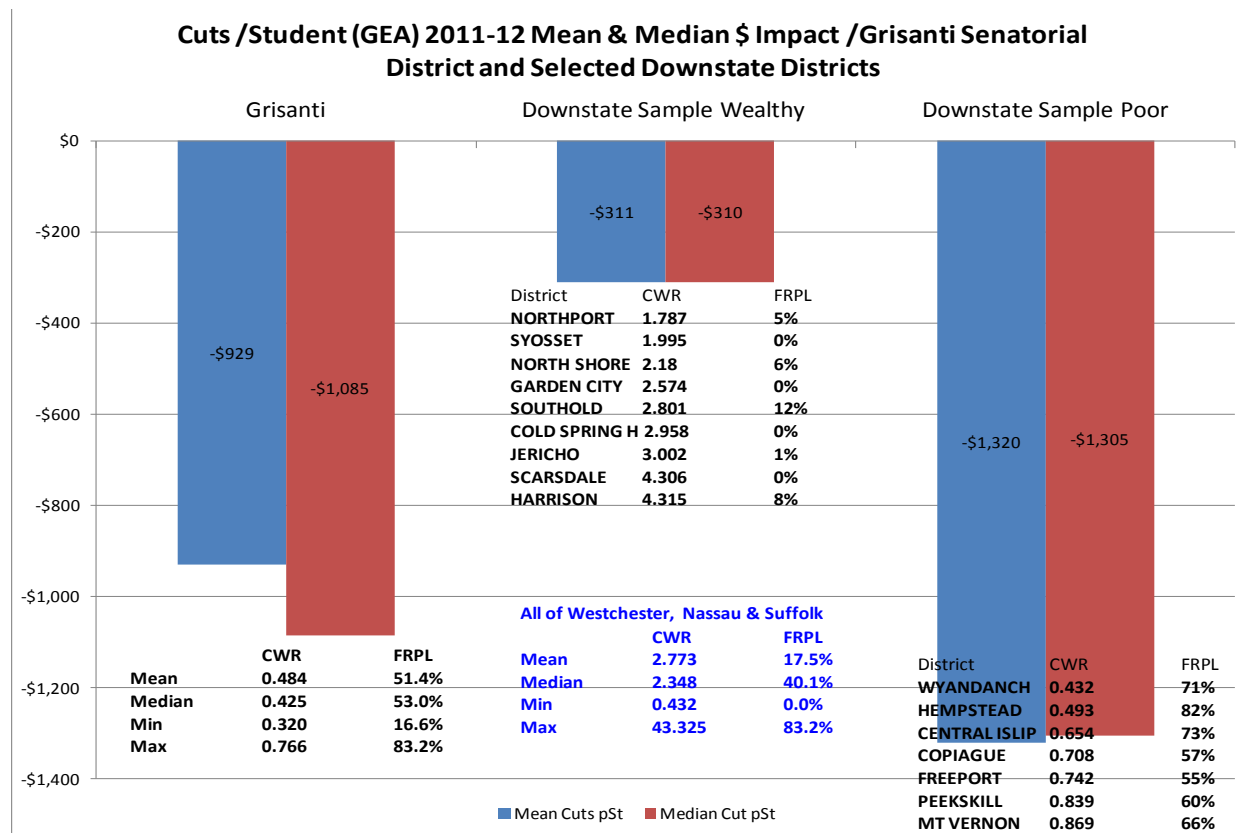
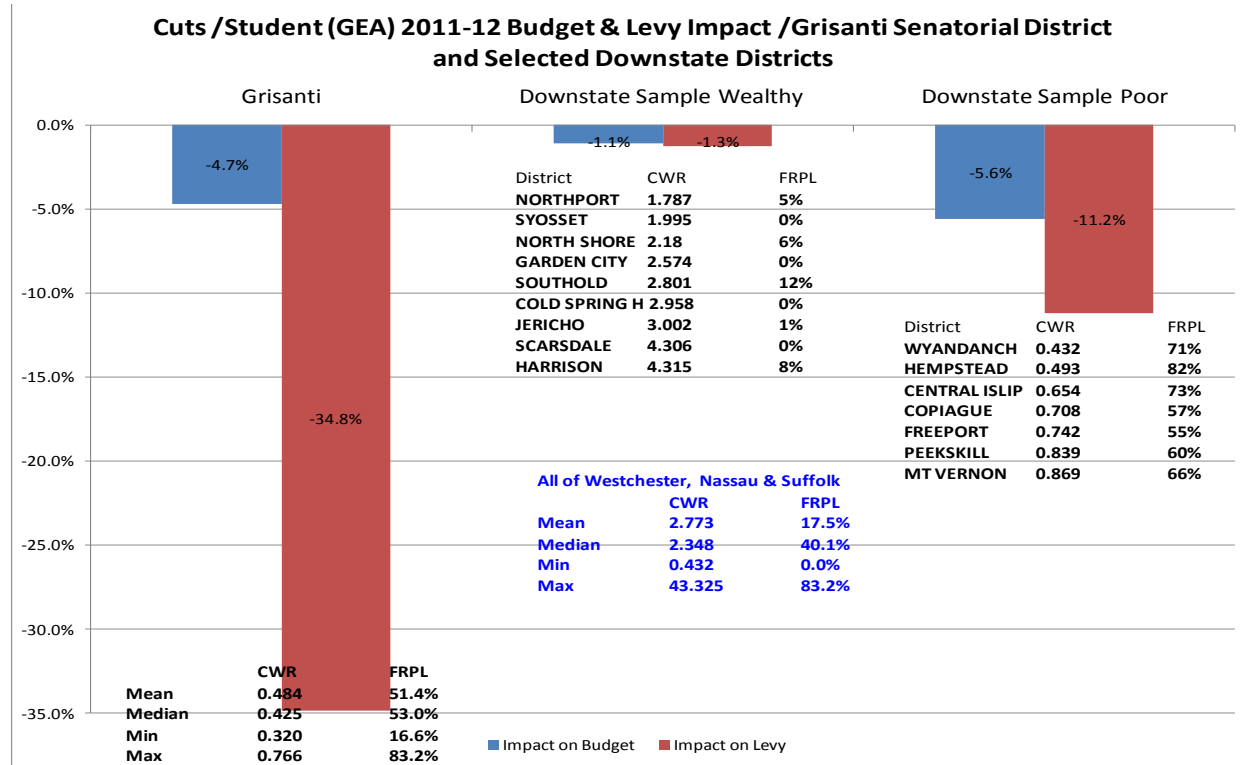
Senator Maziarz- 62nd Senatorial District



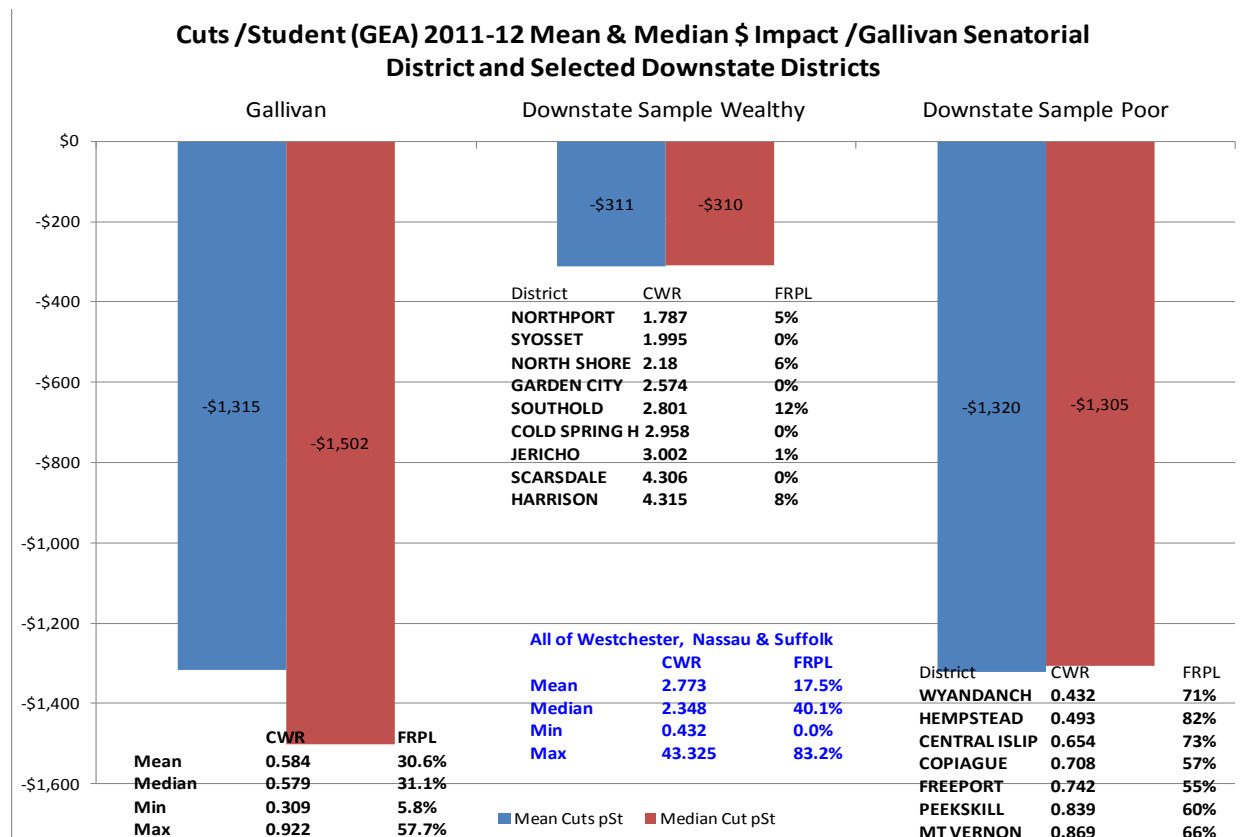
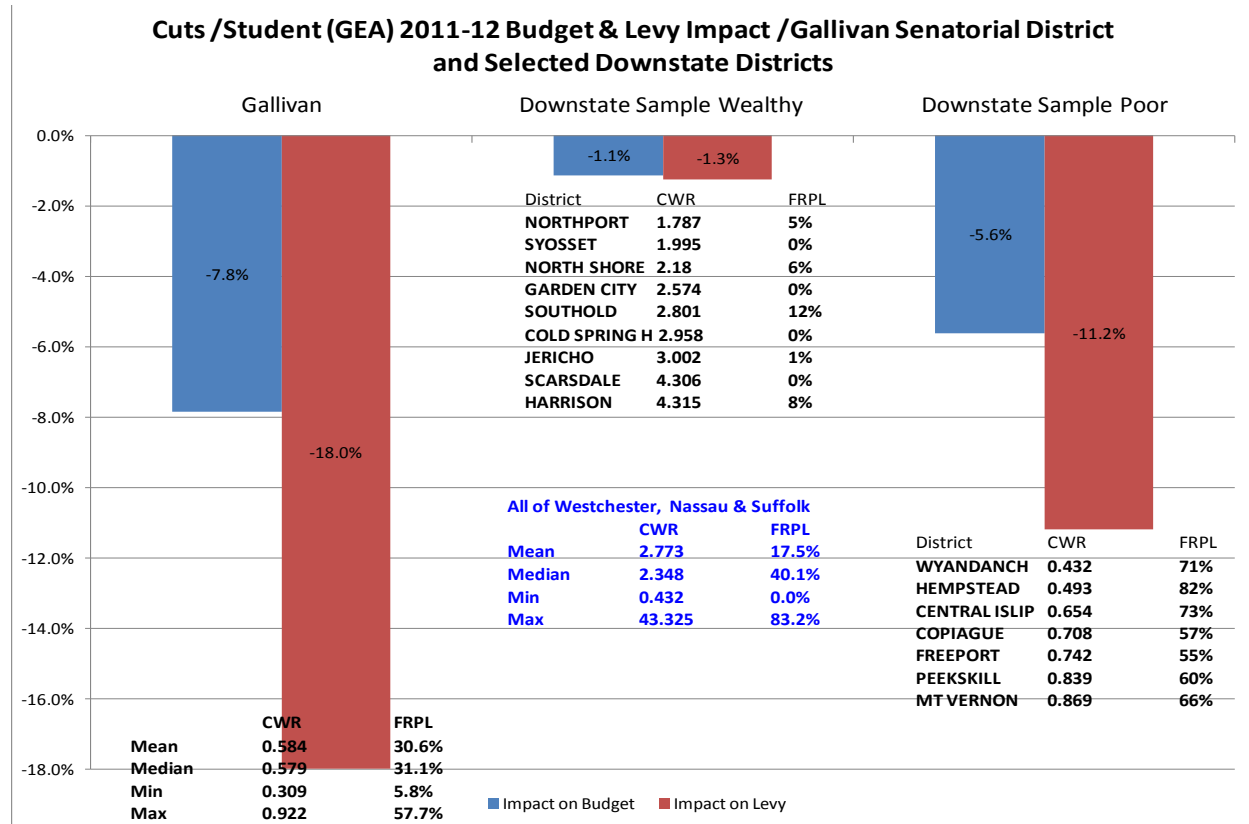
Senator Ranzenhofer- 61st Senatorial District



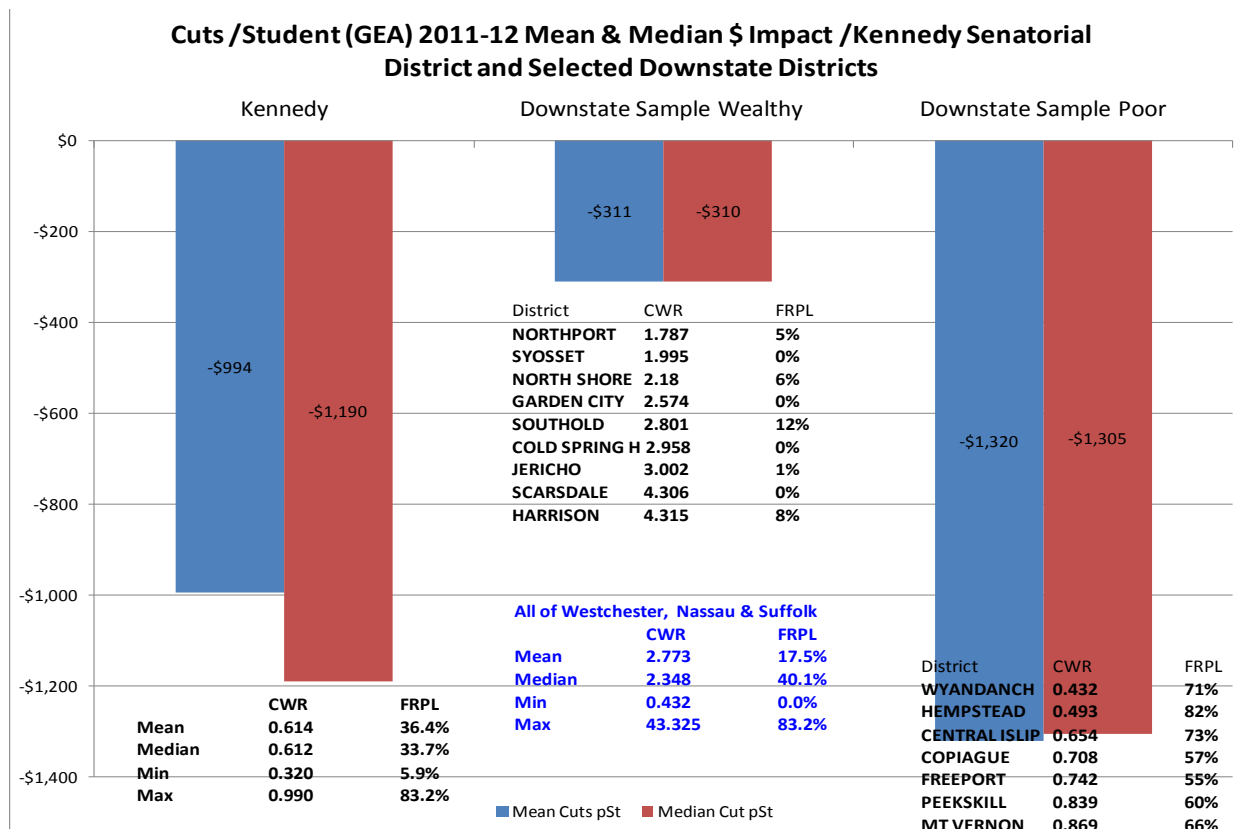
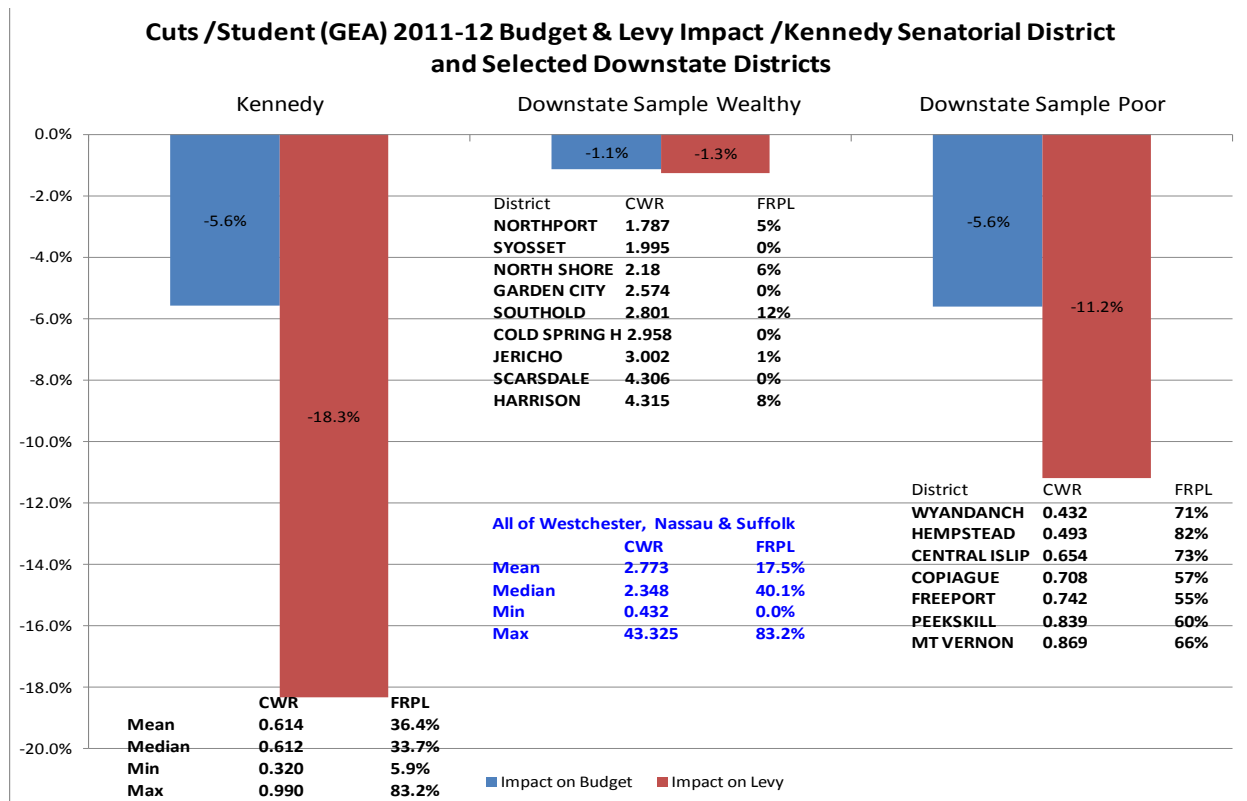
Senator Grisanti- 60th Senatorial District



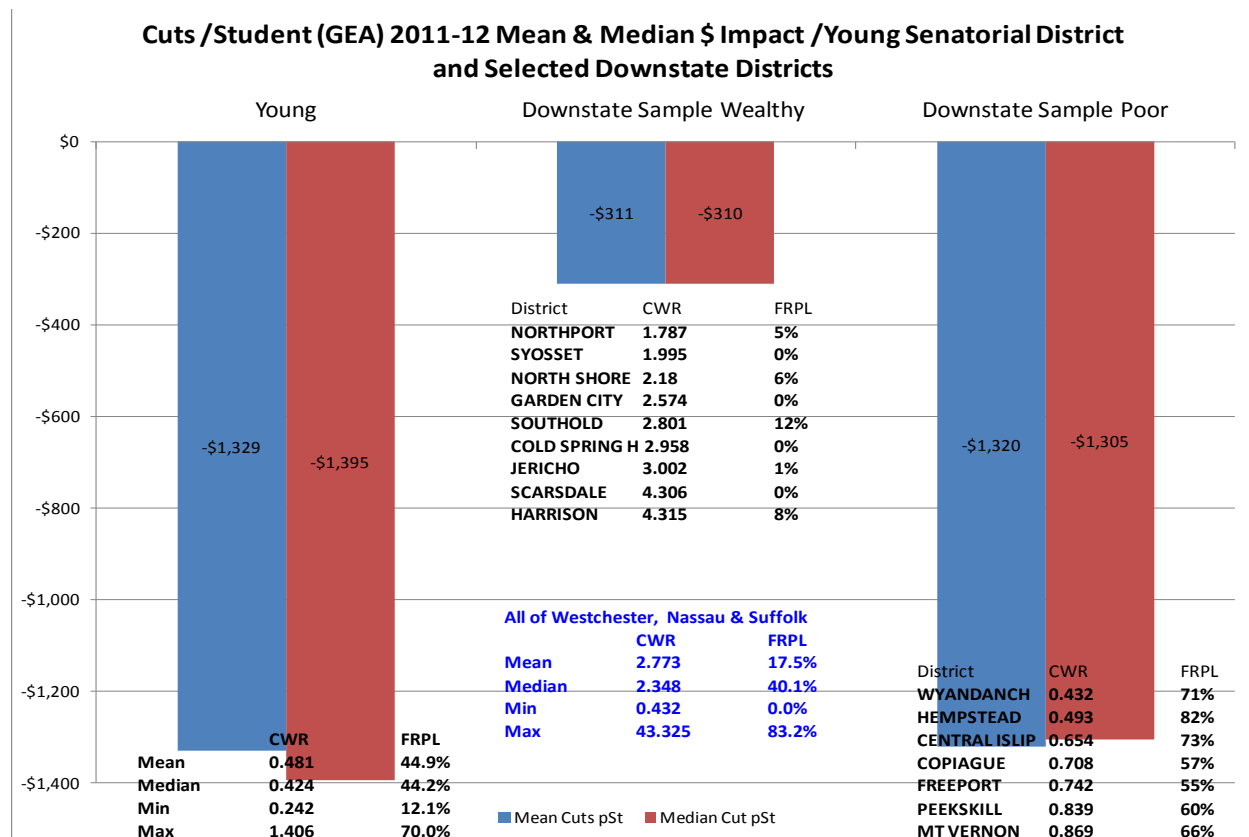
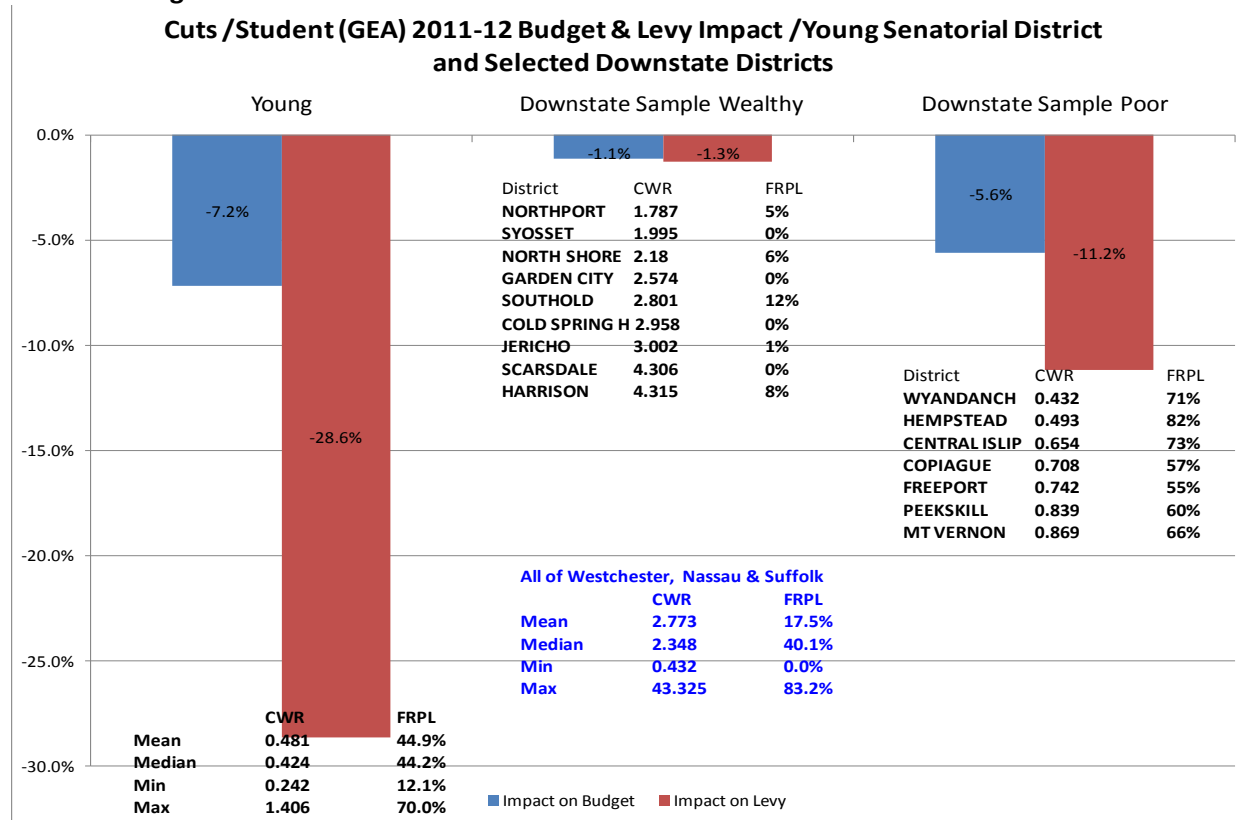
Senator Gallivan- 59th Senatorial District



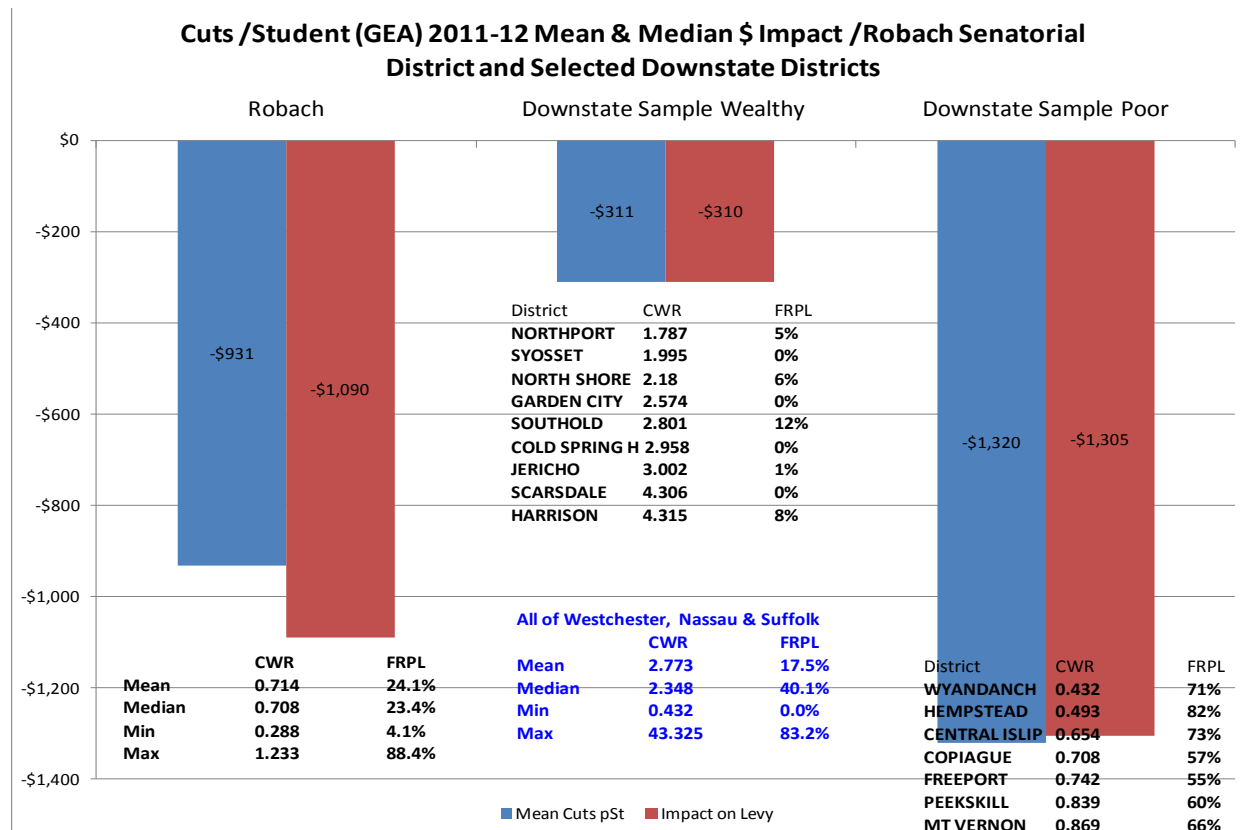
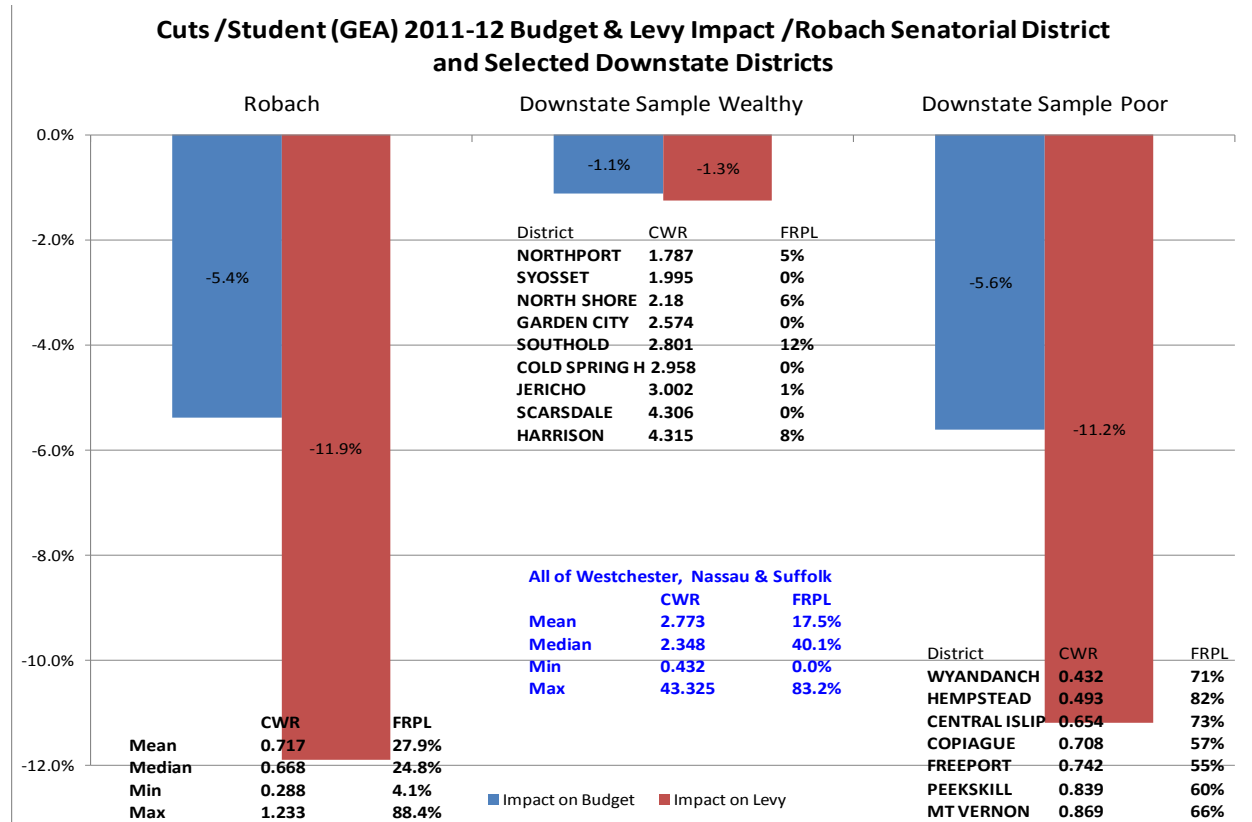
Senator Kennedy- 58th Senatorial District



Senator Young- 57th Senatorial District

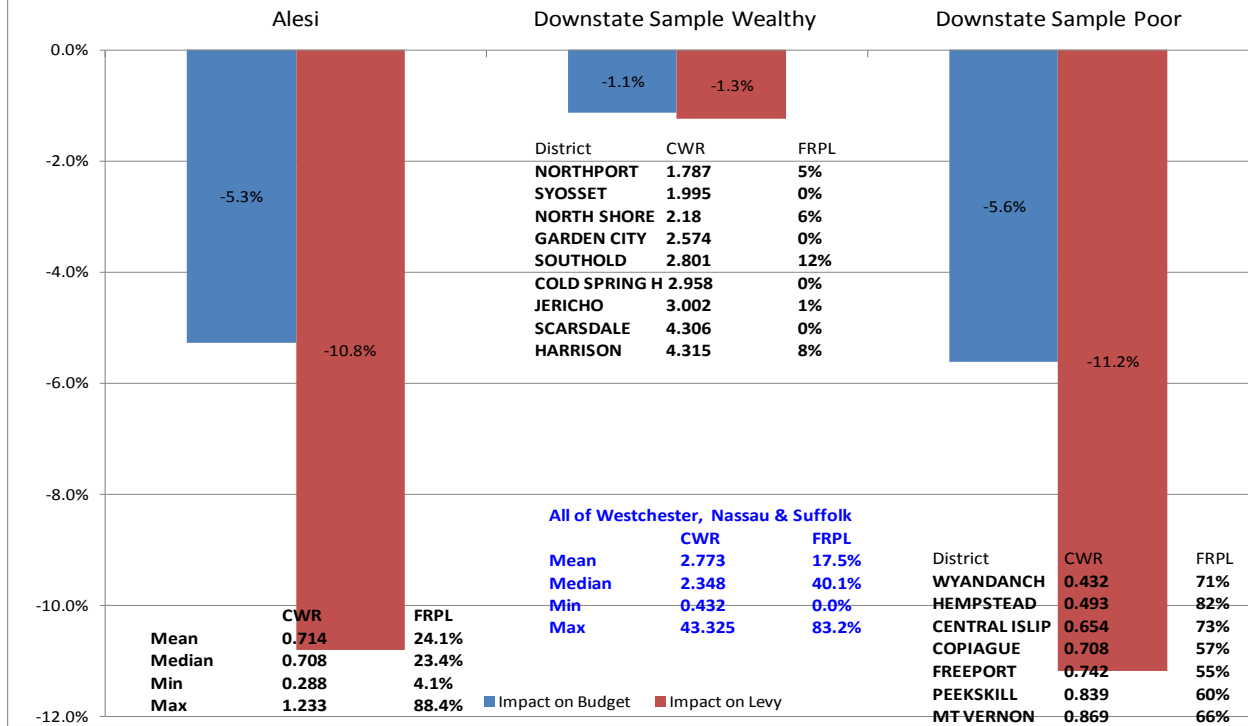


Senator Robach- 56th Senatorial District

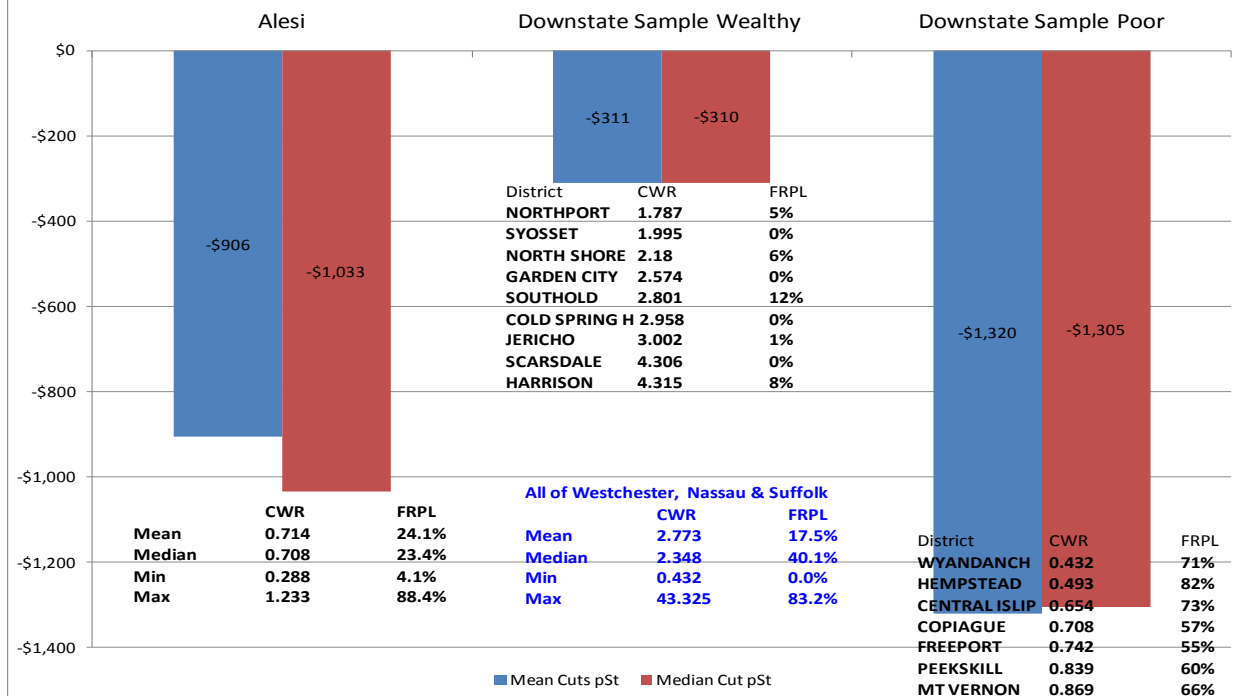


Senator Alesi- 55th Senatorial District

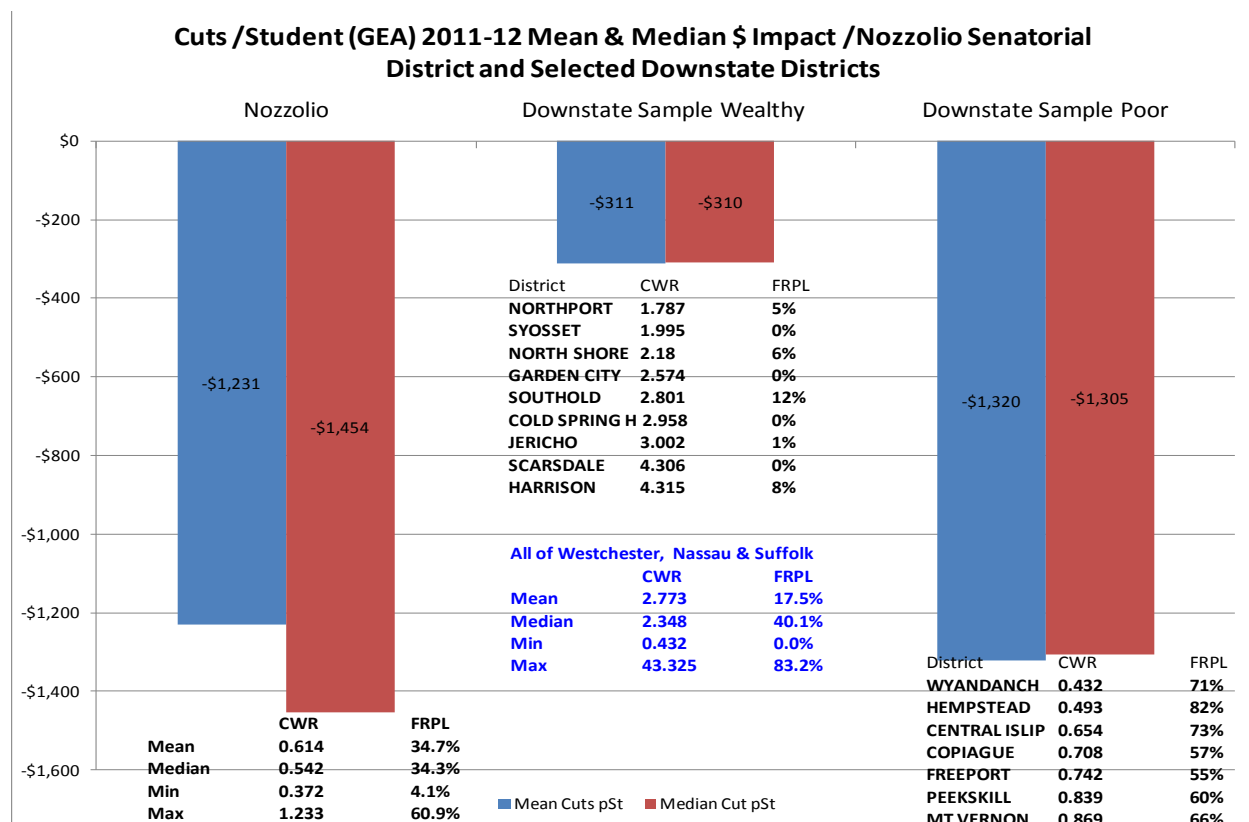
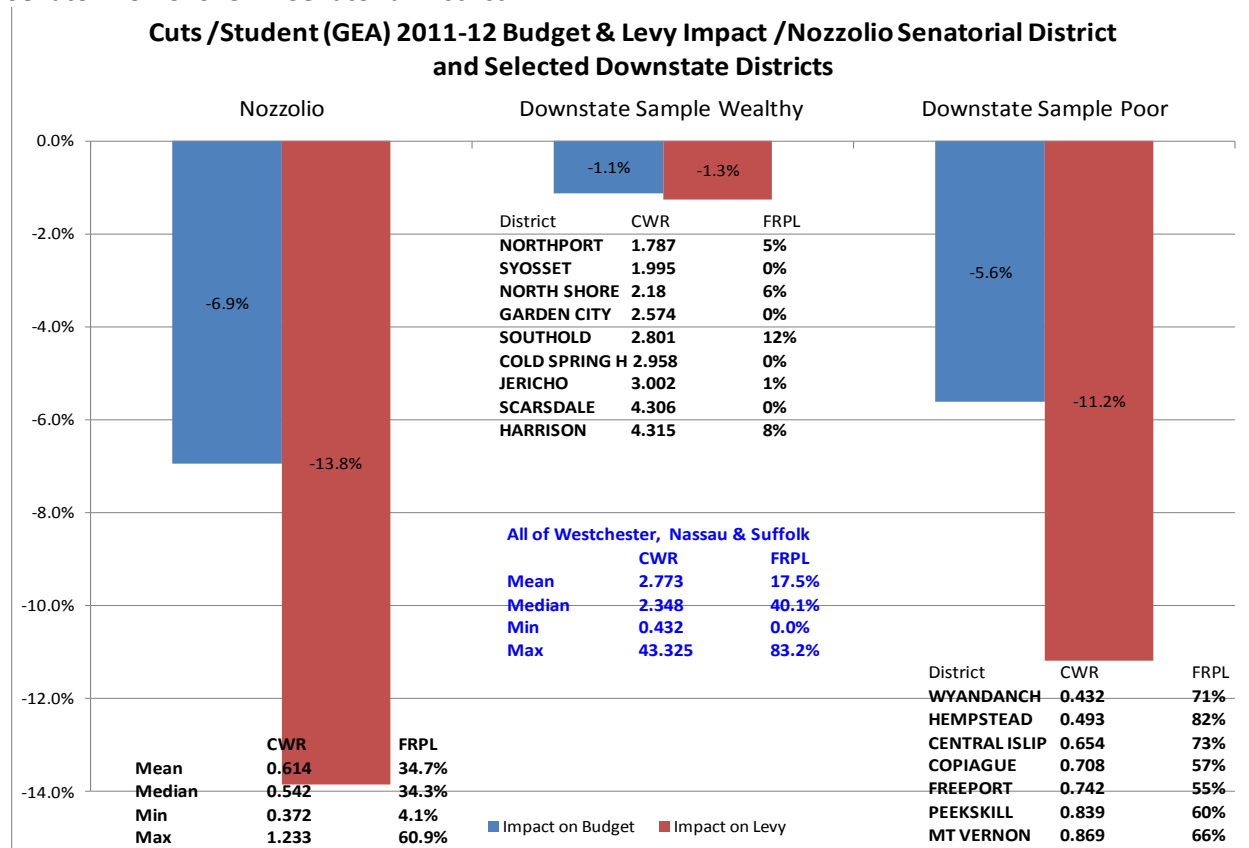
Cuts /Student (GEA) 2011-12 Budget & Levy Impact /Alesi Senatorial District and Selected Downstate Districts



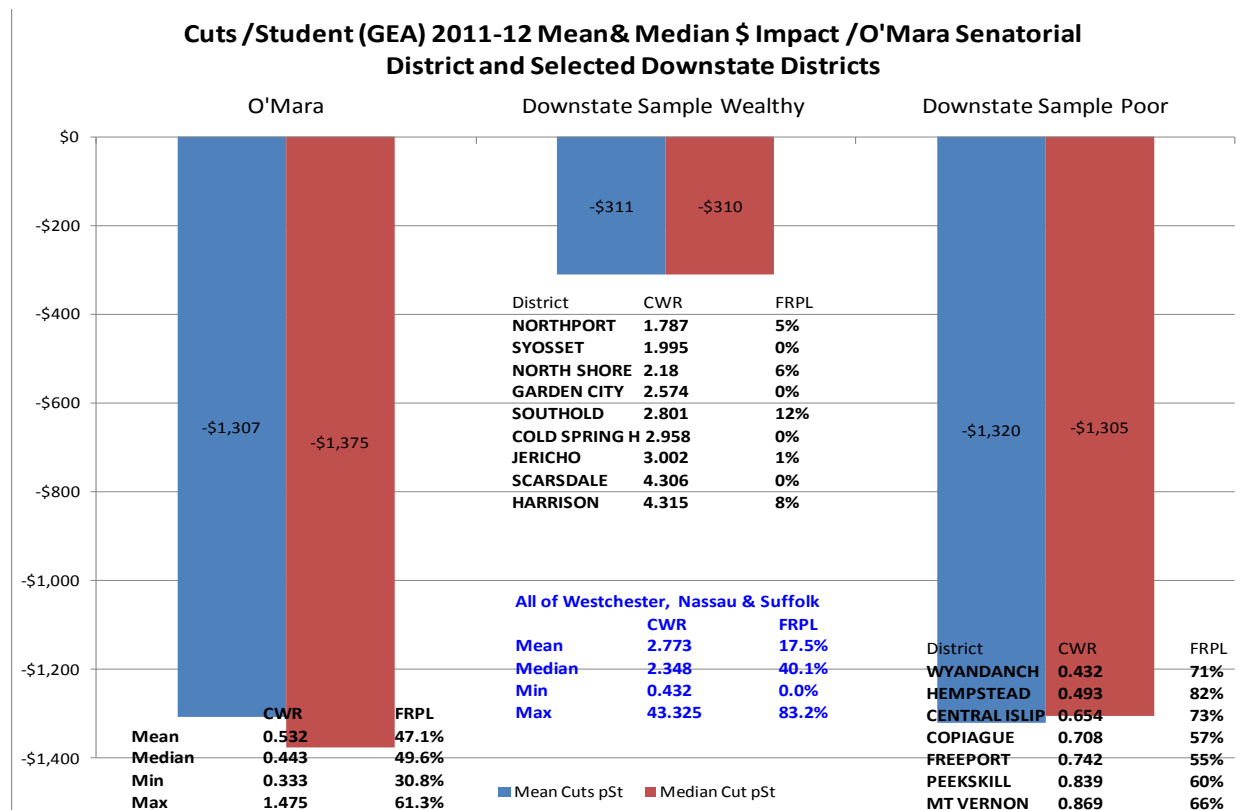
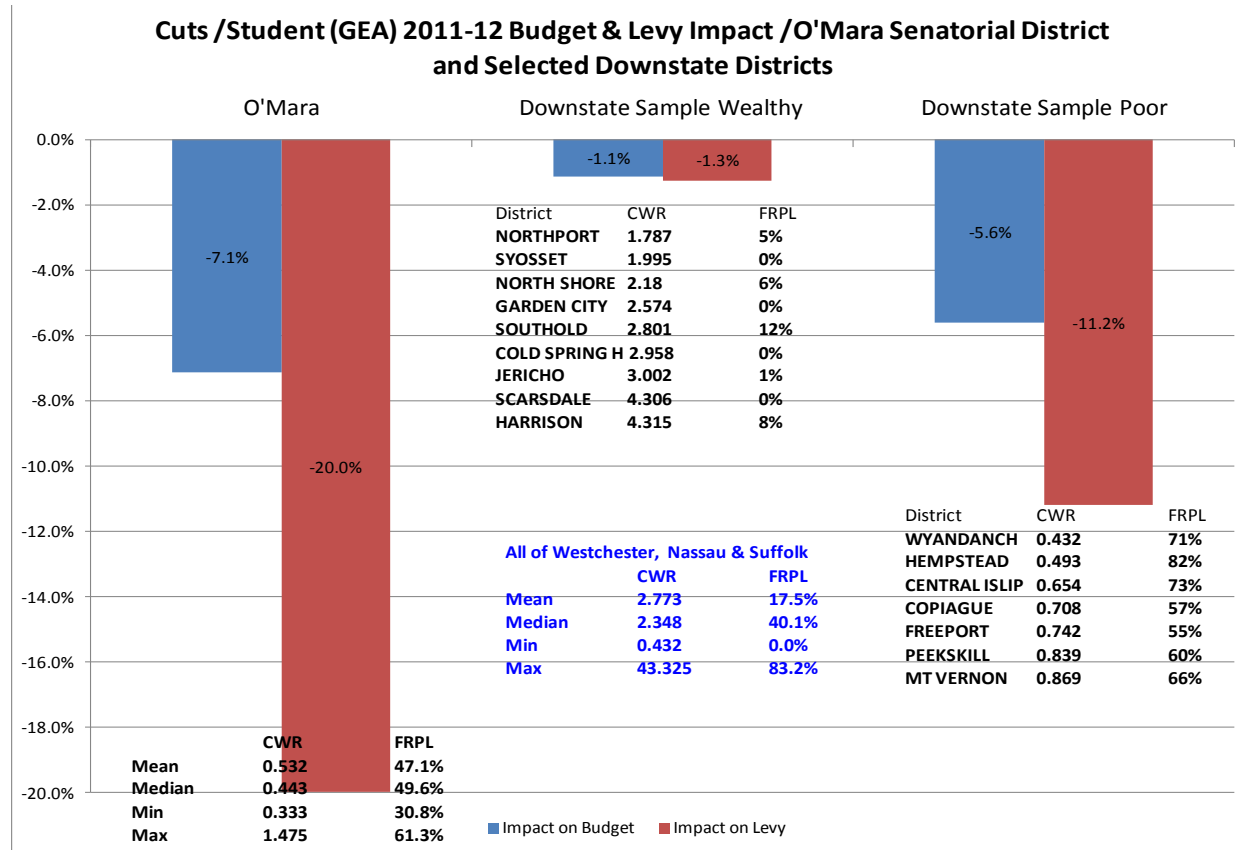
Cuts /Student (GEA) 2011-12 Mean & Median \$ Impact /Alesi Senatorial District and Selected Downstate Districts



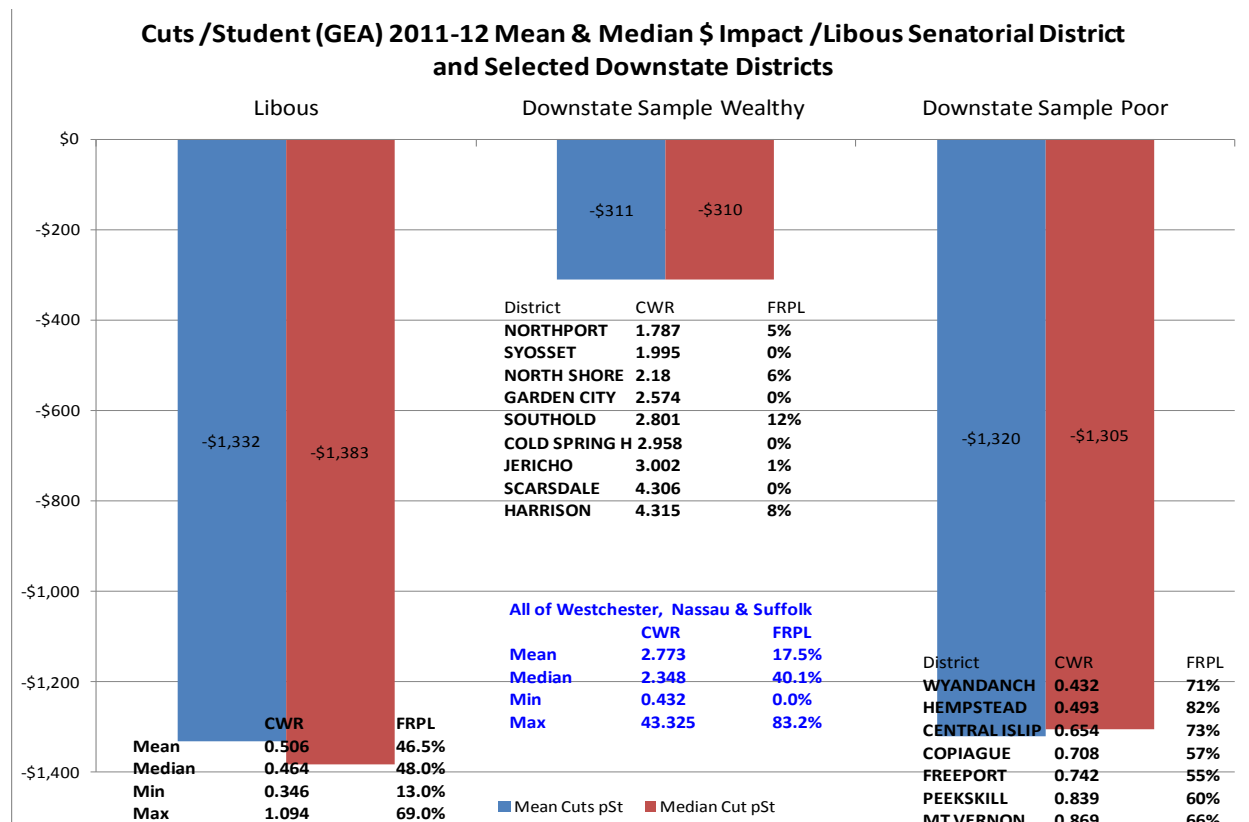
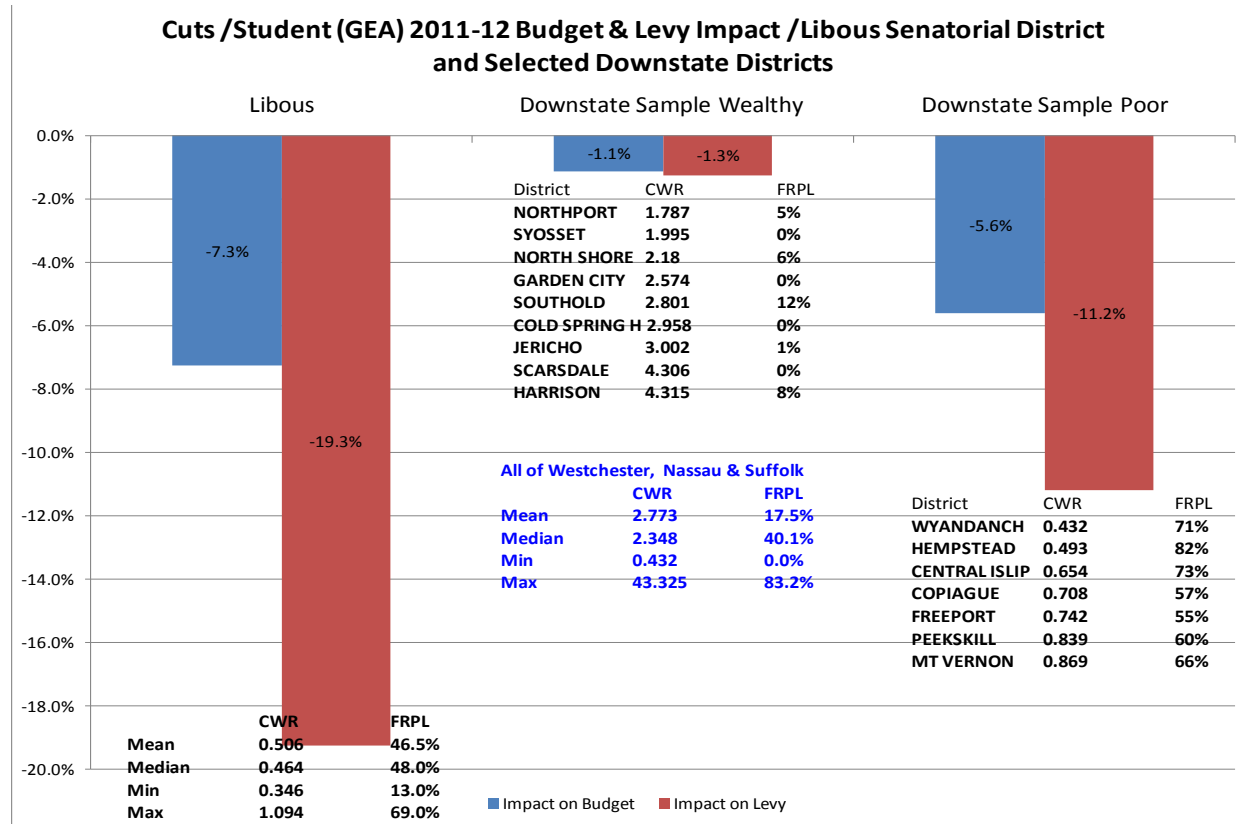
Senator Nozzolio- 54th Senatorial District



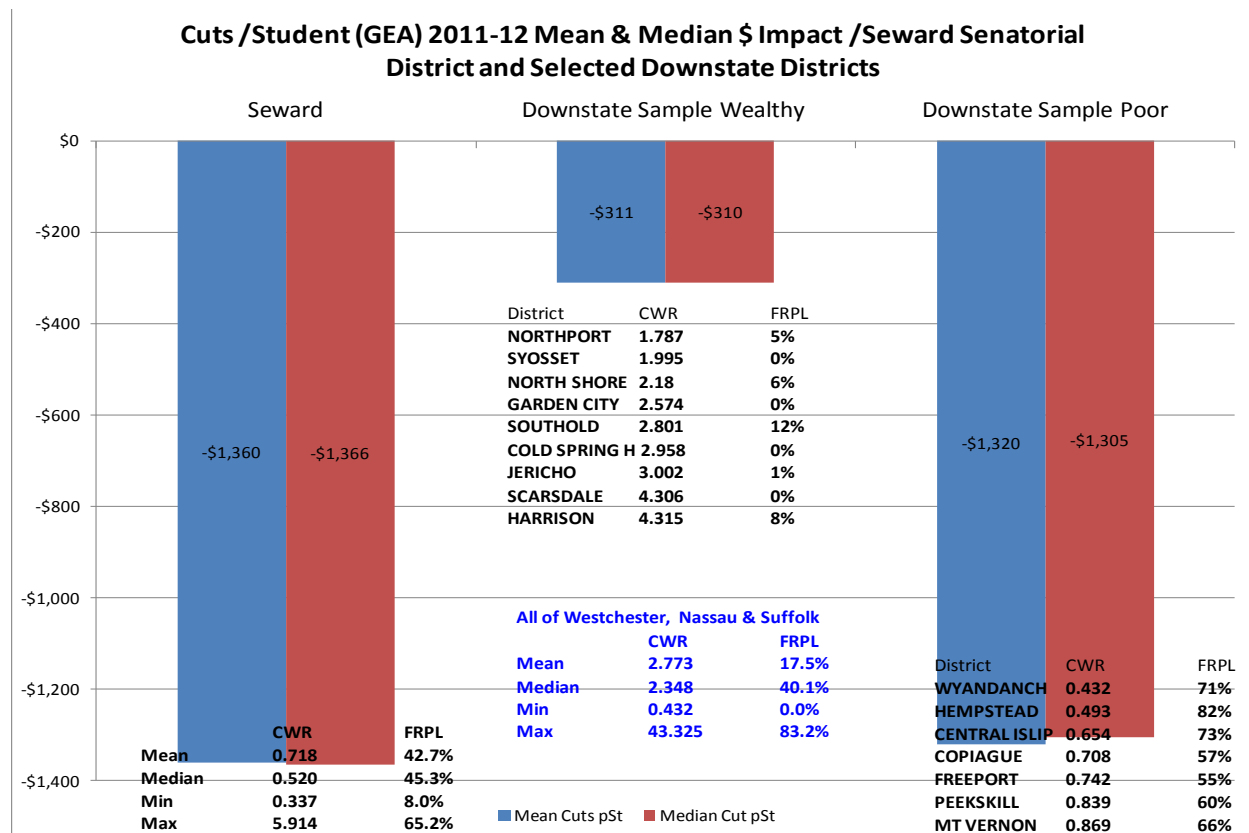
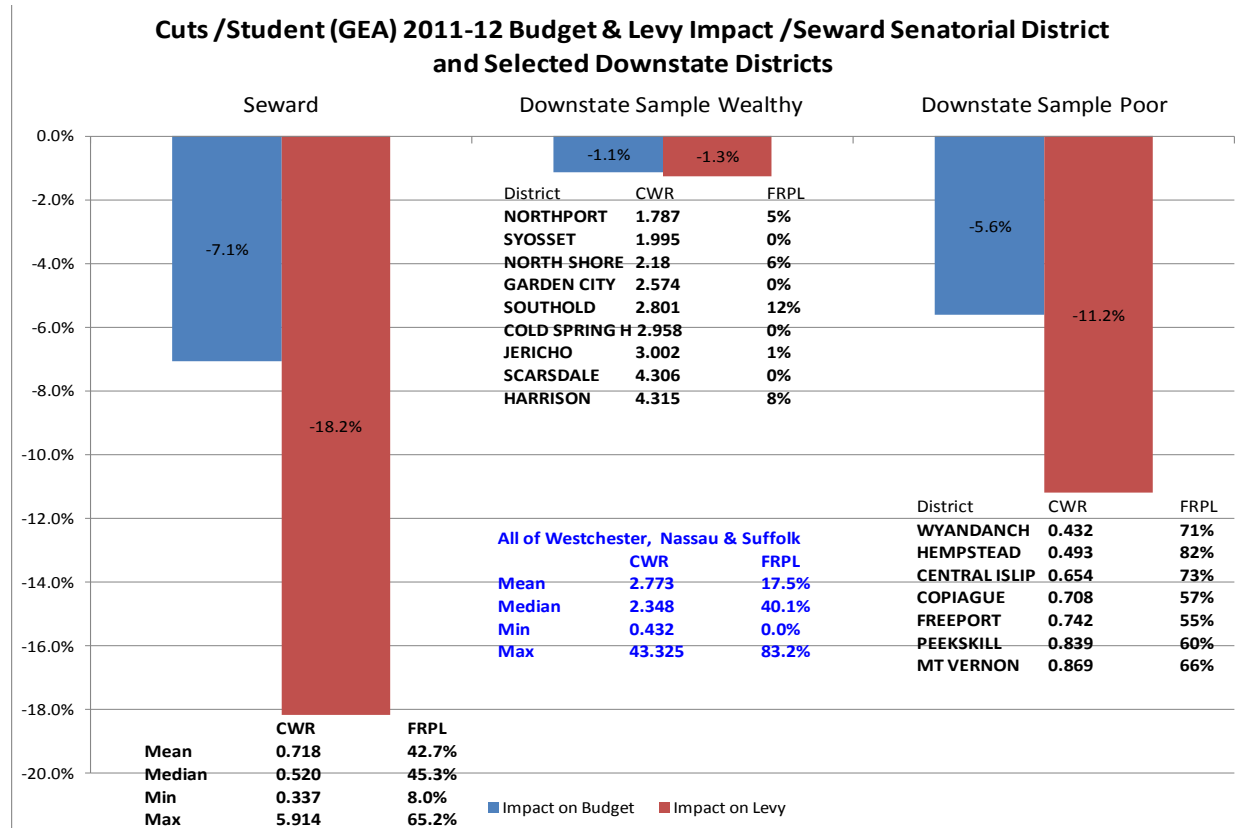
Senator O'Mara- 53rd Senatorial District



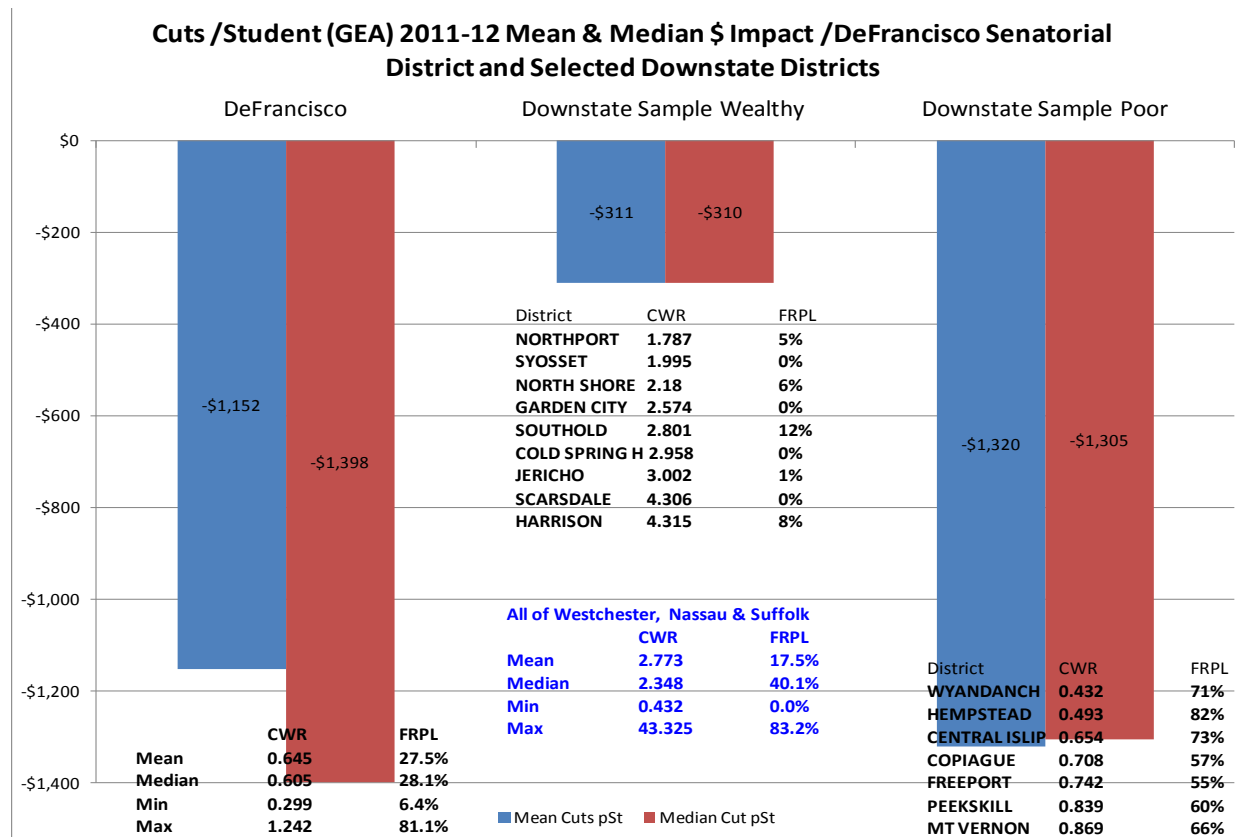
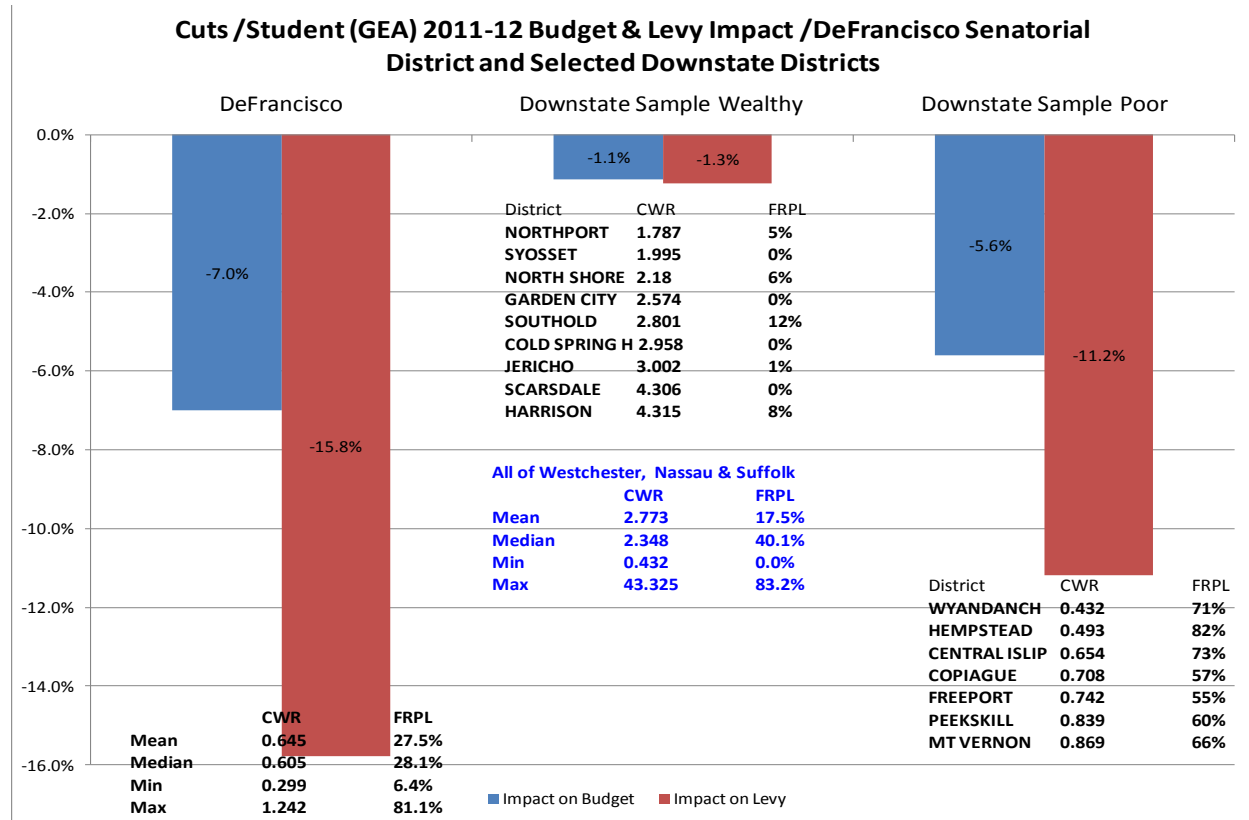
Senator Libous- 52nd Senatorial District



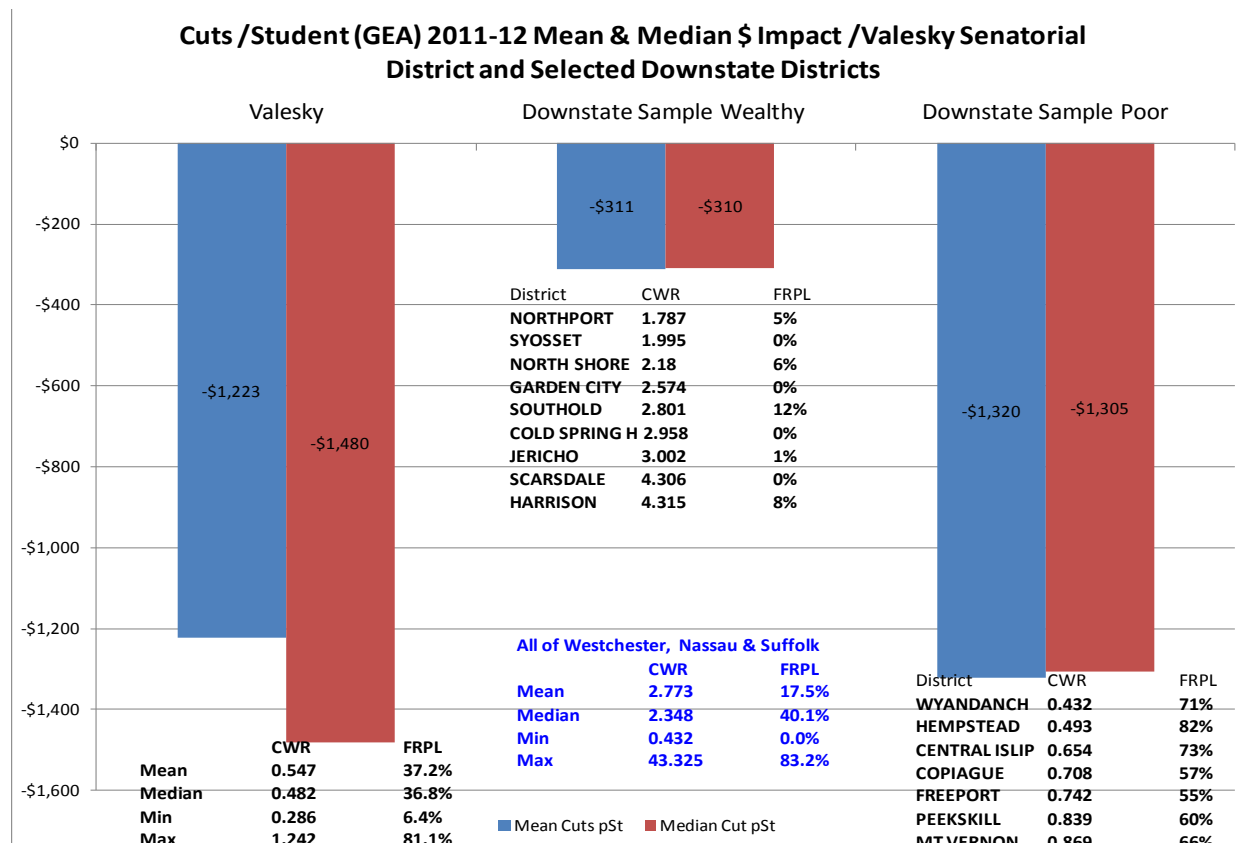
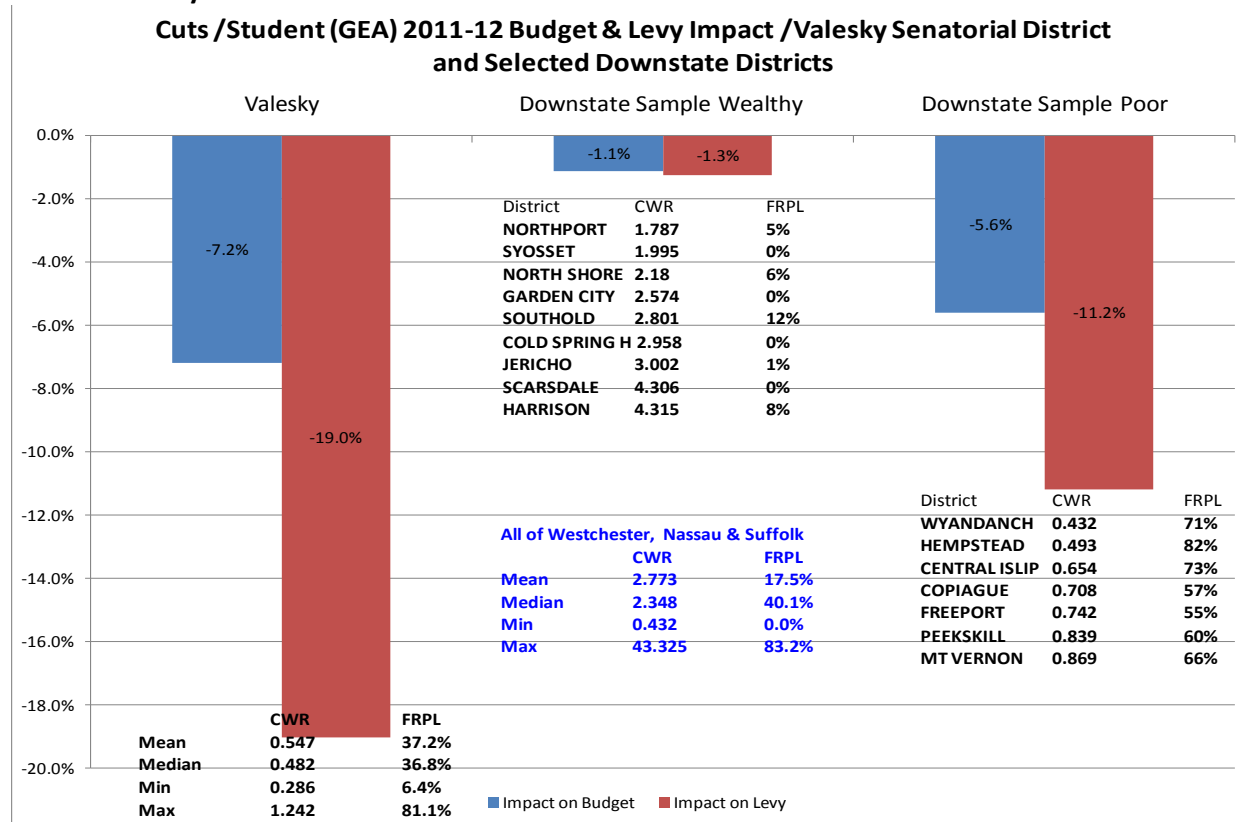
Senator Seward- 51st Senatorial District



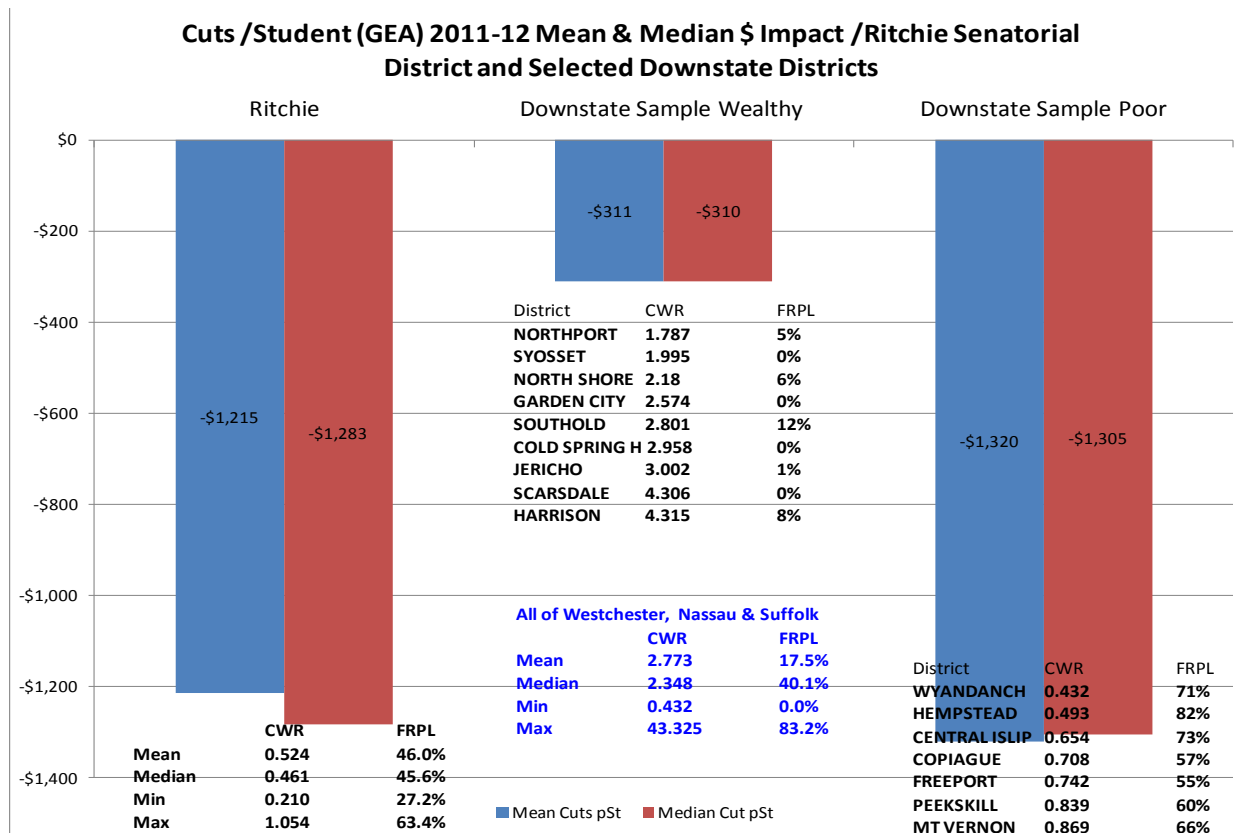
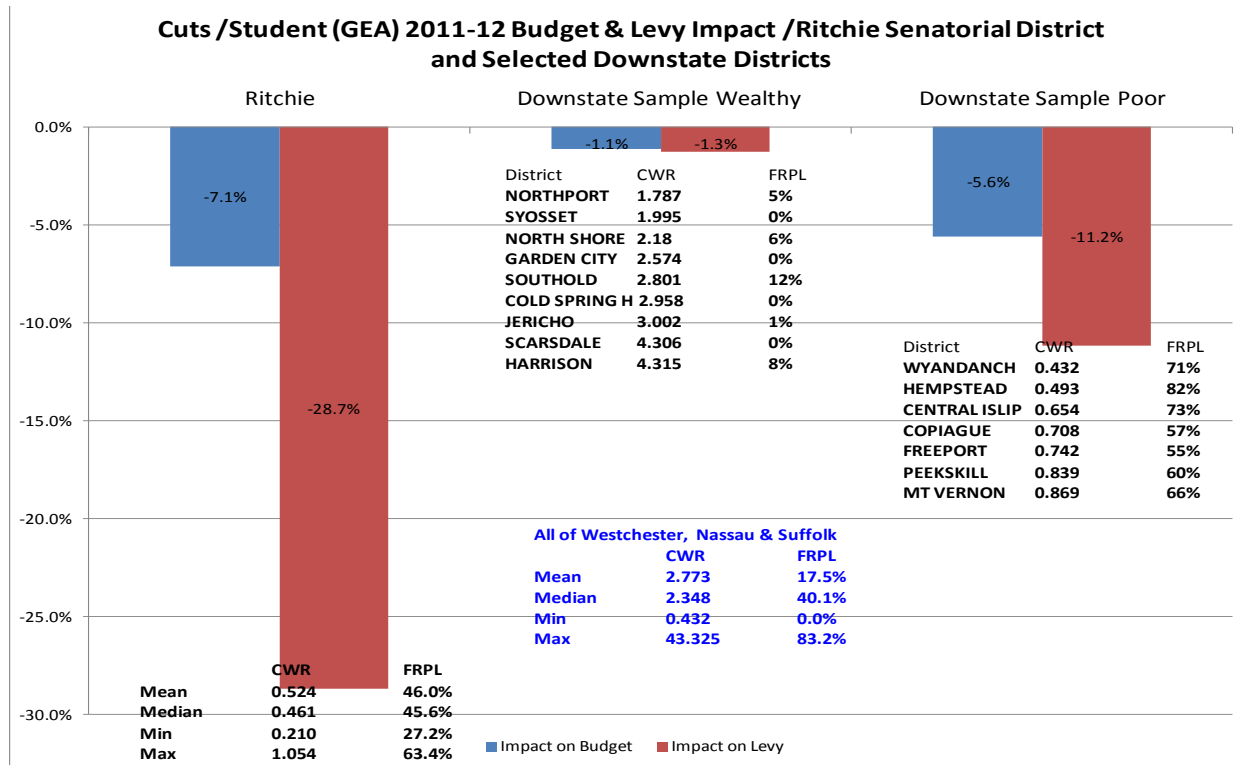
Senator DeFrancisco- 50th Senatorial District



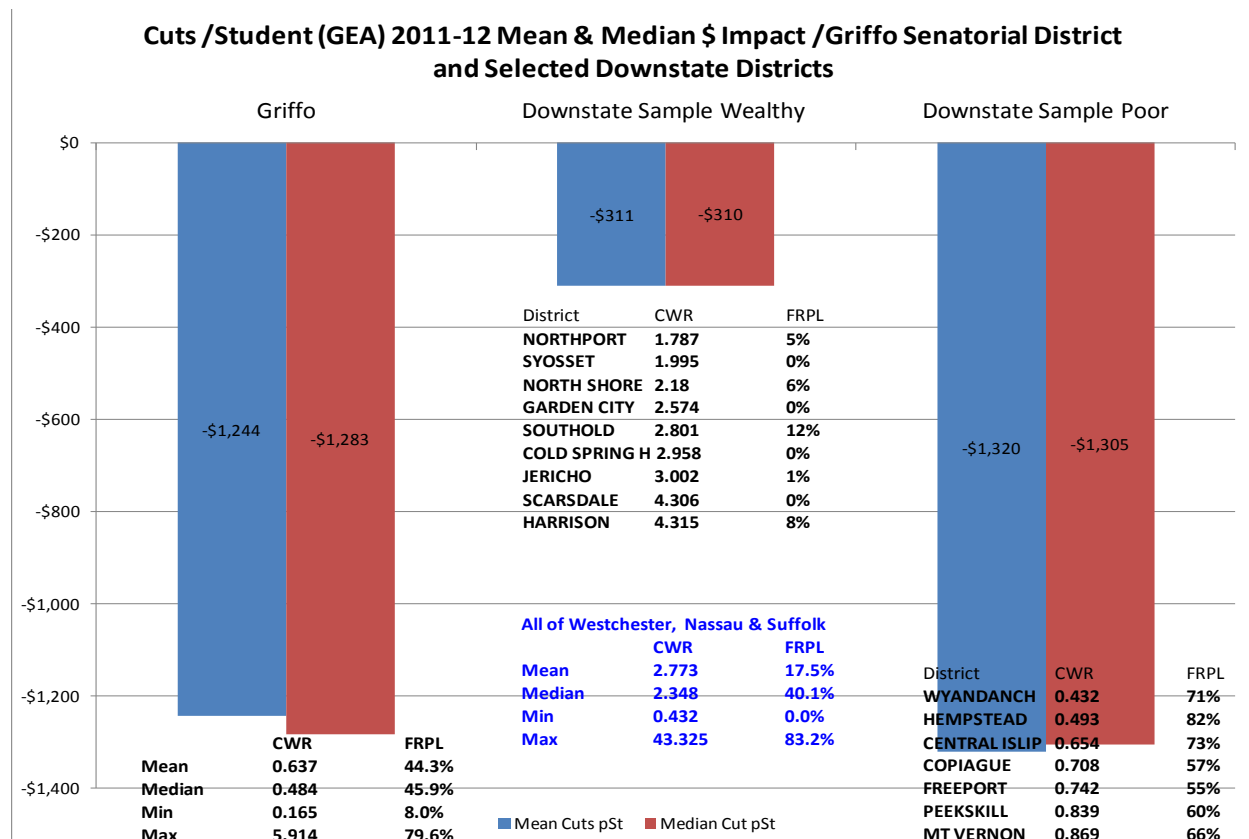
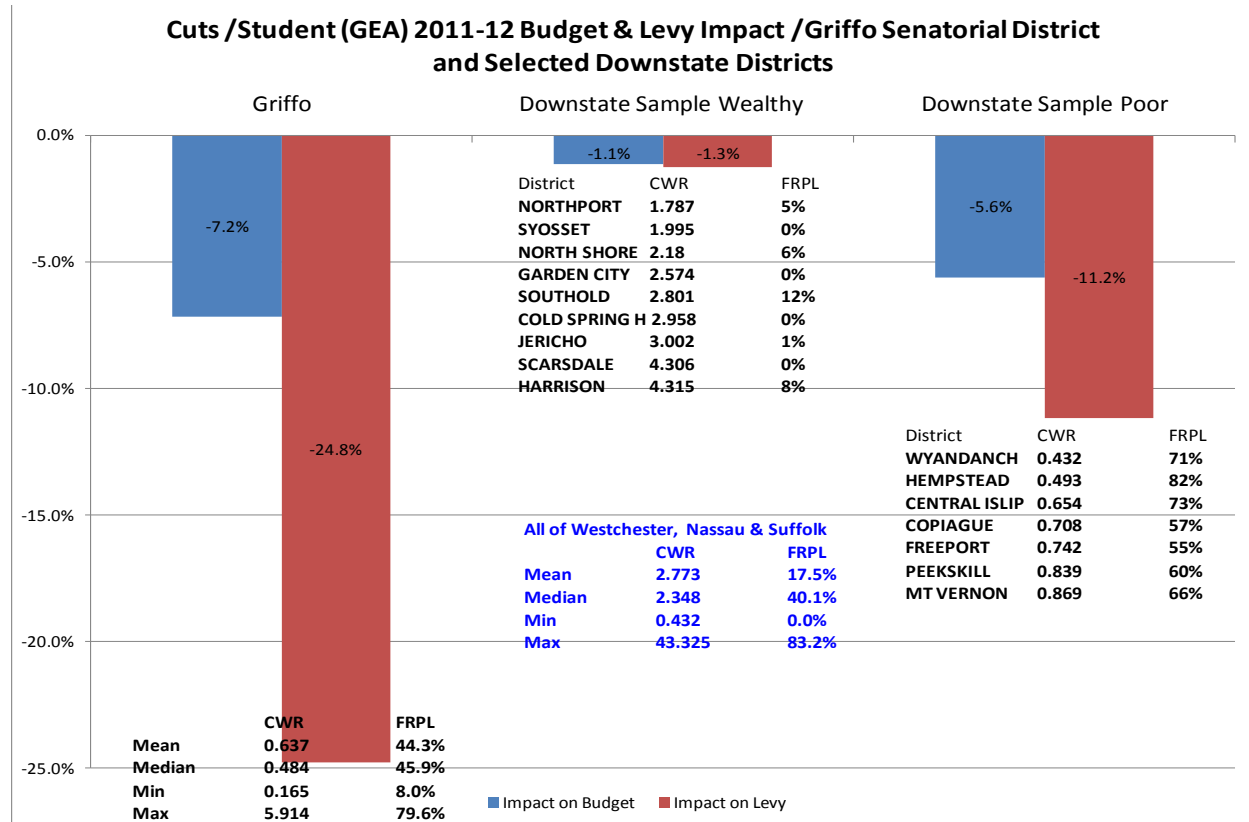
Senator Valesky- 49th Senatorial District



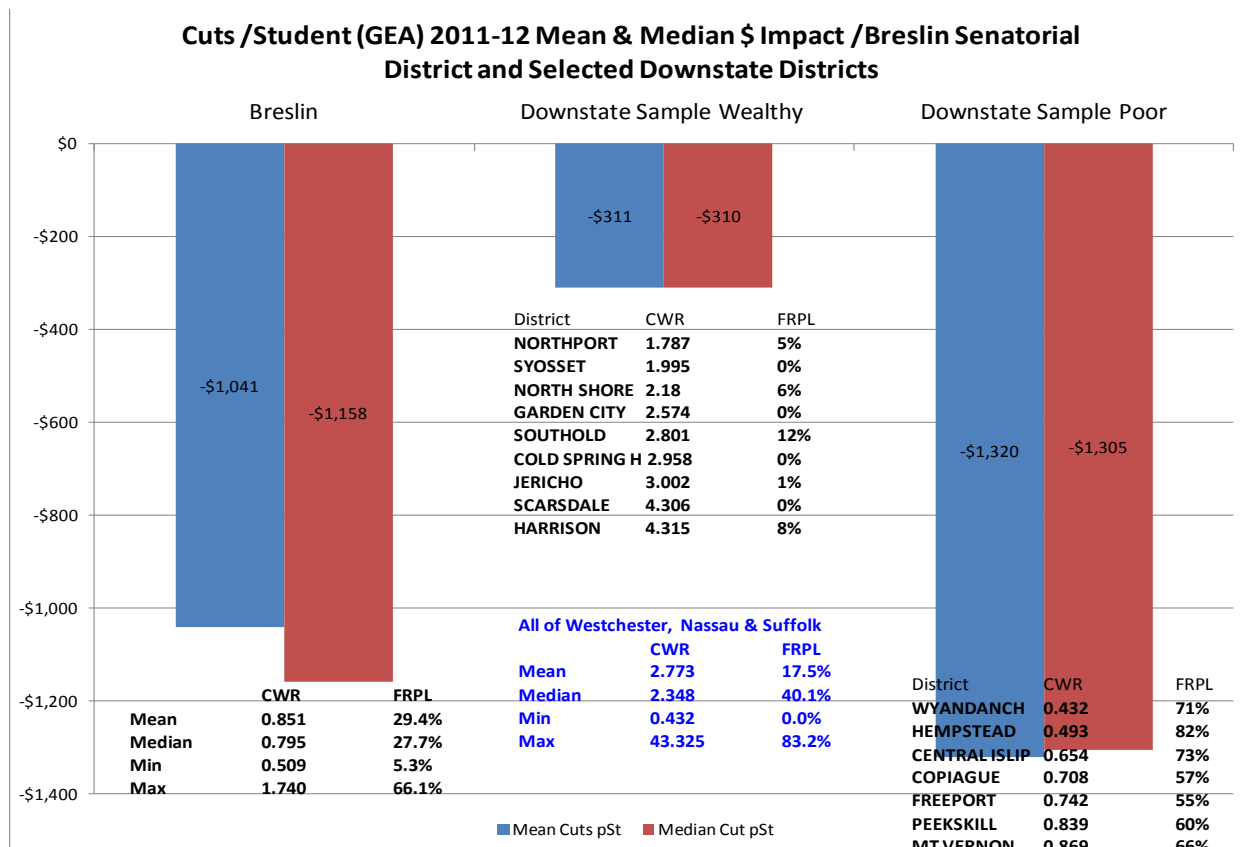
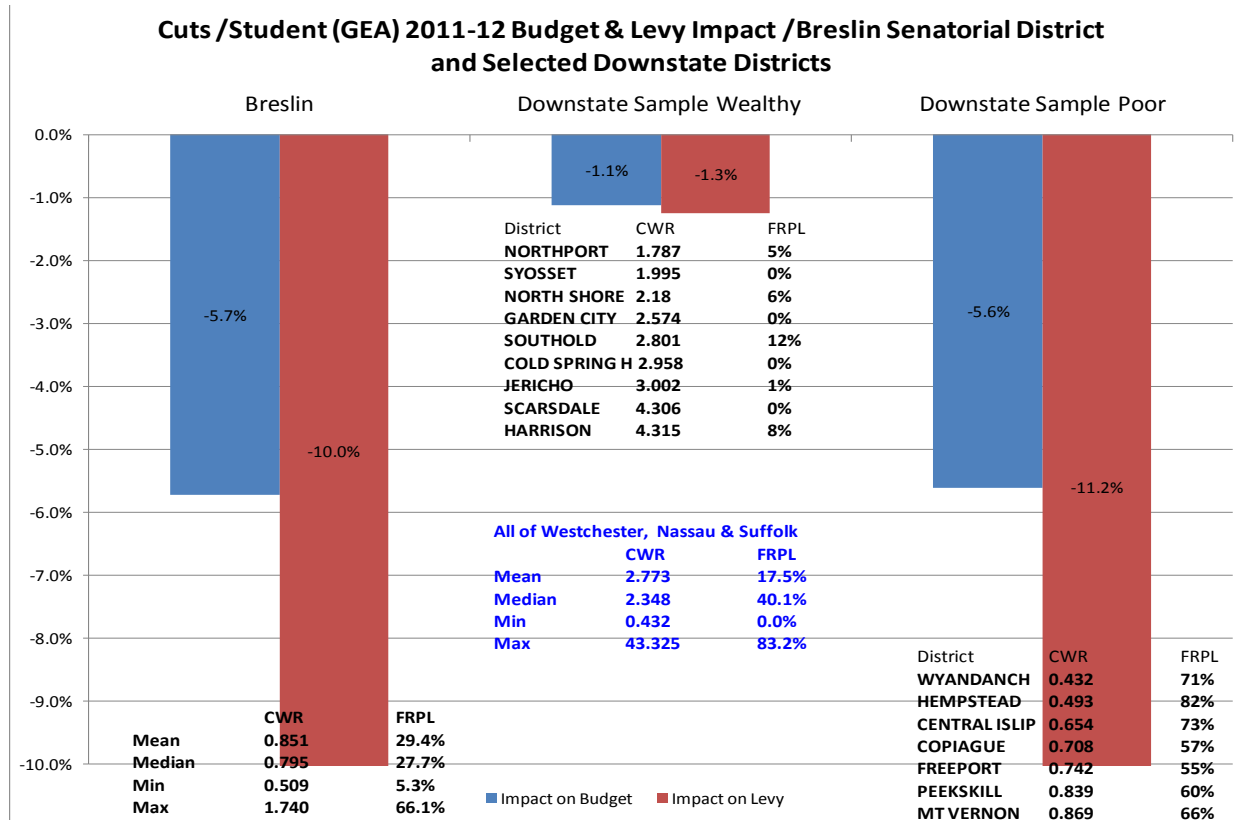
Senator Ritchie- 48th Senatorial District



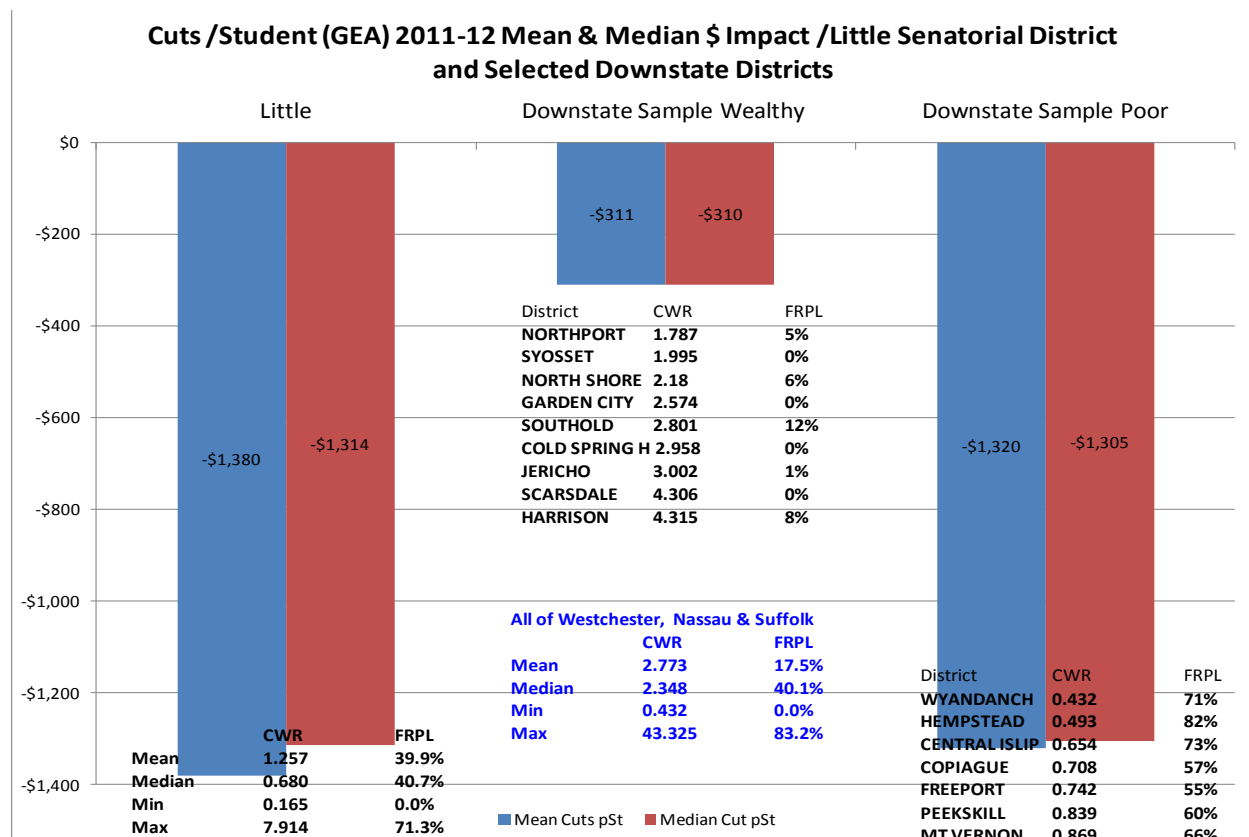
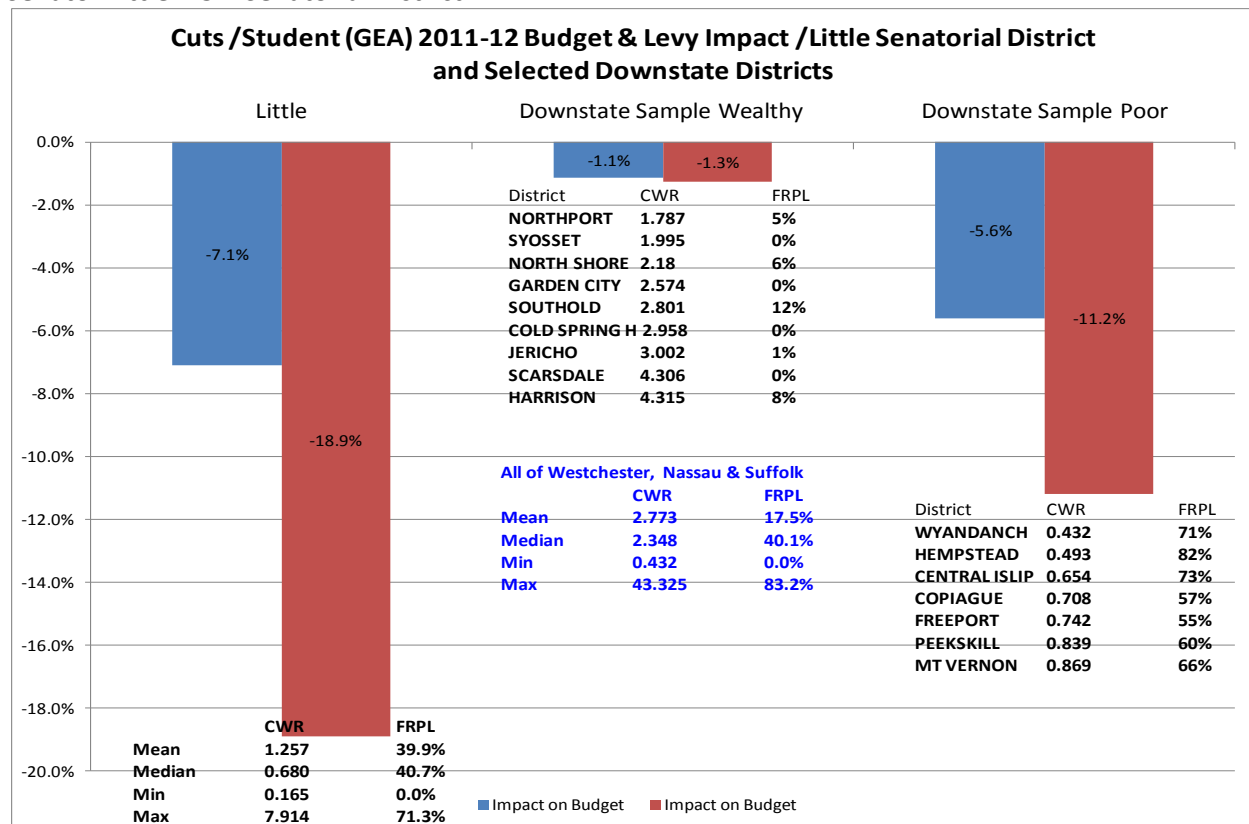
Senator Griffo- 47th Senatorial District



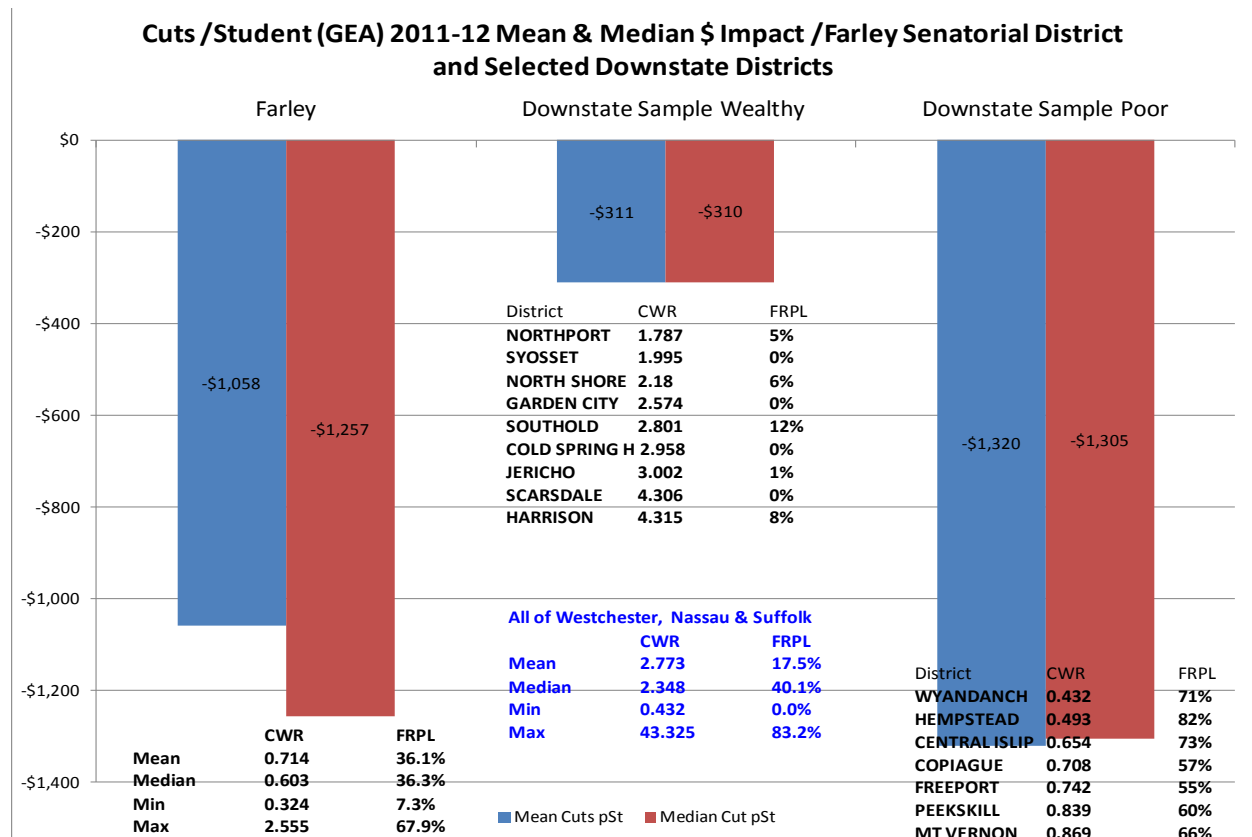
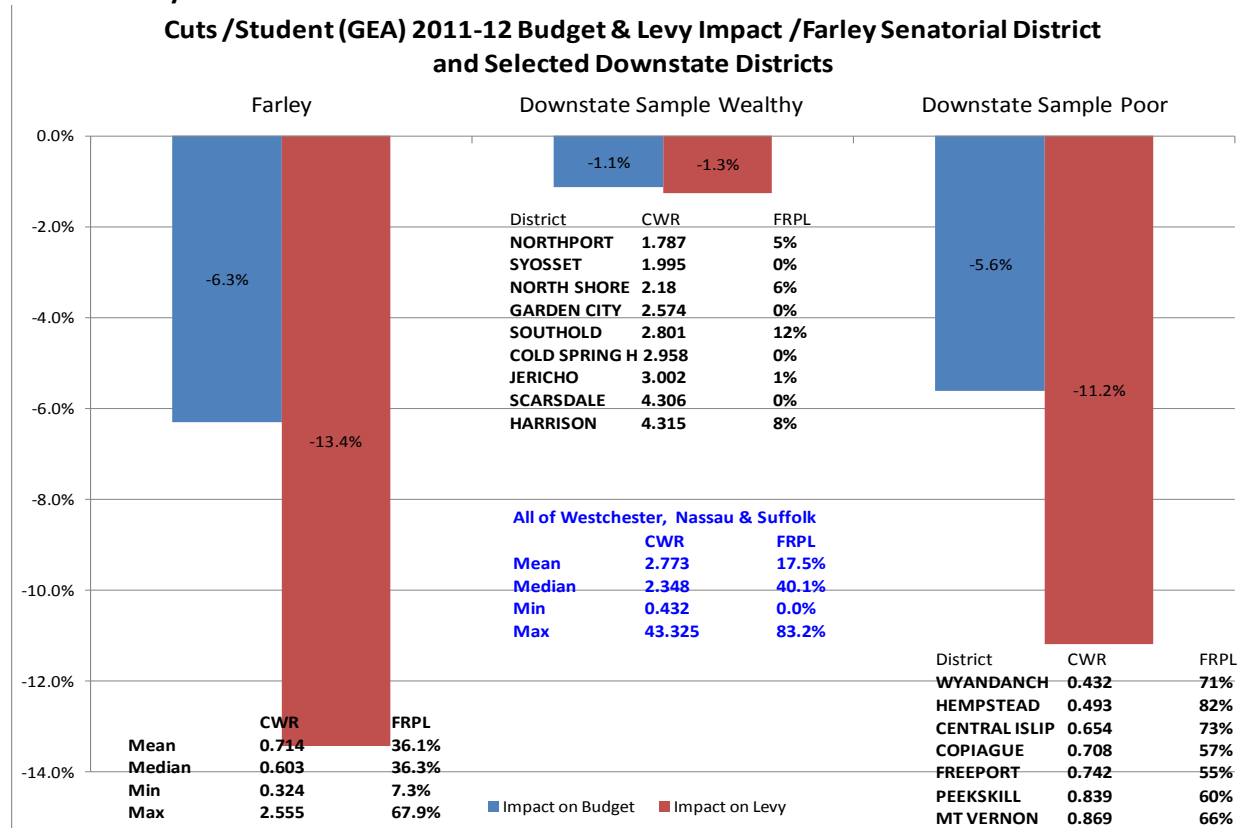
Senator Breslin- 46th Senatorial District



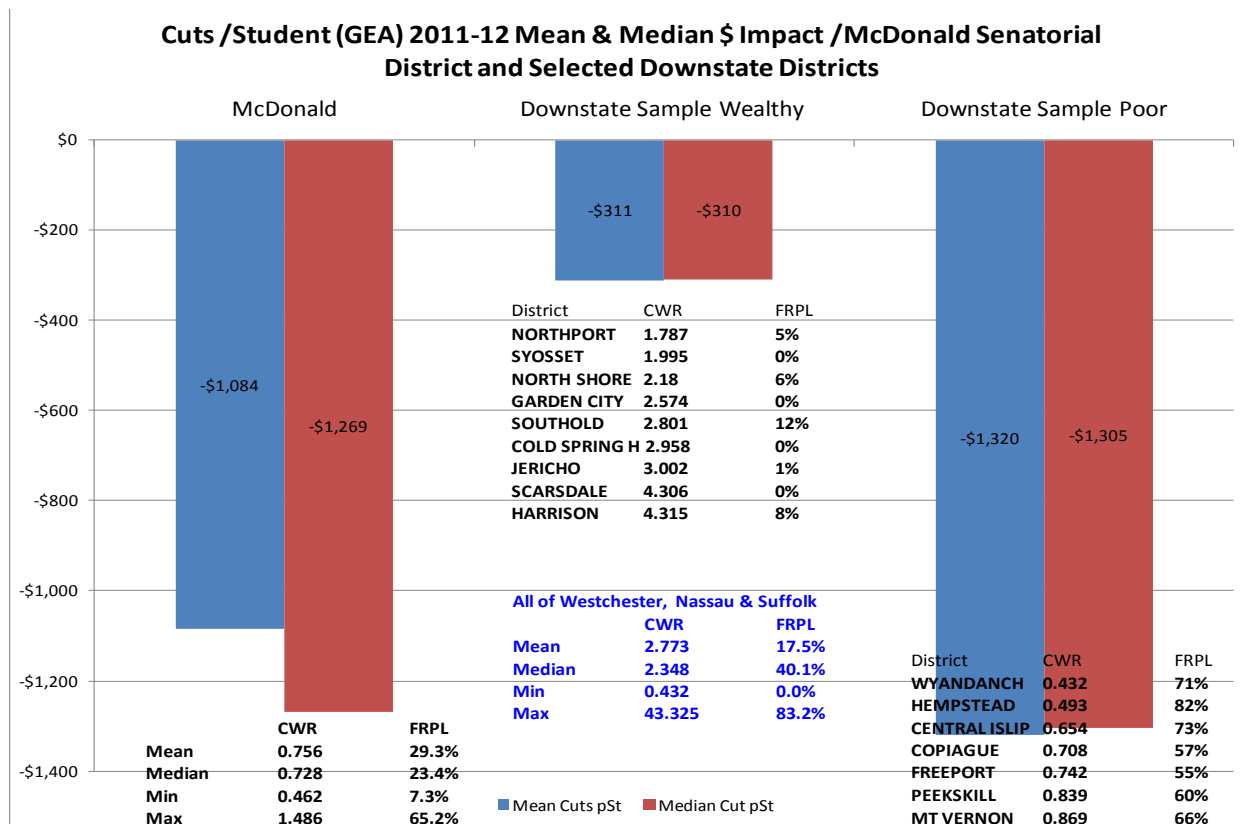
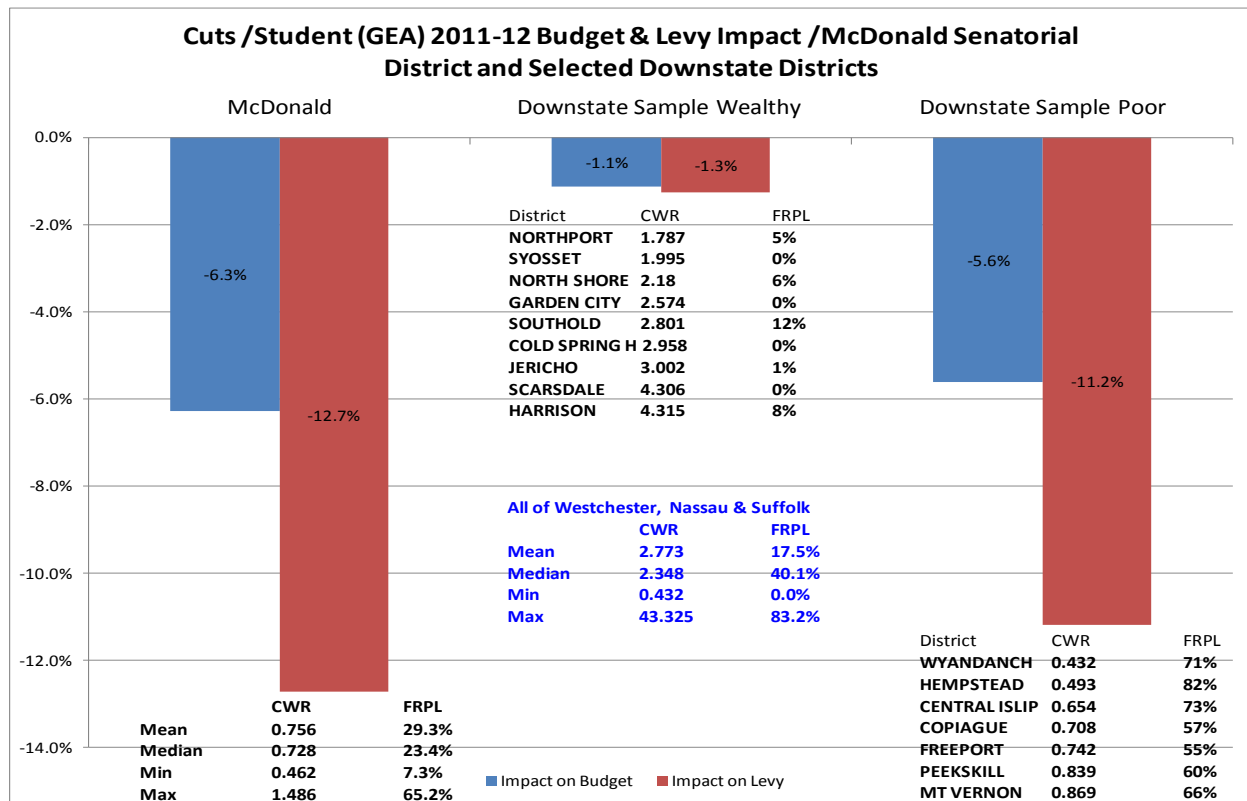
Senator Little- 45th Senatorial District



Senator Farley- 44th Senatorial District



Senator McDonald- 43rd Senatorial District



Conclusions of This Report

There is an old adage that says, “Arithmetic is not an opinion.” Our objective in the preparation of this report was to use the state’s own data – its arithmetic, if you will – not so much to call attention to the patently unfair way that New York State distributes education aid to public schools. There has been significant knowledge of, debate about and legal action taken against this process over many, many years. Our goal, rather, was to use the numbers to demonstrate just how politically insidious this process has become...and hopefully use this information to help drive long overdue reform.

While the data presented in the report speaks for itself, there are a number of key takeaways that we feel are important to call out as conclusions of our research. Many of these points will no doubt be contentious. Bringing attention to inequity is usually an uncomfortable task. Fairness, though, is a concept that people understand and one that often motivates them to take action.

Again, we hope this report and these key points help motivate people – most especially the Governor and members of the Senate and Assembly – to take action that will lead to change...and fairness.

- With no changes in the education aid formula, an estimated 100 to 150 school districts will not have the cash reserves to sustain themselves over the next two years as they face state-created mandates, contractual obligations and pension costs. Simply put, in many locales residents will not be able to fund their school district.
- Under the new Tax Cap law wealthier school districts that are less dependent on state aid will be able to raise more money per percent of tax levy than average or below average wealth school districts. While attaining the 60% super majority to go above the “tax levy limit” that is mandated in the new law will be an unrealistic outcome in most communities; average and below average wealth districts – those that rely much more heavily on state aid – will be forced to continue to cut staff and programs and use reserves to stay in operation. This is an unsustainable process. How many times can one person be laid off? Will these districts have to cut all non-mandated programs – like Kindergarten? Without funding reform, scores of other school districts will descend into insolvency.
- Unfair state aid distribution is not, as some claim, a geographic issue that pits Upstate vs. Downstate. There are over three dozen Downstate school districts that share similar wealth and poverty factors as those Upstate and the same bleak future as SSFC member districts. Indeed, the needs of these districts are as underrepresented by their own Senator as is true of those in SSFC districts.
- The inequities in the distribution of the Foundation Aid formula and the massive state aid cuts over the past several years were not, as noted above, determined by geography, but rather an intentional, politically-motivated redirection of money to wealthier school districts at the expense of the less wealthy.
- Members of the Senate have been preoccupied with ascension to and maintenance of power, personally and as a conference. Regardless of which party has had the majority in the house, each party has ignored numerous opportunities to solve the equitable funding issue.
- 17 Republicans and 3 Democrats represent SSFC member school districts. Past behavior of this delegation has enabled state aid unfairness to continue since 2007. Their performance will be imperative to the success of any initiative that results in greater equity, fairness, transparency and predictability in state aid distribution and will also likely prove to be a determining factor in who holds the leadership in the next Senate.
- All of the data presented in this report, as well as similar research done by Rutgers University, Cornell University, the Alliance for Quality Education and others point to the same conclusions about New York State government: It is not paying serious enough attention to this issue and while it is empowered to act on funding equity it has chosen not to do so. Why?

About The Statewide School Finance Consortium

The Statewide School Finance Consortium (SSFC) is an organization of nearly 360 New York public school districts whose mission is to bring equity to the distribution of New York State educational aid. SSFC membership is largely comprised of school districts from average and low-wealth communities that receive an insufficient and disproportionate allocation of state funding in comparison to high-wealth regions of New York. The reform of the state aid process will help ensure that all of New York's children receive the same educational opportunities regardless of the wealth or location of their community.

Please visit SSFC at www.statewideonline.org