Good School Finance Policy Should:

- Be transparent to district officials and taxpayers
- Be easy for district as well as the state to administer
- Not distort tax prices leading to inefficient allocations
- Provide known and stable resources
- Increase equity or at least not increase inequity
New York Has It All

- Highest Education Expenditure—Twice national average
- High Property Taxes—Twice national average

State Funding Level Grade: A

YET

Fairness of Funding Grade: F
State Funding to Address Above Average Reliance on Property Tax

- State Foundation Aid
- School Tax Relief (STAR) for Homeowners
- Cap of School Revenue Growth
- Property Tax Freeze for Homeowners
- Freeze on Growth of State Funding
2007 Foundation In Response to Court Ruling

- Additional $5.5 billion over four years starting in 2007-08
  
  **BUT**

- Froze the funding level after only two years
- Phase in delayed and then totally eliminated
- Cuts as part of Deficit and Gap Elimination Adjustments
- General Support for Public Schools increases limited
STAR Funding Works Against Equity

- Relief for Homeowners regardless of need of taxpayer or district
- Highest per pupil relief in Low Need districts
- Low and need districts receive significant share of aid in excess of the enrollment in those districts
Efforts to Equalize Yet Richer Districts Benefit

Property poor districts lost relief as a result of the freeze and Gap Elimination Adjustment

Value of aid for the richer districts increased as property values decreased
High Need Districts Relying More on Local Effort

Mount Vernon 3 High

Local Tax Rate
Replacement Tax Rate

Pelham 5 Low

Local Effective Tax Rate
Equ. Local Rate of State Aid and STAR G/(D/1000)
Tax Cap Compounds Complexity and Equity

- Voter approval of budgets with supermajority if exceed Growth Factor
- First levy limit comes after three years of aid cuts
- Low need districts greater growth
Tax Cap Conjoined with Tax Freeze

- Homeowners tax frozen when levy within Cap limit first year
- Second year freeze only if “Efficiencies” are achieved
- Efficiencies not just internally generated budget savings—must be reorganizations, consolidations, cooperative agreements
General Support of Public Schools Limitations

- Growth of available state funding for education limited to growth in New York personal income
- Impact on Foundation Aid uncertain but unlikely to restore funding level enacted in 2007
## Education Policy: How Does it Stack Up?

<table>
<thead>
<tr>
<th></th>
<th>Foundation Grant</th>
<th>STAR Program</th>
<th>Levy Limit</th>
<th>Tax Freeze</th>
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<tbody>
<tr>
<td><strong>Transparency</strong></td>
<td>-</td>
<td>+</td>
<td>+ (Moderately)</td>
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<tr>
<td>(Formula and Funding</td>
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<td>(Appears on Tax Bill)</td>
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<td>Uncertainty)</td>
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<tr>
<td><strong>Administrative Ease</strong></td>
<td>+ (Moderately)</td>
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<td><strong>Equity</strong></td>
<td>+ (Aims)</td>
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<td>- (Implementation)</td>
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<tr>
<td><strong>Preference Distortion</strong></td>
<td>Neutral (Individual)</td>
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<td>+ (District)</td>
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