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SCHOOL FUNDING IN NEW YORK STATE: DOES THE CURRENT FORMULA ENSURE ACCESS FOR STUDENTS OF COLOR?

Statement of

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before the

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*The views expressed in this written testimony are my own and should not be attributed to the Urban Institute, its trustees, or its funders.

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Committee members, thank you for inviting me to discuss New York State's school funding system and how its funding formulas affect students of color. The views I express today are my own and should not be attributed to the Urban-Brookings Tax Policy Center or the Urban Institute, their boards, or their funders.

My remarks will cover six major points:

1) **New York's education funding should reflect and embrace its diversity.** Although New York State has one of the highest per student spending levels in the country, there are variations in both the level of student support and its range of student outcomes across the state. Because of the state's diversity in the student population, cost of living, and geography, policymakers should pay extra attention to differences in the costs and challenges of providing a high-quality education to all students.

2) **The state's decade-old reform agenda was ambitious but unfufilled.** Although 2007's foundation formula reform established promising guidelines, insufficient funding and uneven implementation created gaps in funding equity across all districts, with gaps especially noticeable in large school districts that serve a disproportionate share of students of color.

3) **Under the current funding system, white students in high-poverty districts receive more assistance than students of color in high-poverty districts.** In high-poverty school districts, students of color, on average, received less state aid than white students.

4) **This disparity in part reflects geographical differences.** The concentration of students of color in the largest urban school districts leads to different funding than for white students in high-poverty districts, who are more likely to attend rural schools.

5) **The disparity also reflects how the original agreement and implementation of the formula (and provision of property tax relief) has been carried out.** The disparity between students of color and white students is related to the interaction between the foundation aid formula and the School Tax Relief (STAR) program. Money was limited for the former and maintained for the latter. This reflects one of the shortcomings of increased state funding: vulnerability to funding cuts during economic downturns.

6) **Evidence shows that these types of school finance reforms can close outcome gaps.** Research has shown that school finance reforms can help close test score gaps. Other evidence suggests the incomplete rollout of New York's plan limited its effectiveness. This committee should consider ways to ensure funding levels that account for costs and provide equitable funding for all students.

Context and Background

New York State has historically been and remains a high education spending state. Its spending per student is the highest in the country and 80 percent above the national average.[1] In the 2014–15 school year, spending per student was $20,744 in New York, compared with $11,445 for the nation. Are these dollars being allocated equitably across the state, and are they being spent to achieve better outcomes for students of color?

These questions are not new or limited to New York and highlight the fundamental issue we need to address. Concerns over equity in education opportunity date back to the 1960s and the Coleman report, which first documented the disparities in academic achievement across different ethnic and racial groups.[2] An obvious source of the disparity arose from differences in educational spending. This is especially important given that education is the most direct route out of poverty and into the middle class. And as a workforce investment, education's long-term cost benefit outweighs most economic development incentive programs.

In the past, because public schools were funded largely with local property taxes, property-rich and property-poor school districts differed in expenditures per student. Since the 1970s, however, state legislatures have, on their own initiative or at the behest of state courts, implemented school finance equalization programs to reduce the disparity in education spending. In later decades, recognizing that the costs of educating students could vary across places, states have tried to calculate the adequate level of funding to ensure an equitable education for different students.

I and other researchers have examined how school finance equalization and adequacy lawsuits have closed funding gaps between high- and low-poverty school districts.[3] For example, Murray and Rueben found that the level of within-state inequality in per student spending levels declined 40 percent between 1977 and 2007.[4] Much of the work on school finance equalization has focused on spending differences between high-and low-poverty students. These studies have shown that school finance equalization cases have narrowed across-district funding gaps within states, though spending changes are partly related to the formula adopted.

In an examination of how education funding has changed, Chingos and Blagg found that from 1995 to 2015, education funding has become more progressive in New York and most other states.[5]

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[1] 2017 Digest of Education Statistics, table 236.65, https://nces.ed.gov/programs/digest/d17/tables/dt17_236.65.asp.

[2] James S. Coleman, Ernest Q. Campbell, Carol J. Hobson, James McPartland, Alexander M. Mood, Frederic D. Weinfeld, and Robert L. York, *Equality of Educational Opportunity* (Washington, DC: US Department of Health, Education, and Welfare, 1966), https://eric.ed.gov/?id=ED012275.

[3] See Sheila Murray and Kim S. Rueben, "Racial Disparities in Education Finance: Going beyond Equal Revenues" (Washington, DC: Urban-Brookings Tax Policy Center, 2008), https://www.taxpolicycenter.org/publications/racial-disparities-education-finance-going-beyond-equal-revenues; and Sean Corcoran and William N. Evans, "Equity, Adequacy, and the Evolving State Role in Education Finance," in *Handbook of Research in Education Finance and Policy*, 2nd ed. (New York: Routledge, 2015).

[4] Murray and Rueben, "Racial Disparities."

[5] Matt Chingos and Kristin Blagg, "How Has Education Funding Changed over Time?" Urban Institute, accessed June 19, 2019, http://apps.urban.org/features/education-funding-trends/.

Examining relative spending on low-income and other students between 1995 and 2015, they found that after adjusting for the varying costs of living in different regions, spending on the average poor student was 87 percent of spending on the average nonpoor student (or 13 percent less) in 1995, but by 2015, this gap had closed. The funding changes under way have made funding more equal across students by income. But whereas the research focused on low-income students, the researchers did not examine changes in spending on students of color.

Murray and Rueben examined the ratio of spending on nonwhite versus white students across the country and in all 50 states.[6] We found that per student spending ratios across many states reversed between 1972 and 2002. In 1972, the ratio was 98 cents spent on nonwhite students for every dollar spent on a white student, but that reversed in 1982, and since then, students of color have received more funding than white students.

Examining 2002 Census data on current expenditures by unified school districts, we found that the average district spending per student was $11,503 for white students, $12,000 for all nonwhite students, $12,016 for black students, and $11,991 for Hispanic students in New York. In other words, New York averaged $1.04 in district spending per nonwhite student for every dollar spent on white students. Although this ratio was marginally lower than the national average of $1.05, it accounted for signficantly higher spending per student than in most other states because of New York's higher average spending per student.

Since the 1970s, we have seen a shift in state funding formulas that has resulted in higher per student expenditures for black and Hispanic students in many states. New York is no exception. But **these spending ratios reflect dollars spent and do not account for the varying costs of providing services to students by location or by school and student characteristics.**

New York's Recent Trends

We used the Urban Institute's Education Data Portal to investigate the recent distribution of state foundation aid, overall state aid, and overall revenues per student.[7] Though slightly different than typical measures of spending per student, by examining revenues, we can explore differences across revenue sources and how these vary by race or ethnicity.

Table 1 examines the average amount of state foundation aid, total state revenue, and total revenues per student of different races or ethnicities. As in Murray and Rueben,[8] I compare average spending on a school district weighted by the number of students of a given group in that district. We limit ourselves to students and districts in regular (not charter) school districts, studying 2.84 million students in 2000,[9] 2.71 million students in 2007, and 2.62 million students in 2014. In 2014, thirty-

[6] Murray and Rueben, "Racial Disparities."

[7] See the website for the Eduation Data Portal at https://educationdata.urban.org/data-explorer/.

[8] Murray and Rueben, "Racial Disparities."

[9] School years reference the year that begins in the fall of the listed year, so 2000 reflects the 2000–01 school year and 2014 refers to the 2014–15 school year. This is the latest year for which we have revenue data.

eight percent of students are in the New York City district, and 42 percent of students are in the Big 5 districts (i.e., New York City, Buffalo, Rochester, Yonkers, and Syracuse).

TABLE 1

Average Revenue per Student in New York

Weighted by race or ethnicity subgroup, 2000–14

Race or ethnicity	2000		2007		2014	
	Ratio to average for white students	Average per student ($)	Ratio to average for white students	Average per student ($)	Ratio to average for white students	Average per student ($)
State general formula assistance						
White	1.00	$3,485	1.00	$4,925	1.00	$5,532
All people of color	0.99	$3,466	1.22	$5,998	1.17	$6,483
Black	1.03	$3,581	1.30	$6,381	1.28	$7,072
Hispanic	0.98	$3,415	1.20	$5,906	1.15	$6,353
Asian	0.91	$3,179	1.06	$5,228	1.05	$5,832
Total state revenue (including lunch and special education programs)						
White	1.00	$5,537	1.00	$8,197	1.00	$9,490
All people of color	1.03	$5,706	1.16	$9,476	1.07	$10,141
Black	1.07	$5,910	1.21	$9,933	1.15	$10,876
Hispanic	1.01	$5,608	1.14	$9,360	1.05	$9,959
Asian	0.94	$5,231	1.04	$8,550	0.97	$9,245
Total (federal, state, local) revenue						
White	1.00	$12,151	1.00	$18,738	1.00	$23,268
All people of color	0.98	$11,945	1.09	$20,368	1.08	$25,117
Black	0.99	$12,019	1.09	$20,372	1.08	$25,119
Hispanic	0.98	$11,871	1.09	$20,431	1.08	$25,168
Asian	0.98	$11,900	1.08	$20,249	1.09	$25,340

Source: Education Data Explorer (Version 0.4.0), Urban Institute, Center on Education Data and Policy, accessed June 2019, https://educationdata.urban.org/data-explorer/, US Department of Education Common Core of Data, US Department of Education Civil Rights Data Collection, US Census Bureau Small Area Income and Poverty Estimates, and US Department of Education Integrated Postsecondary Education Data System.

State general formula assistance, weighted by total enrollment, increased 74 percent (in current dollars) between 2000 and 2014. With the changing aid formula, state general formula assistance for students of color increased 87 percent compared to a 59 percent increase for white students between 2000 and 2014. This increased support reflected changes to the state's funding formula that increased payments for students who were in high-poverty districts or who had other characteristics generally associated with increased costs of ensuring an adequate education. Much of this increase reflected an increase in funding passed in April 2007 that expanded foundation aid funding.

Much of the growth in state general assistance aid occurred in 2007–08. Between 2000 and 2007, state aid for students of color increased 73 percent, compared with a 41 percent increase for white students. On average, districts that served students of color received $1.22 for every dollar of state formula aid that districts that served white students received in 2007, but this ratio declined across all racial or ethnic groups by 2014. This in part reflects the declines and only partial funding in the Gap

Elimination Adjustment in some years following the Great Recession. **Thus, there was a movement away from additional funding for school districts serving higher shares of of students of color.**

Relative state foundation support and, to a lesser extent, relative total state revenue declined for students of color compared with white students between 2007 and 2014, but the ratio of total revenues, including federal and local support per student of color, remained relatively constant, reflecting higher local support. Students of color, on average, received $0.98 per dollar spent on average on a white student in 2000, $1.09 per dollar spent on a white student in 2007, and $1.08 per dollar spent in 2000. In other words, there may have been a relative slowdown in state spending per student between 2007 and 2014, especially compared with the growth in prior years, but increased spending from local or federal revenue sources stabilized the overall funding devoted to students of color.

In part the declining level of state formula support for students of color reflects the changing level of state aid for New York City and other large school districts. In 2000, 77 percent of students of color, including 76 percent of black students and 81 percent of Hispanic students, attended the Big 5 school districts (table 2). The concentration of students of color clustered in these districts declined somewhat to 67 percent by 2014, though these districts still disproportionately educated students of color. Thus, when examining how students of color are faring, most of the attention (and questions about funding) need to focus on the Big 5 school districts.

TABLE 2

Distribution of Students in New York, by Race or Ethnicity

Categorized by school district location and poverty, 2000–14

Race or ethnicity	All School Districts				Only High-Poverty School Districts			
	5 largest SDs	Other cities and towns	Suburban	Rural	5 largest SDs	Other cities and towns	Suburban	Rural
2000								
Total	42%	9%	37%	12%	89%	7%	2%	2%
White	13%	13%	54%	20%	66%	20%	5%	9%
All people of color	77%	4%	17%	1%	95%	3%	2%	0%
Black	76%	6%	17%	1%	93%	5%	2%	0%
Hispanic	81%	3%	16%	1%	97%	1%	1%	0%
Asian	74%	3%	21%	2%	98%	1%	1%	0%
2007								
Total	41%	12%	35%	13%	87%	9%	1%	2%
White	12%	17%	49%	22%	60%	26%	3%	10%
All people of color	72%	6%	20%	2%	95%	4%	1%	0%
Black	72%	8%	18%	2%	92%	6%	1%	0%
Hispanic	73%	5%	20%	2%	97%	3%	1%	0%
Asian	70%	4%	24%	2%	97%	2%	1%	0%
2014								
Total	42%	10%	37%	11%	78%	10%	7%	5%
White	14%	15%	50%	20%	48%	26%	7%	18%
All people of color	67%	6%	25%	2%	87%	5%	7%	1%
Black	71%	7%	21%	2%	85%	6%	8%	0%
Hispanic	67%	4%	27%	2%	88%	3%	8%	1%
Asian	71%	3%	24%	1%	95%	3%	1%	0%

Source: Education Data Explorer (Version 0.4.0), Urban Institute, Center on Education Data and Policy, accessed June 2019, https://educationdata.urban.org/data-explorer/, US Department of Education Common Core of Data, US Department of Education Civil Rights Data Collection, US Census Bureau Small Area Income and Poverty Estimates, and US Department of Education Integrated Postsecondary Education Data System.

Notes: SD = school district. (1) "5 largest SDs" are by total enrollment and include school districts in New York City, Buffalo, Rochester, Yonkers, and Syracuse; (2) "all school districts" includes 678 other school districts in New York State for which data on revenues and enrollment by race or ethnicity were available; (3) "high-poverty school districts" are those where more than 20 percent of the school-age population (ages 5 to 17) lives in poverty.

The Geographies of Educational Costs

The decline in support is starker once price differences are considered. Using regional price parity (RPP) measures from the Bureau of Economic Analysis, prices in New York State, on average, are 15 percent above the national average. We examined how costs varied across districts using information on prices weighted by student enrollment, reflecting the costs in New York faced by students and the school districts serving them. Although New York State is generally expensive, there are wide variations within the state. For example, the New York City metropolitan area has an RPP measure of 121.5 (or 21.5 percent higher prices than the US average), but the RPP measure in the Utica-Rome metropolitan area is 94 (6 percent lower prices than the US average). If we examine the RPP measure for students of different races or ethnicities, we find that costs are about 10 percent higher than the US average for a district serving the average white student, compared with 18 percent higher for a district serving the average student of color. Thus, part of **the differences in state aid and funding levels reflect price differences rather than the provision of additional services for these students.** These differences reflect the geographic disparity in where school districts are located.

If instead of focusing on how students of color are faring relative to all students we focus on students who attend school in a district that serves a relatively high-poverty population, the contrast in funding levels is even starker. Using the Small Area Income and Poverty Estimates, we examine school districts where at least one-fifth of the population under age 18 live in conditions of poverty. Most of these students (including white students) are located within the Big 5 school districts. In 2000, 95 percent of students of color who attended school in a high-poverty district were in a Big 5 school district, compared with two-thirds of white students. By 2014, both percentages fell—87 percent of students of color and 48 percent of white students who attended a school in a high-poverty district were in a Big 5 school district.

Similar to table 1, table 3 examines average state foundation aid, total state revenue, and total revenues per student of different races or ethnicities but only for students attending school in a high-poverty school district. The average state general formula assistance is higher for white students in absolute and relative terms than for students of color in these high-poverty districts. In 2014, students of color, on average, received $0.91 for every dollar of state formula aid spent on a white student in high-poverty school districts. Comparing total state funds per student tells the same story. In 2000 and in 2014, students of color, on average, received $0.90 for every dollar spent on a white student. This in part reflects a bifurcation in high-poverty school districts, with large urban districts falling into this group along with some rural, small-enrollment districts. Indeed, in 2014, about 20 percent of white students were enrolled in rural school districts, and 18 percent of white students attending school in a high-poverty district were in rural schools (table 2). Merely 2 percent of all students of color were enrolled in rural school districts in 2014. The state aid formula provides more support for rural school districts along with other nonfoundation programs. On average, a rural school district receives higher state formula aid per student and higher total state funds per student than other school districts. This is not to question the added costs of providing education to low-income students in rural settings but instead to note that the state seems to have better maintained support for these communities than those in other circumstances.

TABLE 3

Average Revenue per Student in New York

Only high-poverty school districts, weighted by race or ethnicity subgroup, 2000–14

Race or ethnicity	2000		2007		2014	
	Ratio to average for white students	Average per student ($)	Ratio to average for white students	Average per student ($)	Ratio to average for white students	Average per student ($)
State general formula assistance						
White	1.00	$4,088	1.00	$6,931	1.00	$7,960
All people of color	0.88	$3,596	0.92	$6,398	0.91	$7,212
Black	0.90	$3,684	0.97	$6,703	0.96	$7,643
Hispanic	0.86	$3,520	0.89	$6,198	0.88	$6,990
Asian	0.85	$3,493	0.88	$6,082	0.86	$6,850
Total state revenue (including lunch and special education programs)						
White	1.00	$6,483	1.00	$10,529	1.00	$12,059
All people of color	0.90	$5,827	0.94	$9,892	0.90	$10,801
Black	0.92	$5,993	0.97	$10,248	0.94	$11,395
Hispanic	0.88	$5,699	0.92	$9,648	0.87	$10,493
Asian	0.86	$5,592	0.90	$9,522	0.85	$10,233
Total (federal, state, local) revenue						
White	1.00	$11,735	1.00	$19,230	1.00	$23,695
All people of color	0.98	$11,538	1.05	$20,115	1.06	$25,168
Black	0.99	$11,645	1.05	$20,168	1.06	$25,193
Hispanic	0.98	$11,461	1.04	$20,088	1.06	$25,183
Asian	0.97	$11,388	1.04	$20,051	1.07	$25,289

Source: Education Data Explorer (Version 0.4.0), Urban Institute, Center on Education Data and Policy, accessed June 2019, https://educationdata.urban.org/data-explorer/, US Department of Education Common Core of Data, US Department of Education Civil Rights Data Collection, US Census Bureau Small Area Income and Poverty Estimates, and US Department of Education Integrated Postsecondary Education Data System.

Note: "High-poverty school districts" are those where more than 20 percent of the school-age population (ages 5 to 17) lives in poverty.

Over this period, the share of state funding for schools has fallen from 48 percent of funds in 2000 to 42 percent in 2014. For students of color, the state share fell from 48 percent in 2000 and 2007 to 41 percent in 2014. The state did maintain a higher share of support for students in high-poverty districts. In 2000, the state provided more than half the funding for high-poverty school districts, and although the share for white students stayed above half (51 percent) in 2014, the state share provided for students of color in high-poverty districts fell to 43 percent, largely reflecting declining support from state aid for the New York City district.

Individual versus System Outcomes

Finally, it is important to recognize that funding levels and state support do not necessarily translate into better outcomes for students. The results presented thus far need to be considered with a few caveats. These ratios do not reflect that the costs of educating students of different groups differently or reflect that students of color are often found in urban school districts that have higher cost structures. Part of the movement toward an adequacy standard in court cases reflects the understanding that equalizing educational attainment or outcomes depends on factors other than

money, and it may cost more to reach a given standard for a specific set of students or schools serving different populations.

In addition, **although spending differences related to having more property wealth have decreased between districts (and low wealth districts often get more state aid), it is unclear whether inequities have decreased at the school level**. Research has shown large disparities in school funding within districts, with schools that serve high-poverty students receiving substantially less district funding.[10] Such spending disparities can undermine systems trying to close achievement gaps if it means the most at-risk students are not receiving their fair share of highly qualified teachers or access to new or improved school facilities.

Yet, changes in funding formulas, especially those related to school finance equalization, can lead to better outcomes. Recent work discussed by Jesse Rothstein has found that school finance reforms lead to sharp, immediate, and sustained increases in spending in low-income school districts, further noting that "reforms cause increase in the achievement of students in these districts."[11] Thus, there is evidence and optimism that if New York returns to a path of providing higher shares of state formula aid to at-risk districts, there may be future payoffs for these students.

[10] Marguerite Roza and Paul T. Hill, "How Within-District Spending Inequities Help Some Schools to Fail," in *Brookings Papers on Education Policy* (Washington, DC: Brookings Institution, 2004), 201, https://www.crpe.org/sites/default/files/roza_hill.withindistrictinequities.pdf.

[11] Julien Lafortune, Jesse Rothstein, and Diane Whitmore Schanzenbach, "School Finance Reform and the Distribution of Student Achievement," *American Economic Journal: Applied Economics* 10, no. 2 (April 2018): 1.