



Confluence of Aid, Relief, Limits, and Local Efforts

An Overview School Financing in New York

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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



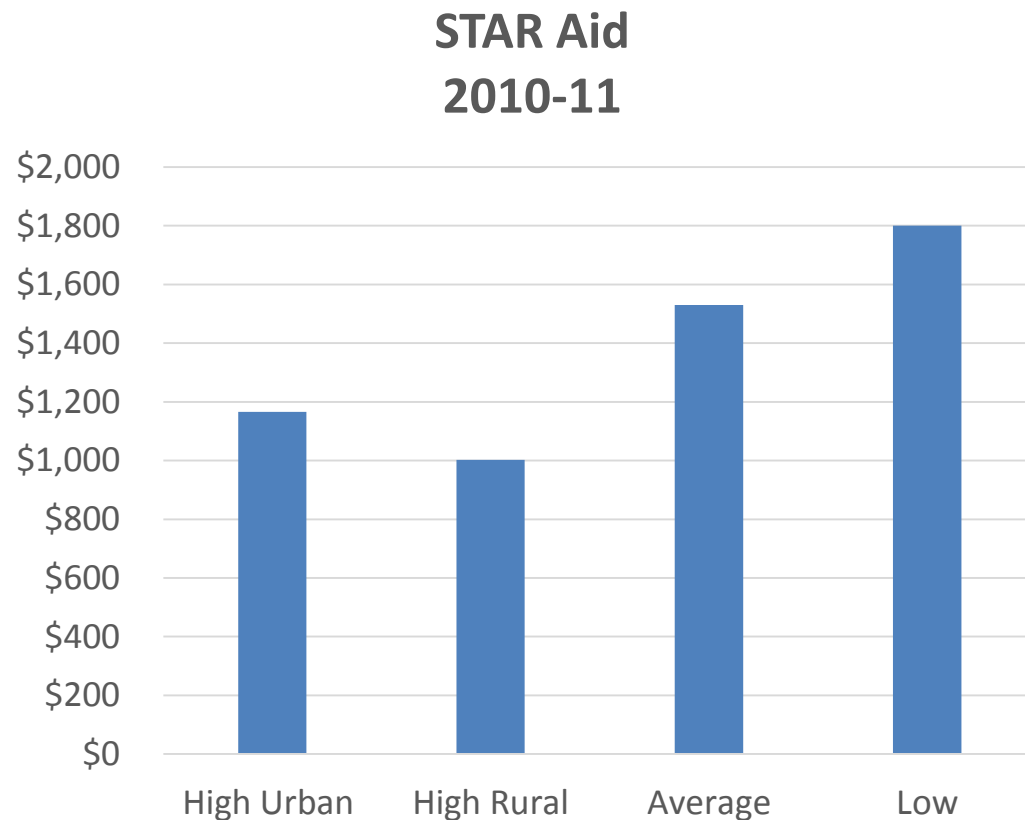
2007 Foundation In Response to Court Ruling

- 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

Local Replacement Rate of State Education Aid disparity

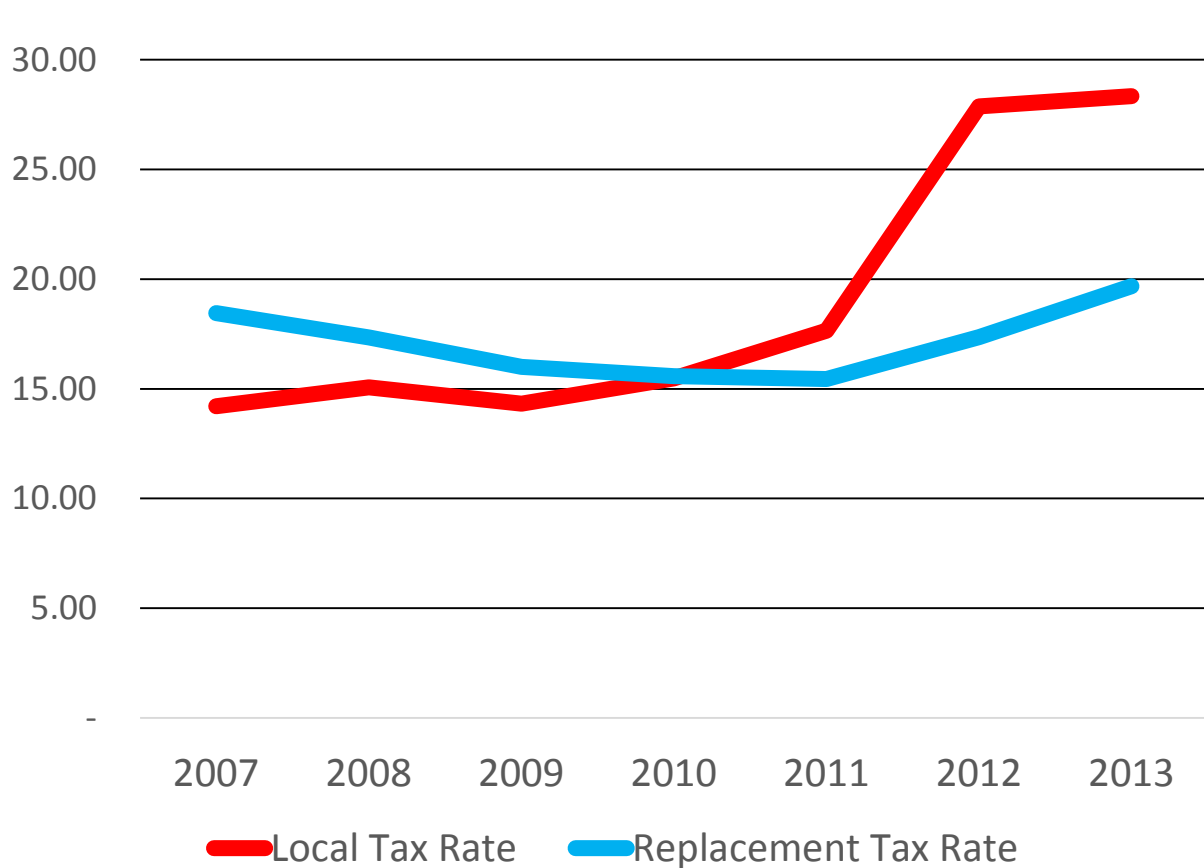
Actual Valuation
By Deciles

	2007-08	2011-12
1	27.04	22.83
2	30.98	27.79
3	17.50	23.60
4	25.29	22.23
5	29.76	28.11
6	16.75	18.03
7	11.63	12.07
8	6.86	8.91
9	6.36	6.39
10	1.87	1.70

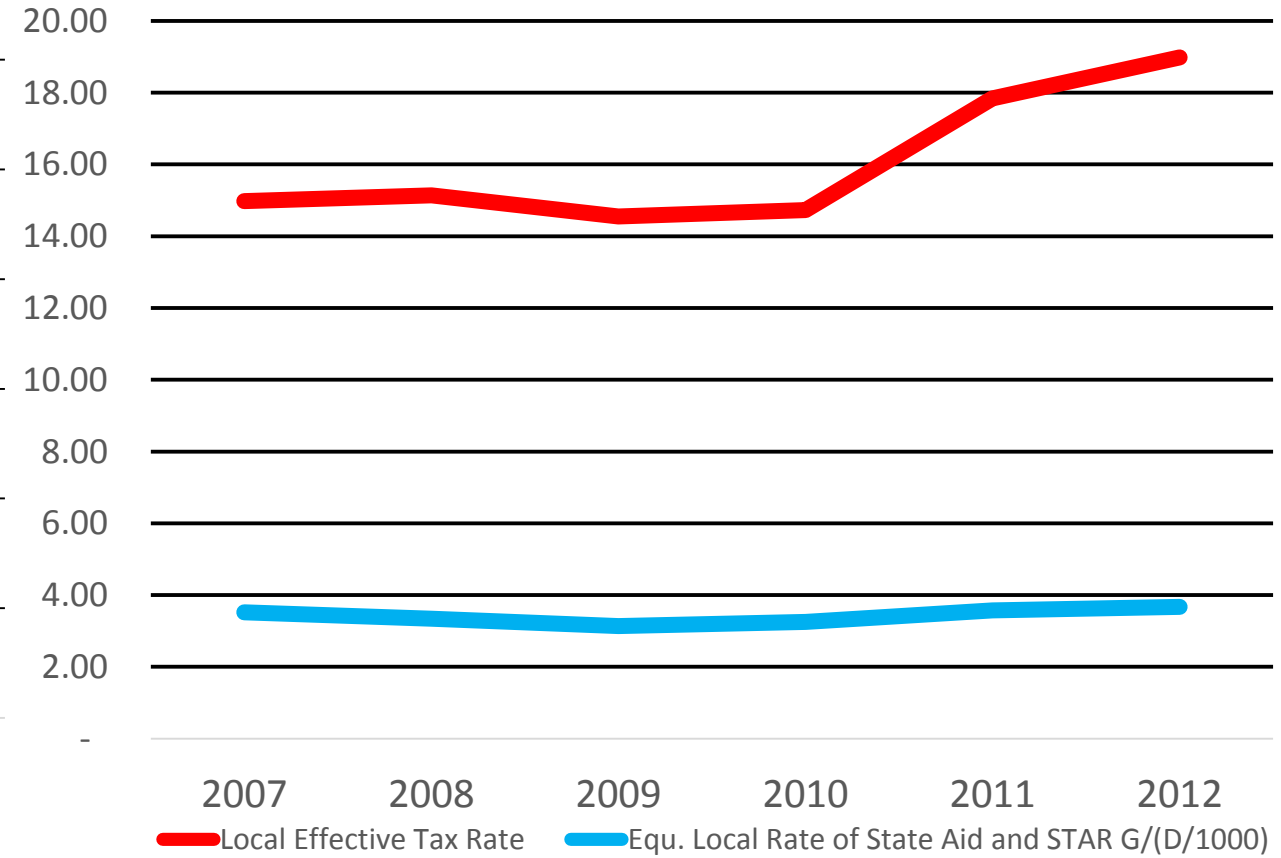
- Property poor districts lost relief as a result of the freeze and Gap Elimination Adjustment
- Value of aid for the richer districts increased as property values decreased

High Need Districts Relying More on Local Effort

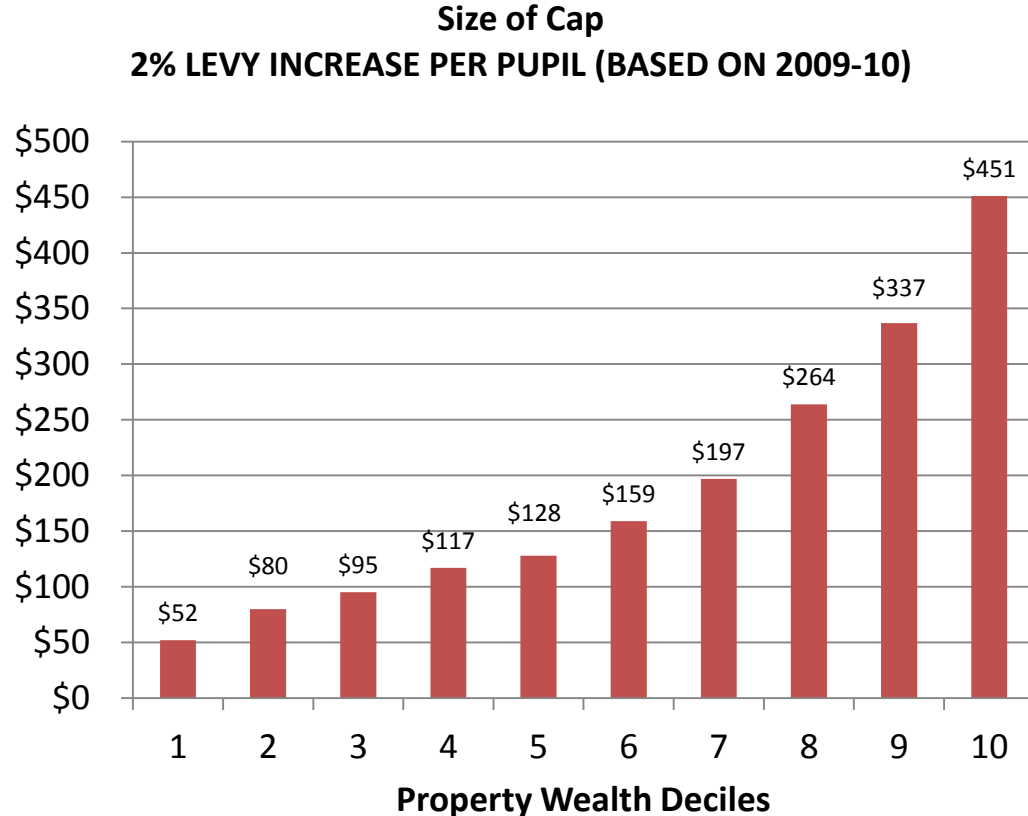
Mount Vernon 3 High



Pelham 5 Low



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?

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