



# Policy Brief

## *Education*

February 2017

This year's Executive Budget contains numerous education proposals, including an increase in K-12 school aid, expansion of the Universal Pre-Kindergarten program, additional funding for after-school slots for high-needs students, and so-called “free tuition” for full-time SUNY and CUNY students.

### **Insufficient Funding for K-12 Education & Elimination of the Foundation School Aid Formula**

Similar to last year's Executive Budget, there is an increase of nearly \$1 billion in school aid in this budget, including an additional \$428 million in Foundation Aid (approximately a 2.6 percent increase). This allocation is still not nearly enough to guarantee adequate resources for all students, especially the most vulnerable and those in the poorest districts. Once again, additional state support remains critical, as the property tax cap will allow very limited growth in schools' primary local revenue sources. To get closer to meeting the constitutionally mandated minimum funding level required, the addition to the state's investment in education this year should be doubled to at least \$2 billion.

Amidst the more attention-grabbing proposals, Governor Cuomo has proposed changes that would eliminate the Foundation Aid formula. The formula is designed to ensure that all students have access to a “sound basic education” as guaranteed by New York State's constitution, and as was originally created by the state in 2007 in response to the Campaign for Fiscal Equity (CFE) lawsuit.

The CFE lawsuit was a landmark court case in 2003 upholding that the state must 1) “ascertain the actual cost of providing a sound basic education”; 2) “[ensure] that every school...would have the resources necessary for providing the opportunity for a sound basic education”; and 3) “ensure a system of accountability to measure whether the reforms actually provide the opportunity for a sound basic education.”<sup>1</sup> The court ordered the governor and the legislature to determine an actual cost level, which in turn became the Foundation Aid formula.

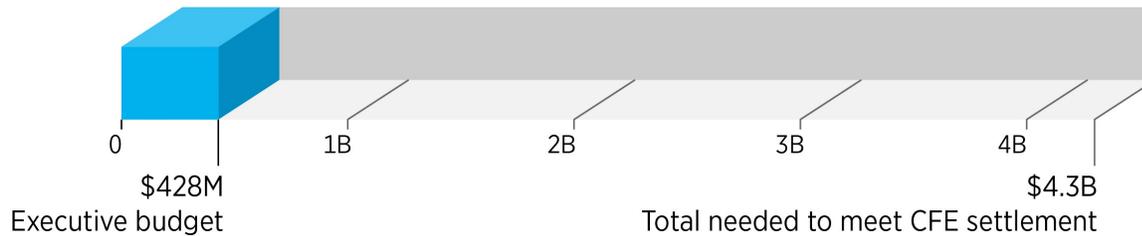
In essence, the formula determines how much Foundation Aid each school district requires in order to provide students with an adequate education, and offers a total amount of Foundation Aid the state must provide for each district. The formula uses a series of factors and weightings based upon local income levels, property values, number of English language learners, student poverty and other criteria. Currently,

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<sup>1</sup> Michael Rebell, “Students Constitutional Rights Are Obligatory, Not ‘Symbolic’ or ‘Aspirational’,” <https://educationalequityblog.org/2017/01/26/students-constitutional-rights-are-obligatory-not-symbolic-or-aspirational/>, January 26, 2017.

the Board of Regents has calculated that \$4.3 billion more statewide is owed to school districts since the implementation of the formula. The \$428 million allocated in this year's budget still leaves an approximate \$3.9 billion shortfall.

Fig 1. School Aid Funding Falls Far Short of Promise of Campaign for Fiscal Equity Settlement



Source: Board of Regents <https://www.regents.nysed.gov/report/dec-2016/p-12-education>, December 2016; FPI Calculation, NYS Financial Plan, January 2017.

The Executive Budget removes the Foundation Aid formula in law, completely eliminating the portion that determines how much districts should ultimately receive. Instead, this year's \$428 million increase is provided for and distributed based on an alternate formula using elements of the Foundation Aid formula, as well as changes to the factor used to estimate poverty. Furthermore, this new formula does not produce any increases in future years, and districts are only guaranteed the funding level from 2017-18 in all future years. The Big 5 city school districts do not receive their increase based on this new incremental formula. These high-needs districts get their Foundation Aid via a "due-minimum" increase. Therefore, the new formula the Executive Budget is proposing does not generate the 2.9 percent increase in Foundation Aid that New York City would receive in the proposed Executive Budget. Rather, the Executive Budget provides that New York City will automatically get a 2.93 percent increase in Foundation Aid. It's important to note that New York City is owed \$1.9 billion under the current Foundation Aid formula.

If the Foundation Aid formula is repealed, the state would no longer owe school districts Foundation Aid, meaning that the \$4.3 billion debt would be wiped from the books and the spending gap per pupil between poor and wealthy schools in New York would likely grow larger.

Education advocates are adamant about keeping the Foundation Aid formula because it ensures the constitutional rights of New York's students. However, if the state is looking to review and update the formula, it should do so in a way that complies with constitutional requirements, and must be grounded in current, valid studies to determine the actual cost of a "sound basic education."

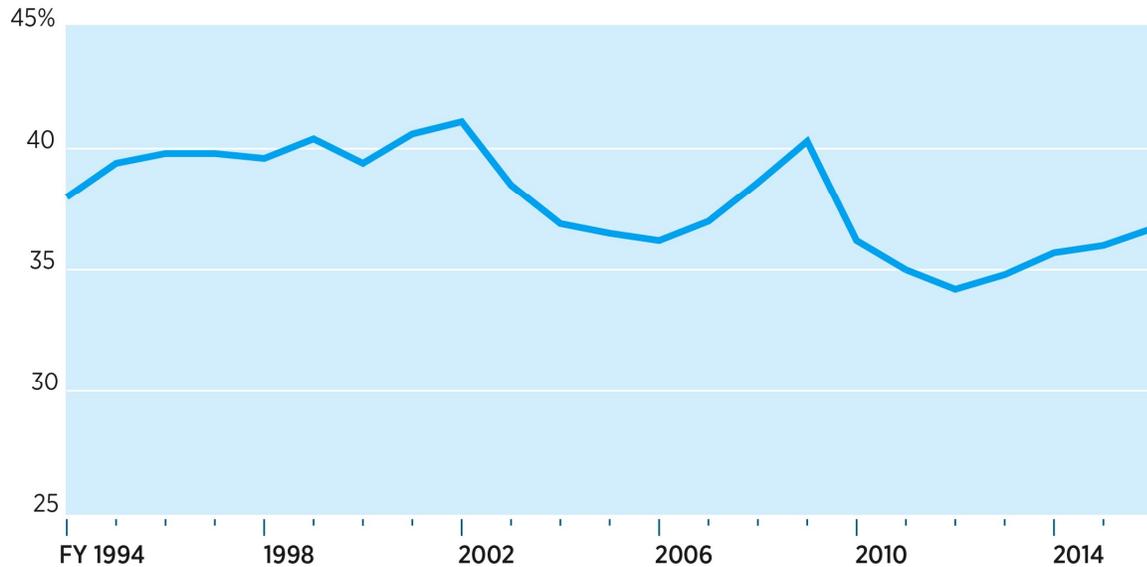
### State Support for Schools has Declined While Property Tax is Capped

Since 2011, state aid as a percent of total school spending has been at historic lows. Inadequate state aid not only hampers the ability of disadvantaged students to catch up, it also puts pressure on local property

taxes as school districts try to compensate for the unmet commitment of state funds.<sup>2</sup> This reinforces inequities, as school districts with high concentrations of low-income families find it hard to raise funding needed for their schools and for other anti-poverty programs that can address the challenges their students face.

**Fig 2. State Support of Schools has not Returned to its Pre-Great Recession Level**

STATE AID AS A PERCENTAGE OF SCHOOL SPENDING



*Note: State aid excludes School Tax Relief (STAR) Program.*

*Source: NYS Department of Education, Analysis of School Finances, January 2015.*

The primary local source of funding for schools in New York State is the property tax. But housing values—the base for the property tax—are often low in low-income neighborhoods. This goes a long way toward explaining why the 10 percent of school districts with the highest need relative to resources raised less than one-sixth the amount of taxes per student than the top 10 percent, according to the most recent analysis of New York State school finances.<sup>3</sup>

Moreover, the state-imposed property tax cap will make it very difficult for school districts to use their own resources to make up for shortfalls in state aid. For the upcoming school year, minimal growth in property taxes will be allowed under the cap. Current projections are that the property tax cap will allow growth of just 1.26 percent, resulting in the loss of hundreds of millions of dollars in funding for our schools.

<sup>2</sup> Rajashri Chakrabarti, Max Livingston, Joydeep Roy, “Did Cuts in State Aid During the Great Recession Lead to Changes in Local Property Taxes?,” Staff Report No. 643, Federal Reserve Bank of New York, October 2013.

<sup>3</sup> Analysis of School Finances, New York State Education Department, January 2015. The need to resource index is designed to measure each district’s student need in relation to its capacity to raise local revenues, indexed to state averages. See page 14 of the Analysis of School Finances report for a more detailed explanation.

## Universal Pre-Kindergarten Funding is a Good Step But Falls Short

Research indicates that early childhood programs often result in better educational outcomes for children by promoting cognitive, social, emotional, and physical development in all settings. The Universal Pre-Kindergarten program (UPK) for four-year-olds (first enacted in FY 2016 and expanded in FY 2017 to include three-year-olds, with no funding increase) continues with a modest addition of \$5 million on top of the \$415.6 million current state funding level. This year's Executive Budget, however, merges the state's pre-kindergarten programs into a single program with the consolidation of the \$30.5 million Priority Pre-Kindergarten into the \$358 million UPK program.

The expansion of pre-kindergarten programs over the last few years is a step in the right direction toward ensuring New York's youngest students are able to develop learning skills and have better overall education outcomes. However, the \$5 million in additional funding falls far short of the amount needed to fulfill the need across the state. Many school districts already have waiting lists and/or are forced to use lotteries to award seats to eligible children. This year, 70 districts submitted proposals for pre-kindergarten funding. By maintaining all current funding levels for pre-kindergarten programs, and adding at least \$150 million to expand access to high-needs districts outside New York City, New York will effectively add full-day seats and ensure programs have the resources and technical assistance to meet the quality standards.<sup>4</sup>

## After-School Program Expansion Would Help Address Child Poverty

After-school programs provide safe, educational space for children to go after the school day ends in urban, suburban, and rural communities. Successful high-quality after-school programs increase student engagement and attendance, as well as improve test scores and reduce negative behaviors, among other benefits. The FY 2018 Executive Budget invests an additional \$35 million in public after-school programs in Priority Schools in the state's 16 Empire State Poverty Reduction Initiative (ESPRI) communities. This new funding will create an additional 22,000 spots for students in after-school programs. With these new investments, more students in ESPRI communities will receive after-school care in the 2017-18 school year.

Priority Schools are schools that score in the bottom five percent in student proficiency tests or have low graduation rates. Throughout the state, Priority Schools are generally constrained by inadequate funding, because they tend to be located in areas of high poverty.

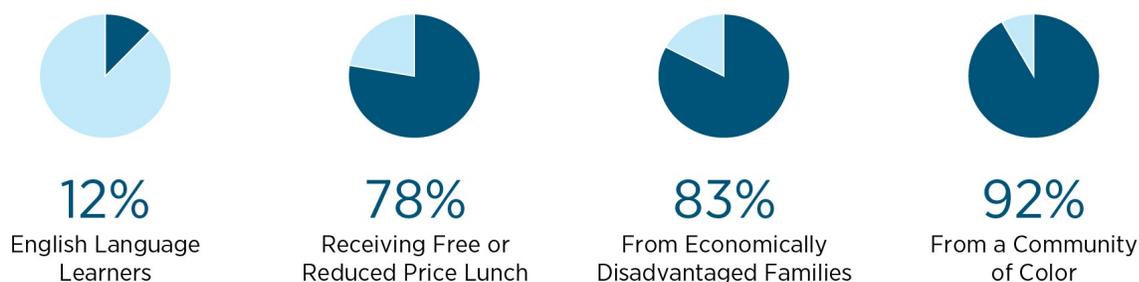
In an FPI analysis of the original list of priority districts from 2015, three times as many school-age children live in families below the poverty line than those in non-priority districts. Over three-fourths of the students in Priority Schools are eligible for the federal free or reduced lunch program, another indicator of economic hardship. More than nine out of 10 are students of color (compared to 52 percent in non-priority schools), and over 12 percent of children do not speak English as their first language.<sup>5</sup>

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<sup>4</sup> Winning Beginning "Keep The Promise for Full-Day Pre-K", January 2017.

<sup>5</sup> A new list of Priority Schools was produced in February 2016, after the data from the chart above. It is unlikely that the shift would change the above picture much. Districts with Priority Schools for both 2016-17 and for prior years include New York City, Yonkers, Buffalo, Rochester, Syracuse, Hempstead, Albany, Mount Vernon, Poughkeepsie, Schenectady, Troy, Wyandanch, Utica, Central Islip. In 2016-17, Binghamton, Gloversville, East Ramapo, and Salamanca were added to the list, while Roosevelt, Amsterdam, and Newburgh were dropped.

Fig 3. Students in Priority Schools Face Economic Hardships



Source: FPI calculation of U.S. Census data, data from State of New York's Failing Schools, February 2015.

On average, New York families pay \$11,352 per child for after-school child care, but New York State can only fund roughly \$1,600 per child.<sup>6</sup> This overall lack of resources leaves about three out of four applicants unfunded. ESPRI communities, however, will benefit from having more students in after-school programs, which will combat the hardships that many disadvantaged children face. Research suggests that continuing to invest in after-school programs in high-needs districts will produce \$3 for every \$1 invested, with even higher potential savings for taxpayers.<sup>7</sup>

### Poverty and School Performance

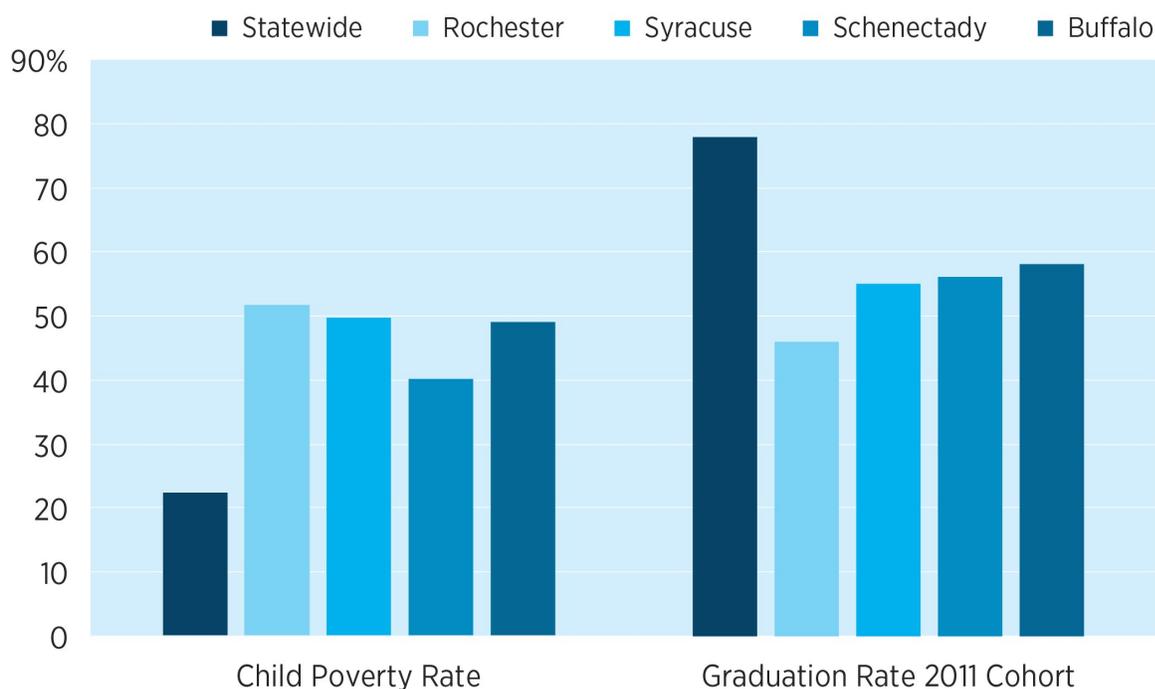
A primary cause of poor school performance is high levels of child poverty, over and above the challenges of being in districts with inadequate funding. Students in low-performing schools often come from low-income households and do not do as well in school than those from more advantaged households, a considerable body of research shows.<sup>8</sup> New York is no exception. For example, the figure below shows that the large school districts in upstate New York, including Priority Schools, have lower high school graduation rates than the state average, and a much higher proportion of children in poverty.

<sup>6</sup> Winning Beginning, "Expanded Learning – Increase Opportunities for Students to Participate in Quality After School Programs," January 2017.

<sup>7</sup> Afterschool Alliance, "ROI: Economic return on investment in afterschool," 2005.

<sup>8</sup> See, for example: "The Long Reach of Early Childhood Poverty," Greg Duncan and Katherine Magnuson, Pathways (Winter 2011); and "Education and Poverty: Confronting the Evidence," "Whither Opportunity? Rising Inequality and the uncertain life changes of low-income children", Greg Duncan and Richard Murnane, Russell Sage, New York, 2011. Helen F. Ladd, Journal of Policy Analysis and Management, Vol. 31, No. 2, 1-25 (2012).

**Fig 4. Large Upstate School Districts Have Lower Graduation Rates and Higher Poverty Than Average**



Source: U.S. Census Bureau, 2011-2015 American Community Survey 5-Year Estimates; New York State Education Department, Graduation Rates: Students Who Started 9th Grade In 2011, Dec 2015.

Noted education policy expert Helen Ladd observes that school performance by students from low-income households is heavily affected by “poor health, limited access to home environments with rich language and experiences, low birth weight, limited access to high-quality pre-school opportunities, less participation in many activities in the summer and after school that middle-class families take for granted, and more movement in and out of schools because of the way the housing market operates for low-income families.”<sup>9</sup>

Eliminating the Foundation Aid formula, coupled with inadequate resources for after-school and pre-kindergarten programs, will only make this situation worse. The state should increase its investment in high-needs school districts and provide the resources necessary to help children living in poverty achieve academic success. This would surely provide the ingredients for long-term fiscal savings.

### **Funding for Community Schools Takes a Step Backward**

While the governor has acknowledged the need for the state to help improve schools that are not meeting reasonable standards, his proposed FY 2018 budget reflects an about-face in state funding for community school conversion. The FY 2017 enacted budget supported a good conceptual model: providing aid encouraging these schools to become community schools, with wrap-around services for students and centers that families can make use of even after school hours.

<sup>9</sup> “Education and Poverty: Confronting the Evidence,” Helen F. Ladd, *Journal of Policy Analysis and Management*, Vol. 31, No. 2, 1-25 (2012).

This year's Executive Budget allocates \$150 million in Foundation Aid for community school conversion, which is \$50 million above last year's level for districts with struggling schools or with significant English Language Learners (ELL). However, the \$75 million included in last year's budget to convert these struggling schools into community schools was eliminated, for a net decrease of \$25 million.

## Higher Education and the Excelsior Scholarship Proposal

SUNY and CUNY are rightly the pride of New York, educating students, contributing to groundbreaking academic research, enriching the state's cultural environment, and robustly contributing to the state's economy. But the state has for years now been starving these institutions of resources, forcing them to make do with less and pass along burdens to the students.

The twin needs of SUNY and CUNY are *quality and affordability*. Investment in the system must make it possible for the colleges to maintain and expand on a high level of quality. Funding must make it possible to hire and retain great professors, keep student-faculty ratios at a reasonable level, and provide for the buildings and equipment that make for good learning environments. At the same time, higher education must be affordable to students, irrespective of their family income or life circumstances.

This year, Governor Cuomo made headlines by proposing what he called "free tuition." The title is misleading; in fact, this is a proposal to provide financial aid to students who come from families whose income is above the threshold for current aid programs. Called the Excelsior Scholarship, this is in itself a fine idea and a step in the direction of affordability, at least for these families. But it is limited in its scope, it does not address the pressing needs of lower-income students, and it does not begin to address the question of quality. In fact, in some respects, it adds financial burdens to the CUNY and SUNY systems.

### What is the Excelsior Scholarship?

At first glance, the Excelsior Scholarship proposal is a "conceptual breakthrough," elevating the idea of free college tuition and suggesting that free public college is a realistic goal. The Excelsior Scholarship would help make college more affordable for some working- and middle-class students whose families earn up to \$125,000. In order to qualify, students must be a resident of New York State and be on track to complete their chosen degree in two or four years. The price tag for this new initiative, according to the governor, will be a minimal \$71 million this year, going up to \$163 million in 2021.

However, in reading the fine print, it turns out that the Excelsior Scholarship is a last-dollar tuition-assistance program and not actually a free tuition program. It is also a deferred payment program; eligible students receive the benefit of the scholarship upon enrollment, but the college receives reimbursement only after the student successfully completes 15 semester credits and is earning at least a passing C grade. It also does not cover additional costs like room, board, books and other fees. Current full-time tuition at four-year SUNY schools for residents is \$6,470; and, at two-year community colleges, the cost is roughly \$4,350.<sup>10</sup> The Excelsior Scholarship will provide awards that are frozen at the 2016-17 tuition levels.

It is important to also note that funding for the scholarship covers the cost of tuition *after* Tuition Assistance Program (TAP), Pell grants, and other financial aid awards and tuition credits are applied. This means that the Excelsior Scholarship does not cover the "TAP gap," or the difference between the maximum amount

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<sup>10</sup> SUNY, "Tuition and Fees," <https://www.suny.edu/smarttrack/tuition-and-fees>; January 2017.

of TAP and the full cost of tuition at four-year colleges that CUNY and SUNY currently absorb. The “TAP gap” for CUNY and SUNY is already upwards of \$100 million; and that number could increase dramatically if the Excelsior Scholarships are implemented. Furthermore, it is only students whose adjusted family income is \$50,000 or above that will benefit from the program. Those with family income lower than \$50,000 will most likely qualify for other financial aid, but will probably not benefit from this program.<sup>11</sup>

What are the Financial Pitfalls of the Excelsior Program?

The governor’s financial plan provides \$71 million in for the first year of phasing in the program, and reaches \$163 million by 2021. In addition the annual fully phased in amount of \$163 million is likely to substantially underestimate the actual cost, despite the restrictions of the program.

With the implementation of the program, and overall SUNY and CUNY operational funding remaining flat with last year’s budget, there are some concerns and potential risks that need to be examined.

SUNY and CUNY defer billing for tuition and would not receive the scholarship money until after the semester has ended. If a student fails or drops out, SUNY and/or CUNY receives no income from the scholarship and places costs back on the student. This poses a risk for both students and SUNY and CUNY because if a student is already receiving aid, they are more likely to have trouble coming up with the tuition payment after the semester. This may result in SUNY or CUNY banning them from re-enrollment because of the outstanding balance. It is also notable that the Excelsior Scholarship freezes tuition aid at this year’s rate, while continuing to promise free tuition to students. Since tuition has been regularly increasing, this means that any future tuition increases will result in a corresponding reduction in the revenue to the university systems.

While the legislature is reviewing the Excelsior Scholarship Program, it should also consider a number of ways the Tuition Assistance Program could be modernized. This could include revamping the way the program treats part-time students, students who are financially independent of their parents, currently incarcerated students, and a number of other well-considered proposals being advocated by the Reform NY TAP Coalition.

### **Affordability and Quality Go Hand-in-Hand**

The Excelsior Scholarship only addresses part of the need to make college affordable, since it does not address the many needs of lower-income, part-time, or non-traditional students.

But affordability is just one half of the need; the other half is quality. The Executive Budget does not provide a corresponding investment in expanding capacity or ensuring quality of education at the state’s chronically underfunded universities. As real-dollar operational funding for SUNY and CUNY has declined on a per-student basis for some time (measured on a full-time equivalent basis), both entities are in need of restoration of public funding in order to address the systematic disinvestment in academic quality. Before enrollment increases with the promise of free tuition, it is critical to preserve the quality of education by ensuring that student-faculty ratios are more optimal, capital improvements occur, and better working conditions for underpaid adjunct and part-time faculty are implemented. It is difficult to justify free tuition

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<sup>11</sup> Ibid.

for families earning up to \$125,000 a year while paying some faculty less than \$30,000 a year to teach a full course-load.

### **DREAM Act Extended**

The Executive Budget also extends the NY DREAM Act, allowing undocumented students who attend high school for at least two years (and graduate) to access TAP funds. This is a welcome initiative discussed in greater detail in the Immigration chapter of this report.

### **SUNY 2020 Extended for Five Years**

The Executive Budget extends SUNY 2020 for five years and allows CUNY and SUNY to increase the resident undergraduate tuition by \$250 per year. It is impossible to mention the proposal to allow further tuition increases without recalling that in past years, tuition increases have not been used to enhance student education, as was promised in the bill that authorized the increases in 2011. The 2011 “rational tuition plan” resulted in a dramatic increase in the portion of costs borne by students and a reduction in the portion borne by the state. The bill promised the state would maintain its effort so that new tuition dollars could go to enhance student education, a promise that was not realized.

When the state senate and assembly passed bipartisan “Maintenance of Effort Legislation” in 2015, in his veto statement, the governor said the right time to take up Maintenance of Effort is in state budget negotiations. He did not include in his Executive Budget any proposal for how he would approach this question, but it undoubtedly should be part of the final budget.

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*The Fiscal Policy Institute ([www.fiscalpolicy.org](http://www.fiscalpolicy.org)) is an independent, nonpartisan, nonprofit research and education organization committed to improving public policies and private practices to better the economic and social conditions of all New Yorkers. Founded in 1991, FPI works to create a strong economy in which prosperity is broadly shared..*