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ABSTRACT

The purpose of this report is to explain and examine the 1974-75 state education aid formula in light of two questions concerning equity: Are the pupils attending the public schools of New York City denied equal educational opportunities because of inequities in the state system of financing public education? If the state system is inequitable, what changes should be considered in reforming the system? Sections of the report examine the state aid philosophy, state aid formulas, the New York formula, and the fairness of the state formula in respect to New York City. The report concludes that the formula is discriminatory. It advocates full state funding. Several short-term reforms are suggested in the event that full state funding is not acceptable. (Author/IRT)

AN ANALYSIS AND CRITIQUE OF THE 1974-1975 NEW YORK STATE EDUCATION AID FORMULA

WORKING NOTE NO. 3

APRIL 4, 1975

PREPARED BY

OFFICE OF THE DEPUTY CHANCELLOR

EDUCATIONAL POLICY DEVELOPMENT UNIT

BERNARD R. GIFFORD, DEPUTY CHANCELLOR

NEW YORK CITY BOARD OF EDUCATION

110 LIVINGSTON STREET

BROOKLYN, NEW YORK 11201

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FORWARD

During the current 1974-1975 fiscal year, the State of New York will allocate nearly three billion dollars to the State's more than 700 school districts, serving 3.4 million pupils. Developing an understanding of the rationale for the distribution of these monies is essential if we are to correctly answer the following questions:

- Are the pupils attending the public schools of New York City denied equal educational opportunities because of inequities in the New York State system of financing public education?
- If the New York State system of financing public education is inequitable, what changes should be considered in reforming the present system?

Obviously, our answers to these questions will strongly influence our search for new revenues to arrest the continuing erosion of funding for the New York City public school system. If the present system for financing education in the State of New York is equitable, then the Board of Education, elected officials and community organizations must look to the Mayor, City Council and the Board of Estimate for significant increases in city tax levy funding for the public schools. On the other hand, if the present system of financing the schools is found not to be equitable, then we must look to the Governor and the State Legislature for fiscal justice.

The purpose of this report is to explain and examine the 1974-1975 state education aid formulae in light of the questions concerning equity raised above. Our concerns, however, are not simply bookkeeping in nature; nor do they eminate exclusively from our very real concerns for the future of large

urban school districts in general and the New York City school system in particular (although we admit openly that we are not altogether objective commentators). Such self-serving concerns would obviously be self-defeating and would be summarily rejected by the elected representatives of the tax payers of the State of New York. In the landmark 1954 Brown v Board of Education case, Chief Justice Warren made the following observations:

> Today, education is perhaps the most important function of state and local governments. Compulsory school attendance laws and the great expenditures for education both demonstrate our recognition of the importance of education to our democratic society. It is required in the performance of our most basic public responsibilities, even service in the armed forces. It is the very foundation of good citizenship. Today it is a principal instrument in awakening the child to cultural values, in preparing him for later professional training, and in helping him to adjust normally to his environment. In these days, it is doubtful that any child may reasonably be expected to succeed in life if he is denied the opportunity of an education. Such an opportunity, where the state has undertaken to provide it, is a right which must be made available to all on equal terms.

If we accept this interpretation of the state's role in public education, and we think it is fair to say that most people do, then we come face-to-face with a key constitutional question: Should a child's access to equal educational opportunity be solely a function of his or her residence? We think not. As we move into our analysis the reader should come to recognize that this question, which we consider crucial, represents nothing more than a restatement of the questions concerning equity posed earlier.

* * * * * *

The State Legislature is currently considering changes in the methods used to allocate state aid to the State's 700 plus school districts for fiscal year 1975-1976. We hope that this report will be a useful contribution to this most important effort. Ideally, it will stimulate some legislators to push for basic reforms in the method of allocating funds so that state education aid will be distributed fairly to all children no matter where they live in accordance with the constitutional mandate to insure each child equal opportunity.

We offer a few pertinent facts that highlight our situation. The City School District of New York presently receives 27 percent of all state education aid and has:

- 32% of all pupils.
- 50% of all pupils scoring two or more years below their grade level, below minimum competence, in reading and mathematics tests.
- 63% of all school age children from families with incomes below the poverty level.
- 90% of all hispanic pupils.

Other large cities in the State--Buffalo, Rochester, Syracuse, Yonkers, Albany--find themselves in similar situations.

- The state financial aid received by large city school districts is not equal to the educational needs of their pupils.

* * * * * *

Our intended audience for this report is parents, tax payers and fiscal non-experts. Every attempt has been made to illustrate new or complex

ideas or concepts through the use of charts, graphs or tables. We would like to know if we have succeeded. We intend to revise and update this document after formulae for state aid to education have been adopted for fiscal year 1975-1976. Comments, criticisms and advice are not only welcomed but solicited.

The analysis presented here grew out of an earlier reform of the methods used to allocate monies to the thirty-two community school districts in New York City. Many of the notions of equal opportunity initially explored in that report are restated here.* However, in this effort, Dr. Ronald K.H. Choy, my able assistant, having the good sense to stay out of administration, deserves recognition as senior author, although I accept fully the consequences of any errors in fact or judgment contained in this report. Dr. Choy and I were also ably assisted by Ronald J. Rudolf and Leigh S. Marriner, members of the staff of the Educational Policy Development Unit in the Office of the Deputy Chancellor. The charts and graphs were executed by Jacqueline Wong. Antoine Ector assisted with computations, and Madeline Romero typed the text and tables.

Many individuals helped us to explain the background and development of the present state aid formulae. Without guidance and assistance from Bertha Leviton, Director of School Financial Aid with the New York City Board of Education, we could never have completed this report. Her endless knowledge of the in's and out's of state aid was invaluable. Secretary to the Board of Education, Harold Siegel's comments and advice were always incisive and germane. We also would like to acknowledge the support of

*"The 1974-1975 Allocation Formulae", Policy Paper No. 2, June 27, 1974, prepared by Office of the Deputy Chancellor, Educational Policy Development Unit, Board of Education of the City of New York.

Chancellor Irving Anker, who provided the push when the going got tough; the encouragement of James Regan, President of the New York City Board of Education; and the information-filled dialogues with Isaiah Robinson, Vice President and Chairman of the Finance Committee of the New York City Board of Education.

BERNARD R. GIFFORD
Deputy Chancellor

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I. STATE AID PHILOSOPHY

The distribution of state financial aid among the State's more than 700 school districts is accomplished by formulas. The state education aid formulas are the practical solutions to the resource allocation question: How should educational resources be distributed? Before explaining how the state aid formulas actually work, it is essential to understand their philosophical basis.

The philosophical basis for the present state aid formula was elaborated more then 50 years ago by George Strayer and Robert Haig:

> The state should insure equal educational facilities to everyone within its borders at a uniform rate throughout the state in terms of the burden of taxation. The tax burden of education should throughout the state be uniform in relation to taxpaying ability, and the provision of the schools should be uniform in relation to the educable population desiring education.*

In short, the State of New York should guarantee a minimum level of expenditure per pupil sufficient to provide an "equal" (read "minimum adequate") education, no matter how poor the child or school district. Each and every child should have equal access to this minimum adequate education no matter where he or she lives.

*George D. Strayer and Robert M. Haig, Financing of Education in The State of New York (New York, 1923), p.173.

I. THE STATE'S RESPONSIBILITY

The State of New York assumes the responsibility for supporting and maintaining free public schools. Article XI, Section 1, of the Constitution of the State of New York provides that:

> The legislature shall provide for the maintenance and support of a system of free common schools, wherein all of the children of the state may be educated.

In discharging its responsibility, the State permits local school districts to organize and operate public schools. The State also sets and enforces minimum educational standards that all local boards of education must follow.

A. The Need For State Aid

School districts in the State of New York raise monies for public education by taxing real property: funds available for schools = tax rate X property value. In order to raise the same total revenue, a district rich in property need apply a lower tax rate than a district poor in property. For the same tax rate, a rich district can raise more revenue for education than a poor district.

The State financially aids local school districts to insure that the lack of wealth is not an obstacle to providing the minimum educational program. An active financial role by the State is needed because the revenue raising capacity of local school districts varies considerably (Table I-1 and Figure I-1):

- The "richest" district has over forty times the full valuation of real taxable property per pupil of the "poorest" district.

- While about 75% of the districts are below the state average full value per pupil, the "average" district still has eight times the per pupil revenue raising capacity of the "poorest" district.

Without state aid, poorest districts would be forced to tax themselves heavily in order to meet the State's minimum educational requirements while richer districts would have a relatively lighter tax burden.

- For example, for 1974-1975, the State has established $1,200 as the "minimum adequate" expenditure per pupil.

  - A district with "average" full value of real taxable property per pupil would have to impose a tax rate of $27.72 per $1,000 of its full value in order to raise $1,200 per pupil (Figure I-2).

  - Pocantico Hills, a "rich" district in Westchester County, would have to impose a tax rate of only $5.48 per $1,000 of its full value in order to raise $1,200 per pupil.

  - Levittown, a "modest" district in Nassau County, would have to impose a tax rate of $52.80 per $1,000 of its full value in order to raise $1,200 per pupil.

  - Salmon River, a "poor" district in Franklin County would have to impose an unbelievable tax rate of $226.33 per $1,000 of its full value in order to raise $1,200 per pupil.

  - New York City would have to impose a tax rate of $19.57 per $1,000 of its full value in order to raise $1,200 per pupil.

- If a district wishes to spend more than the established "minimum adequate" amount, a richer district could raise the extra dollars more painlessly than a poor district.

TABLE I-I

DISTRIBUTION OF

FULL PROPERTY VALUATION PER PUPIL*

1972-1973

DISTRICT FULL VALUE PER PUPIL**	NUMBER OF DISTRICTS	PERCENT OF DISTRICTS
$ 0 - $14,999	74	10%
15,000 - 29,999	332	47
30,000 - 44,999	148	21
45,000 - 59,999	67	9
60,000 - 74,999	36	5
75,000 - 89,999	19	3
90,000 -	32	5
TOTAL	708	100%

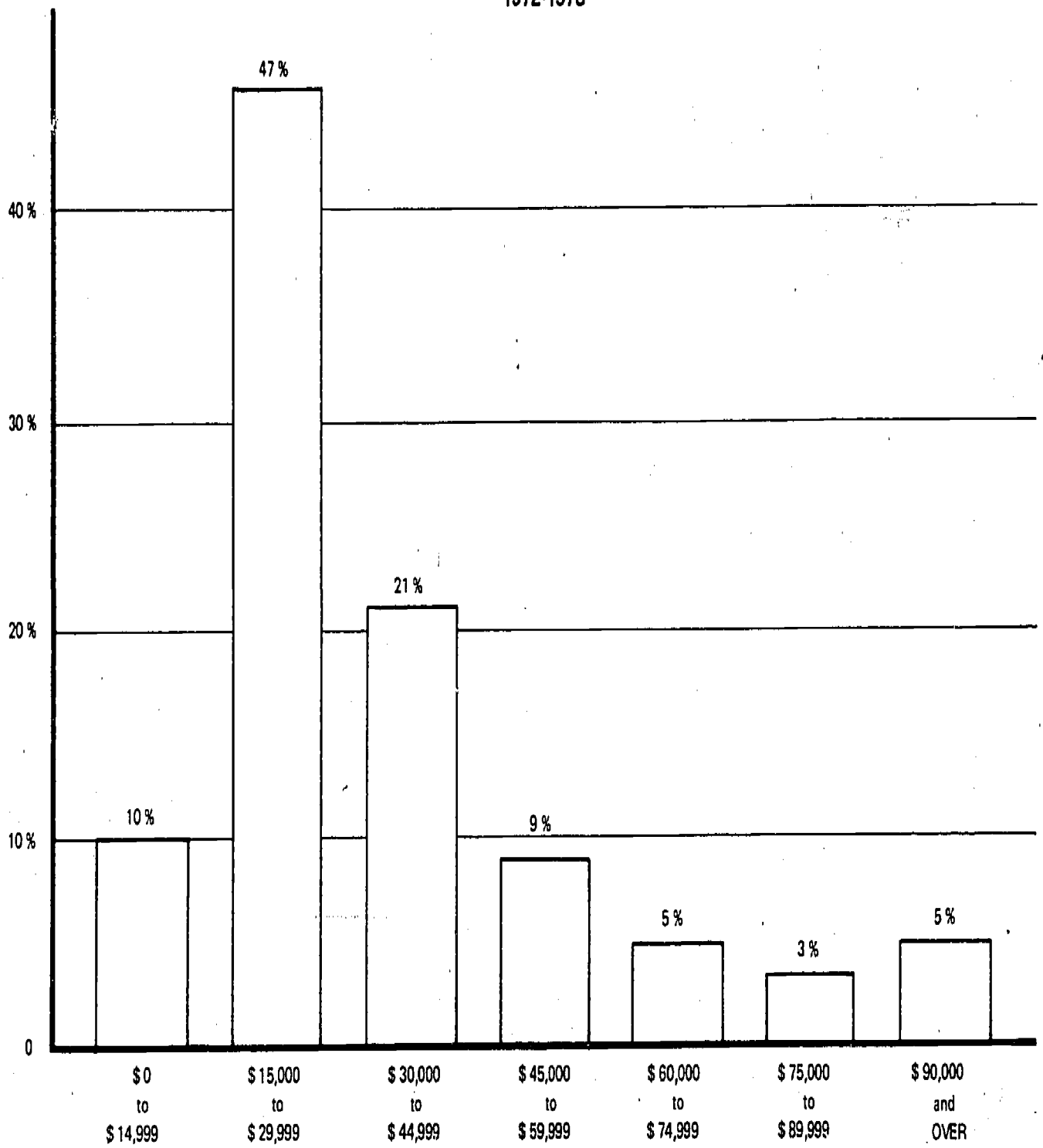
* Aid payable in 1974-1975 is based on 1972-1973 full value per pupil.

**For the 708 school districts with eight or more teachers:

Lowest = $5,302
Average = $43,300
Highest = $218,967
New York City = $61,324

FIGURE 1-1

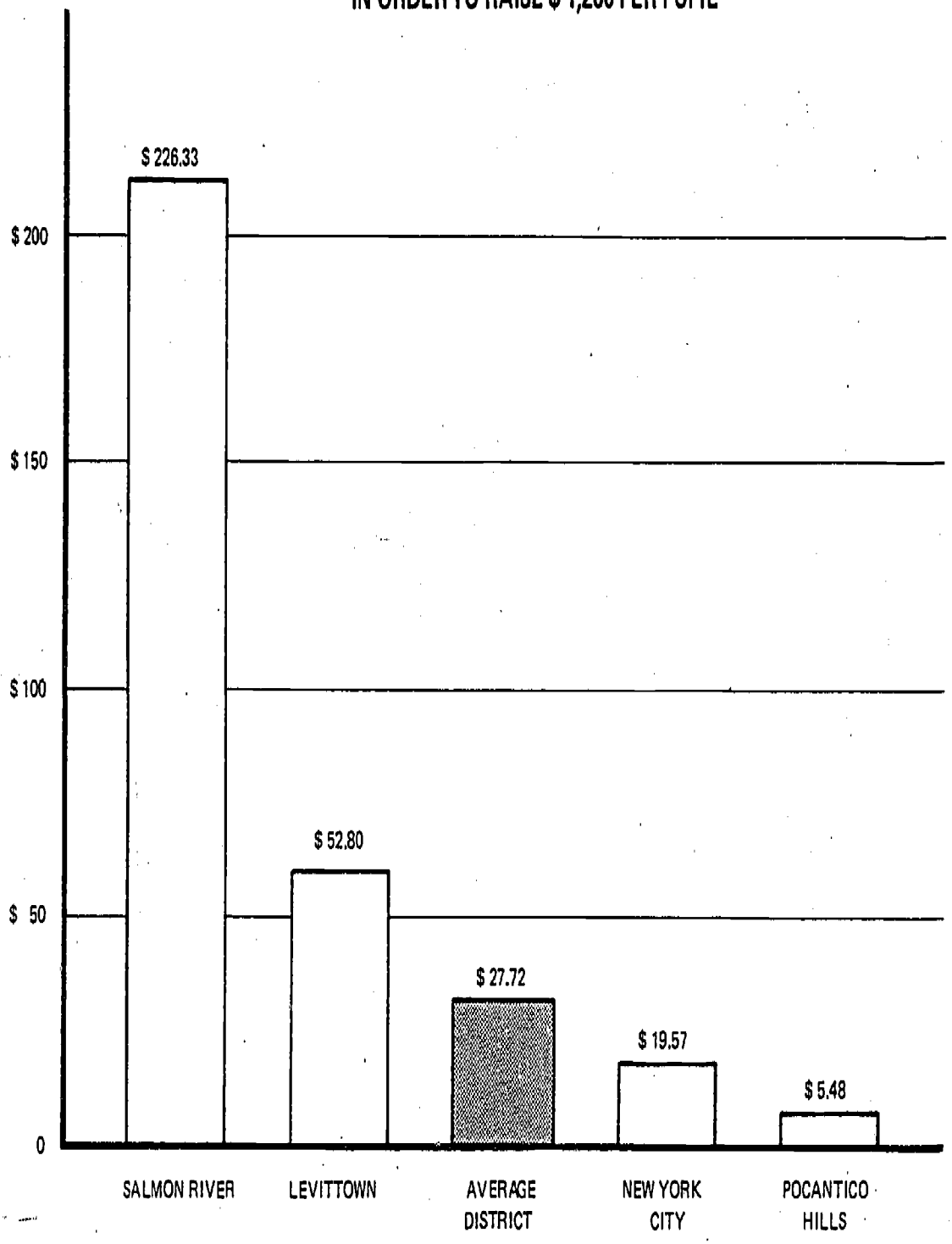
STATE OF NEW YORK FULL VALUATION PER PUPIL*
1972-1973



* 1974-75 AID IS BASED ON 1972-73 FULL VALUE PER PUPIL.

FIGURE 1-2

PROPERTY TAX PER $ 1,000 OF FULL VALUE
IN ORDER TO RAISE $ 1,200 PER PUPIL



State financial aid is supposed to rectify this situation so that a school district's revenue raising capacity is not an obstacle to providing a minimum adequate education.

B. Resource Allocation Criteria

The means for distributing state aid among school districts is a set of formulas. The formulas are practical solutions to the question: How should educational resources be distributed?

There are two groupings of criteria for allocating educational resources among school districts:

- Equal educational opportunity for all youth.
- Equal protection under the laws for every person.

The remainder of this section explains each of these criteria. Section II explains how the 1974-1975 state education aid formula actually works, and Section III analyzes the formula in light of its philosophical foundations.

2. EQUAL EDUCATIONAL OPPORTUNITY

In developing formulas for allocating state aid to school districts, the State of New York must follow federal and state laws that prohibit discrimination against any student, regardless of sex, race, ethnicity, or place of residency. In short, the formulas legislated by the state to allocate monies to school districts must be consistent with the idea of "equal educational opportunity for all youth".

However, "equal educational opportunity" can be defined in three ways: dollars, resources, and outcomes. Each definition implies a different allocation strategy and formula.

A. Input Equalization

A state aid formula that gives equal dollars per pupil follows an input equalization strategy. There is no conceptual problem in defining what is meant by an equal input of dollars. Only proper accounting is needed to verify equality. An equal dollar input strategy would result in a simplified state aid formula and would also minimize the influnece of non-objective criteria on the distribution of resources.

The current New York state aid formula recognizes the legitimacy of allocating equal dollars per pupil. The formula is based on a "foundation amount" per pupil so that each district is assured enough financial support to provide a "minimum adequate" education. Financial support in excess of this foundation amount is a matter of local choice and is funded from local sources. Table 2-I and Figure 2-I show the range of spending per pupil across the State.

An equal dollar per pupil strategy would be consistent with "equal educational opportunity" only if equal dollars could purchase equal services in every school district in the state. This is not the case because purchasing power of a dollar varies across the State.

B. Resource Equalization

An allocation strategy that attempts to compensate for differences in the purchasing power of the dollar among the State's more than 700 schools districts is a resource equalization strategy. The term "resources" means the value of all human and non-human inputs into education -- services of teachers, administrators, and support staff; materials and supplies; types of facilities; and so forth.

In order to insure "equal educational opportuntiy" each district would have to be given enough money to purchase the same mix or "package" of resources per pupil.

- The problem is that equal dollars do not buy equal resources everywhere.

For a variety of reasons, (e.g., differences in teacher salaries, in workload factors, and in the prices of instructional materials) districts vary both in ease of access to resources and in the prices they must pay for resources of given quality and quantity. Since input costs are variable, districts cannot provide equal programs or equal educational opportunity when their levels of spending are the same.

- A resource equalization strategy requires that dollars be allocated unequally to compensate for interdistrict variations in the cost of doing business.

TABLE 2-1

DISTRIBUTION OF EXPENSES PER PUPIL

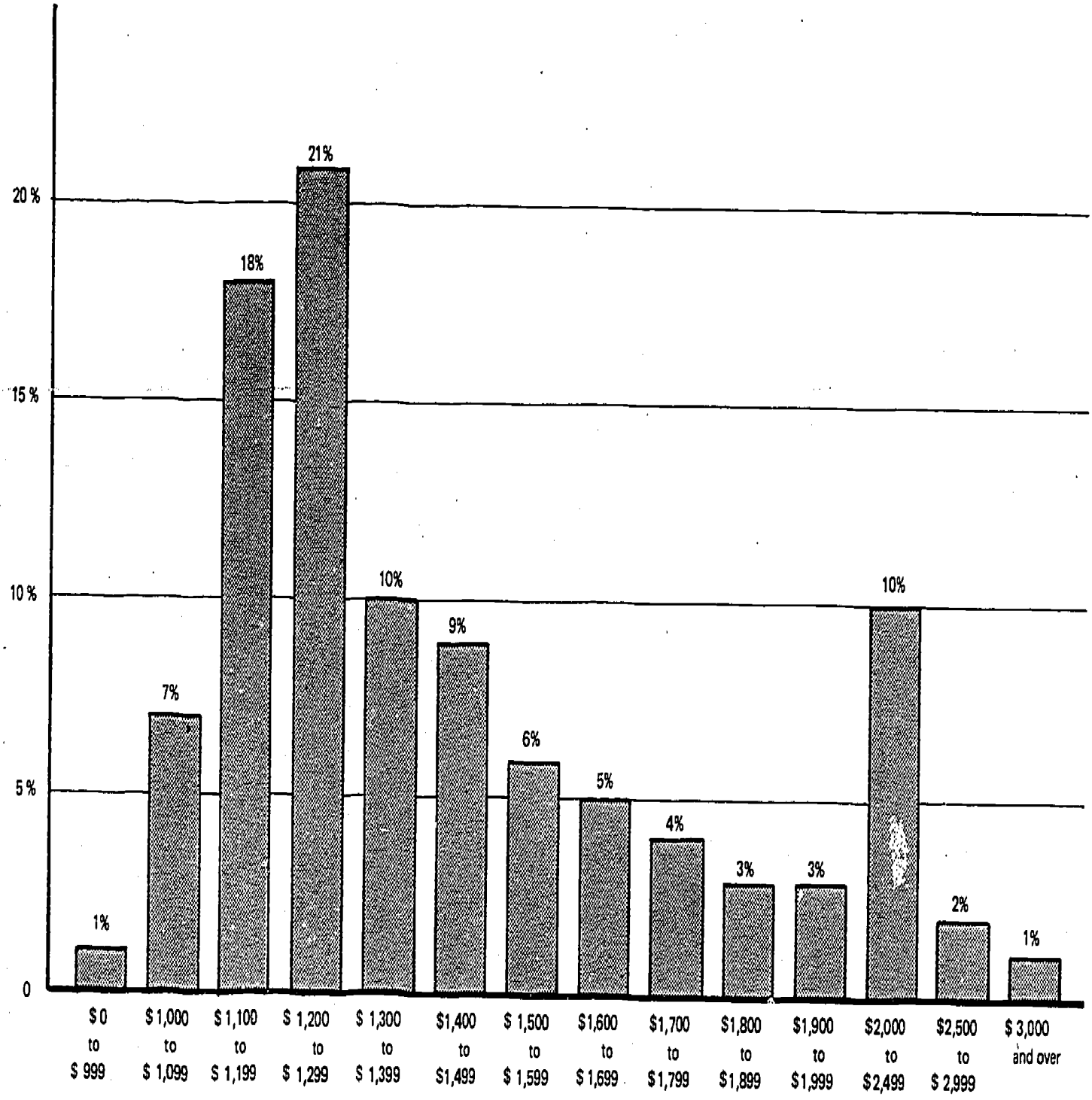
1973-1974

EXPENSE PER PUPIL	NUMBER OF DISTRICTS	PERCENT OF DISTRICTS
$ 0 - $ 999	9	1
1,000 - 1,099	50	7
1,100 - 1,199	124	18
1,200 - 1,299	149	21
1,300 - 1,399	73	10
1,400 - 1,499	60	9
1,500 - 1,599	39	6
1,600 - 1,699	35	5
1,700 - 1,799	28	4
1,800 - 1,899	24	3
1,900 - 1,999	24	3
2,000 - 2,499	69	10
2,500 - 2,999	13	2
3,000 or more	6	1
	703	100 %

*Note: Median = $1,300 (approximately)
Average = $1,472
New York City = $2,142
For 1973-1974, Foundation amount is $860.

FIGURE 2-1

STATE OF NEW YORK EXPENSES PER PUPIL
1973-1974



This means that cost levels in each district must be measured in such a way that the necessary adjustments in purchasing power per dollar can be computed.

One example of the need for a cost of doing business adjustment is teacher salaries. Across the State of New York, the median teacher salary paid by districts varies over 10 percent both above and below the overall median for the State (Table 2-2 and Figure 2-2).

With $13,371, some districts would not be able to hire a teacher while other districts could hire a teacher and still have money left over for supplies.

C. Outcome Equalization

State aid formulas based on an educational outcome equalization strategy is a relatively new idea. It has come into prominence because of studies, such as the Coleman Report, showing the importance of non-school factors, including racial discrimination and socioeconomic status, in determining educational results. From these studies it is clear that even if resources are distributed with perfect equality and all districts are equally well managed, there would still be wide disparities in pupil achievement because of differences in their pupil populations.

- To bring achievement in all districts up to an agreed-upon standard (equal educational outcome), it would be necessary to allocate resources to compensate for differences in the difficulty of educating diverse pupil populations.

Stated differently, it would be necessary to allocate resources in proportion to "educational need," where "need" refers to the amount of resources per pupil, relative to the amount required in an "average" district, to produce a given level of educational achievement. Both relative need and relative cost would have to be considered in distributing funds to districts.

The current formula does not recognize the poverty of pupils as a factor in determining educational needs or state aid. A child on welfare who lives in Harlem receives the same state aid as a child who lives in the richest district in the state, Pocantico Hills, but a child on welfare who lives in the South Bronx receives more than twice as much state aid as his friend in Harlem.

The current formula does give limited recognition to the legitimacy of weighting pupils according to their relative educational needs. Pupils who score below minimum competency, two or more years below grade level, on reading and mathematics tests are given an additional weight.

- The present formula ignores a bilingual student on welfare, living in the South Bronx, and reading 1.5 years below grade level.

Pupils who are handicapped are also given an additional weight. These extra weights convert pupils to aidable pupil units that measure the spending requirements of a school district.

TABLE 2-2

STATE OF NEW YORK MEDIAN TEACHER SALARY

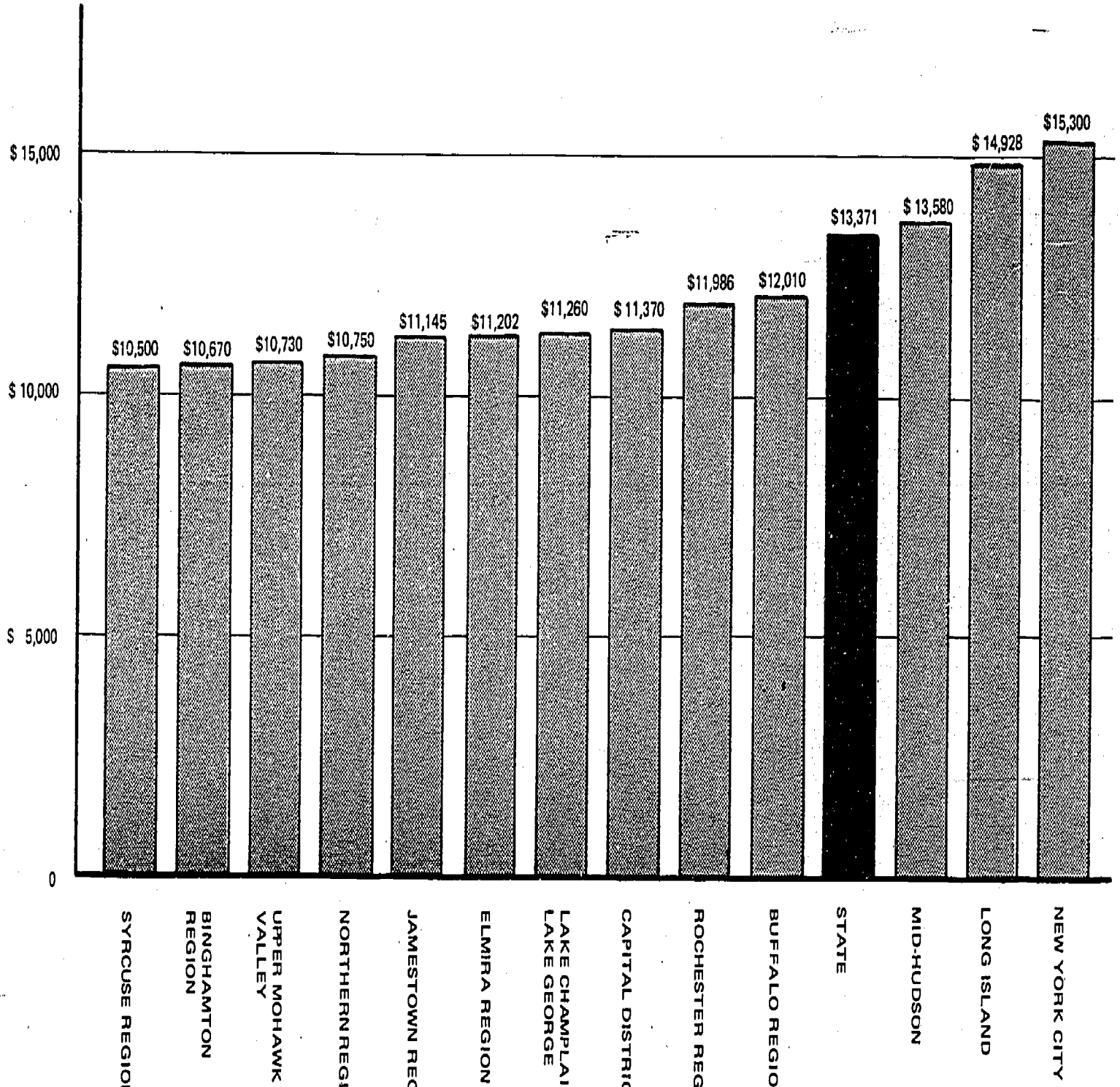
1973-1974

GEOGRAPHIC REGION	MEDIAN SALARY	INDEX	GEOGRAPHIC REGION	MEDIAN SALARY	INDEX
Syracuse Region			Capitol District		
Cayuga Cortland Madison Onondaga Oswego	$10,500	79	Albany Columbia Fulton Greene Montgomery Rensselaer Saratoga Schenectady Schoharie	$11,370	85
Binghamton Region			Rochchester Region		
Broome Chenango Delware Ostego Tioga Tompkins	10,670	80	Genesee Livingston Monroe Ontario Orleans Seneca Wayne Yates	11,986	90
Upper Mohawk Valley			Buffalo Region		
Herikmer Oneida	10,730	80	Erie Niagara Wyoming	12,010	90
Northern Region			State of New York	13,371	100
Franklin Jefferson Lewis St. Lawrence	10,750	80			
Jamestown Region			Mid-Hudson Region		
Allegany Cattaraugus Chautauqua	11,145	83	Dutchess Orange Putnam Rockland Sullivan Ulster Westchester	13,580	102
Elmira Region			Long Island Region		
Chemung Schuyler Steuben	11,202	84	Nassau Suffolk	14,928	112
Lake Champlain-Lake George			New York City Region		
Clinton Essex Hamilton Warren Washington	11,260	84	New York Bronx Kings Queens Richmond	15,300	114

Source: The Univesity of the State of New York, The State Education Department Information Center on Education, "Public Schol Professional Personnel Report, 1973-1974," July 1974.

FIGURE 2-2

STATE OF NEW YORK MEDIAN TEACHER SALARY
1973-1974



3. EQUAL PROTECTION OF THE LAWS

The Constitution of the United States and the Constitution of the State of New York guarantee every citizen equal protection of the laws:

- All persons born or naturalized in the United States, and subject to the jurisdiction thereof, are citizens of the United States and of the State wherein they reside. No State shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any State deprive any person of life, liberty, or property, without due process of law; nor deny to any person within its jurisdiction the equal protection of the laws.

  (14th Amendment, Section 1)

- No person shall be denied the equal protection of the laws of this state or any subdivision thereof. No person shall, because of race, color, creed or religion, be subjected to any discrimination in his civil rights by any other person or by any firm, corporation, or institution, or by the state or any agency or subdivision of the state.

  (Article 1, Section 11)

For developing criteria to allocate educational resources among school districts, the question arises: What factors have to be recognized to guarantee equal protection of the laws? There are three factors:

- Financial willingness of a school district to support its public schools.
- Financial ability of a school district to support its public schools.
- Educational resource needs of the children who live in a school district.

Each of these factors can be measured in numerous ways. To the extent that more equitable measures are used in a state aid formula, resources are distributed more fairly.

A. Financial Willingness

The financial willingness of a school district to support its public schools should be measured two ways:

- The amount spent per pupil.
- The tax rate for raising local revenue.

The State of New York has established and enforces educational standards to insure that every child receives at least a minimum adequate education. This is consistent with the input equalization strategy to promote equal educational opportunity. Each local school district has the option of providing more than the minimum educational program for its pupils.

For purposes of allocating state aid, the State of New York establishes a dollar amount per pupil that approximates the cost of actually providing a minimum adequate education. A district spending at least this "foundation" amount is eligible for the maximum state aid determined by formula. A district spending less than the foundation amount has its state aid reduced proportionately.

The tax rate a district is willing to impose on itself is a measure of the "price" it is willing to pay for its public schools. This measure of financial willingness is vitally important because of the tremendous differences in school districts' revenue raising capacity. Even if the "poorest" districts in the State were willing to tax themselves to the allowable limit, they could not raise anywhere near the revenue that

the "richest" districts could raise with only a modest tax rate. It is the policy of the State of New York to distribute aid to districts in proportion to their willingness to tax themselves, up to a specified limit. Beyond this limit school districts are not rewarded for extra effort.

B. Financial Ability

The measure of the financial ability of school districts to support their public schools should first be based on their ability to raise revenue by taxation. In the State of New York, there are three major tax bases: real property, income and sales. Most school districts rely almost exclusively on real property taxes, and this is the measure of financial ability that is included in the state aid formula.

Another financial ability factor that should be recognized is that the tax base of any given jurisdiction or set of jurisdictions must support more than just public schools. All local government services -- police, fire, public assistance, highways, administration, etc. -- must draw on the same tax base as public schools. A district's or group of districts' tax base should be adjusted downward for the amount that is actually available for public schools. The current state aid formula does not make this adjustment. A district that must devote an unusually large proportion of its tax base to other local government services appears to have a greater financial capacity to support its public schools than it really does.

A third financial ability factor that should be recognized is that the cost of doing business varies tremendously across the State. Since a dollar of local tax levy does not have the same purchasing power everywhere, the measure of financial capacity of school districts to support their public schools should include an adjustment for the cost of doing business. This would equalize the purchasing power of each school district's local tax levy and support a resource equalization strategy for promoting equal educational opportunity.

It is the policy of the State of New York to distribute state aid so as to equalize differences in school district's financial ability to support their public schools. A "poor" district should receive more state aid than a ""rich" district and all districts with the same financial ability should receive the same state aid.

C. Educational Resource Needs

The measure of the educational resource needs of the pupils who attend public schools should first be based on the number of pupils enrolled in the schools. Then there should be recognition that all pupils do not have the same resource requirements. As a matter of sound educational policy, certain pupils may require more resources for smaller classes, specialized equipment, or specialized teachers. For resource allocation purposes, these pupils would count more heavily than other pupils. Providing the extra resources supports the outcome equalization strategy for promoting equal educational opportunity.

The State of New York has long recognized that certain pupils need extra educational resources in order to bring their educational attainment up to minimum standards. Handicapped children, illiterate children, and non-English speaking children have explicitly been given special educational resources since the turn of the century. Since 1968, students who scored two or more years below their grade level norm, below minimum competence, on the Pupil Evaluation Program (PEP) tests have been given additional state aid to support their special educational needs.

While the concept and policy of supporting special educational needs is well established, the question of how much extra weight should be given to these pupils is still being debated. The current policy of the State of New York is to give (Figure 3-1):

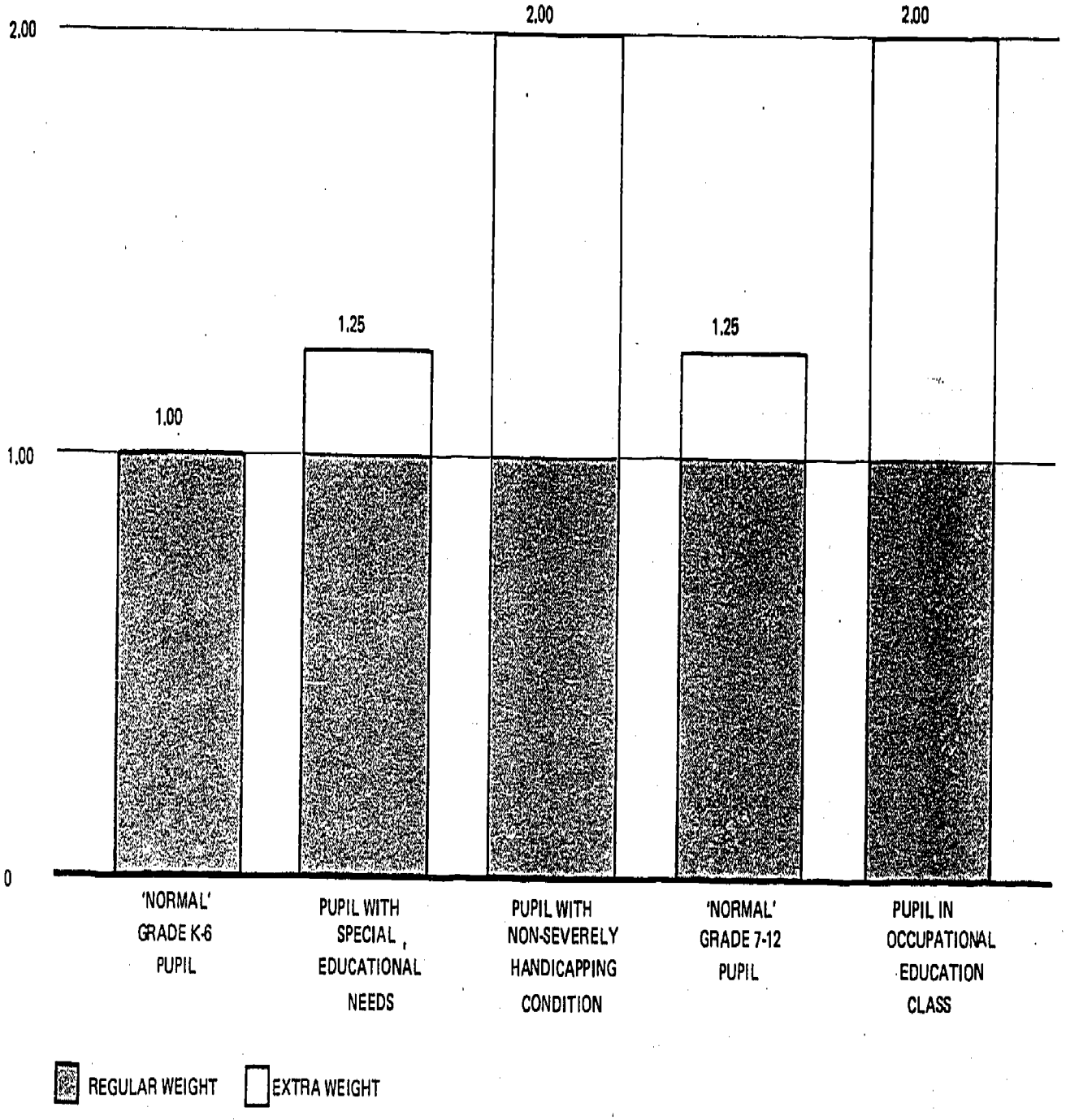
- An extra 0.25 weight to pupils who score below minimum competence on the PEP tests.
- An extra 1.00 weight to non-severely handicapped pupils.
- An extra 0.25 weight to secondary school pupils.
- An extra 1.00 weight to handicapped pupils in occupational education classes.
- Severely handicapped pupils receive aid from a separate formula.

This weighting scheme equalizes differences in the educational resource requirements of pupils. An "educationally needy" pupil receives more state aid than a "regular" pupil. Applying the proper weights to pupils gives an indication of the total educational resource requirements of all pupils in the districts.

FIGURE 3-1

WEIGHTING FOR EDUCATIONAL NEEDS

1974-1975



II. STATE AID FORMULAS

The State of New York currently has eight different types of education aid:

- Operating Expense Aid is for expenditures such as teachers, supervisors and administrators, books, instructional supplies and equipment, custodial services, pupil transportation, school lunches, capital outlays, debt service and support services. This aid is distributed to school districts by formula and accounts for most of the total state aid. Operating aid is allocated to all students. Extra aid is allocated specifically for pupils with special educational needs and handicapping conditions. Aid is also allocated for summer school and evening high school. Extra aid is allocated to secondary pupils.

- Growth Aid is for districts that are growing in attendance. Extra operating aid is allocated to them. The extra aid is necessary because operating expense aid for "this" year is based on "last" year's attendance.

- Budget Aid is for districts spending less than the foundation amount. Extra operating aid is allocated to them if their expenditure per pupil "this" year is greater than "last" year.

- High Tax Rate Aid is available to school districts that have a local tax rate greater than $24 per $1,000 of full value and that have a full value per pupil less than $40,000. This extra operating aid ranges from $0.80 to $80.00 per pupil.

- Building Expense Aid is for construction and modernization expenses. Debt service and capital outlays are aidable.

- Transportation Expense Aid is for transporting all pupils who live more than 1.5 miles from school. District owned buses, private carriers and public transit are possible modes for transporting pupils. The State pays 90% of approved transportation expenses.

- Special Services Aid is for city school districts with a population over 125,000 -- New York City, Buffalo, Rochester, Syracuse, Yonkers. Pupils in occupational education classes and severely handicapped pupils receive extra aid.

- Reorganization Incentive Aid is to encourage small school districts to merge into or with larger contiguous school districts.

A total of $2.7 billion in aid is to be paid out during the 1974-1975 school year. Over 85%, $2.3 billion is for formula operating aid. This analysis of the state education aid formula focuses on formula operating aid.

NEW YORK STATE EDUCATION AID

1974-1975

TYPE OF AID	AMOUNT* (MILLIONS)	PERCENT
Operating Expense Aid		
Formula	$2,302.3	85.1%
Growth	9.9	0.4
Budget	2.9	0.1
High Tax	14.4	0.5
Gross Total	$2,329.4	86.1
Adjustments to Meet Limitations	- 97.4	- 3.6
Net Total	$2,232.1	82.5
Building Aid	230.1	8.5
Transportation Aid	198.9	7.4
Special Services	33.2	1.2
Reorganization Incentive	12.0	0.4
Total	$2,706.3	100.0 %

* These amounts are tentative until all claims have been audited.

4. OPERATING EXPENSE AID

It is the policy of the State of New York to insure that every child has the opportunity to receive at least a "minimum adequate" education. In order to implement this policy, the State establishes a minimum operating expense per pupil and shares this cost with every school district. A local school board may spend more than the "minimum adequate" amount if it wishes, but the State will not share in the cost of this additional expense.

The factors that determine each district's state aid per pupil and total operating aid are illustrated in Figure 4-1. Each school district's aid depends on three factors:

- The wealth of the district.
- The number of pupils in the district's public schools.
- The educational needs of the district's pupils.

Wealth measures a district's financial capacity to support its public school system. The number of pupils and their educational needs measure the educational requirements that the district must meet.

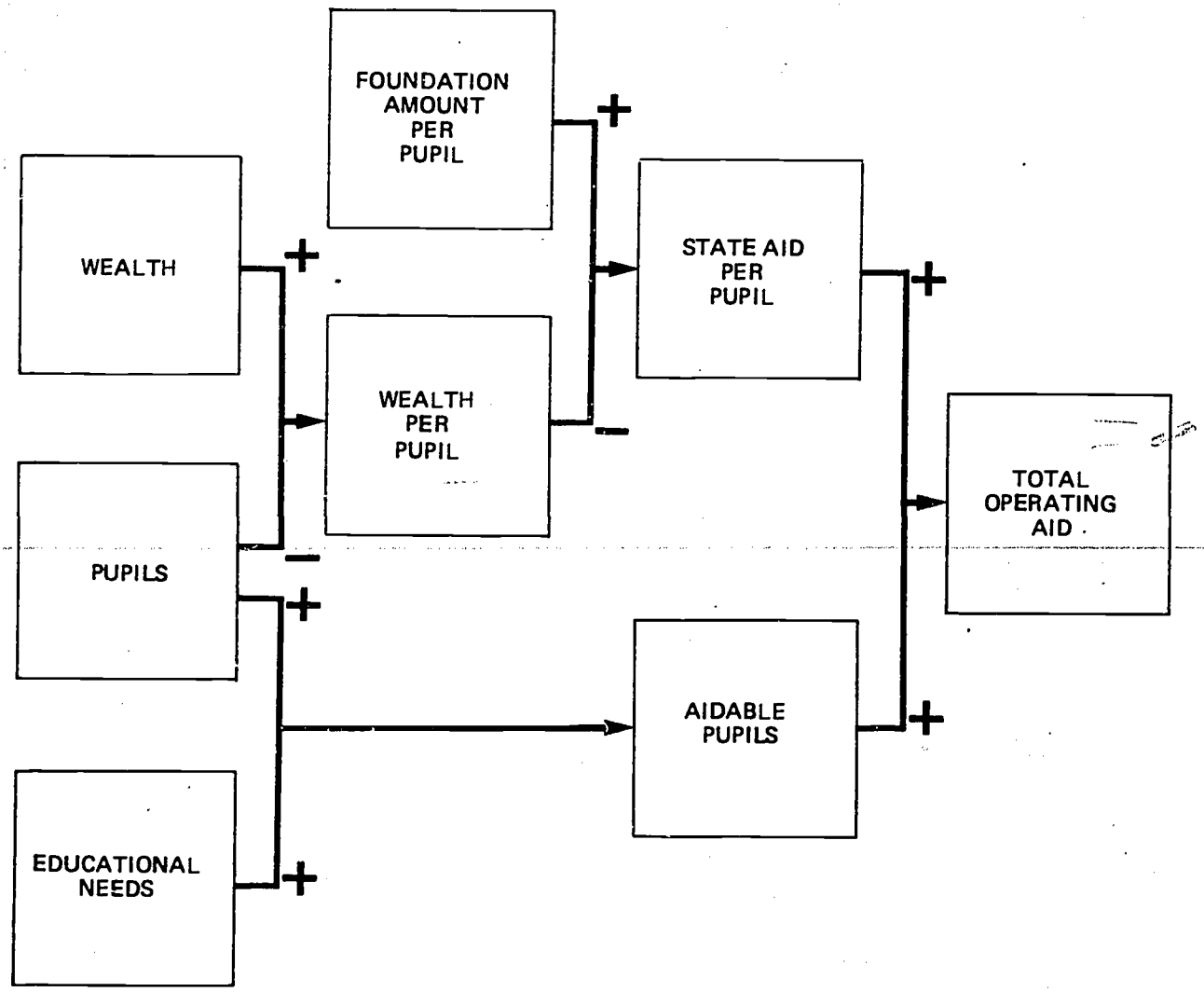
A district's wealth and the number of pupils it has are combined into a wealth per pupil measure.

- The greater a district's wealth, the greater is its wealth per pupil.
- The more students a district has, the lower is its wealth per pupil.

FIGURE 4-1

OPERATING EXPENSE AID

1974-1975



A district's state aid per pupil depends on its wealth per pupil and the legislated foundation amount per pupil:

- The greater the foundation amount set by the State Legislature, the more state aid per pupil all districts receive.
- The greater a district's wealth per pupil, the less state aid per pupil it receives.

A district's number of total aidable pupils is developed by weighting pupils in proportion to their educational needs:

- The more pupils a district has, the greater is its number of aidable pupils.
- The greater the educational needs of a district's pupils, the greater is its number of aidable pupils.

Finally, a district's total operating expense aid is merely the product of its state aid per pupil and its total number of aidable pupils.

- The higher a district's aid per pupil, the more aid it receives.
- The more aidable pupils a district has, the more aid it receives.

The remaining parts of this section develop, step-by-step, the formula for operating expenses aid. General principles are translated into practical measures, and the measures are used to determine a district's state education aid.

5. AID PER PUPIL: THEORY INTO PRACTICE

The state aid per pupil each district receives is the difference between two amounts:

- The guaranteed foundation amount per pupil.
- The district's required contribution per pupil.

DISTRICT STATE AID PER PUPIL	=	FOUNDATION AMOUNT PER PUPIL	-	DISTRICT REQUIRED CONTRIBUTION PER PUPIL

This is the single most important equation and is usually referred to as the state education aid formula. In the foundation level and the manner in which the district's required contribution is determined, this formula embodies the practical decisions made on the most fundamental school financial aid policies.

A. The Foundation

This formula is known as the "Foundation Plan" and is very common among the 50 states. Each district is guaranteed a minimum level of expenditure no matter how poor it may be, provided it makes at least the required contribution per pupil.

The guaranteed foundation amount is supposed to be sufficient to provide a "minimum adequate" level of expenditure per pupil. All districts making at least the required contribution per pupil should be equally able to provide a basic, "minimum adequate" educational program for each child. Districts are free to supplement the basic program to the extent they are willing and able.

B. A District's Share

The per pupil contribution required by each district is directly proportional to its wealth per pupil. A district's wealth per pupil is measured by the ratio of two factors:

- Wealth is measured by the full valuation of real property taxable for school purposes.
- The number of pupils is measured by the resident weighted average daily attendance (WADA). The weights are (Figure 5-1).
  - 0.50 for each student in half-day kindergarten.
  - 1.00 for each student in full-day kindergarten or grades 1-6.
  - 1.25 for each student in grades 7-12.

  Resident WADA is the WADA of all public school students who live in a district no matter where they attend school.

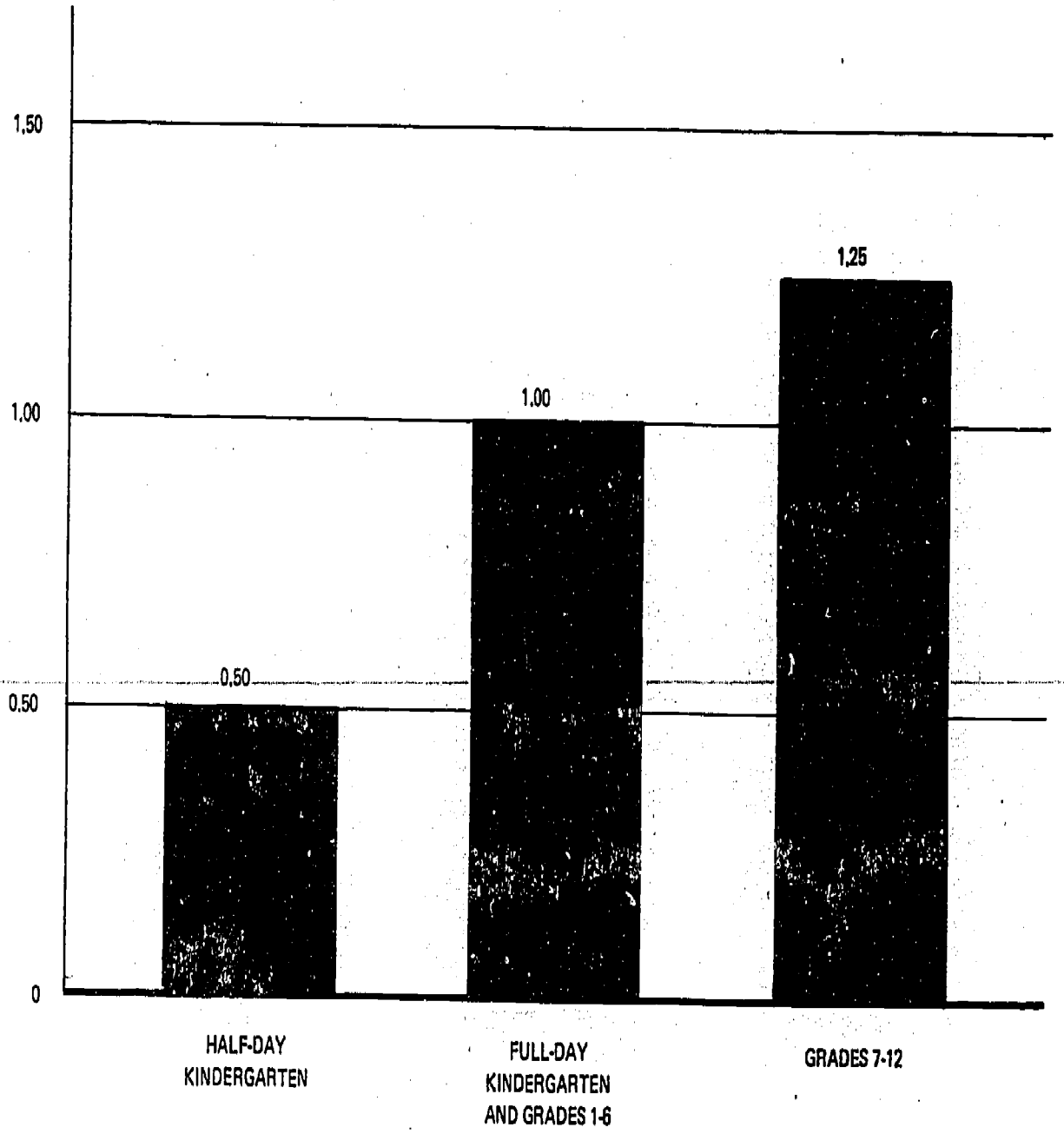
The wealth per pupil meaure obtained by dividing these two factors is the district full valuation of real property per resident weighted average daily attendance:

$$\text{DISTRICT FULL VALUE PER RESIDENT WADA} = \frac{\text{DISTRICT FULL VALUATION OF REAL PROPERTY}}{\text{DISTRICT RESIDENT WADA}}$$

Districts with greater full value per resident WADA must contribute a larger portion of the foundation amount than districts with smaller full value per resident WADA. Since the measure of wealth is a tax

FIGURE 5-1

WADA WEIGHT FOR EACH STUDENT



base, the proportionality factor is a required local tax rate. Putting these three factors together into a mathematical expression yields the following equation:

DISTRICT REQUIRED CONTRIBUTION PER PUPIL	=	REQUIRED LOCAL TAX RATE	×	DISTRICT FULL VALUE PER RESIDENT WADA

C. Equalization

In theory, a district wealthy enough to raise the entire foundation amount with the required local tax rate would receive no state aid at all. Another district that has no tax base would receive the entire foundation amount for each pupil. In this way, the formula "equalizes" for differences in the per pupil wealth among school districts.

In actual practice neither extreme exists. No district is so poor that is has no tax base at all so that every district actually does support a portion of the foundation amount with local taxes. While there are a handful of districts that are so wealthy that they could easily support more than the entire foundation amount with local taxes every district is guaranteed at least a minimum amount of state aid.

To summarize the development of the foundation plan for determining state aid per pupil:

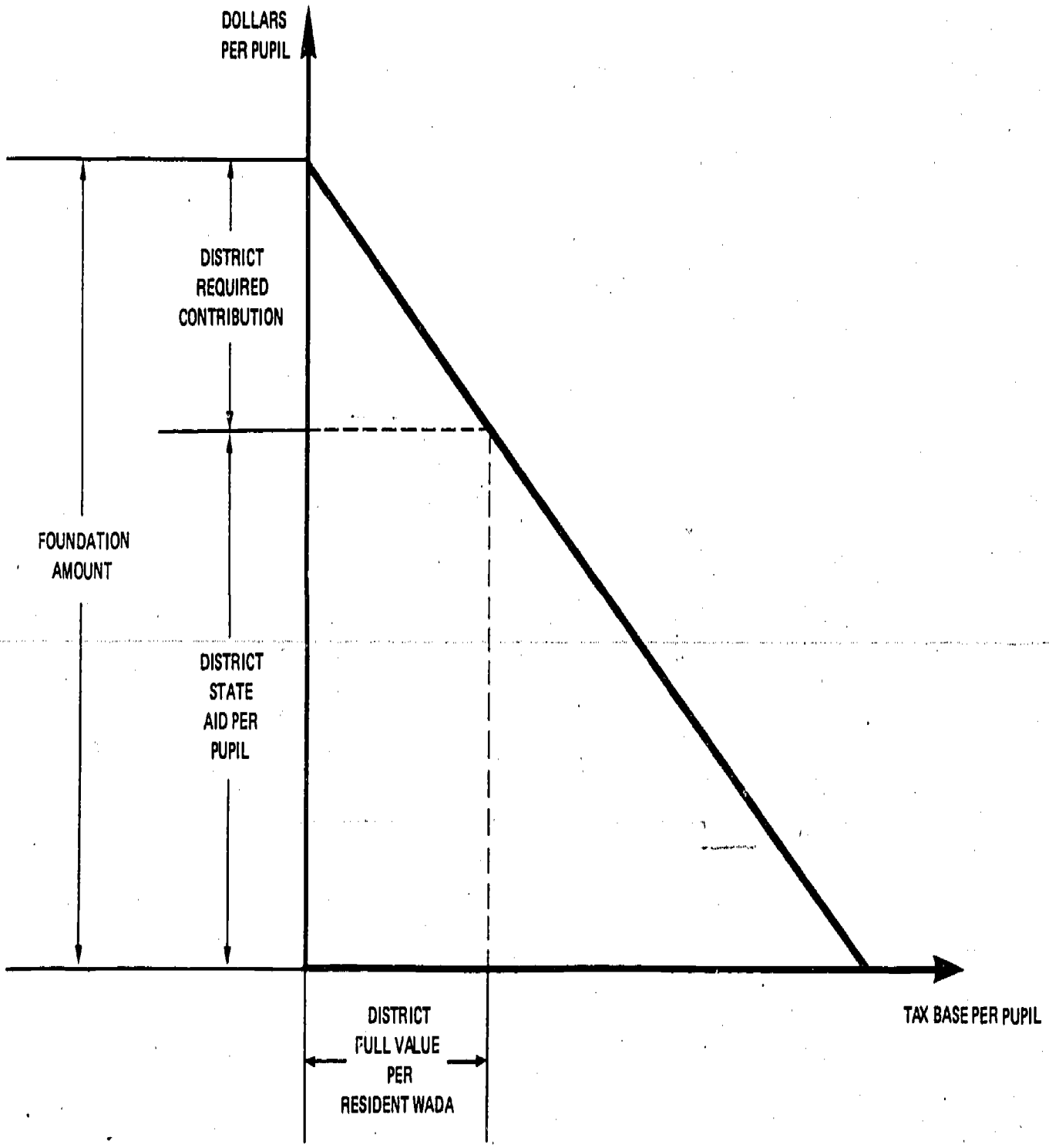
DISTRICT STATE AID PER PUPIL	=	FOUNDATION AMOUNT PER PUPIL	-	[REQUIRED LOCAL TAX RATE	×	DISTRICT FULL VALUE PER RESIDENT WADA]

Figure 5-2 illustrates this formula. Given a district's full value per resident WADA, the graph indicates the amount of state aid per pupil the district receives and its required contribution to the foundation amount. The downward slope* of the graph shows that districts with a larger tax base per pupil receive less state aid per pupil and are required to make a correspondingly larger contribution per pupil.

*The slope of the graph is equal to the required local tax rate.

Figure 5-2

FOUNDATION PLAN



6. AID PER PUPIL: IN PRACTICE

For 1974-1975, the formula for determining a district's state aid per pupil is really a choice among three formulas.* The formulas differ in the foundation amount and the required local tax rate. A "most favorable aid" clause permits each district to select the formula that generates the largest state aid per pupil.

The first step in actually computing a district's state aid per pupil is to determine its full valuation of real taxable property per resident WADA. For aid payable in 1974-1975, the 1972-1973 full value and resident WADA is used for computations. Table 6-1 and Figure 6-1 show this information for the City School District of New York and for each borough.**

The State Legislature has established $1,200 as the guaranteed foundation amount per pupil for 1974-1975. It is the policy of the State of New York to share with local school districts in providing this "minimum adequate" operating expense for every pupil. If a district wishes to spend less than this minimum, its aid per pupil is reduced proportionately. The State Legislature has also established $15 per $1,000 of full value -- 0.015 -- as the required local tax rate a school district must levy if it wishes to be eligible for the maximum possible state aid. A district wishing to impose a lower tax rate will have its total operating aid reduced proportionately.

*Chapter 241 of the Laws of New York, 1974, Section 8 subdivision 11b, reads as if there are only two formulas. After translating the words into mathematical expressions, there are really three formulas.

**Chapter 241 of the Laws of New York, 1974, Section 13, Subdivision 15b, permits the City School District of New York to compute its operating expense aid for each borough separately or for the City School District as a whole.

TABLE 6-1

CITY SCHOOL DISTRICT OF NEW YORK

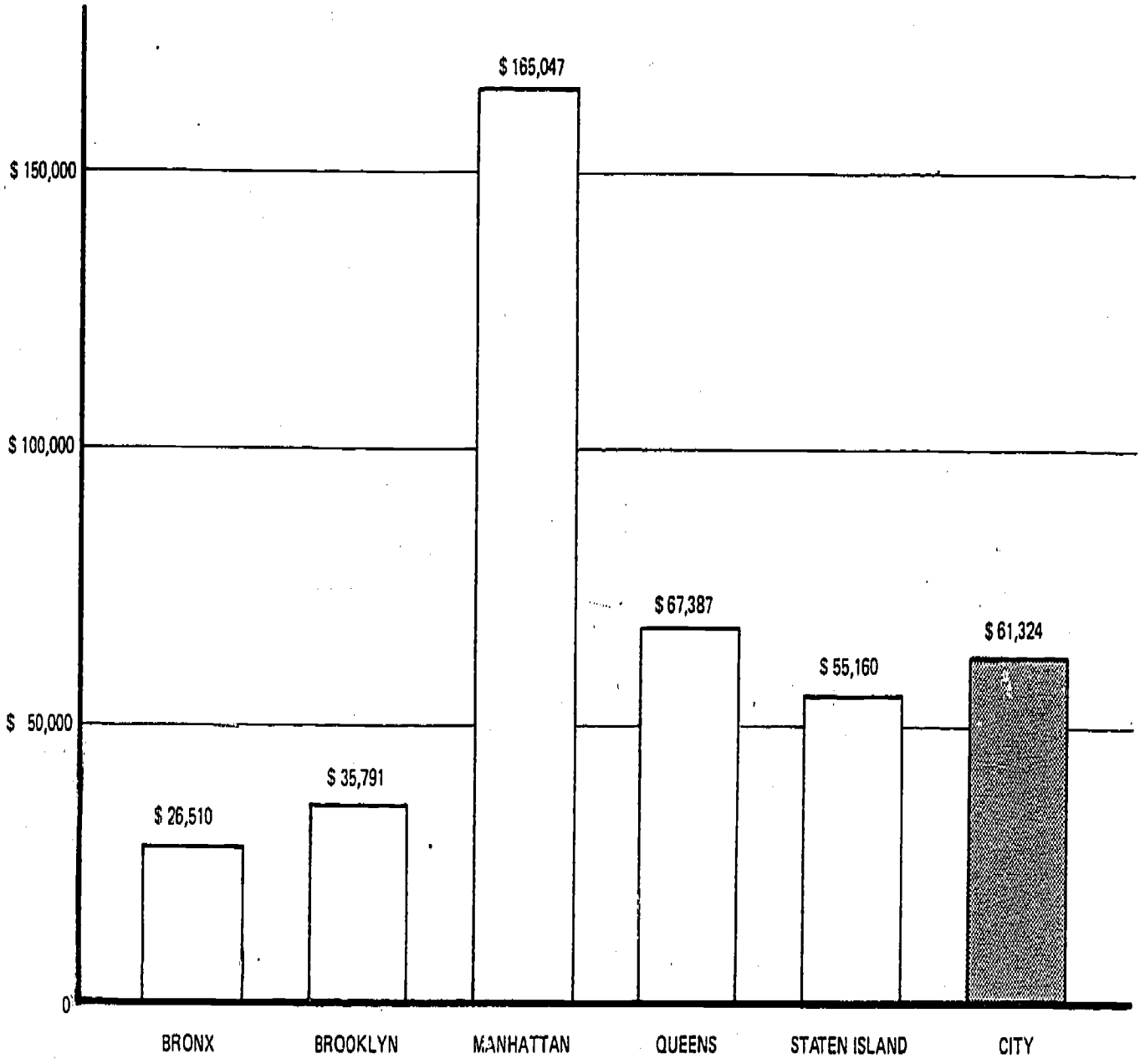
1972-1973 FULL VALUE PER RESIDENT WADA

USED FOR COMPUTING 1974-1975 STATE AID

BOROUGH	FULL VALUE	RESIDENT WADA	FULL VALUE PER RESIDENT WADA
Bronx	$ 5,613,576,185	211,755.07	$ 26,510
Brooklyn	12,913,788,959	360,808.62	35,791
Manhattan	25,364,999,915	153,683.04	165,047
Queens	16,117,047,330	239,171.50	67,387
Staten Island	2,892,989,964	52,447.54	55,160
City	$62,396,766,526	1,017,500.27	$ 61,324

Figure 6-I

CITY SCHOOL DISTRICT OF NEW YORK
FULL VALUE PER RESIDENT WADA
1972-1973



NOTE: 1972-73 FULL VALUE PER RESIDENT WADA IS USED FOR COMPUTING 1974-1975 AID.

A. Basic Aid Formula

The two established values are used in the basic aid formula (Figure 6-2).

$$\text{DISTRICT BASIC STATE AID PER PUPIL} = \$1{,}200 - \left[0.015 \times \text{DISTRICT FULL VALUE PER RESIDENT WADA}\right]$$

- For example, for aid payable in 1974-1975, the borough of Bronx has a full value per resident WADA of $26,510 and a basic state aid per pupil of $802.35 (Figure 6-3):

$$\text{BRONX BASIC STATE AID PER PUPIL} = \$1{,}200 - [0.015 \times \$26{,}510]$$
$$= \$1{,}200 - \$397.65$$
$$= \$802.35$$

- The borough of Brooklyn, with $35,791 of per resident WADA, has a basic state aid per pupil of $663.14 (Figure 6-4).

All districts with full value per resident WADA between $0 and $80,000 would receive state aid per pupil between $1,200 and $0 from this basic aid formula (Figure 6-2). Districts with full value per resident WADA greater than $80,000 would receive negative state aid per pupil. To "correct" for this situation, a second formula is needed.

Figure 6-2

BASIC STATE AID PER PUPIL FORMULA

1974-1975

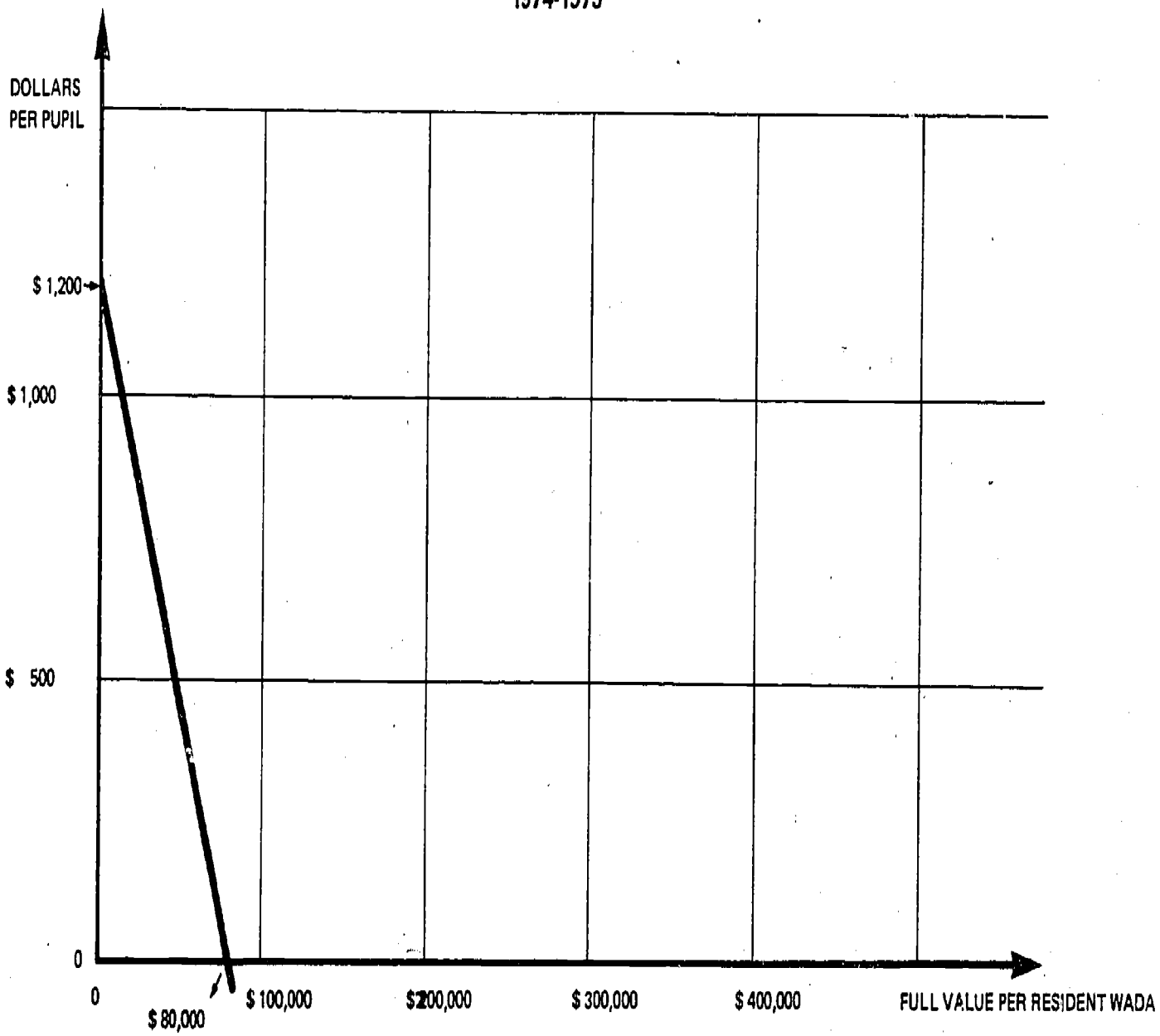


Figure 6-3

BRONX BASIC STATE AID PER PUPIL

1974-1975

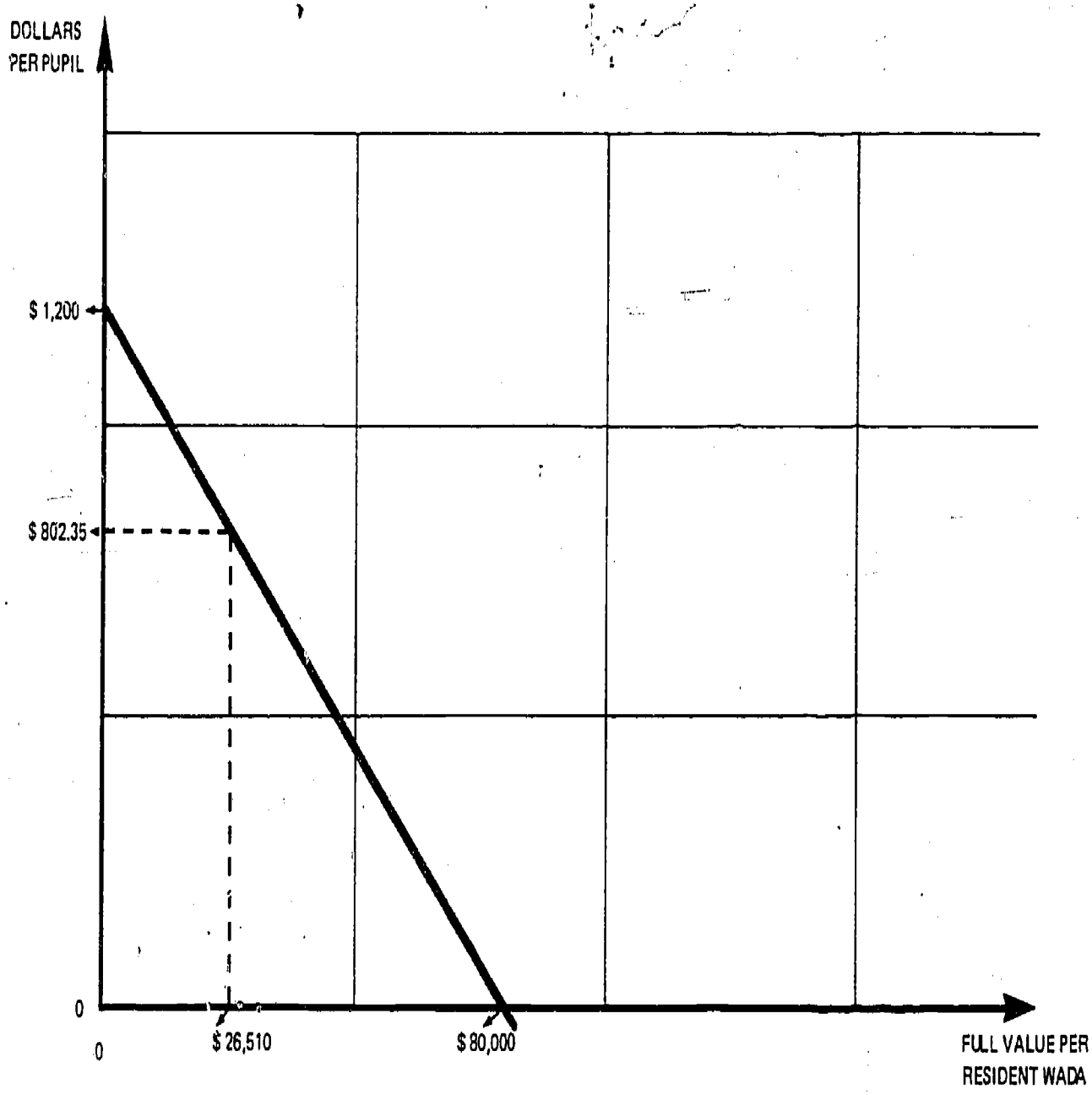
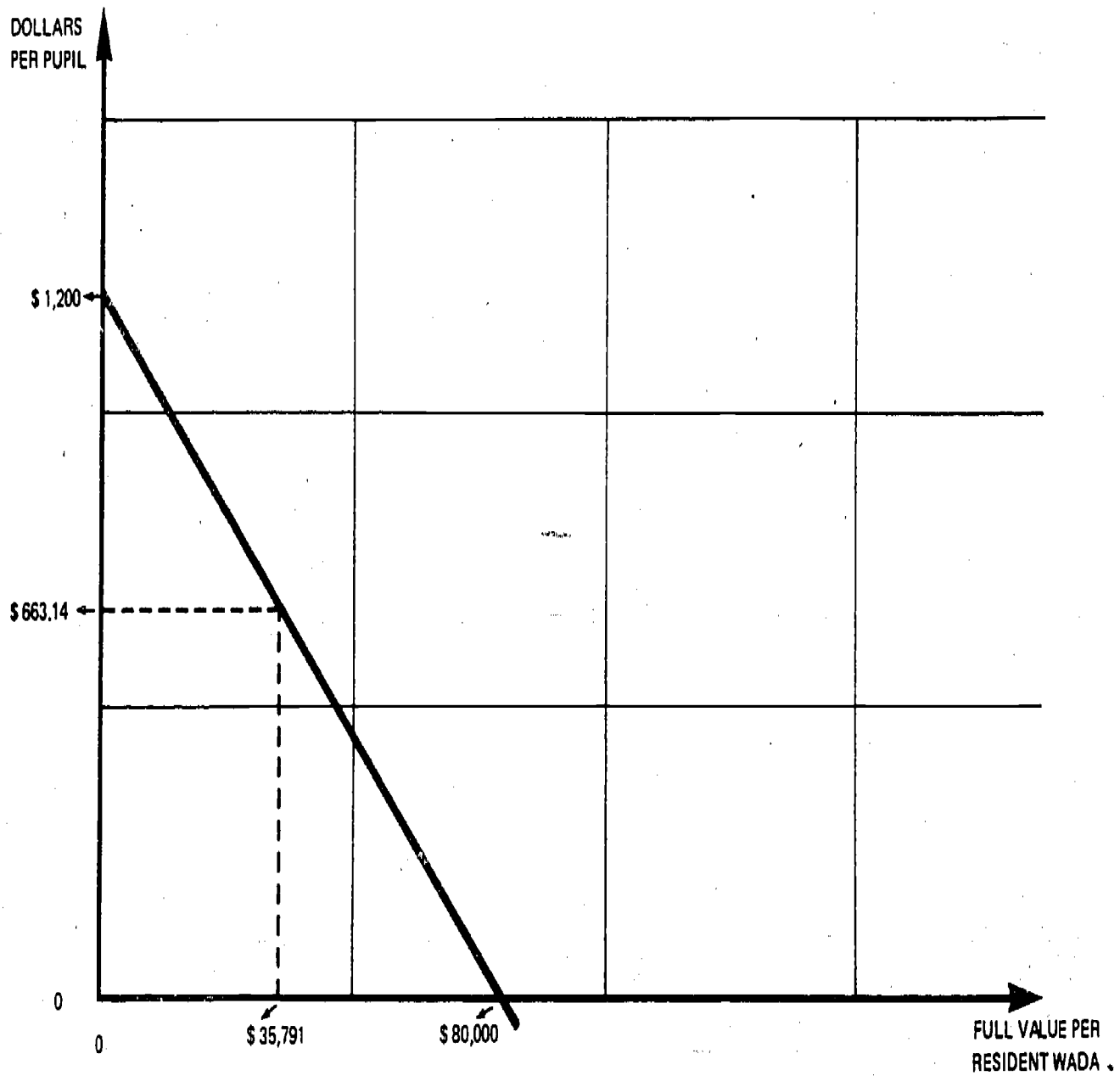


Figure 6-4

BROOKLYN BASIC STATE AID PER PUPIL

1974-1975



B. Minimum Aid Formula

The minimum aid formula has a $461 "foundation" amount* per pupil and a 0.001 "required" local tax rate** (Figure 6-5):

$$\text{DISTRICT MINIMUM STATE AID PER PUPIL} = \$461 - \left[0.001 \times \text{DISTRICT FULL VALUE PER RESIDENT WADA}\right]$$

All districts with full value per resident WADA between $0 and $461,000 would receive state aid per pupil between $461 and $0 from this minimum aid formula.

- For example, for aid payable in 1974-1975, the borough of Queens has a full value per resident WADA of $67,387 and a minimum state aid per pupil of $393.61 (Figure 6-6).

$$\text{QUEENS MINIMUM STATE AID PER PUPIL} = \$461 - [0.001 \times \$67,387]$$
$$= \$461 - \$67.39$$
$$= \$393.61$$

- The borough of Staten Island, with $55,160 of full value per resident WADA, has a minimum state aid per pupil of $405.84 (Figure 6-7).

---

*In this minimum aid formula and the flat grant aid formula to be described next, the "foundation" amount and "required" local tax rate are put within quotation marks to avoid confusing it with the guaranteed foundation amount of $1,200 and the established required local tax rate of 0.015. The "foundation" amount for these two equations is the aid per pupil a district would receive from these formulas if it had zero full value per resident WADA. It is only a mathematical result that has no practical or policy meaning at all. The "required" local tax rate is the rate at which a district's required contribution per pupil increases and its state aid per pupil decreases as its full value per resident WADA increases. This relationship does have important practical and policy meaning. The words "foundation" amount and "required" local tax rate are used to maintain a consistent and simple terminology.

** The language of Chapter 241 of the Laws of New York, 1974, Section 8, subdivision 11b, describes the following formula:

$$\text{DISTRICT MINIMUM STATE AID PER PUPIL} = \$360 + \left[0.001 \times \left(\$101,000 - \text{DISTRICT FULL VALUE PER RESIDENT WADA}\right)\right]$$

A few manipulations to restructure this equation yields the alternative equivalent expression.

Figure 6-5

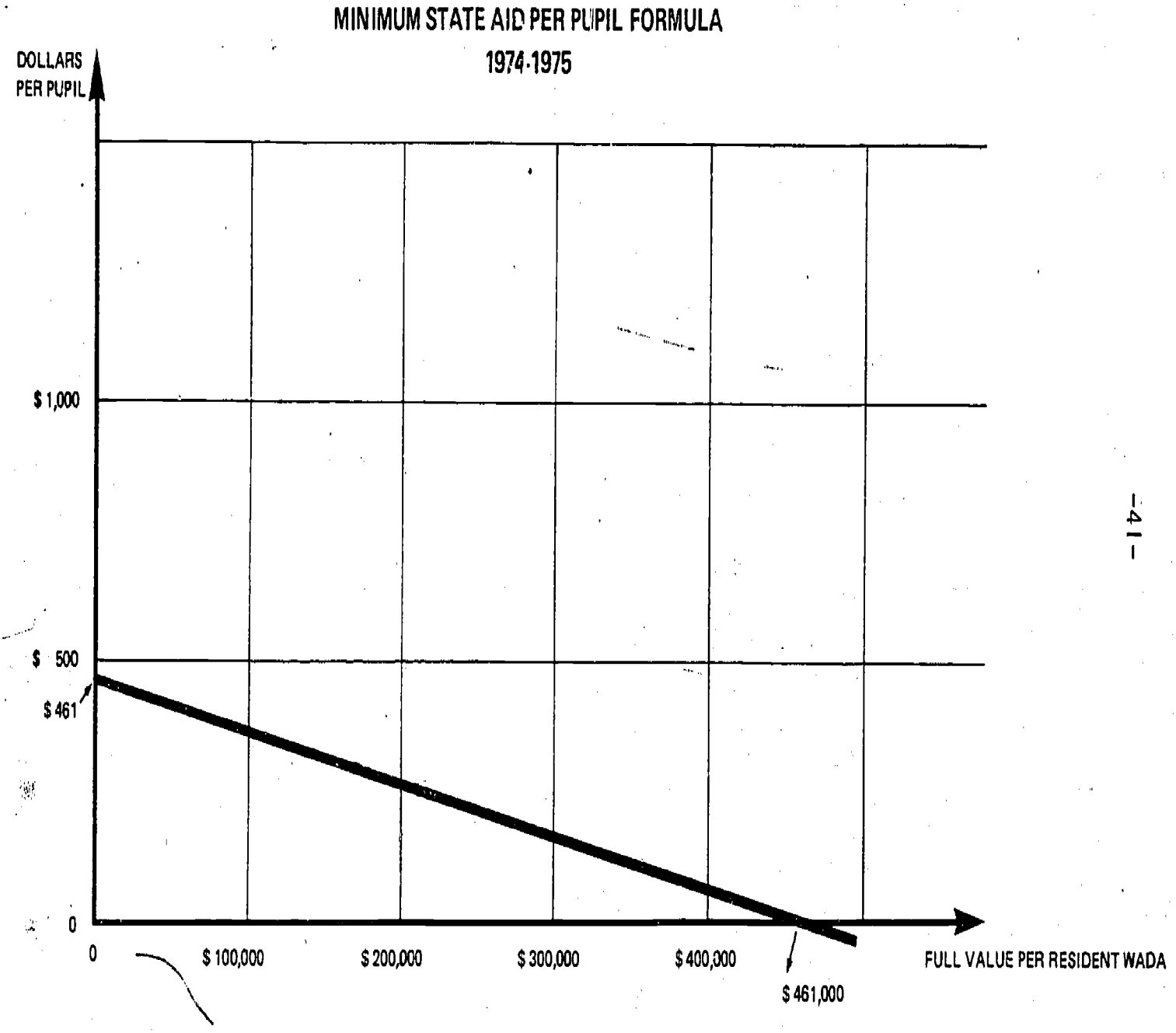

MINIMUM STATE AID PER PUPIL FORMULA
1974-1975
DOLLARS PER PUPIL
$ 1,000
$ 500
$ 461
0
0
$ 100,000
$ 200,000
$ 300,000
$ 400,000
$ 461,000
FULL VALUE PER RESIDENT WADA

Figure 6-6

QUEENS MINIMUM STATE AID PER PUPIL

1974-1975

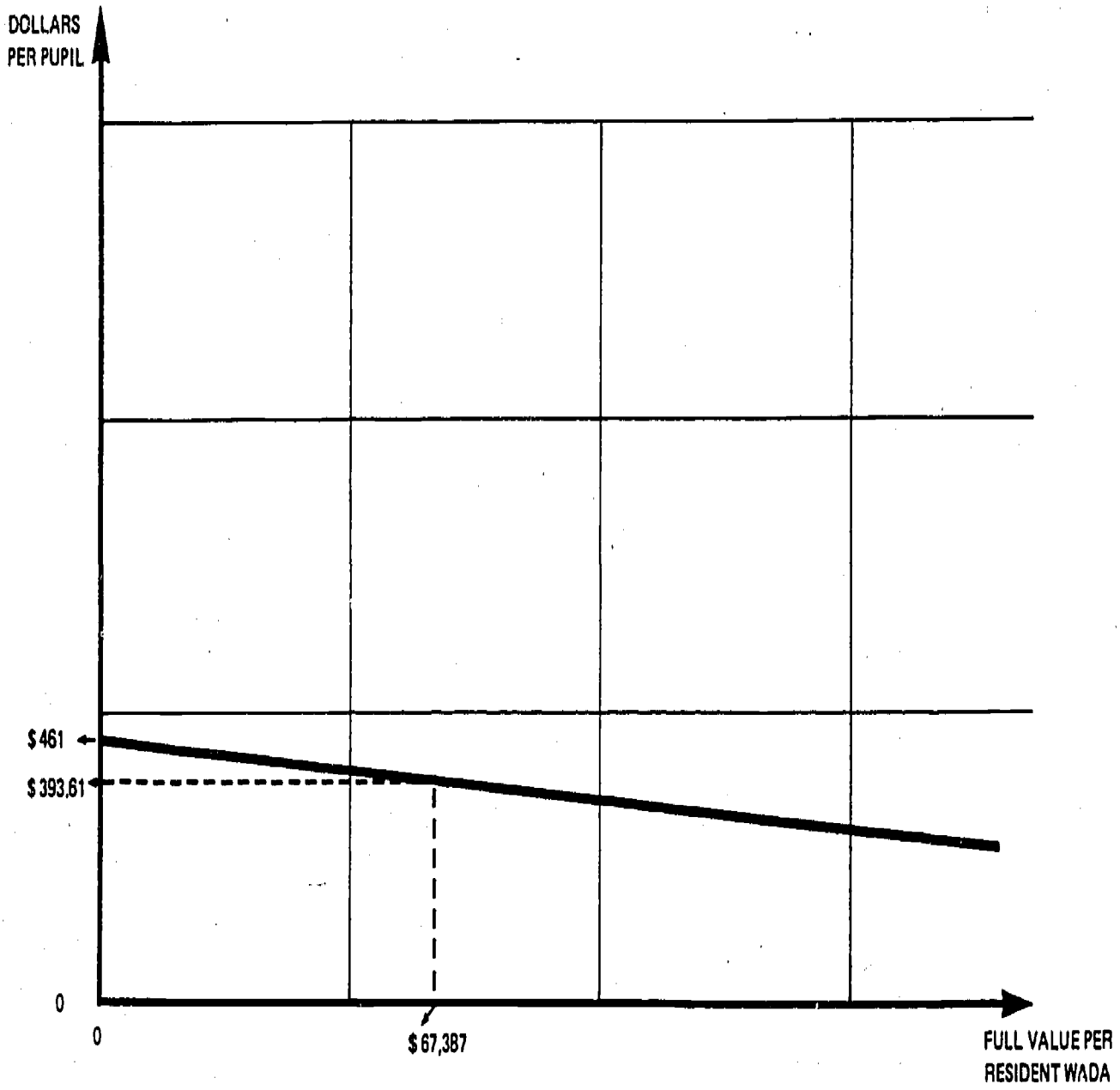
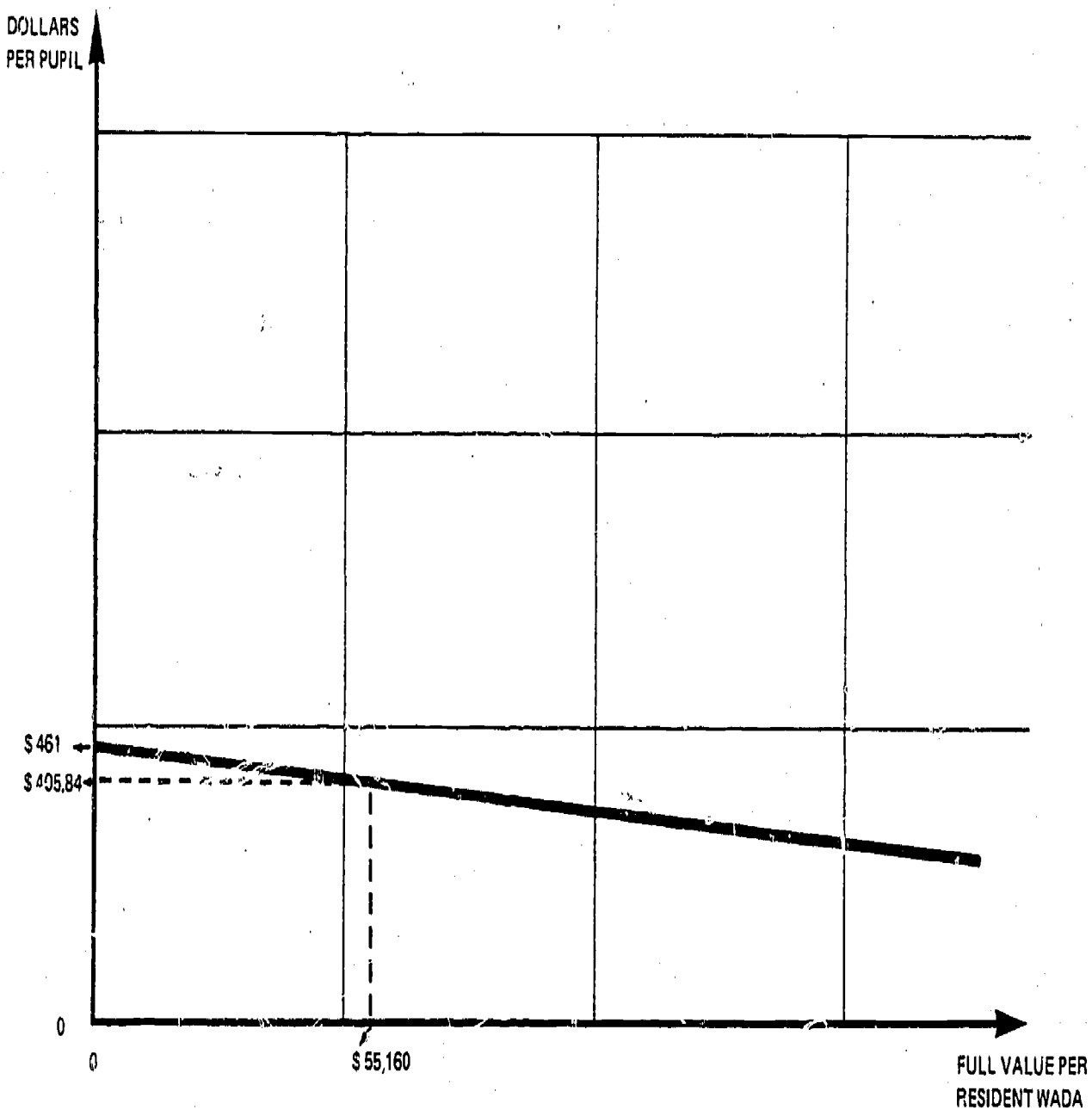


Figure 6-7

STATEN ISLAND MINIMUMSTATE AID PER PUPIL

1974-1975



The minimum aid formula is designed to allocate more aid to "rich" districts than they would receive from the basic aid formula. The point at which the minimum aid formula generates more aid is $52,786 of full value per resident WADA, which generates $408 in state aid per pupil (Figure 6-8). Since districts are permitted to select the most favorable aid, the minimum aid formula applies to districts with full value per resident WADA greater than $52,786. For districts with full value per resident WADA less than $52,786, the basic aid formula is most favorable (Figure 6-8).

- For example, from the basic aid formula, Queens would receive $189.20.

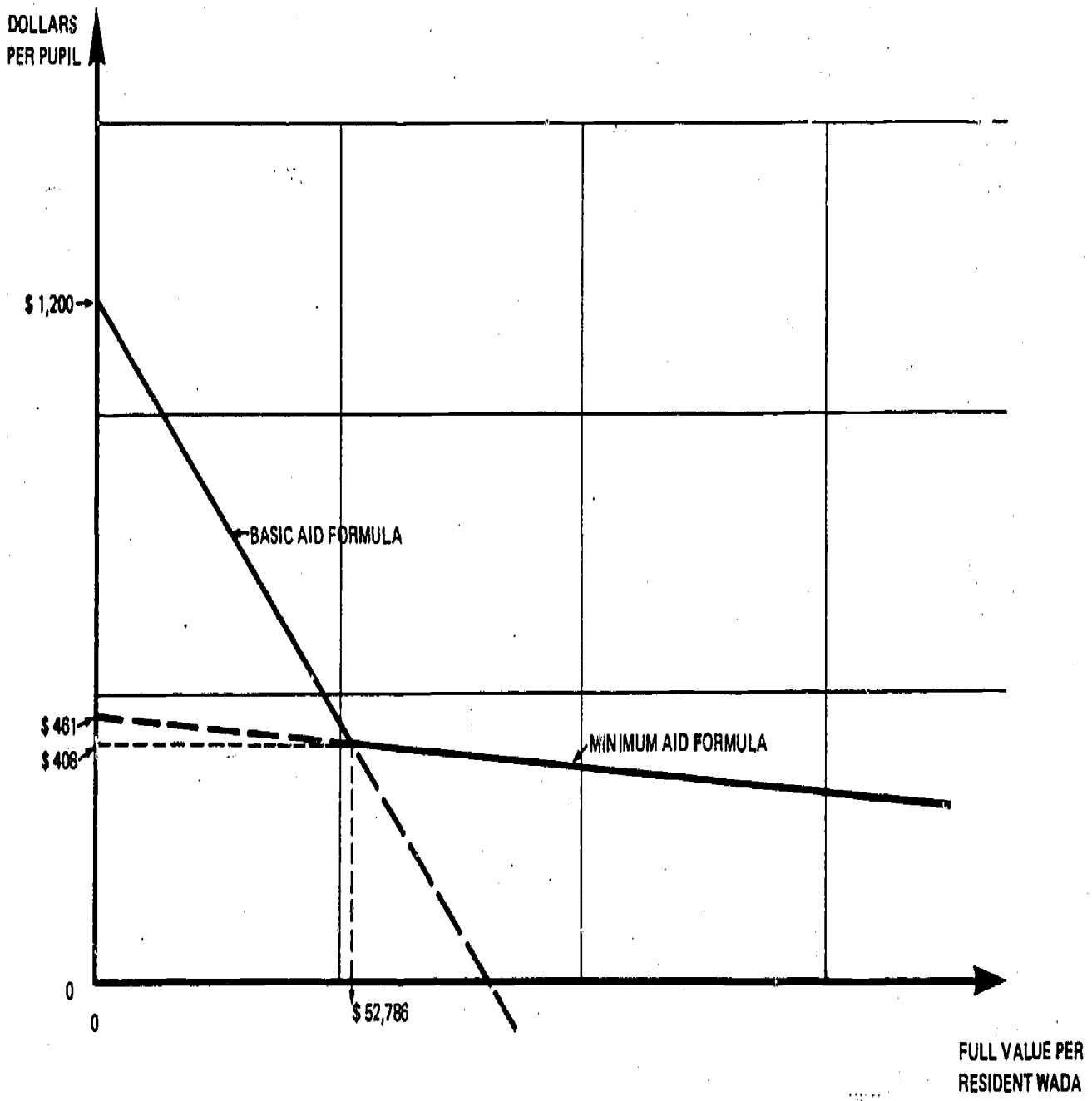
QUEENS BASIC STATE AID PER PUPIL	=	$1,200	-	[0.015 x $67,387]
	=	$1,200	-	$1,010.80
	=	$189.20		

- Due to the most favorable aid clause, the larger minimum aid amount, $393.61, is applicable.

Even under the minimum aid formula, it is possible for an extremely wealthy district to receive negative state aid per pupil so that a third formula is called for to correct for this situation. More importantly, the minimum aid formula generates very little aid for districts that have over $100,000 of full value per resident WADA. It has been and still is the policy of the State of New York to guarantee at least a minimum aid per pupil to every district. This guaranteed amount has traditionally been 36% of the foundation amount. For 1974-1975, the guaranteed aid per pupil is reduced to 30% of the basic foundation amount. Thirty percent of $1,200 is $360.

Figure 6-8

BASIC AID AND MINIMUM AID FORMULAS
1974-1975



C. Flat Grant Aid Formula

The flat grant aid formula, has a $360 "foundation" amount per pupil and a zero "required" local tax rate (Figure 6-9):

$$\text{DISTRICT FLAT GRANT STATE AID PER PUPIL} = \$360 - \left[0 \times \text{DISTRICT FULL VALUE PER RESIDENT WADA}\right]$$

$$\text{DISTRICT FLAT GRANT STATE AID PER PUPIL} = \$360$$

- For example, for aid payable in 1974-1975, the borough of Manhattan has a full value per resident WADA of $165,047 and a flat grant state aid per pupil of $360 (Figure 6-10).

$$\text{MANHATTAN FLAT GRANT STATE AID PER PUPIL} = \$360 - [0 \times \$165{,}047]$$

$$= \$360 - \$0$$

$$= \$360$$

- Every district, no matter how wealthy, is guaranteed to receive at least $360 of state aid per pupil.

The effect of the most favorable aid clause is to make the flat grant aid formula applicable to districts with full value per resident WADA greater than $101,000 (Figure 6-11). For districts with full value per resident WADA less than $101,000 the minimum aid or basic aid formulas are most favorable.

- For example, under the minimum aid formula, Manahattan would receive $295.96.

$$\text{MANHATTAN MINIMUM PER PUPIL} = \$461 - [0.001 \times \$165{,}047]$$

$$= \$461 - \$165.04$$

$$= \$295.96$$

Figure 6-9

FLAT GRANT STATE AID PER PUPIL FORMULA
1974-1975

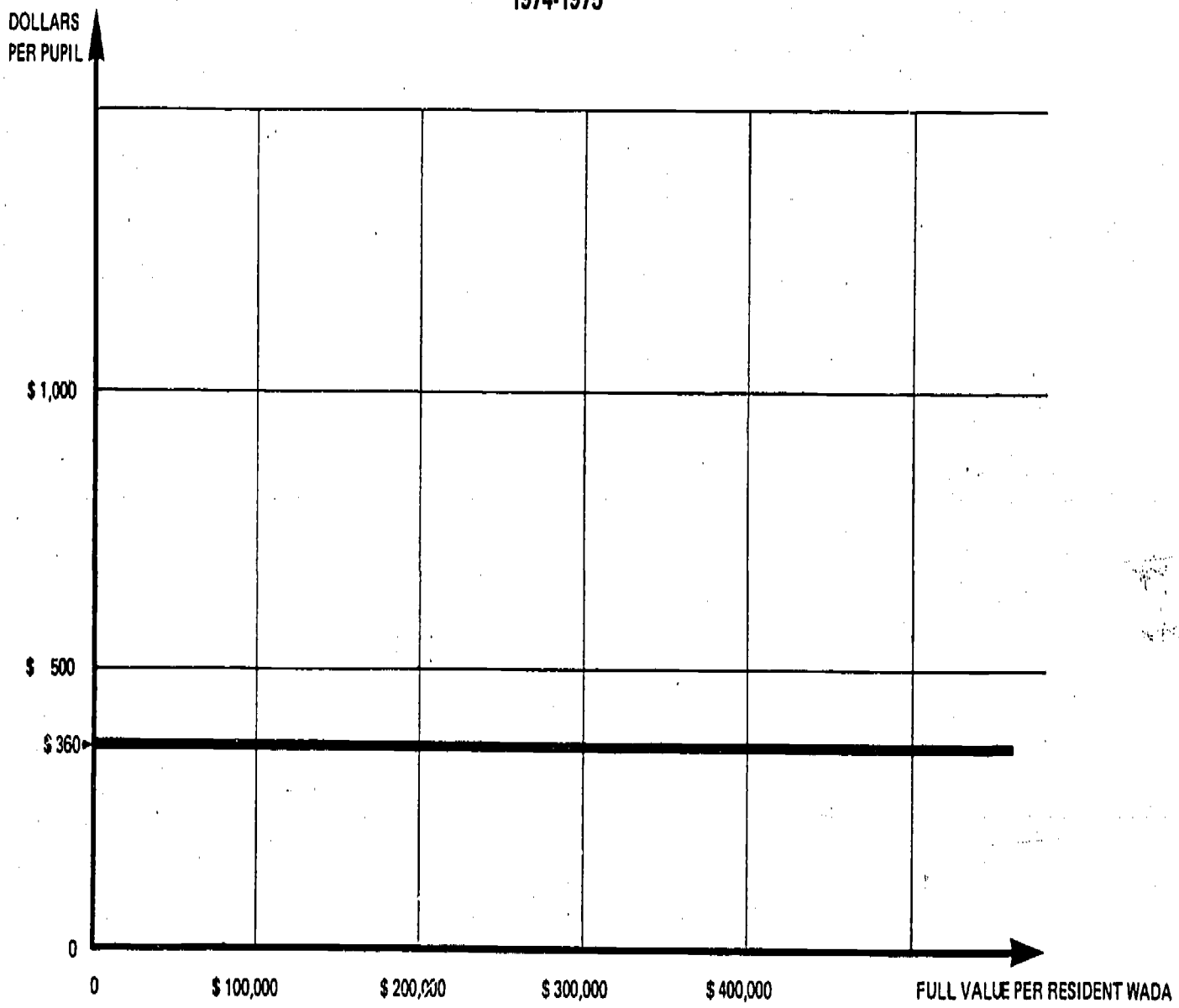


Figure 6-10

MANHATTAN FLAT GRANT AID PER PUPIL
1974-1975

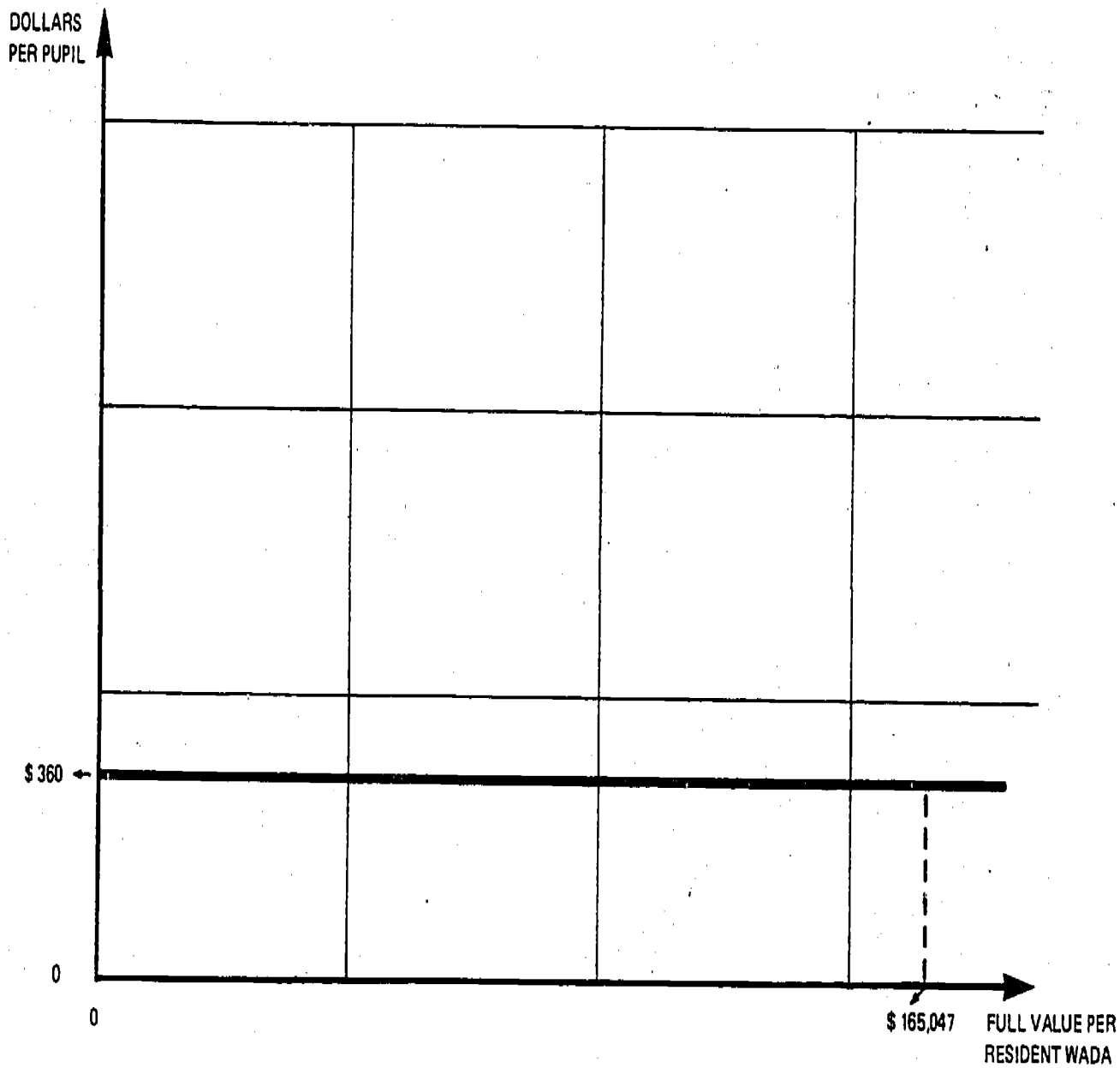
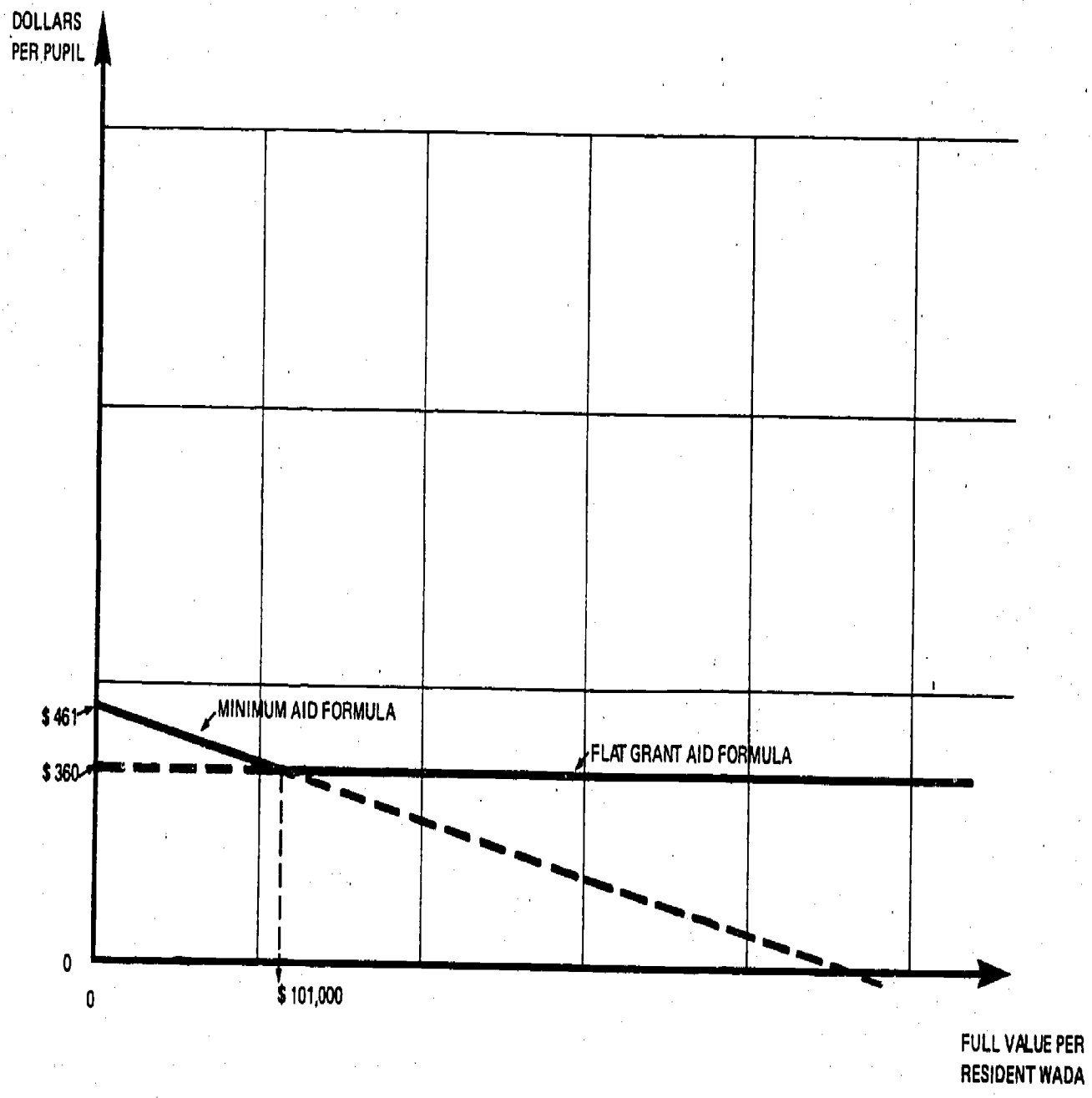


Figure 6-11

MINIMUM AID AND FLAT GRANT FORMULAS
1974-1975



- Under the basic aid formula Manhattan would receive (-) $1,275.70.

MANHATTAN BASIC STATE AID PER PUPIL	=	$1,200	-	[0.015 ×	$165,047]
	=	$1,200	-	$2,475.70	
	=	(-)$1,275.70			

- Due to the most favorable aid clause, the largest amount, $360, is applicable.

D. The State Aid Per Pupil Formula

To summarize the state aid per pupil formula, there are actually three separate formulas:

- Basic Aid Formula
- Minimum Aid Formula
- Flat Grant Aid Formula.

Each of these formulas is a special case of the general formula for state aid per pupil, which was developed in the previous section. The formulas differ only in the particular values used for the "foundation" amount and the "required" local tax rate (Table 6-2). Because of the most favorable aid clause, each formula ends up being applied to different ranges of full value per resident WADA. Figure 6-2 illustrates this.

- The richest districts in the State, with full value per resident WADA over $101,000, receive the $360 flat grant amount per pupil.

- The moderately wealthy district, with full value per resident WADA between $52,786 and $101,000, receive between $408 and $360 per pupil.

- The remaining districts, with full value per resident WADA less than $52,786, receive between $408 and $1,200 per pupil.

The City School District of New York is permitted to compute its operating expense aid for each borough separately or for the City School District as a whole and file a claim for the most favorable aid*. Table 6-3 and Figure 6-13 show each boroughs' aid per pupil from each of the three formulas and the most favorable aid (Figure 6-14).

*Chapter 241 of the Laws of New York, 1974, Section 13, subdivision 15b.

TABLE 6-2

COMPARISON OF THREE STATE AID PER PUPIL FORMULAS

1974 - 1975

	BASIC AID	MINIMUM AID	FLAT GRANT AID
"Foundation" Amount per Pupil	$1,200	$461	$360
"Required" Local Tax Rate	0.015	0.001	0
Applicable Range of Full Value Per Resident WADA	$ 0 → $52,786	$52,786 → $101,000	$101,000 → unlimited
Range of State Aid Per Pupil	$1,200 → $ 408	$ 408 → $ 360	$360
Range of Required Local Share of $1,200 per pupil	$ 0 → $ 792	$ 792 → $ 840	$840

Figure 6-12

STATE AID PER PUPIL FORMULA
1974-1975

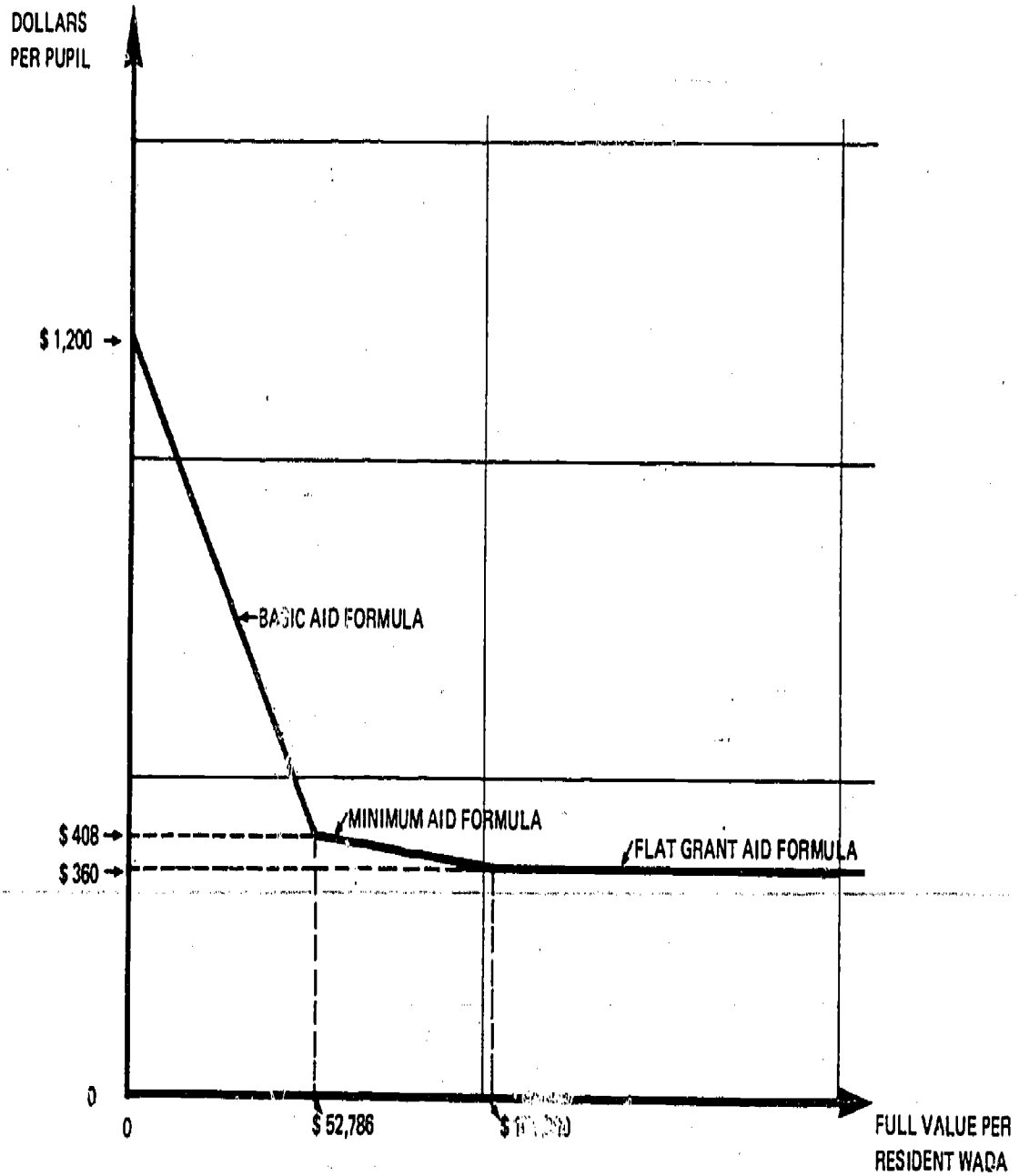


TABLE 6-3

CITY SCHOOL DISTRICT OF NEW YORK FORMULA STATE AID PER PUPIL

1974-1975

BOROUGH	FULL VALUE PER RESIDENT WADA	BASIC AID FORMULA	MINIMUM AID FORMULA	FLAT GRANT AID FORMULA	MOST FAVORABLE AID
Bronx	$ 26,510	$ 802.35	$434.49	$360.00	$802.35
Brooklyn	35,791	663.14	425.20	360.00	663.14
Manhattan	165,047	(-)1,275.70	295.96	360.00	360.00
Queens	67,387	189.20	393.61	360.00	393.61
Staten Island	55,160	372.60	405.84	360.00	405.84
City	$ 61,324	$ 280.14	$399.67	$360.00	$399.67

Figure 6-12

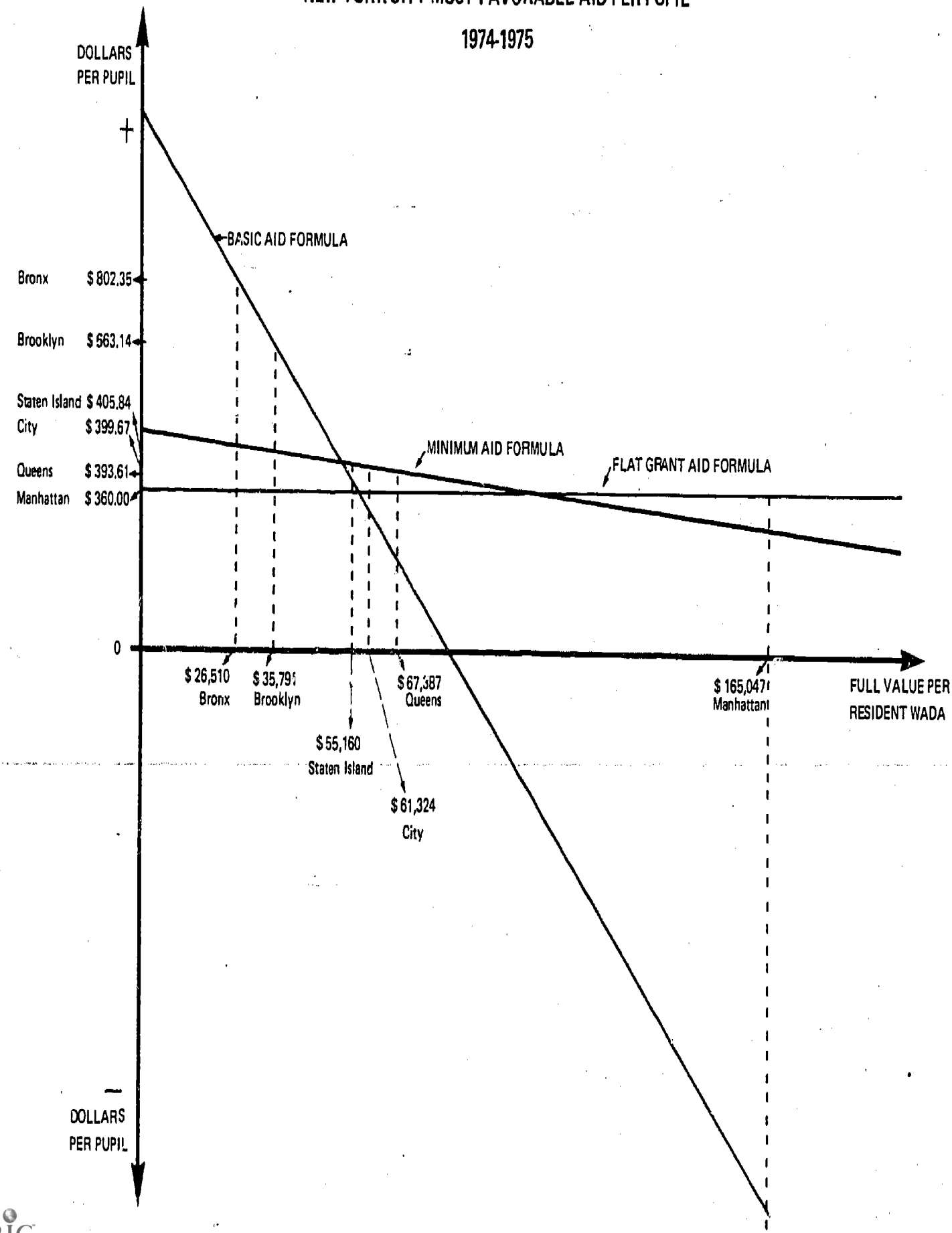
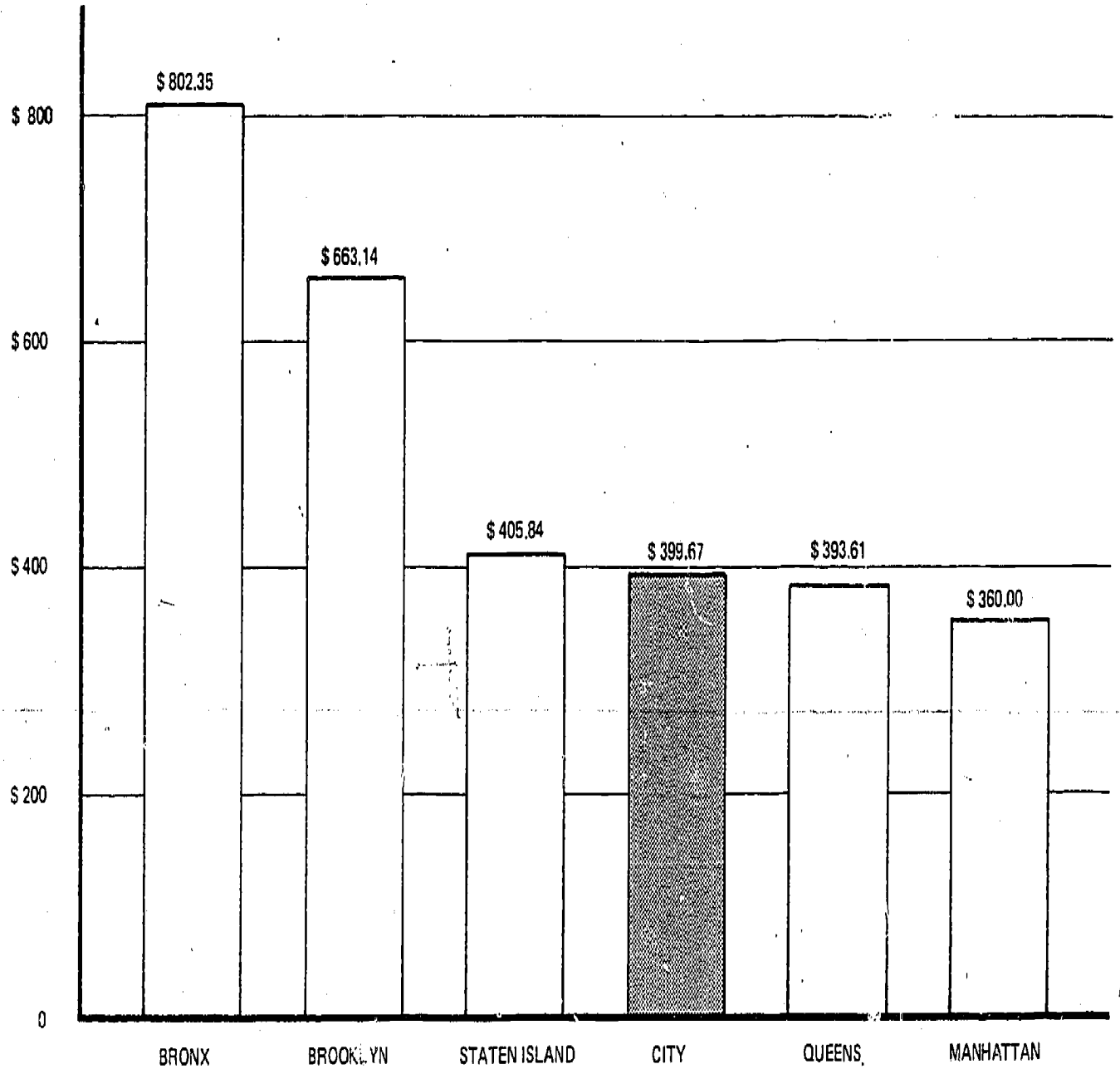

NEW YORK CITY MOST FAVORABLE AID PER PUPIL
1974-1975
DOLLARS PER PUPIL
+
BASIC AID FORMULA
Bronx $ 802.35
Brooklyn $ 663.14
Staten Island $ 405.84
City $ 399.67
Queens $ 393.61
Manhattan $ 360.00
MINIMUM AID FORMULA
FLAT GRANT AID FORMULA
0
$ 26,510 Bronx
$ 35,79[illegible] Brooklyn
$ 55,160 Staten Island
$ 61,324 City
$ 67,387 Queens
$ 165,047[illegible] Manhattan
FULL VALUE PER RESIDENT WADA
—
DOLLARS PER PUPIL

Figure 6-14

CITY SCHOOL DISTRICT OF NEW YORK STATE AID PER PUPIL
1974-1975



7. TOTAL OPERATING AID

Once a district's state aid per pupil is determined, the district's total operating aid is easily computed by multiplying its aid per pupil by its total number of aidable pupil units:

DISTRICT TOTAL OPERATING AID	=	DISTRICT TOTAL AIDABLE PUPIL UNITS	×	DISTRICT STATE AID PER PUPIL

This equation uses the results of the state aid per pupil equation to determine the total state aid a district receives. The school financial aid policies embodied in determing the total number of aidable pupil units is of secondary importance compared with determining state aid per pupil.

A. Aidable Pupil Units

For aid payable in the 1974-1975 school year, the total number of aidable pupil units (TAPU) is made up of thirteen separate categories of students (Figure 7-1). Every component is based on average daily attendance (ADA) and each pupil appears in only one box in the diagram. Each box shows the weights received by pupils in that category. For instance, a non-severely handicapped secondary school pupil with special educational needs receives three weights - regular (1.00), special educational needs (0.25), and non-severely handicapped (1.00).

The different types of aidable pupil units are:

- Adjusted ADA is based on the 1973-1974 ADA of:
  - All regular pupils, weighting them according to their full time equivalent status. Pupils in half-day kindergarten count as 0.50, and pupils in full-day kindergarten and grades 1-12 count as 1.00. This includes pupils in occupational education classes in grades 10-12.

- All pupils in classes for the non-severely handicapped, weighting them according to their full time equivalent status.

- All pupils in classes for the severely handicapped are excluded. They receive state aid from a separate special services aid formula.

- Special educational needs ADA, weighted an additional 0.25, is based on a flat percent of the 1973-1974 total adjusted ADA (Table 7-1).

  - Pupils with special educational needs are those who score below minimum competency on the Pupil Evaluation Program (PEP) tests. Minimum competency is defined as two years below grade level.

  - The percent is an average derived from reading and mathematics PEP tests administered to sixth grade pupils in 1971 and 1972 (Figure 7-2).

  - Applying a flat percent to the total adjusted ADA has the effect of assuming that pupils with special educational needs are spread evenly among all the components of the total adjusted ADA.

  - The number of pupils with special educational needs is an estimate since the percent is derived from 1971 and 1972 sixth grade test scores and is applied to 1973-1974 total adjusted ADA.

- Handicapping conditions ADA, weighted an additional 1.00, is based on the estimated 1974-1975 ADA of pupils who are in classes for non-severely handicapped children.

  - This excludes severely handicapped children, who are aided by a separate special services aid formula.

- Secondary school pupils, weighted an additional 0.25, is based on the 1973-1974 ADA of pupils in grades 7-12 who are not:

  - Already weighted for special educational needs.

  - In classes for non-severely handicapped children.

  - In occupational education classes. Note: occupational education is additionally aided by a separate special services aid formula.

Figure 7-I

COMPONENTS OF AIDABLE PUPIL UNITS
1974-1975

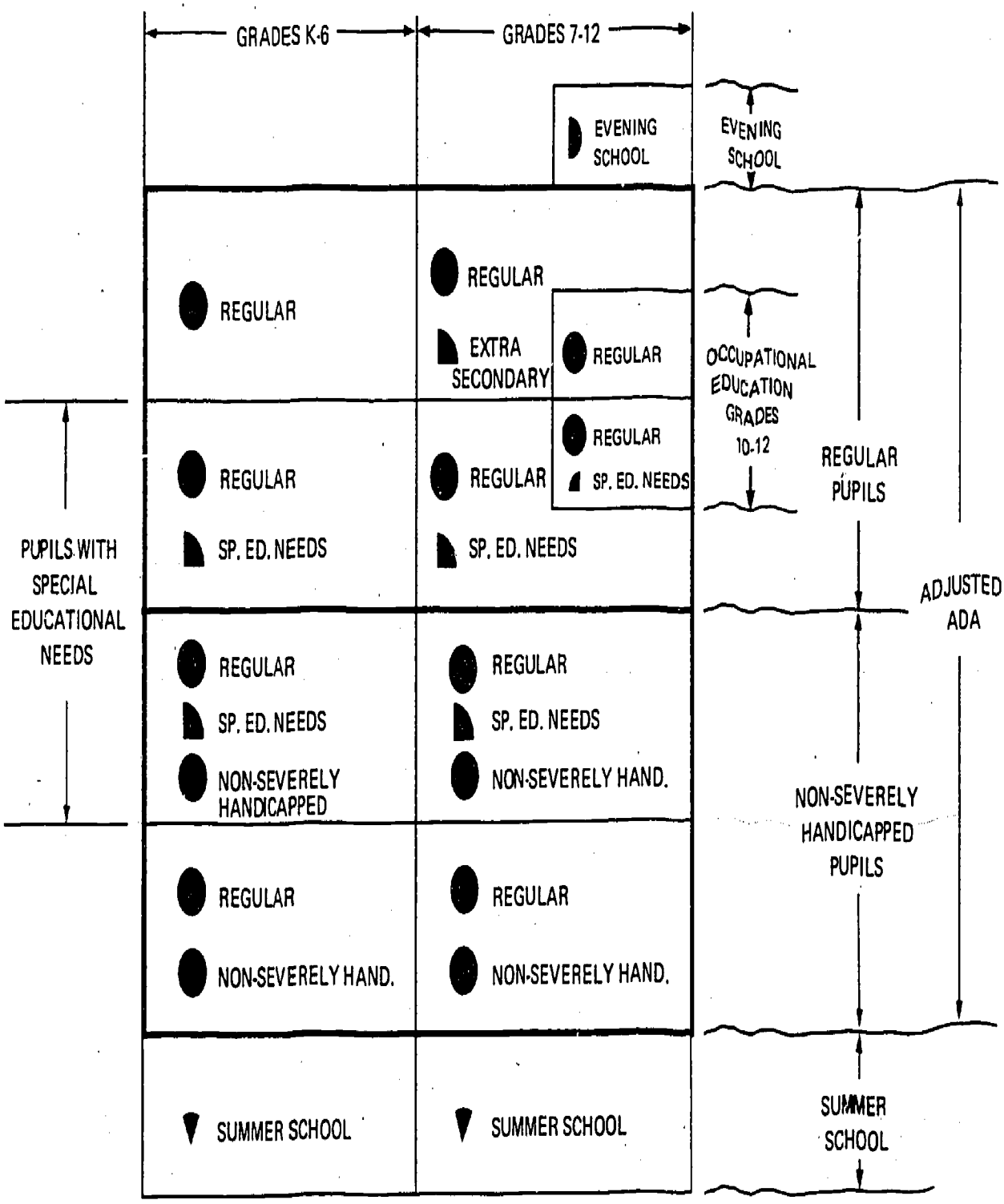


TABLE 7-1

CITY SCHOOL DISTRICT OF NEW YORK

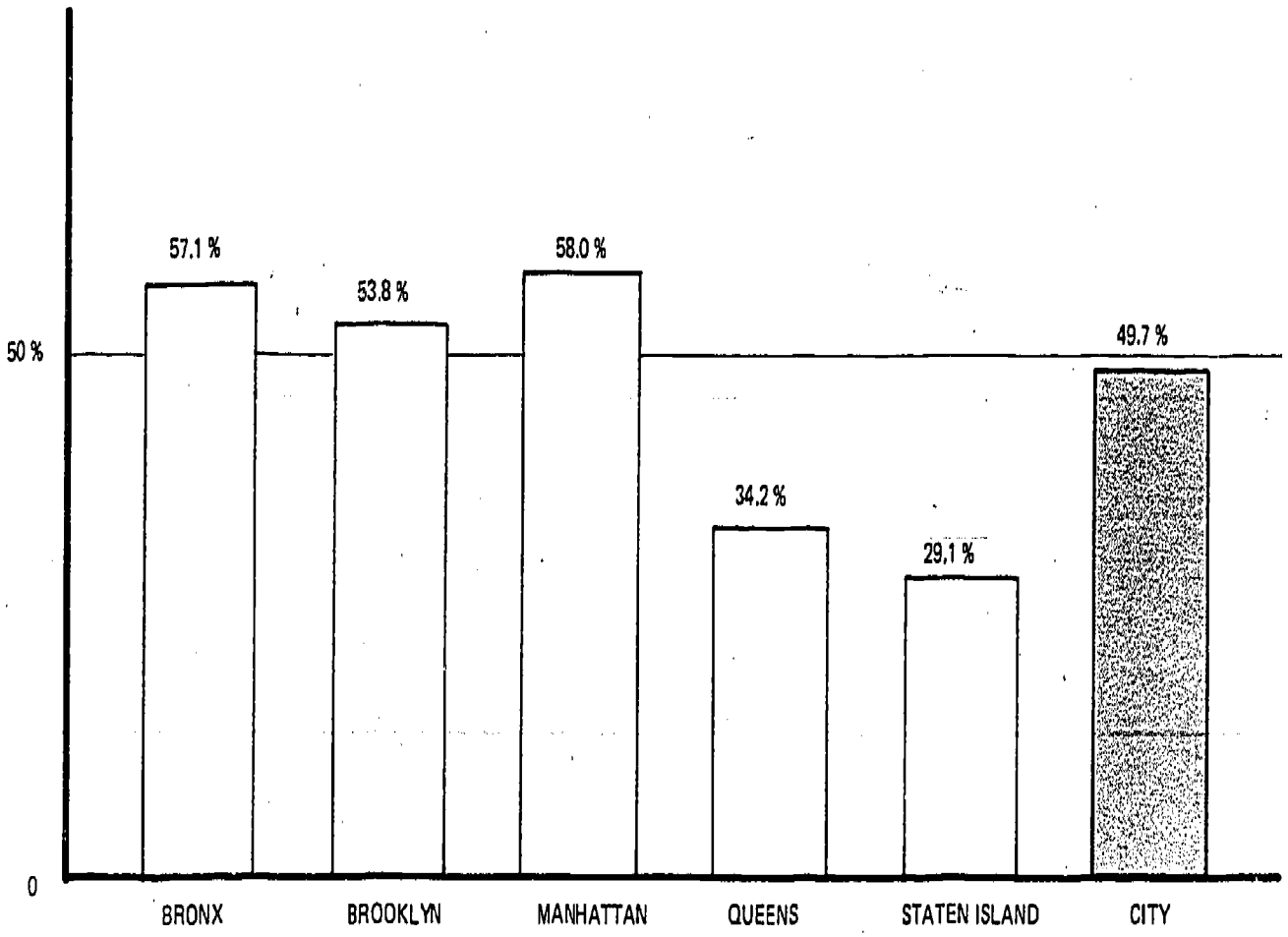
SPECIAL EDUCATIONAL NEEDS PUPILS

1974-1975

	BRONX	BROOKLYN	MANHATTAN	QUEENS	STATEN ISLAND	CITY
6th Grade Pupils Taking PEP Tests						
1971 Reading	16,940	27,168	10,554	16,324	3,629	74,615
1971 Math	16,691	26,305	10,324	15,980	3,647	72,947
1972 Reading	16,638	27,732	10,292	15,761	3,772	74,195
1972 Math	16,308	27,422	10,216	15,599	3,785	73,330
Total	66,577	108,627	41,386	63,664	14,833	295,087
6th Grade Pupils Scoring Below Level 4						
1971 Reading	9,668	14,653	6,145	5,612	1,035	37,113
1971 Math	9,559	14,697	6,096	5,419	1,128	36,939
1972 Reading	9,297	14,313	5,788	5,312	995	35,705
1972 Math	9,499	14,808	6,016	5,440	1,165	36,928
Total	38,063	58,471	24,045	21,783	4,323	146,685
Percent Below Minimum Competency	57.1 %	53.8 %	58.0 %	34.2 %	29.1 %	49.7 %
Total Adjusted ADA	177,142.50	306,450.00	127,102.50	203,100.00	46,565.00	860,360.00
Special Educational Needs ADA	101,148.36	164,870.10	73,719.45	69,460.20	13,550.41	422,748.52
Special Educational Needs Aidable Pupil Units	25,287.09	41,217.52	18,429.86	17,365.05	3,387.60	105,687.12

FIGURE 7-2

PUPILS SCORING BELOW MINIMUM COMPETENCY*
1971 AND 1972 PEP TESTS



* 6TH GRADE PUPILS SCORING BELOW LEVEL 4 IN READING AND MATHEMATICS.

- Summer session ADA, weighted 0.12, is based on the 1973 summer school ADA.

- Evening session ADA, weighted 0.50, is based on the 1973-1974 ADA of evening high school classes.

For the City School District of New York, Table 7-2 lists the data that goes into the components of the district's total aidable pupil units. Table 7-3 develops each part of the TAPU.

B. Formula Aid and Actual Aid

Multiplying each borough's total aidable pupil units by its most favorable state aid per pupil gives the total formula operating expense aid for each borough (Table 7-4). The total aid for the City School District is the sum of the borough totals.

- For 1974-1975, the total formula operating expense aid for the City School District of New York is $590,067,264.39* (Table 7-4 and Figure 7-3).

This amount of "pure" state aid is determined only by the formula. There are adjustments and restrictions that have to be checked before the actual amount of operating expense aid is determined (Figure 7-4).

- An expenditure check must be made to insure that a district is spending at least the $1,200 foundation amount per pupil. If a district is spending less, its aid per pupil is reduced proportionately.

- A district with increasing attendance receives additional operating aid in proportion to the growth of its attendance.

- A district that is spending less than the $1,200 foundation amount and that is increasing its spending receives additional operating aid in proportion to its rise in spending.

*As of March 1975, this amount is only an estimate because the final 1973-1974 ADA has not yet been established.

- A district with a tax rate higher than $24 per $1,000 of full value and with a full value per resident WADA lower than $40,000 receives additional operating aid in proportion to its high tax rate.

- A district's operating aid for 1974-1975 is limited to a maximum increase over aid received in 1973-1974. The limitation is computed two ways and the lower ceiling is applicable.

  - 115% maximum increase in aid per pupil.

  - 116% maximum increase in total aid.

- A district's aid for 1974-1975 must increase a minimum amount over aid received in 1973-1974. The limitation is computed two ways and the higher floor is applicable.

  - 108% minimum increase in aid per pupil.

  - 105% minimum increase in total aid.

- A local tax effort check must be made to insure that a district is taxing itself at least a minimum amount, $15 per $1,000 of full value. If a district is taxing itself at a lesser rate, its total aid is reduced. The reduction is equal to extra local tax levy that could be raised if the district taxed itself at the minimum required rate.

After all these adjustments and restrictions have been checked, the City School District can claim $606,951,234.99* in state operating expense aid for 1974-1975 (Table 7-5).

- Every borough spent more than $1,200 in approved operating expenses per pupil in 1973-1974 and passes the expenditure check (Table 7-6 and Figure 7-5). No aid is deducted.

- No borough qualifies for budget aid or high tax aid (Table 7-6 and 7-7).

*As of March 1975, this amount is only an estimate because the final 1973-1974 ADA has not yet been established.

TABLE 7-2

CITY SCHOOL DISTRICT OF NEW YORK AVERAGE DAILY ATTENDANCE*

(UNDUPLICATED COUNT)

1973-1974

CATEGORY OF PUPIL	BRONX	BROOKLYN	MANHATTAN	QUEENS	STATEN ISLAND	CITY
Regular Pupils						
Half-Day Kindergarten	11,325	19,000	6,025	14,950	3,900	55,200
Full-Day Kindergarten & Grade 1-6	99,515	160,875	62,010	96,075	23,455	441,930
Grades 7-12	64,970	120,065	51,110	91,780	19,290	347,215
Occupational Education Grade 10-12	3,950	11,425	7,225	5,050	1,000	28,650
Total	179,760	311,365	126,370	207,855	47,645	872,995
Non-Severely Handicapped						
Grades K-6	1,370	2,730	1,580	1,415	405	7,500
Grades 7-12	1,675	1,855	2,165	1,305	465	7,465
Total	3,045	4,585	3,745	2,720	870	14,965
Severely Handicapped						
Grades K-6	720	750	1,400	895	235	4,000
Grades 7-12	725	665	640	670	125	2,825
Total	1,445	1,415	2,040	1,565	360	6,825
Grand Total						
Grades K-6	112,930	183,355	71,015	113,335	27,995	508,630
Grades 7-12	71,320	134,010	61,140	98,805	20,880	386,155
Total	184,250	317,365	132,155	212,140	48,875	894,785

*As of March 1975, these are estimated because the final 1973-1974 ADA has not been established.

TABLE 7-3

COMPONENTS OF AIDABLE PUPIL UNITS*

1974-1975**

CATEGORY OF PUPIL (WEIGHT)	DATE OF DATA	BRONX	BROOKLYN	MANHATTAN	QUEENS	STATEN ISLAND	CITY
Adjusted ADA (1.00)							
Grades K-6	1973-1974	105,177.50	170,375.00	65,022.50	103,550.00	25,405.00	469,530.00
Grades 7-12	1973-1974	64,970.00	120,065.00	51,110.00	91,780.00	19,290.00	347,215.00
Occup. Ed. Gr. 10-12	1973-1974	3,950.00	11,425.00	7,225.00	5,050.00	1,000.00	28,650.00
Non-Sev. Handicapped	1973-1974	3,045.00	4,585.00	3,745.00	2,720.00	870.00	14,965.00
Total	1973-1974	177,142.50	306,450.00	127,102.50	203,100.00	46,565.00	860,360.00
Special Ed. Needs (0.25)							
Grades K-6	1973-1974	15,014.09	22,915.44	9,428.26	8,853.53	1,848.21	58,059.53
Grades 7-12	1973-1974	9,274.47	16,148.74	7,410.95	7,847.19	1,403.35	42,084.70
Occup. Ed. Gr. 10-12	1973-1974	563.86	1,536.66	1,047.63	431.78	72.75	3,652.68
Non-Sev. Handicapped	1973-1974	434.67	616.68	543.03	232.56	63.29	1,890.23
Total	1973-1974	25,287.09	41,217.52	18,429.87	17,365.06	3,387.60	105,687.14
Non-Severely Handicapped (1.00)							
Grades K-6	1974-1975	1,550.00	2,990.00	1,930.00	1,630.00	485.00	8,585.00
Grades 7-12	1974-1975	1,955.00	2,130.00	2,670.00	1,515.00	595.00	8,865.00
Total	1974-1975	3,505.00	5,120.00	4,600.00	3,145.00	1,080.00	17,450.00
Secondary School (0.25)	1973-1974	6,968.03	13,867.51	5,366.55	15,097.81	3,419.15	44,719.05
Summer School (0.12)	1973	674.34	1,370.28	579.78	685.09	142.34	3,451.83
Evening School (0.50)	1973-1974	625.00	1,481.25	1,150.00	425.00	35.00	3,716.25
Total		214,201.96	369,506.56	157,228.70	239,817.96	54,629.09	1,035,384.27

*As of March 1975, these are estimates because the final 1973-1974 ADA has not yet been established.

**For Aid payable in 1974-1975.

TABLE 7-4

CITY SCHOOL DISTRICT OF NEW YORK FORMULA OPERATING EXPENSE AID*

BOROUGH	STATE AID PER PUPIL	TOTAL AIDABLE PUPIL UNITS	TOTAL OPERATING AID
Bronx	$802.35	214,201.96	$171,864,942.61
Brooklyn	663.14	369,506.56	245,034,580.20
Manhattan	360.00	157,228.69	56,602,328.40
Queens	393.61	239,817.95	94,394,743.29
Staten Island	405.84	54,629.09	22,170,669.89
City	**	1,035,384.25	$590,067,264.39

* As of March 1975, these amounts are only estimates because the final 1973-1974 ADA has not yet been established.

** If state aid per pupil were computed for the city as a whole, a citywide aid per pupil of $399.67 would be derived from the minimum aid formula, and the total aid would be $413,812,023.19.

Figure 7-3

CITY SCHOOL DISTRICT OF NEW YORK
FORMULA OPERATING EXPENSE AID
1974-1975

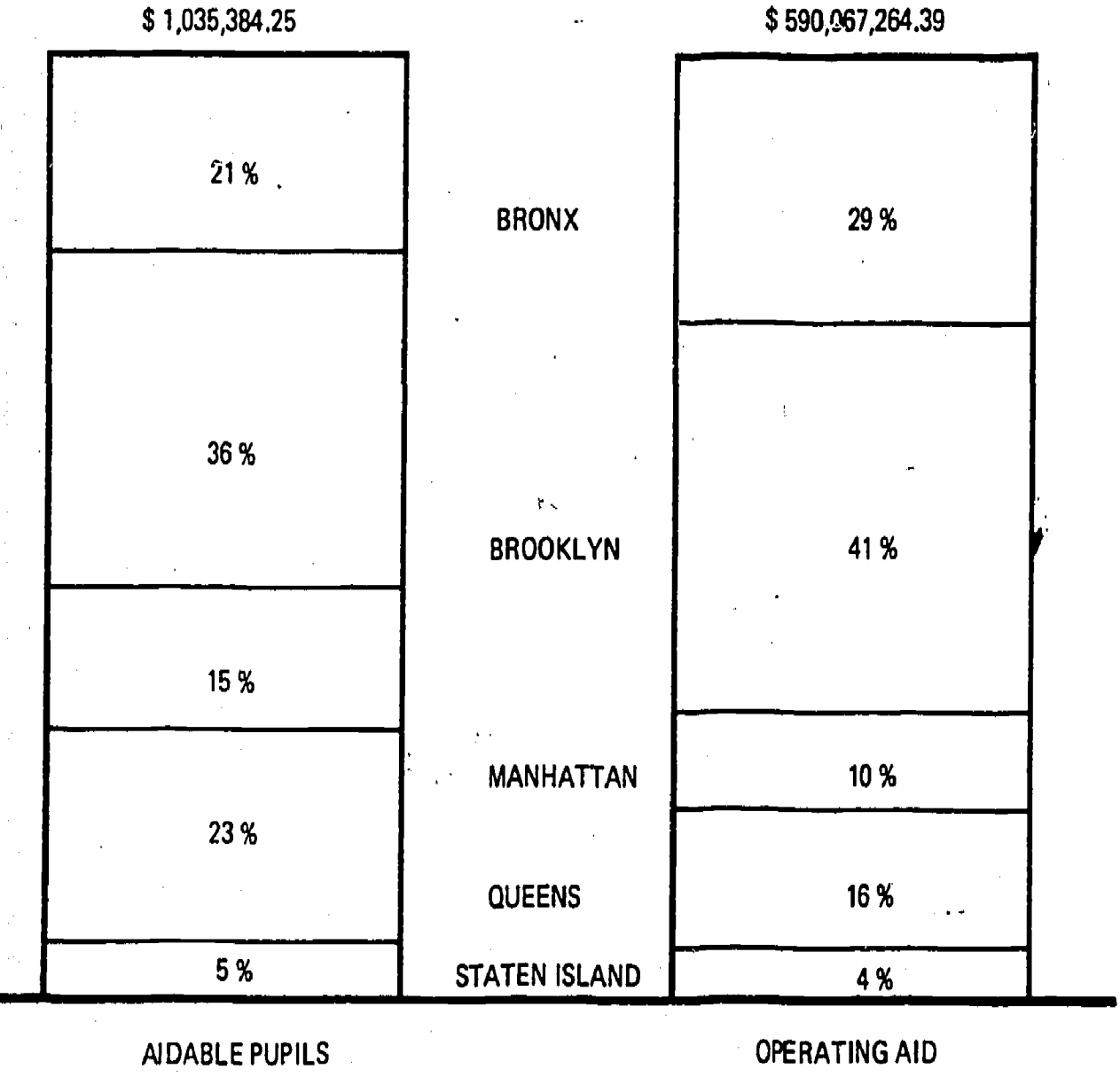


Figure 7-4

ADJUSTING FORMULA OPERATING AID

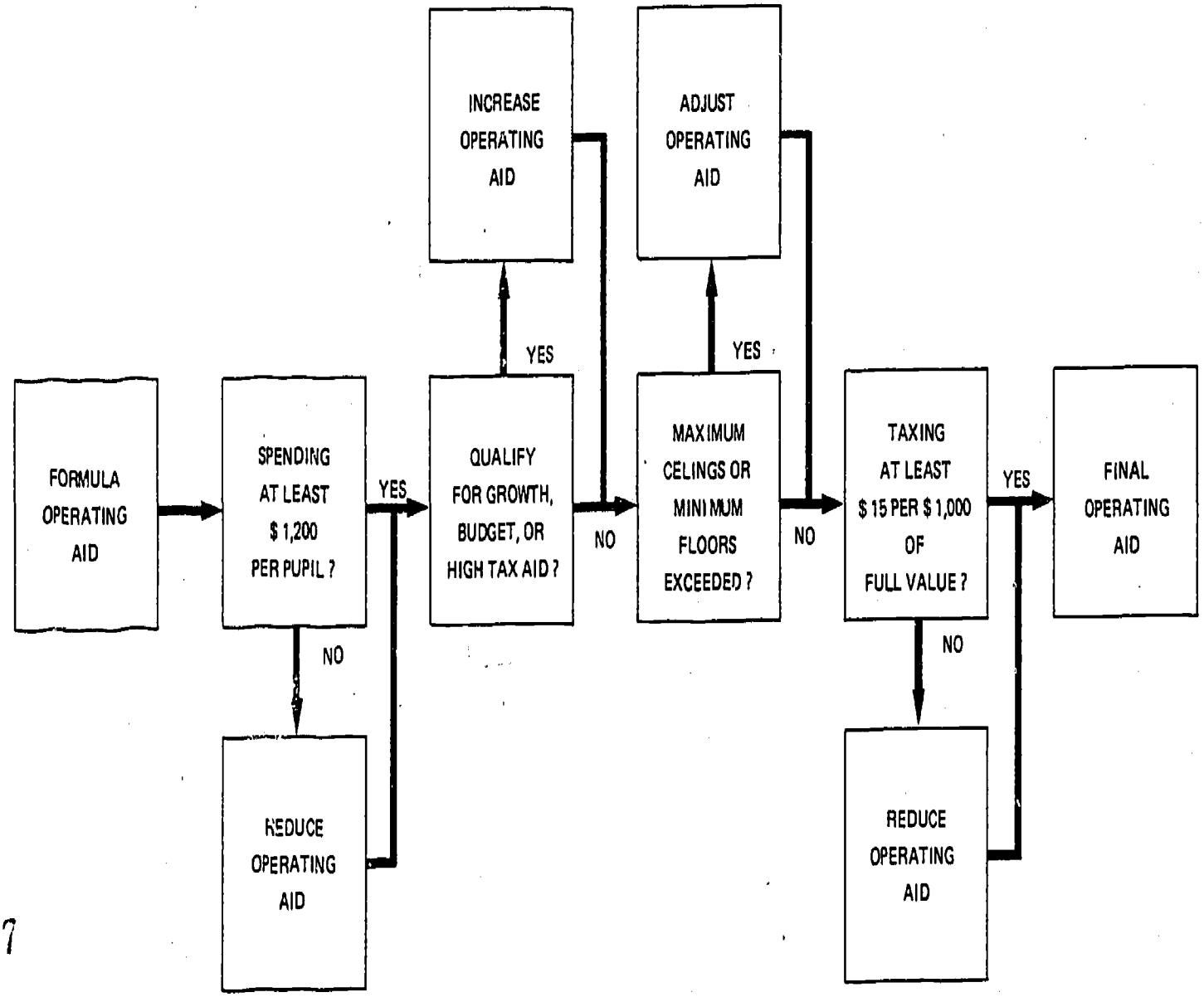


TABLE 7-5

CITY SCHOOL DISTRICT OF NEW YORK OPERATING AID SUMMARY*

1974-1975

	BRONX	BROOKLYN	MANHATTAN	QUEENS	STATEN ISLAND	CITY
Formula Operating Expense Aid	$171,864,942.61	$245,034,580.20**	$56,602,328.40	$ 94,394,743.29	$22,170,669.89	$590,067,264.39
1974-1975 Growth Aid	- 0 -	- 0 -	- 0 -	- 0 -	288,216.70	288,218.70
115% Maximum Ceiling Aid	170,841,335.42**	254,319,295.13	70,165,873.72	109,168,541.39	24,439,366.23	628,934,411.89
116% Maximum Ceiling Aid	174,451,995.29	260,257,441.53	71,633,152.48	110,340,516.05	24,368,417.31	641,051,522.66
108% Minimum Floor Aid	160,442,517.67	238,839,116.27	65,895,161.76**	102,523,187.60**	22,656,970.01**	590,356,953.31
105% Minimum Floor Aid	157,909,133.67	235,577,856.55	64,840,353.54	99,877,191.25	22,057,619.12	580,262,154.13
Actual Operating Expense Aid	170,841,335.42	245,034,580.20	65,895,161.76	102,523,187.60	22,656,970.01	606,951,234.99
Gain or (Loss) Over Formula	$ (1,023,607.19)	$ - 0 -	$ 9,292,833.36	$ 8,128,444.31	$ 486,300.12	$ 16,883,970.60
Percent Gain or (Loss)	(1%)	0%	16%	9%	2%	3%

* As of March 1975, the amounts are estimates because the final 1973-1974 ADA has not yet been established.
**Amount selected to be actual operating expense aid.

TABLE 7-6

CITY SCHOOL DISTRICT OF NEW YORK EXPENDITURE CHECK*

1974-1975

BOROUGH	1973-1974 APPROVED OPERATING EXPENSE	1973-1974 ADJUSTED ADA	EXPENSE PER PUPIL	FOUNDATION AMOUNT	EXPENSE AS A PERCENT OF FOUNDATION
Bronx	$ 379,548,725	177,142.50	$2,142	$1,200	179 %
Brooklyn	656,605,313	306,450.00	2,142	1,200	179
Manhattan	272,332,115	127,102.50	2,142	1,200	179
Queens	435,165,733	203,100.00	2,142	1,200	179
Staten Island	99,771,011	46,565.00	2,142	1,200	179
City	$1,843,422,897	860,360.00	2,142	1,200	179

*As of March 1975, these amounts are estimates because the final 1973-1974 ADA has not yet been established.

Figure 7-5

CITY SCHOOL DISTRICT OF NEW YORK EXPENSE PER PUPIL

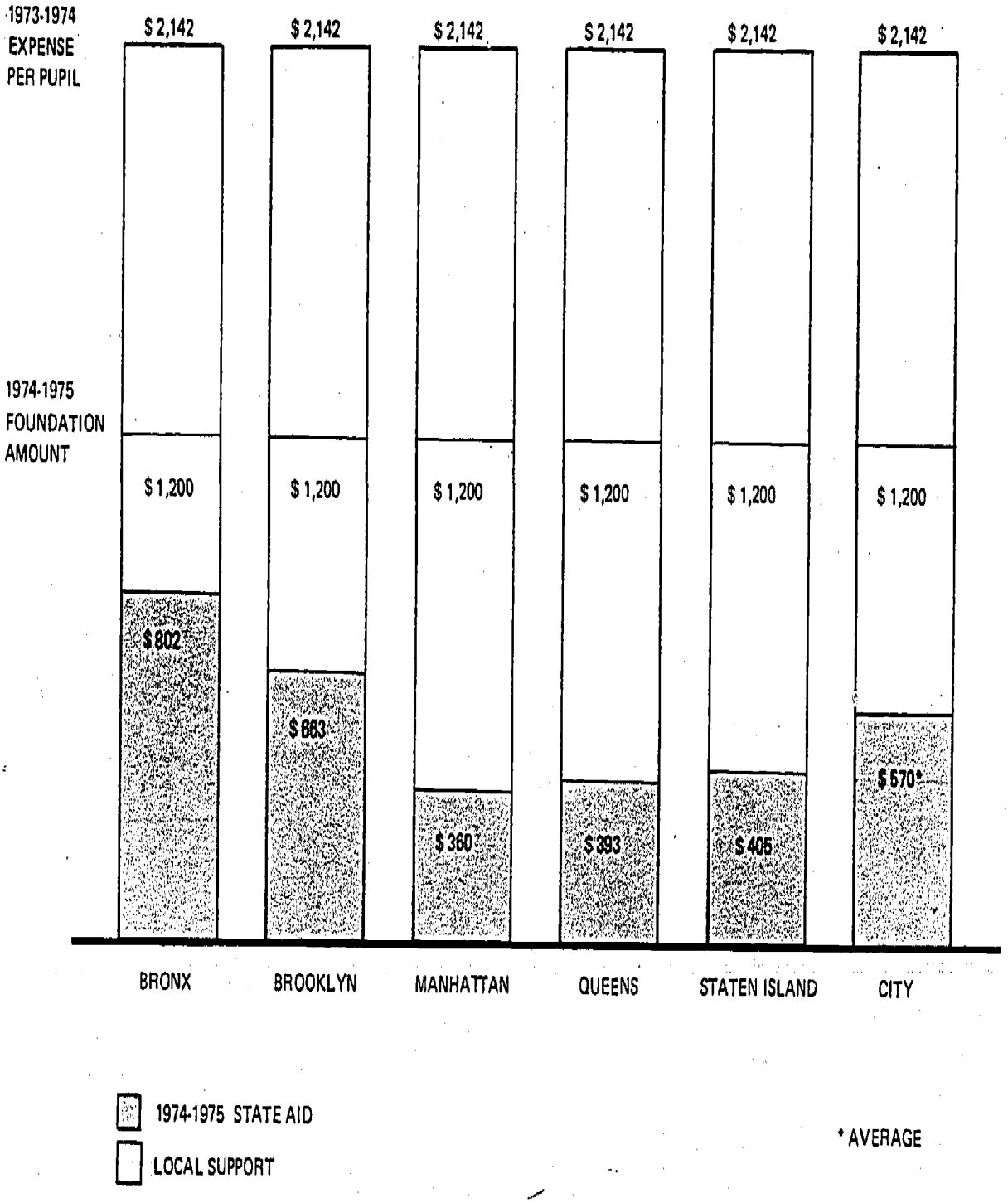


TABLE 7-7

CITY SCHOOL DISTRICT OF NEW YORK LOCAL EFFORT CHECK

1974-1975

BOROUGH	1973-1974 ASSESSED VALUATION	1974-1974 EQUALIZATION RATE	1973-1974 FULL VALUATION	REQUIRED LOCAL CONTRIBUTION AT 0.015	1974-1975 ACTUAL LOCAL REVENUE	1974-1975 ACTUAL TAX RATE
Bronx	$ 3,759,968,190	64	$ 5,874,950,296	$ 88,124,254	$ 119,261,979	0.02030
Brooklyn	7,088,695,577	52	13,632,106,878	204,481,603	276,732,902	0.02030
Manhattan	17,891,006,104	65	27,524,624,775	412,869,371	558,752,170	0.02030
Queens	8,512,512,686	50	17,025,025,372	255,375,380	345,609,430	0.02030
Staten Island	1,476,565,298	45	3,281,256,217	49,218,843	66,609,774	0.02030
Borough Total	38,728,747,855	..	67,337,963,538	1,010,069,451	1,366,966,255	0.02030
Citywide	$38,728,747,855	57*	$67,945,171,675	$1,019,177,575	$1,366,966,255	0.02012

*Since equalization rates must have only two digits, 57 is the number nearest the average of the borough total: $38,728,747,855 - $67,337,963,538 = 0.575. A citywide equalization rate of 56 would be too small, and 58 would be too large.

- Aid for the Bronx is reduced by the 115% maximum aid per pupil increase ceiling (Table 7-5).

- Aid for Brooklyn is unchanged (Table 7-5).

- Aid for Manhattan is increased by the 108% minimum aid per pupil increase floor (Table 7-5).

- Aid for Queens is also increased by the 108% minimum aid per pupil increase floor (Table 7-5).

- Aid for Staten Island is adjusted upward for growth aid and then increased even more by the 108% minimum aid per pupil increase floor (Table 7-5).

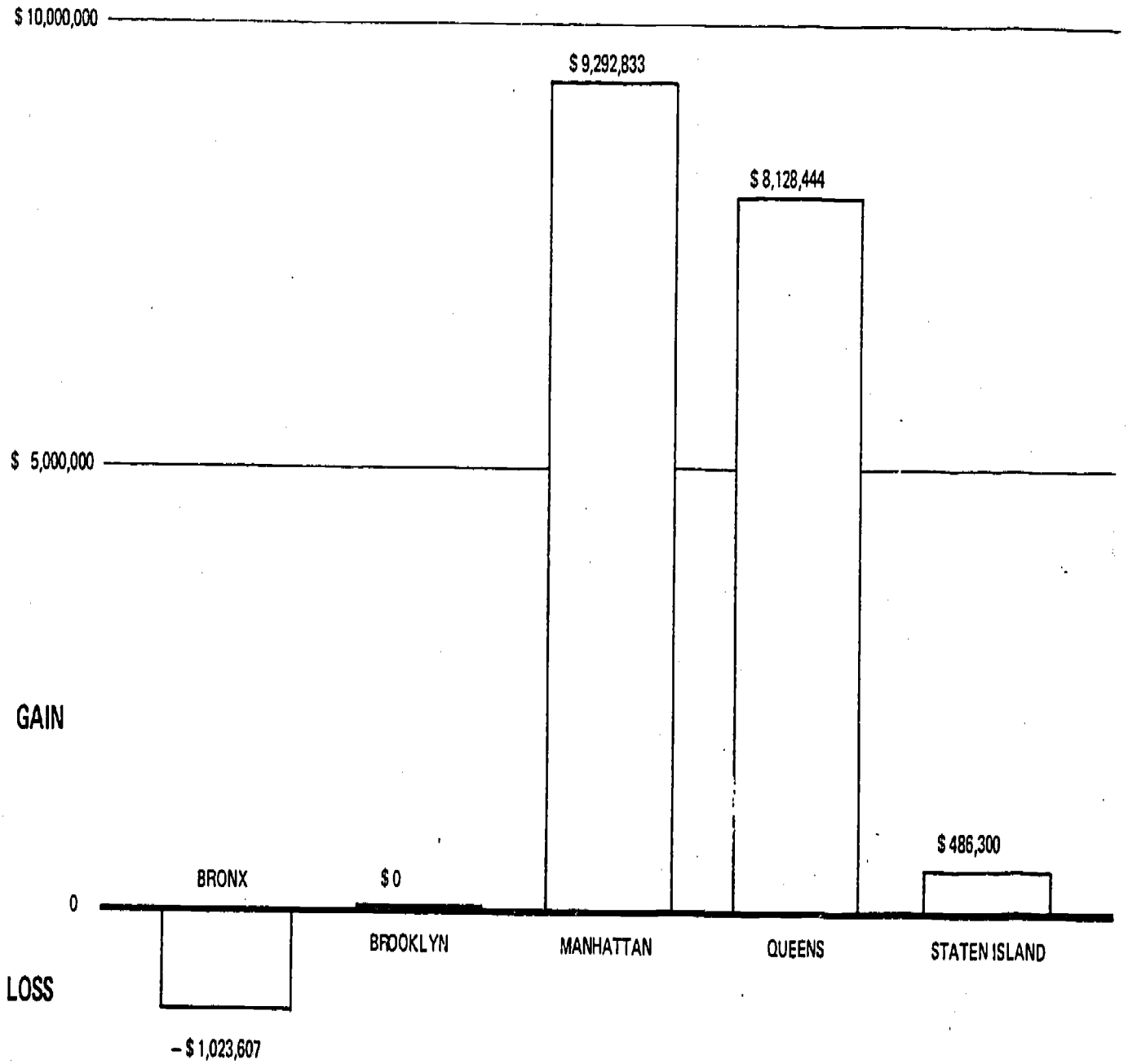
- Every borough is taxing real property for schools at a rate greater than 0.015 and passes the local effort check. No aid is deducted (Table 7-7).

The net effect of all the checks and adjustments is that the City School District of New York gains $16.9 million (Table 7-5 and Figure 7-6), which is about 3% more aid than the "pure" formula amount.

FIGURE 7-6

ADJUSTMENTS TO 'PURE' FORMULA OPERATING AID

NET TOTAL GAIN = $ 16,883,970



III. CRITIQUE OF THE FORMULA

How well does the present state education aid formula implement the educational finance policies and objectives of the State of New York?

- Do all youth have equal educational opportunity?
- Does every person, student and taxpayer, have equal protection under the laws?

The answers given by the formula to these questions determine whether or not state aid is distributed fairly among all school districts. This analysis of the state education aid formula concludes that:

- The present state education aid formula does equalize for some differences among school districts.
- However, enough difference remains so that:
  - All youth do not have equal educational opportunity.
  - All persons do not have equal protection under the laws.

The major deficiencies causing the unequalizing aid distribution of the present state education aid formula are:

- The foundation amount and required tax rate have not kept pace with actual expenses. Poorer districts are forced to bear an increasingly heavier financial burden to make up for the inadequate state aid.
- The local tax rates required by the formula are totally perverse. Poorer districts must tax themselves more heavily than richer districts. This backward situation can be corrected only by totally revising the shape of the formula.

- There is no adjustment for differences in the cost of doing business across the State. Districts in high cost areas need more dollars than districts in low cost areas to buy identical educational services.
- The measure of financial ability to support public schools makes city school districts look "richer" than they really are. A district's total wealth should be adjusted for the overburden of non-educational municipal services so that the formula uses the net wealth available for education.
- The measure of educational resource needs should count pupils enrolled rather than pupils in attendance. Distributing state education aid on the basis of attendance does not give every student equal protection under the laws.

Each part of the state education aid formula will be analyzed separately:

- Foundation amount
- Required local tax rate
- Measuring financial ability
- Measuring educational resource needs.

The formula for special services aid is also analyzed. Where possible, deficiencies of the present formula are illustrated by estimating the impact on state aid received by the City School District of New York.

8. FOUNDATION AMOUNT

The foundation amount, $1,200 in 1974-1975, is supposed to be sufficient to provide a minimum adequate educational program to every child in the state.

- For 1974-1975 the average expense per pupil in WADA is $1,610. This is 34% more than $1,200.
- Fewer than 25% of the state's 708 school districts spend less than $1,200. These low spending districts are either very small or have to pay very low salaries.
- In New York City, the average expense per pupil in WADA is $1,805 . This is 50% more than the foundation amount.

The huge difference between the foundation amount and actual expenses mutes the equalization efforts of the state aid formula. This is the result of two factors:

- The foundation amount has not kept pace with expenses.
- There is no adjustment for the cost of doing business.

The gap between the foundation amount and expenses is discussed in this section, and the cost of doing business is discussed in Section 10.

A. Keeping Pace With Expenses

In the past decade, the approved operating expense per pupil in weighted average daily attendance has more than doubled (Table 8-1 and Figure 8-1). During this same period, the foundation amount has fallen steadily behind,and only this year was it raised to a more realistic level (Table 8-1 and Figure 8-2). In 1965-66, the foundation amount was 84% of expenses. If this relationship has been maintained so that the foundation amount kept pace with expenses, it would now be $1,360 instead of $1,200 (Table 8-1).

TABLE 8-1

THE GAP BETWEEN EXPENSES AND THE FOUNDATION AMOUNT

FISCAL YEAR	STATE AVERAGE EXPENSE PER PUPIL IN WADA		FOUNDATION AMOUNT PER PUPIL			
	AMOUNT	INDEX	AMOUNT	INDEX	PERCENT OF EXPENSE	FOUNDATION ADJUSTED BY EXPENSES
1965-1966	$ 711	100	$600	100	84%	$ 600
1966-1967	783	110	660	110	84	660
1967-1968	829	117	660	110	80	700
1968-1969	954	134	760	127	80	805
1969-1970	1,031	145	760	127	74	870
1970-1971	1,172	165	$760, $860*	127, 143	65, 73	990
1971-1972	1,218	171	760, 860*	127, 143	62, 71	1,030
1972-1973	1,322	186	760, 860*	127, 143	57, 65	1,115
1973-1974	1,472**	207	760, 860*	127, 143	52, 58	1,240
1974-1975	1,610**	226	1,200	200	75	1,360

*From 1970-1974, the state aid formula has two foundation amounts.

**Estimate

Figure 8-1

RELATIVE INCREASES IN EXPENSE PER PUPIL AND FOUNDATION AMOUNT

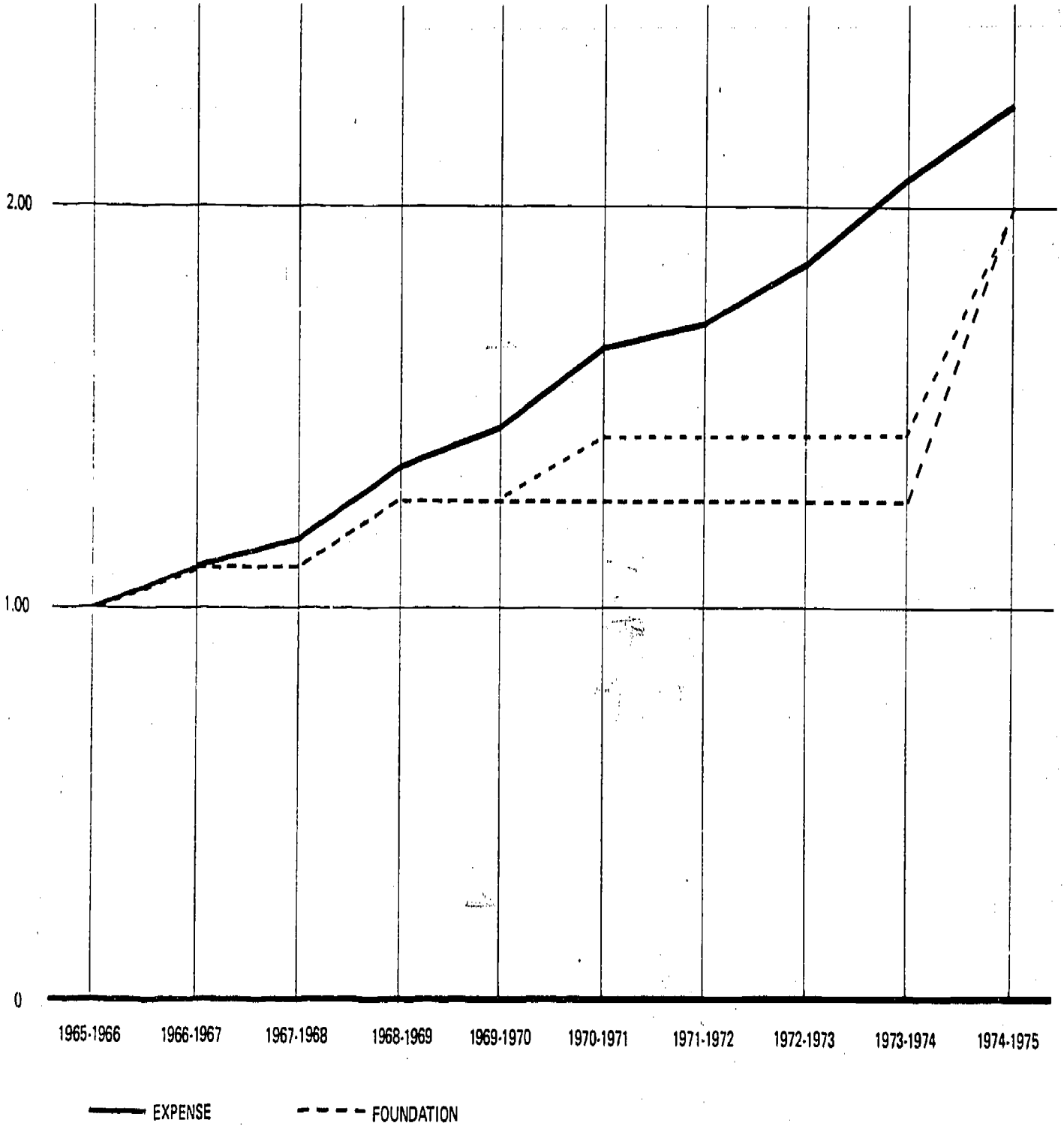
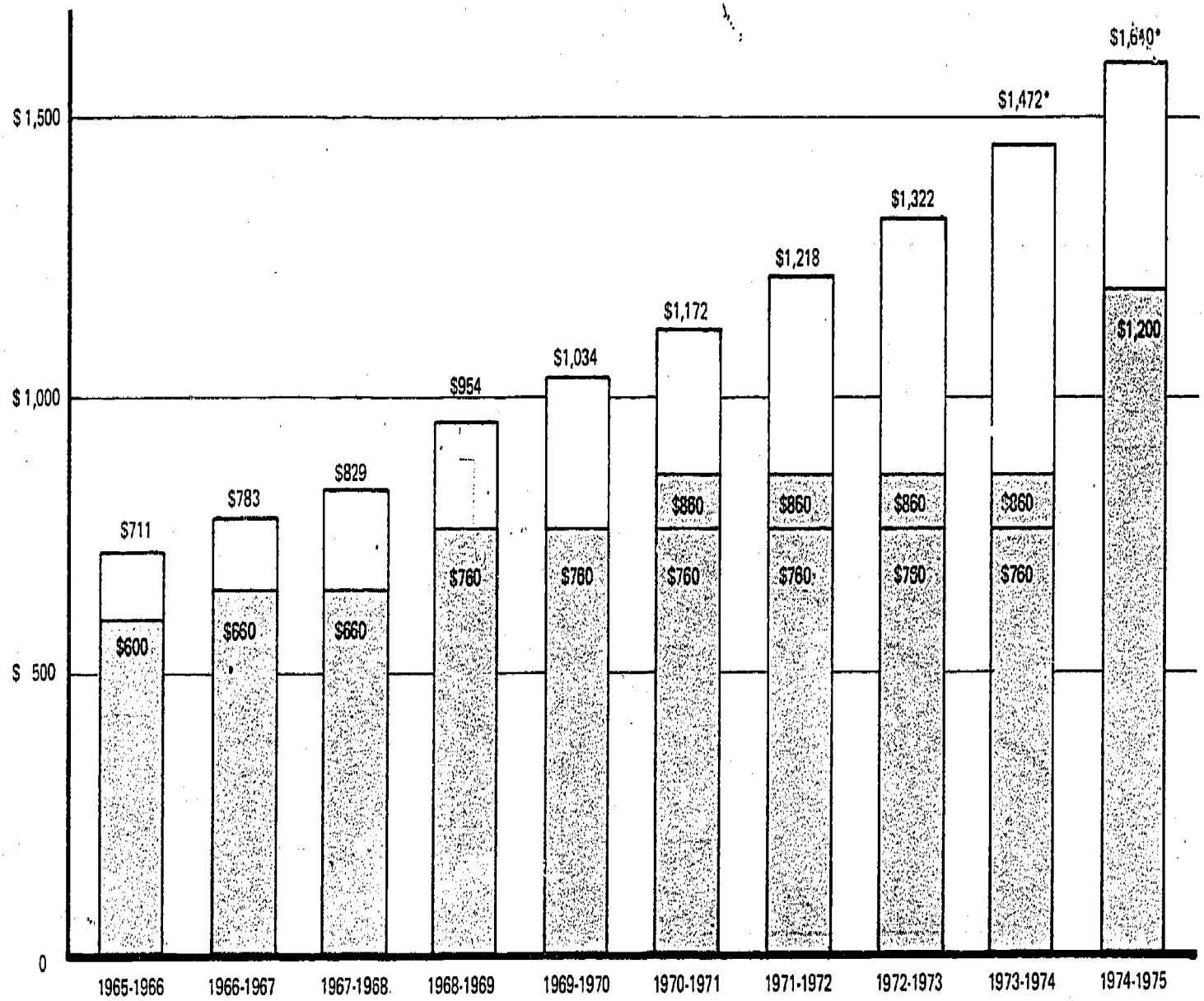


Figure 8-2

STATE OF NEW YORK
EXPENSE PER PUPIL AND FOUNDATION AMOUNT



GAP BETWEEN EXPENSE AND FOUNDATION

FOUNDATION AMOUNT

* ESTIMATE

When the foundation amount is unrealistically low, the equalization impact of state aid is lessened. Rich districts will always be able to and usually do spend more than the foundation amount. They can easily afford the "price" of a slightly higher tax rate to raise the extra funds. A poor district must pay a very high tax rate "price" to support expenses above the foundation amount without aid. The more unrealistically low the foundation amount is, the greater is the tax burden on poor districts and the less equalization is accomplished by the formula. An example will show how much equalization there really is in the current state aid formula. Table 8-2 lists some facts for three school districts selected for their differences in wealth: Salmon River, a hypothetical district of average wealth, and Pocantico Hills.

How much does state aid equalize for differences among districts in wealth per pupil?

- Salmon River:
  - Has only 12 cents of full value per resident WADA for every dollar that the average district has (Table 8-2, line 1).
  - Receives $2.04 in state aid for every dollar received by the average district (Table 8-2, line 2).
- Pocantico Hills:
  - Has $5.06 of full value per resident WADA for every dollar that the average district has (Table 8-2, line 1).
  - Receives 65 cents in state aid for every dollar received by the average district (Table 8-2, line 2).

How much local support is necessary so that a district can spend the state average of $1,610 per pupil?

TABLE 8-2

EQUALIZATION IMPACT OF THE STATE AID FORMULA

1974-1975

	LINE	SALMON RIVER AMOUNT	SALMON RIVER PERCENT OF AVERAGE	AVERAGE DISTRICT AMOUNT	AVERAGE DISTRICT PERCENT OF AVERAGE	POCANTICO HILLS AMOUNT	POCANTICO HILLS PERCENT OF AVERAGE
WEALTH							
Full Value Per Resident WADA	1	$5,302.00	12%	$43,300.00	100%	$218,967.00	506%
EXPENDITURE PER PUPIL							
State Aid Per Pupil	2	$1,120.47	204	$ 550.50	100	$ 360.00	65
Required Local Contribution	3	79.53	12	649.50	100	840.00	129
Foundation Amount	4	$1,200.00	100	$ 1,200.00	100	$ 1,200.00	100
Extra Local Support	5	410.00	100	410.00	100	410.00	100
Total Expenditure Per Pupil	6	$1,610.00	100	$ 1,610.00	100	$ 1,610.00	100
LOCAL SUPPORT SUMMARY							
Formula Local Contribution	7	$ 79.53	12	$ 649.50	100	$ 840.00	129
Optional Local Support	8	410.00	100	410.00	100	$ 410.00	100
Total Local Support	9	$ 489.53	46	$ 1,049.50	100	$ 1,250.00	118
ACTUAL LOCAL TAX RATE							
Formula Required Tax Rate	10	0.015	100	0.015	100	0.004	27
Optional Extra Tax Rate	11	0.077	770	0.010	100	0.002	20
Total Local Tax Rate	12	0.092	368	0.025	100	0.006	24
EXPENDITURE @ 0.025 TAX RATE							
From State Aid Formula	13	$1,120.47	204	$ 550.50	100	$ 360.00	65
From Total Local Support	14	129.73	12	1,059.50	100	5,357.90	506
Total Possible Expenditure	15	$1,250.00	78	$ 1,610.00	100	$ 5,717.90	355

- Salmon River must raise 46 cents, rather than 12 cents, for every dollar raised by the average district in order to spend $1,610 per pupil (Table 8-2, line 9).

- Pocantico Hills must raise $1.18, only 18 cents more per dollar than the average district, in order to spend $1,610 per pupil (Table 8-2, line 9).

How high a tax "price" must a district pay to raise the extra $410 above the $1,200 foundation amount so that it can spend the state average of $1,610 per pupil?

- Salmon River must pay a "price" 7.7 times higher than the average district in order to raise $410 per pupil (Table 8-2, line 11).

- Pocantico Hills must pay only one fifth the "price" paid by the average district in order to raise $410 per pupil (Table 8-2, line 11).

How much can each district spend per pupil if all districts paid the same total 0.025 tax rate "price" as the average district?

- The average district could spend $1,610 per pupil, the state average (Table 8-2, line 15).

- Salmon River could spend only $1,250 per pupil, $50 more than the minimum adequate foundation amount and 78% of the state average (Table 8-2, line 15).

- Pocantico Hills could spend $4,717 per pupil, 3.5 times the state average (Table 8-2, line 15).

The conclusion from this analysis is clear:

- While the state aid formula does equalize up to $1,200 for differences among school districts' revenue raising capacities, the gap between actual average expenditures and the foundation amount nullifies the equalization impact.

- The greater the gap, the less equalizing is the formula.

B. The Flat Grant

The case of Pocantico Hills illustrates another unequalizing impact of the state aid formula: the flat grant guarantee. The State of New York guarantees some state aid to every district, no matter how rich it is. Before 1974-1975, the flat grant was set at 36% of the foundation amount. For 1974-1975, the flat grant was dropped to 30% of the foundation.

The effect of the flat grant is to reduce the required local contribution to a ceiling amount. This lessens the equalization impact of the required local contribution. Table 8-2, line 3, shows this clearly. For every dollar of local contribution required from the average district, Pocantico Hills is required to contribute only $1.29 even though it is five times as rich (Table 8-2, line 1).

Reducing the flat grant from 36% to 30% of the foundation improves equalization, but much unequalization still remains.

- As long as the state aid formula guarantees a flat grant, the equalization impact will be muted.
- The greater the flat grant, the less equalizing is the formula.

9. REQUIRED LOCAL TAX RATE

The state aid formula requires every school district to contribute a share of the foundation amount per pupil. Each district's share is equal to the revenue that could be raised by applying a specified tax rate to the district's tax base. The tax rate is a "price" that school districts pay to "buy" its education program (Table 9-1 and Figure 9-1). With a given tax rate, a richer district can raise more revenue than a poorer district can. The state aid formula is supposed to equalize for differences in tax bases. The following analysis shows that exactly the opposite happens: Poorer districts are required to pay a higher tax rate than richer districts.

A. Keeping Pace With Expenses

State legislation mandates that all districts actually tax themselves at the rate of at least 0.015 if they wish to be eligible for the maximum state aid determined by the formula. A district that imposes a lower tax loses state aid. A district that imposes a tax rate higher than 0.015 receives no reward for its extra effort. Rich districts are most likely to suffer the penalty for a low tax rate, but they are the ones that would be least hurt by the deduction. On the other hand, poor districts that choose to spend more than the foundation amount must pay a progressively exorbitantly high tax "price" for each extra dollar. This backward situation can nullify the equalizing intent of the state aid formula. Over the past decade, this situation has worsened as the gap between the mandated tax rate and the actual average tax has widened (Table 9-2 and Figure 9-2).

TABLE 9-1

DISTRIBUTION OF SCHOOL TAX RATES

1973-1974

TAX RATE PER $1,000 OF FULL VALUE*	NUMBER OF DISTRICTS	PERCENT OF DISTRICTS
$ 0 - $ 4.99	0	0
5.00 - 9.99	5	1
10.00 - 14.99	124	17
15.00 - 19.99	289	41
20.00 - 24.99	159	22
25.00 - 29.99	75	11
30.00 - 34.99	48	7
35.00 - 39.99	8	1
	708	100%

*For 708 school districts with eight or more teachers.

Lowest = $ 8.80
Average = $19.35
Highest = $39.93
New York City = $15.85

Source: State of New York, Department of Audit and Control Division of Municipal Affairs, "Financial Data for School Districts, Fiscal Year Ended June 30, 1973."

Figure 9-I

DISTRIBUTION OF SCHOOL TAX RATES PER $ 1,000 OF FULL VALUE
1972-1973

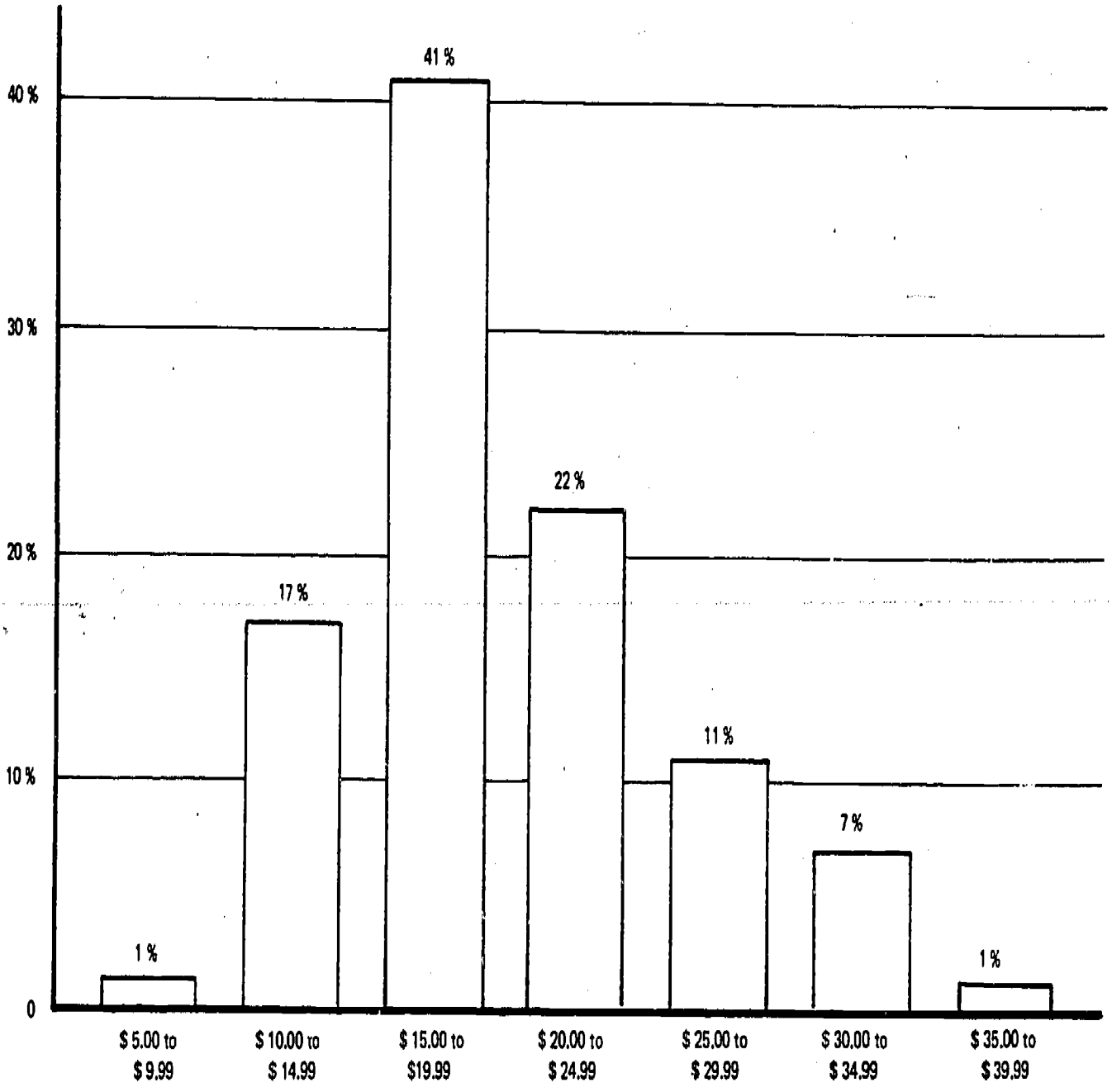


TABLE 9-2

THE GAP BETWEEN ACTUAL AND REQUIRED TAX RATES

FISCAL YEAR	ACTUAL AVERAGE TAX RATE PER $1,000 OF FULL VALUE		MANDATED TAX RATE PER $1,000 OF FULL VALUE*				
			REQUIRED		FORMULA DERIVED**		PERCENT OF ACTUAL
	RATE	INDEX	RATE	INDEX	RATE	INDEX	
1965-1966	$14.20	100	$ 9.00	100	$10.47	100	74%
1966-1967	15.91	112	11.00	122	11.29	108	71
1967-1968	17.08	120	11.00	122	10.78	103	64
1968-1969	17.30	121	11.00	122	12.34	118	71
1969-1970	19.16	135	11.00	122	13.92	133	73
1970-1971	20.78	146	11.00	122	13.58	130	65
1971-1972	20.82	147	11.00	122	13.01	124	62
1972-1973	21.11	149	11.00	122	12.02	115	57
1973-1974	Not Available		11.00	122	11.22	107	Not Available
1974-1975	Not Available		15.00	167	15.00	143	Not Available

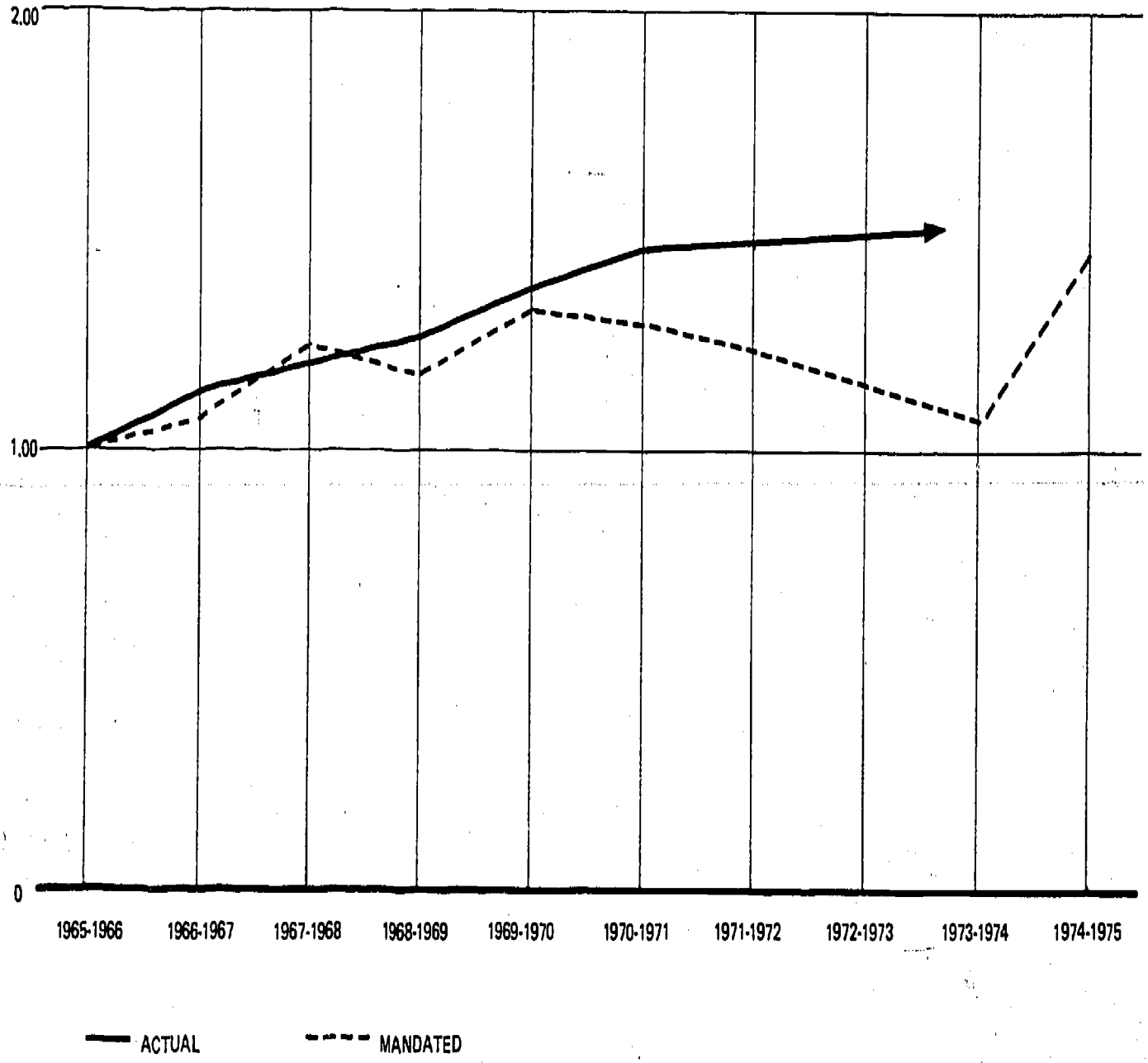
* State aid legislation mandated that the larger of the "required" or "formula derived" tax rate is the minimum local tax effort a district must make in order to be eligible for maximum formula aid.

** From 1962 to 1974, the state aid formula, the Diefendorf formula, used a foundation amount, the state average full value per resident WADA, and a required local share. These factors can be mathematically transformed into the required local tax rate used in the current formula.

$$\text{REQUIRED LOCAL TAX RATE} = \frac{\text{REQUIRED LOCAL SHARE} \times \text{FOUNDATION AMOUNT}}{\text{STATE AVERAGE FULL VALUE PER RESIDENT WADA}}$$

Figure 9-2

RELATIVE INCREASES IN ACTUAL AND MANDATED TAX RATES



- Actual tax rates have increased more than 50% in the past ten years.
- Mandated tax rates increased until 1970 and then decreased until 1974.
- The increase in mandated tax rates has not kept pace with actual tax rates.

The growing gap between actual and mandated tax rates is just another indication that total state aid for education has not kept pace with actual expenses. Local school districts are being forced to make up a larger and larger share of support for schools from local sources. As a result, the local tax rate is escalating upward just to keep up with actual expenses.

- The bigger the gap between actual and mandated tax rates, the less equalizing is the state aid formula.

B. Equalizing For Tax Effort

Each of the three state aid formulas has a different "required" local tax rate (Figure 9-3):

- 0.015 for the basic aid formula.
- 0.001 for the minimum aid formula.
- Zero for the flat grant formula.

The parameters have meaning other than tax rates. They are the rates at which a district's required local contribution increases and its state aid decreases for each extra dollar that its full value per resident WADA increases.

- For a poor or modest district receiving aid from the basic aid formula, a $1,000 increase in its full value per resident WADA will increase its required local contribution by $15 and decrease its state aid by the same $15.

- For a rich district receiving aid from the minimum aid formula, a $1,000 increase in its full value per resident WADA will increase its required local contribution by $1 and decrease its state aid by the same $1.

- For a very rich district receiving aid from the flat grant aid formula, any change in its full value per resident WADA will not change its required local contribution or its state aid.

In other words, the poor and modest districts that state aid is explicitly supposed to benefit the most lose their aid the fastest as they become richer. Rich and very rich districts, who need little or no state aid, lose their aid very slowly or not at all as they become richer. This backward situation makes poor and modest districts bear a heavier tax burden than rich and very rich distrcts.

The heavier tax burden paid by the poorer districts is measured by the effective average tax rate* the formula actually requires from a district (Figure 9-4).

- For districts with full value per resident WADA up to $52,786, the average tax rate is 0.015.

- For districts with full value per resident WADA over $52,786, the average tax rate declines from 0.015.

*The effective average tax rate is derived from the following rearrangement of the general state aid formula:

$$\text{DISTRICT AVERAGE LOCAL TAX RATE} = \left[\text{FOUNDATION AMOUNT PER PUPIL} - \text{DISTRICT STATE AID PER PUPIL}\right] \div \text{DISTRICT FULL VALUE PER RESIDENT WADA}$$

Figure 9-3

'REQUIRED' LOCAL TAX RATE
FOR EACH EXTRA DOLLAR OF FULL VALUE PER RESIDENT WADA
1974-1975

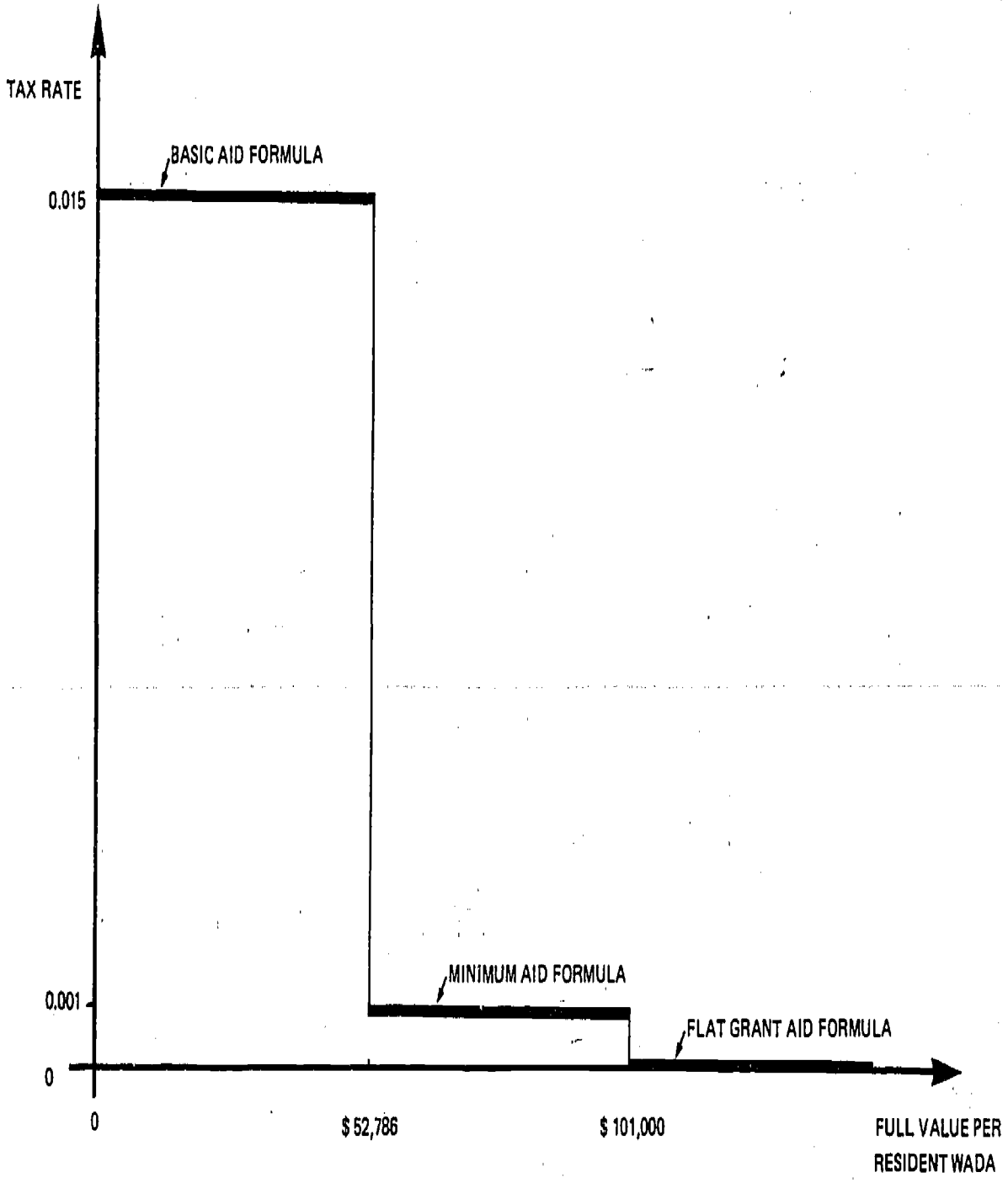


Figure 9-4

AVERAGE TAX RATE REQUIRED BY STATE AID FORMULA
1974-1975

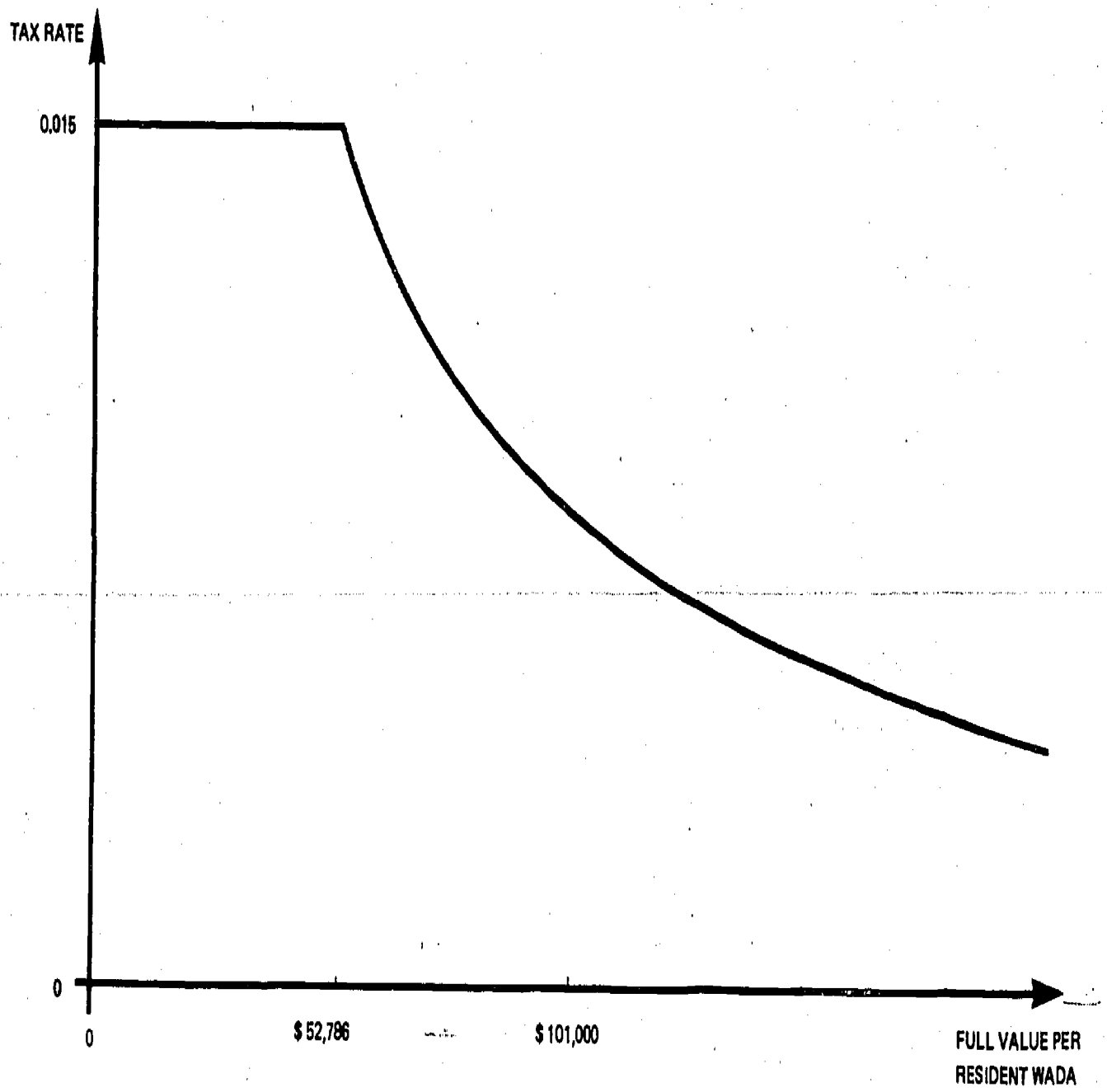
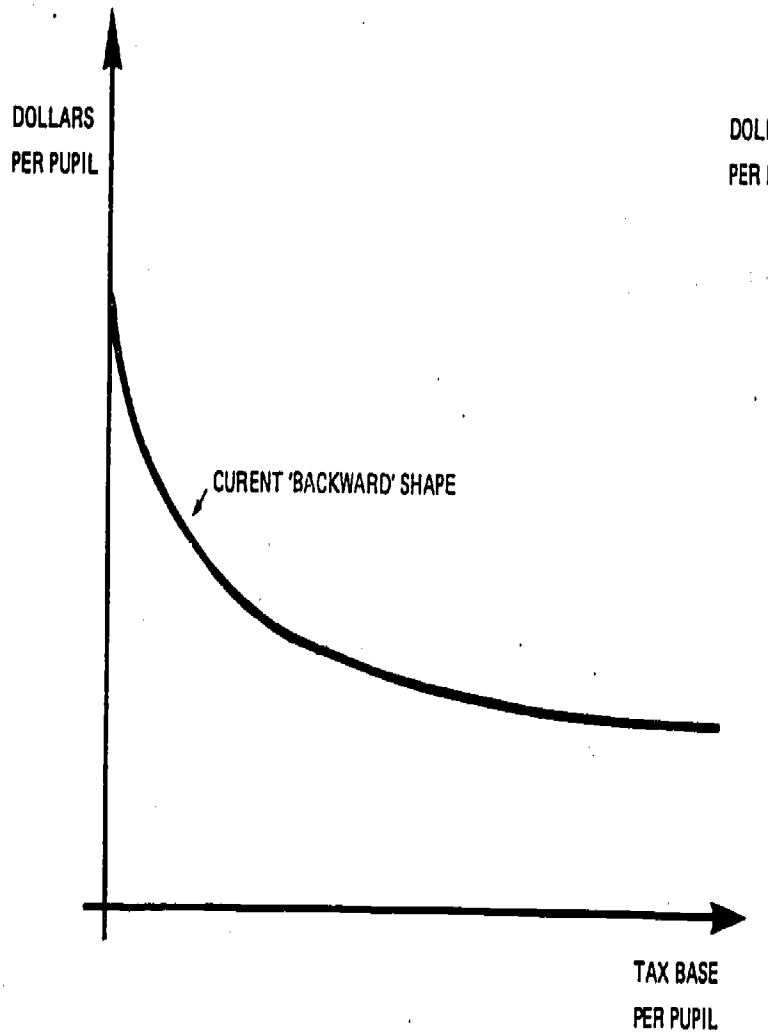


Figure 9-5

THE SHAPE OF STATE AID



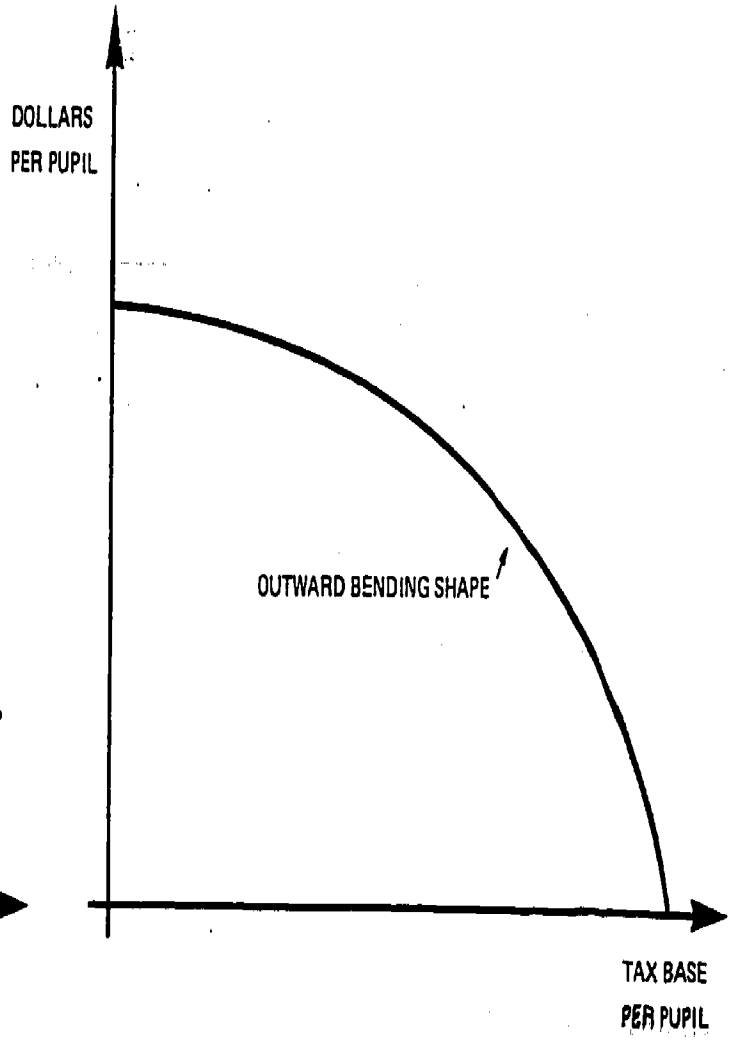
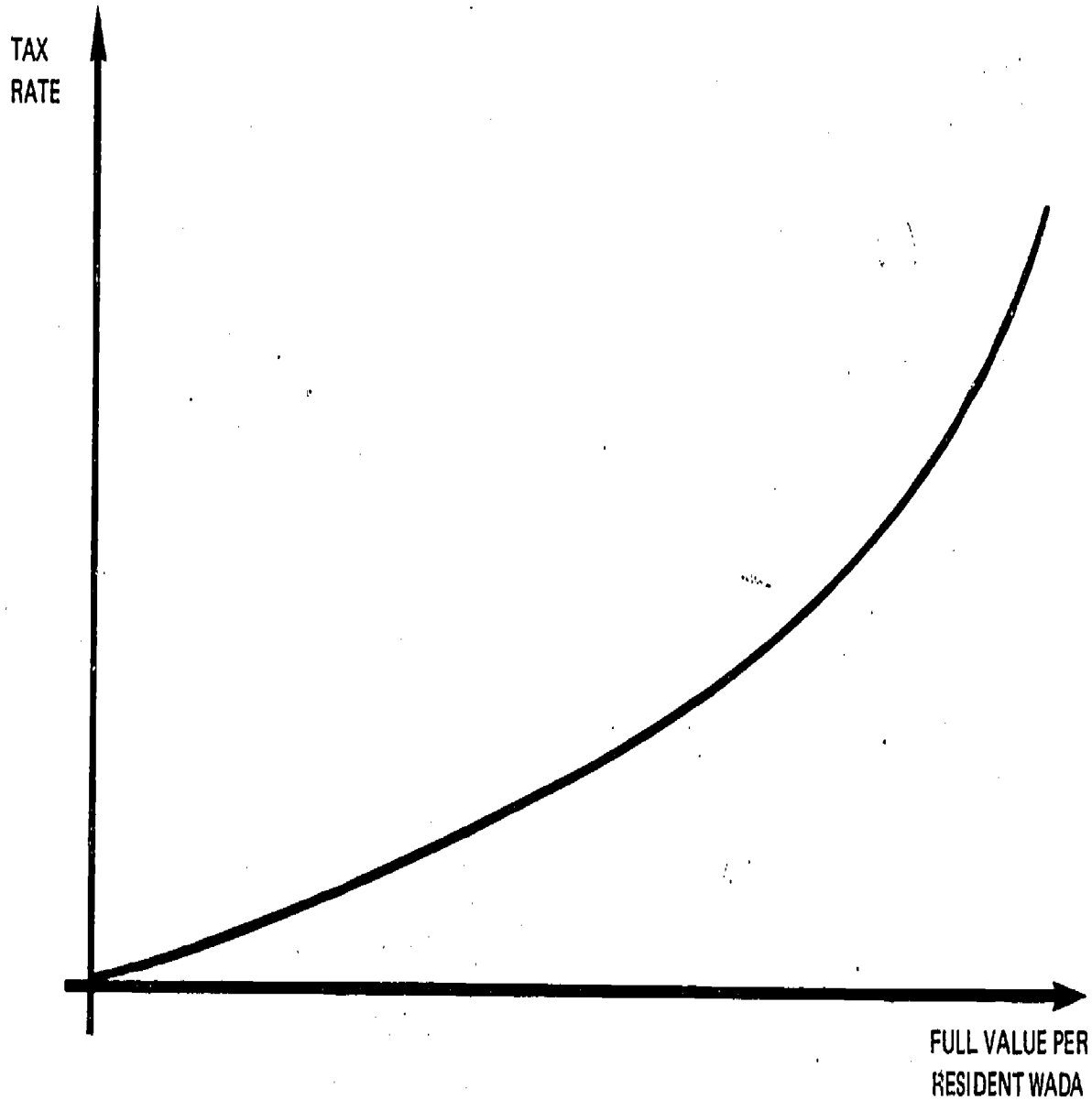


Figure 9-6

AVERAGE TAX RATE OF OUTWARD BENDING STATE AID FORMULA



The declining average tax rate for richer districts is a direct result of the overall "shape" of the state aid formula. The formula requires poorer districts to pay a higher tax "price" than richer districts. This backward situation is unequalizing.

C. A New Shape For State Aid

This situation can be corrected only by totally revising the three formulas so that as a set they bend outward instead of inward (Figure 9-5). Instead of starting off steep and then flattening out as full value per resident WADA increases, the formulas should start out flat and then become steeper.* In this way, as districts become more wealthy, richer districts would lose their state aid faster than poorer districts. The average tax rate required by this formula would start out low for the poorest districts and increase for richer districts (Figure 9-6). Requiring districts to actually tax themselves in proportion to the slope of the outward bending formula equalizes the extra tax "price" poor and rich districts pay to "buy" the extra dollars per pupil above the foundation amount.** This would go a long way toward equalizing for districts' financial willingness to support their public schools.

*This would also mean the end of the flat grant.

**Because of the tremendous wealth of some districts, a recapture feature may be necessary.

10. MEASURING FINANCIAL ABILITY

District ability to pay plays a major role in determining aid. Districts with higher abilities to pay for education should be receiving less aid than districts with lower abilities. The formula measures district ability to pay by the full value of property taxable for educational purposes per resident weighted pupil in average daily attendance. This measure ignores many other factors important in determining ability to pay.

- Revenue capacity
- Variations in purchasing power
- Costs of other municipal services.

Ignoring these factors results in an unequitable distribution of state aid.

A. Revenue Capacity

The fiscal capacity of a district is its financial ability to support public education. Fiscal capacity is measured by the full value of real property taxable for educational purposes. Property values, however, do not accurately reflect district ability to pay.

A district's ability to pay depends on its revenue capacity, its ability to raise revenue. Property values reflect only a part of a district's revenue capacity. The income of district residents and the revenue from a sales tax also play a large role in a district's ability to raise revenue.

A comprehensive measure of revenue capacity would include wealth, income and the use of income. The major taxes in the state are property, income, and sales taxes. District fiscal capacity should be measured by the total revenue that would result by applying a standard tax rate to each of these tax bases in the district.

TABLE 10-1

LAG BETWEEN MARKET PRICES ON WHICH STATE AID IS BASED

AND THE YEAR IN WHICH AID IS PAID

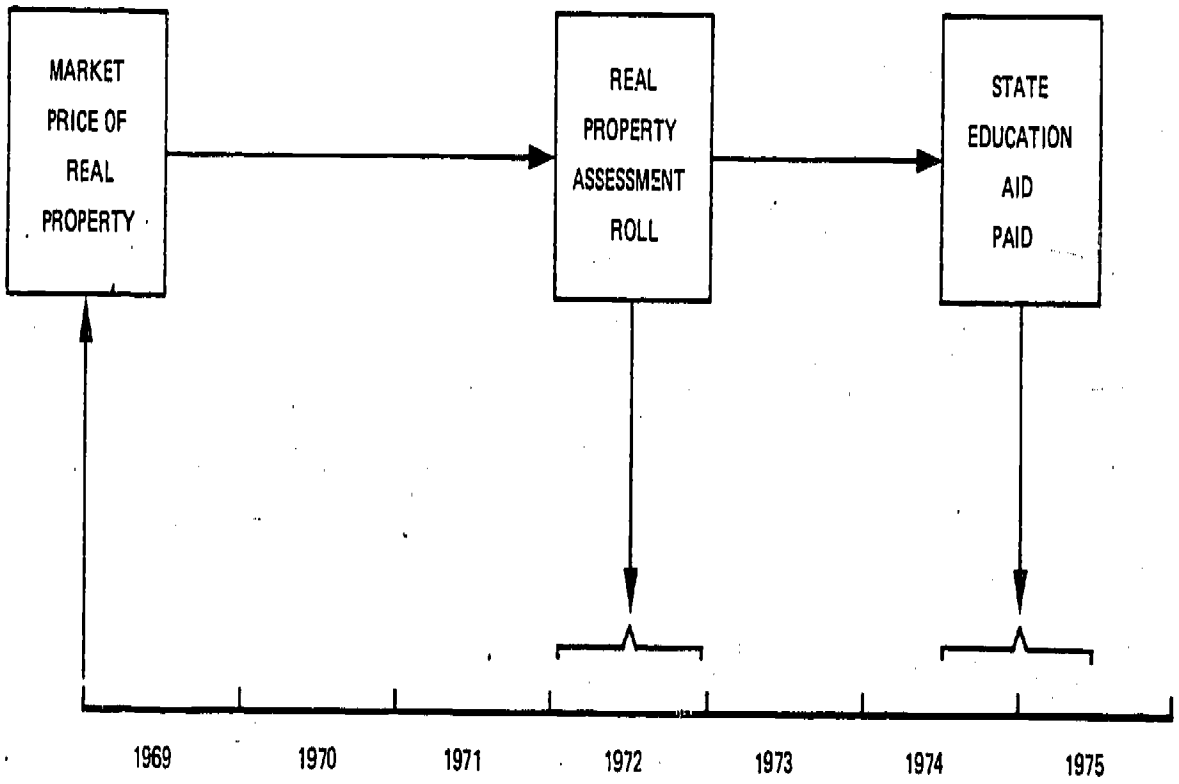
ASSESSMENT ROLL ON WHICH STATE AID IS BASED COMPLETED IN	MARKET PRICE LEVEL USED IN EQUALIZATION RATE AND FULL VALUATION	WHEN EQUALIZATION IS USED FOR STATE EDUCATION AID PAYMENTS	LAG
1971	January 1968	1973-74 School Year	6 Years
1972	January 1969	1974-75 School Year	6 Years
1973	January 1970	1975-76 School Year	6 Years
1974	January 1972	1976-77 School Year	5 Years
1974*	January 1973*	1976-77 School Year*	4 Years*

* The January 1973 market price level could be used if the practice of averaging two different years' market value surveys is abandoned.

Source: State Board of Equalization and Assessment, November 1974.

FIGURE 10-1

1969 MARKET PRICES DETERMINE 1974-1975 STATE AID
A 6-YEAR LAG



B. Assessment and Equalization Procedure

Assessment rolls giving the total assessed valuation of real estate in a city, town, or other jurisdiction are completed each year. Assessments are usually less than market value. The State Board of Equalization and Assessment sets an annual equalization rate for each jurisdiction that brings assessments up to market value, or what is called full valuation. State aid is based on full valuation per pupil.

In recent years there has been a five to six year lag between the full valuation on which aid is based and the year in which the aid is actually paid (Table 10-1 and Figure 10-1).

- There is a two year lag between completing assessment rolls and paying state aid. This is the smallest lag that is operationally feasible for filing state aid claims.
- The remaining three to four year lag is due to the length of time it takes the State Board of Equalization and Assessment to complete its market surveys and adjust assessment rolls to full valuation.

Most of this lag is unavoidable since time is required for processing school aid claims, for processing the assessment data and setting equalization rates.

New York City is quite adversely affected by this time lag. In recent years market values in New York City have been increasing much more slowly than in other areas of the State (Tables 10-2 and 10-3 and Figure 10-2). This means that by using full values that are five to six years old, New York City appears wealthier than it really is relative to other areas in which market values have been increasing at a faster rate.

TABLE 10-2

MARKET VALUE INCREASES FROM 1968 TO 1970

	INCREASE IN MARKET VALUE FROM 1/68 to 1/70
Nassau County	20.0%
Westchester County	17.4
Suffolk County	21.7
Rockland County	26.1
New York City	11.4
State Median Increase	19.9%

Source: State Board of Equalization and Assessment.

TABLE 10-3

ANALYSIS OF MARKET VALUE INCREASES

FROM 1970 TO 1973*

JURISDICTION	INCREASE IN TOTAL MARKET VALUE FROM 1/70 to 1/73
Towns	
Median Town	30.20
Cities	
New York	4.33
Buffalo	20.33
Syracuse	16.00
Yonkers	16.14
Newburgh	5.90
Binghamton	6.82
Ithaca	8.44
Rome	9.63
New Rochelle	10.00
White Plains	16.29
Corning	21.26
North Tonawanda	25.63
Median City	20.15
Total State	
Median Jurisdiction	29.34
Weighted Average	18.83

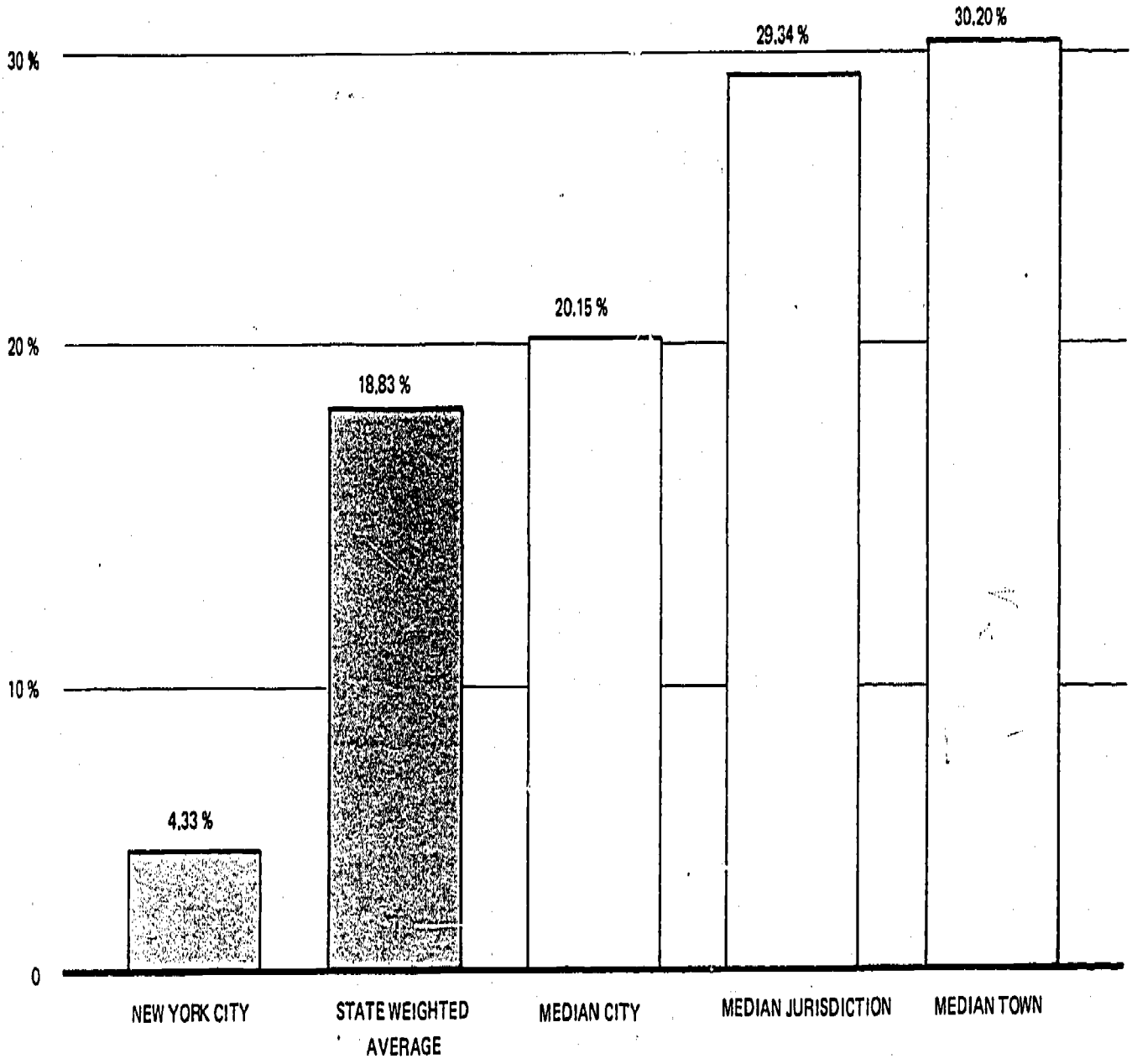
*Based on 297 jurisdictions analyzed through December 9, 1974: 264 towns and 33 cities.

Source: Report to 1975 New York State Legislature on 1974-1975 Cooperative Studies on State Aid for Elementary and Secondary Schools, December 1974.

FIGURE 10-2

INCREASES IN MARKET VALUE OF REAL PROPERTY

1970 TO 1973



BASED ON 297 JURISDICTIONS : 264 TOWNS AND 33 CITIES.

SOURCE : REPORT TO 1975 NEW YORK STATE LEGISLATURE ON 1974-1975 COOPERATIVE STUDIES ON STATE AID FOR ELEMENTARY AND SECONDARY SCHOOLS, DECEMBER 1974.

- The median increase in market value from 1970 to 1973 was 30%.
- New York City's market value increased only 4% in the same period.

Thus, New York City receives less aid than it is entitled to because the rapidly increasing wealth of other areas is not taken into account for aid payable "this" year.

One means of reducing the lag is to use the most recent market price levels available from the State Board of Equalization and Assessment. The current procedure for setting the equalization rate is to average the results of the last two market price surveys.

- For example, the 1974 assessment roll is adjusted to a full valuation based on estimated 1972 market prices.
- The 1972 estimated market price is derived from a weighted average of the two most recent market price surveys:
  - 1970 survey weighted one-third.
  - 1973 survey weighted two-thirds.

If only the 1973 survey were used, the time lag would be cut by one year. Preliminary analysis shows that the City School District of New York would gain about $29 million from this change.

C. Variation in Purchasing Power

Districts with equal educational needs will not necessarily have equal educational expenses. The cost of doing business is higher in some districts than others. For example, the cost of land and construction is generally higher in urban areas. Wages are also generally higher in urban areas.

- A dollar in state aid will buy less educational services in high cost districts than in low cost districts.

The aid formula makes no provision for the variation in costs among districts. The foundation level is set at $1,200 for all districts using the basic formula regardless of costs. The $1,200 will buy less educational services in high cost districts.

- The aid formula does not guarantee an equal minimum level of educational services to all districts.

High cost districts are at a disadvantage in providing educational services under the present aid formula. They must spend more to provide the same services. The foundation level of support for education should reflect cost differentials. Average costs for the state can be used as a standard. If district costs are 10 percent greater than average costs in the state, it would require $1,320 = $1,200 x 1.1 to buy the foundation level of services. The foundation level of support for this district should be set at $1,320 to take this into account.

A large portion of government expenditure consists of wages and salaries. Wages tend to be high in high cost districts. Relative wage rates can, therefore, be used as a measure of relative costs among districts.

Figure 10-3 compares relative annual incomes for selected counties in New York State. Incomes in New York City are 8 percent higher than the average for the state. Relative annual incomes for all counties are presented in Table 10-4.

Table 10-5 and Figure 10-4 show the aid that the City School District of New York would receive if the aid formula took cost variations into account. New York City would gain over $68 million in aid, a gain of almost 12 percent.

D. Costs of Other Municipal Services

The state aid formula does not include costs for services other than education in determining district ability to pay. Only gross wealth is considered. Variations in the non-educational burdens among districts are ignored. Two districts can have similar amounts of wealth per student but different abilities to support education. The situation can be likened to two families of equal incomes but unequal size.

- A family earning $10,000 per year with one child can budget enough money to pay for the child's education.
- A family earning $10,000 per year with one child and four grandparents to support would find it difficult to adequately feed, clothe, and shelter everyone. Very little would be left for the child's education.

Giving the same dollar amount to each family for its child's education would not recognize the differences in financial ability to support education.

Many municipalities are in similar situations. They are like the large family. Other public services require resources just like education. This fact is already recognized in some government programs. For example, large families pay less in taxes than small families, welfare benefits are geared to family size, and Medicaid eligibility requirements depend on both income and family size.

- The New York State education aid formula does not take into account the great variation in districts' financial burdens resulting from non-educational expenditures.
- Districts with equal relative wealth but unequal abilities to support education are receiving equal amounts of state education aid.

A large portion of district non-educational spending is mandated by law. Counties must contribute to welfare and Medicaid costs. Other portions are not mandated by law but are required nonetheless.* The major factors causing noneducational expenses to vary among districts are discussed below.

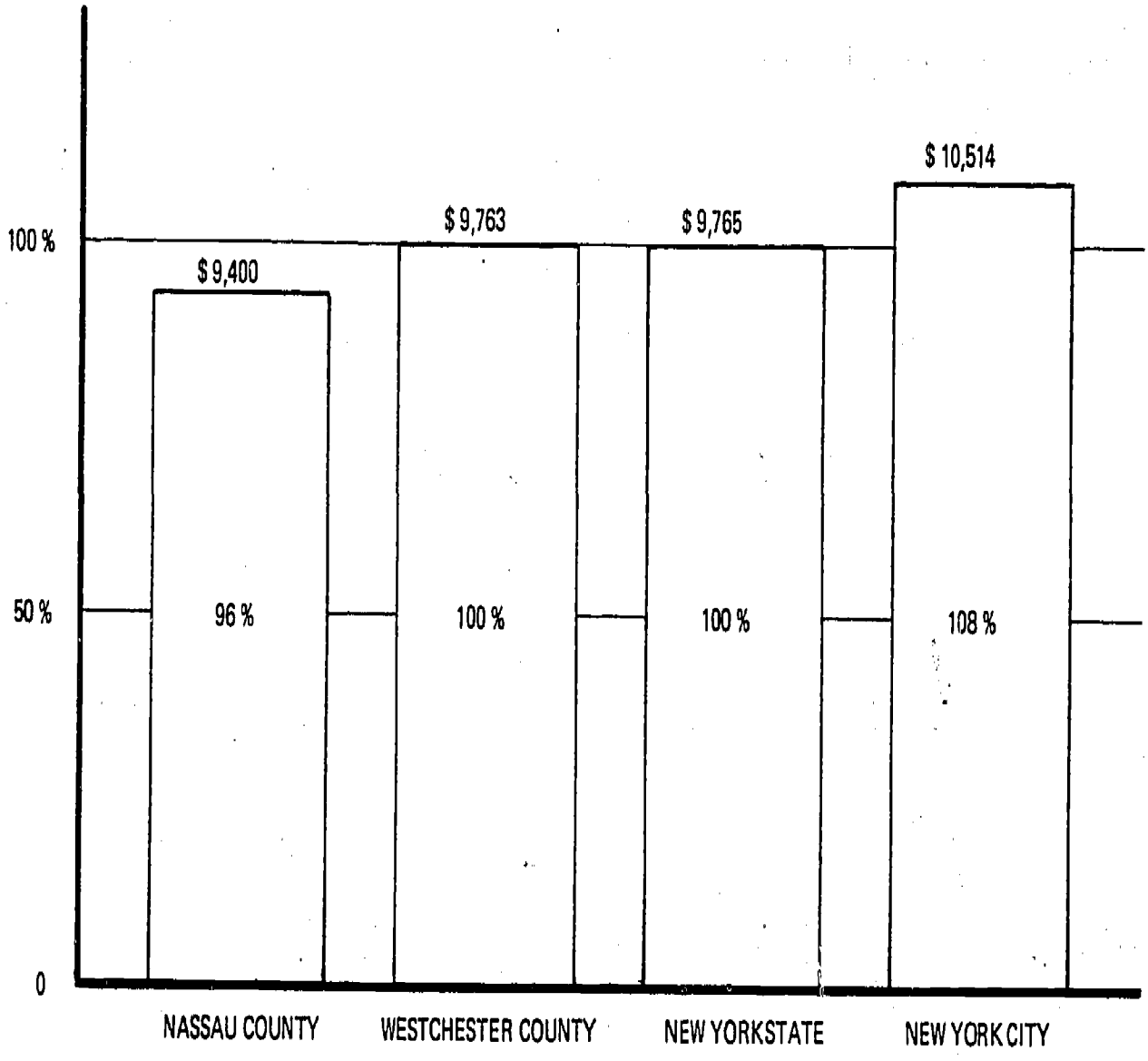
Large Percentage of Poor

The aid formula measures district ability to pay for education by the average wealth per adjusted pupil in the district. It does

*Harrison J. Goldin discusses these same issues, but from his perspective as Comptroller of the City of New York in "Funds City," The New York Times, April 2, 1975.

Figure 10-3

AVERAGE ANNUAL INCOME OF EMPLOYEES
1973



SOURCE: EMPLOYMENT REVIEW, OCTOBER 1974, STATE OF NEW YORK

TABLE 10-4

NEW YORK STATE WAGE INDEX

1973

COUNTY	INDEX	COUNTY	INDEX
Albany	91	Oneida	79
Allegany	77	Onondaga	91
Broome	84	Ontario	75
Cattaraugus	68	Orange	79
Cayuga	72	Orleans	69
Chautauqua	75	Oswego	75
Chemung	71	Otsego	68
Chenango	75	Putnam	78
Clinton	77	Rensselear	82
Columbia	74	Rockland	88
Cortland	66	St. Lawrence	84
Delaware	72	Saratoga	82
Dutchess	94	Schenectady	99
Erie	89	Schoharie	70
Essex	78	Schyler	71
Franklin	64	Seneca	78
Fulton	66	Steuben	81
Genesee	79	Suffolk	88
Greene	74	Sullivan	74
Hamilton	53	Tioga	84
Herkimer	68	Tompkins	88
Jefferson	80	Ulster	83
Lewis	68	Warren	78
Livingston	73	Washington	74
Madison	72	Wayne	73
Monroe	96	Westchester	100
Montgomery	70	Wyoming	68
Nassau	96	Yates	70
Niagara	83		

NYC	108
Total NYS (excluding NYC)	90
Total NYS	100

Source: State of New York, Department of Labor, Employment Review, Volume 27, No. 10, October 1974, Tables I and II.

TABLE 10-5

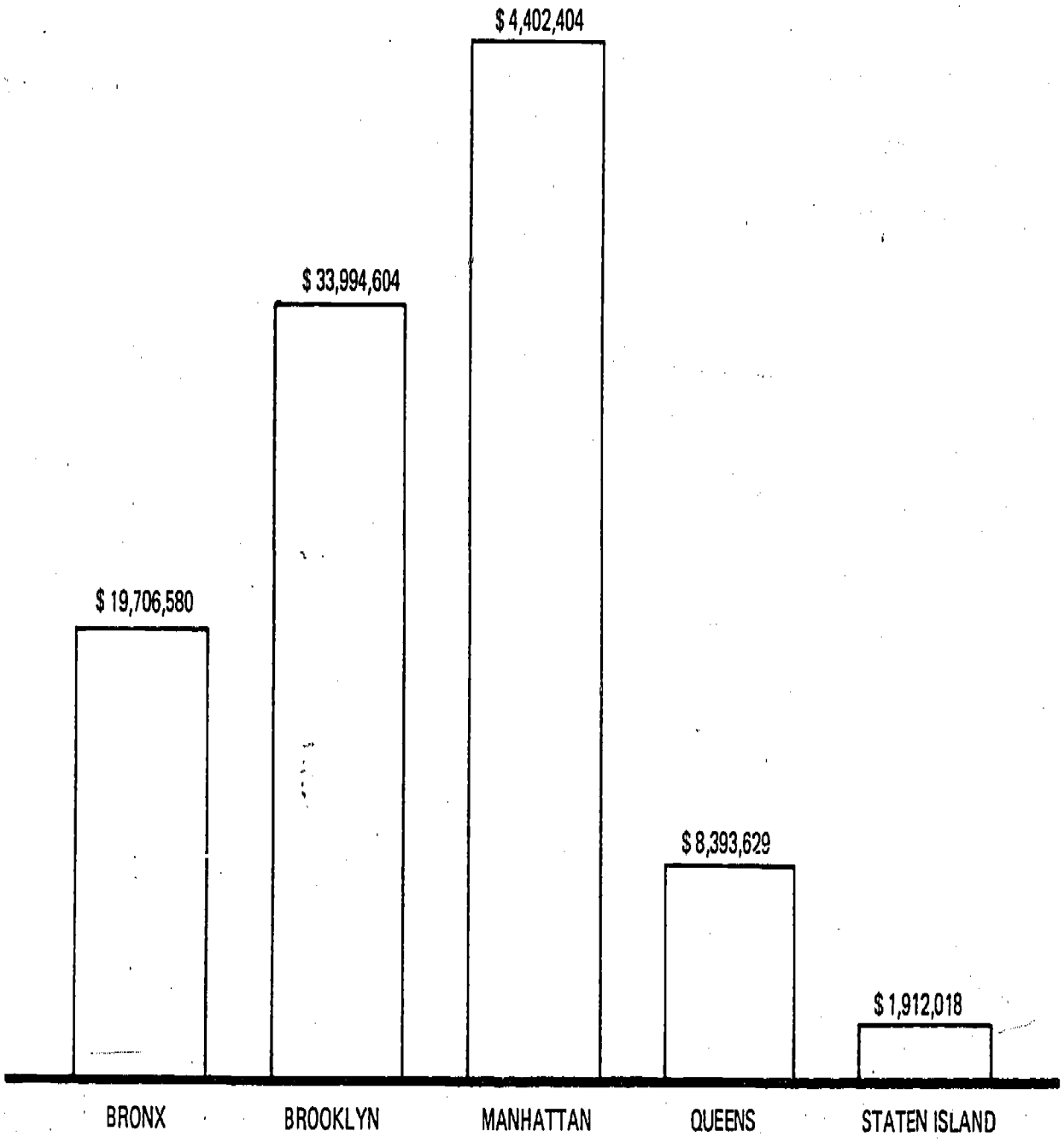
IMPACT OF ADJUSTING FOR THE COST OF DOING BUSINESS

1974-1975

	BRONX	BROOKLYN	MANHATTAN	QUEENS	STATEN ISLAND	CITY
Full value per resident WADA	$ 26,510	$ 35,791	$ 165,047	$ 67,387	$ 55,160	$ 61,324
Total aidable pupil units	214,201.96	369,506.56	157,228.69	239,817.95	54,629.09	1,035,384.25
"Foundation Level"	$ 1,200	$ 1,200	$ 360	$ 461	$ 461	--
"Foundation" amount corrected for cost variations	$ 1,292	$ 1,292	$ 388	$ 496	$ 496	--
Actual formula operating aid	$ 171,864,943	$ 245,034,580	$ 56,602,328	$ 94,394,743	$ 22,170,670	$590,067,264
State aid based on the corrected foundation level	$ 191,571,523	$ 279,029,184	$ 61,004,732	$ 102,788,372	$ 24,082,688	$658,476,499
Gain in aid	$ 19,706,580	$ 33,994,604	$ 4,402,404	$ 8,393,629	$ 1,912,018	$68,409,235
Percent gain in aid	11 %	14 %	8 %	9 %	9 %	12 %

Figure 10-4

GAIN IN AID FROM ADJUSTING FOR THE COST OF DOING BUSINESS
IN NEW YORK CITY
TOTAL = $ 68,409,235



not take into account the percent of poor persons in the district. However, districts must provide extra services to their poor. Some of these services are required by law. For example, New York City is required to pay about 30 percent of the total welfare bill and 25 percent of the total Medicaid bill. These services account for about half of the total New York City budget and substantially lower its ability to pay for education.

Table 10-6 shows the percent of families with incomes below $3,000 for each county. Approximately 11 percent of all families in New York City had incomes below $3,000 in 1969 as compared to an average of only 6 percent for all other counties.

Proportion of Population in School

A similar situation exists for districts with low student to population ratios. These districts must serve the entire population but are receiving aid based only on their pupil count. The extra burden incurred by providing services for a larger population is ignored in the aid formula.

For example, compare two districts that are similar in all respects except one. Both districts have an equal number of pupils and equal full value, but one district has twice the population of the other. The district with the larger population is only half as "rich" as the other district because it must provide twice the services to its residents. It has less funds available for education, but the state aid formula treats these two districts as having equal financial ability to support their schools.

TABLE 10-6

FAMILIES WITH INCOMES BELOW $3,000 - 1969

COUNTY	PERCENT IN POVERTY	COUNTY	PERCENT IN POVERTY	COUNTY	PERCENT IN POVERTY
Albany	6%	Herkimer	7%	Saratoga	7%
Allegany	10	Jefferson	9	Schnectady	6
Broome	7	Lewis	12	Schoharie	8
Cattaraugus	10	Livingston	6	Schuyler	8
Cayuga	9	Madison	8	Seneca	8
Chautauqua	10	Monroe	5	Steuben	8
Chemung	8	Montgomery	9	Suffolk	5
Chenango	8	Nassau	4	Sullivan	11
Clinton	10	Niagara	7	Tioga	8
Columbia	9	Oneida	7	Tompkins	6
Cortland	9	Onondega	7	Ulster	9
Delaware	11	Ontario	7	Warren	10
Dutchess	5	Orange	8	Washington	9
Erie	7	Orleans	7	Wayne	7
Essex	9	Oswego	8	Westchester	5
Franklin	13	Otsego	9	Wyoming	7
Fulton	9	Putnam	6	Yates	8
Genesee	7	Rensselaer	7		
Greene	12	Rockland	5	New York City	11
Hamilton	11	St. Lawrence	10	Total N.Y.S. (Excluding N.Y.C.)	6
				Total N.Y.S.	8

Source: County & City Data Book, 1972, U.S. Department of Commerce, Table 2

TABLE 10-7

PROPORTION OF POPULATION IN SCHOOL*

COUNTY	PERCENT IN SCHOOL	COUNTY	PERCENT IN SCHOOL	COUNTY	PERCENT IN SCHOOL
Albany	17%	Jefferson	24%	Schoharie	28%
Allegany	25	Lewis	29	Schuyler	23
Broome	23	Livingston	22	Seneca	22
Cattaraugus	27	Madison	27	Steuben	27
Cayuga	22	Monroe	20	Suffolk	29
Chautauqua	24	Montgomery	19	Sullivan	24
Chemung	22	Nassau	22	Tioga	28
Chenango	29	Niagara	23	Tompkins	21
Clinton	27	Oneida	22	Ulster	24
Columbia	25	Onondaga	22	Warren	26
Cortland	23	Ontario	25	Washington	27
Delaware	25	Orange	25	Wayne	29
Dutchess	23	Orleans	27	Westchester	19
Erie	19	Oswego	28	Wyoming	21
Essex	21	Otsego	20	Yates	23
Franklin	27	Putnam	27		
Fulton	24	Rensselaer	19	NEW YORK CITY	14
Genesee	25	Rockland	26	TOTAL N.Y.S. (Excluding N.Y.C.)	23
Greene	26	St. Lawrence	25		
Hamilton	24	Saratoga	30	TOTAL N.Y.S.	19
Herkimer	23	Schenectady	19		

* Enrollment is for the Fall of 1972 and excludes BOCES. Population is for 1970.

Source: Annual Educational Summary, 1972-73, The University of the State of New York, The State Education Department, Table 56.

New York City has approximately 14 percent of its population enrolled in public schools. This is substantially lower than the 23 percent average enrollment of all other counties (Table 10-7).

Large Daytime Population

Certain districts have large numbers of non-resident workers. These workers come into the district during the day to work and leave at night to go home. They can add substantially to a district's daytime population. District expenses are increased accordingly since services must be supplied to these individuals. Such services include police, fire, water and sewage.

- Districts with large numbers of daytime non-residents have lower abilities to pay for education.

Cities such as New York are at a distinct disadvantage in funding education because of this. New York City has a substantial influx of non-residents during the day. In providing the extra services required by these persons, New York City has less funds available for education.

Large Percent of Untaxed Property

Some districts have larger percentages of untaxed properties than others. Although untaxed properties are not included in full value for aid purposes, districts must supply services to all properties. Extra police, fire, sanitation and other services must be supplied to these properties.

- Districts with relatively large amounts of untaxed properties have lower abilities to pay for education.

Consider two districts with equal taxable full values and equal numbers of pupils. If District A has twice the amount of untaxed property as District B, then District A will be required to supply more services than District B. District A will have less revenue available for education. Its ability to pay for education will, therefore, be less.

The amount of untaxed properties in New York City for which services must be supplied is over one-third of total property value. This is significantly higher than the state average (Table 10-8). The extra burden put on New York City's budget is substantial. Less revenue is available for education.

Net Property Value

Property values are often high in urban areas, especially in the business districts. A part of the value is due to the location. However, a substantial part is also due to the high level of municipal services provided. The high density in many urban business districts require extra services. These high cost services are required to maintain the high value of these properties. Without such services, property values would fall considerably.

Property values should be deflated in high density districts to take this into account. The aid formula ignores the cost involved in maintaining property values. Wealth is being grossly overestimated for high density districts.

- The aid formula overestimates the ability of high density districts to pay causing them to lose aid for education.

TABLE IC-8

PERCENT OF PROPERTY EXEMPT FROM TAXATION

1972

COUNTY	PERCENT EXEMPT	COUNTY	PERCENT EXEMPT
Albany	50 %	Oneida	32 %
Allegany	45	Onondaga	24
Broome	25	Ontario	23
Cattaraugus	25	Orange	23
Cayuga	27	Orleans	18
Chautauqua	20	Oswego	33
Chemung	26	Otsego	28
Chenango	23	Putnam	12
Clinton	34	Rensselaer	38
Columbia	28	Rockland	17
Cortland	28	St. Lawrence	61
Delaware	21	Saratoga	25
Dutchess	23	Schenectady	28
Erie	24	Schoharie	25
Essex	20	Schuyler	21
Franklin	38	Seneca	57
Fulton	29	Steuben	23
Genesee	23	Suffolk	19
Greene	11	Sullivan	11
Hamilton	11	Tioga	23
Herkimer	26	Tompkins	43
Jefferson	22	Ulster	20
Lewis	21	Warren	18
Livingston	49	Washington	27
Madison	27	Wayne	24
Monroe	18	Westchester	19
Montgomery	14	Wyoming	26
Nassau	12	Yates	22
Niagara	35		
		NYC	35
		Total NYS (excluding NYC)	24
		Total NYS	31

* Source: State of New York, State Comptroller, Special Report on Municipal Affair For Local Fiscal Years Ended In 1972, Table 2.

New York City is a prime example of this. A massive transportation system is required for the daily activity in the city. Without this system, business activity would be greatly handicapped and property values would fall. However, the large revenues needed for the operation of this system lower New York City's ability to pay for education.

Adjustment for District Overburden

The costs of providing services other than education weigh heavily in decisions involving educational expenditures. All services are competing for government revenues. High spending requirements in one area leave less monies for other areas.

The high spending requirements of the non-educational services in New York City is illustrated in Table 10-9. Over 44 percent of all local government expenditures in New York State, excluding New York City, go for education. This compares with only 22 percent for New York City. New York City has a much smaller portion of its budget available for educational purposes.

Table 10-10 also illustrates the overburden encountered by New York City. Over 48 persons per 1,000 population are employed by local government in New York City as compared to an average of 37 persons for all other counties.

- New York City employs 33 persons per 1,000 population for non-educational municipal services.
- The rest of the State employes only 16 persons per 1,000 population for non-educational municipal services.

TABLE 10-9

PERCENT OF TOTAL

LOCAL GOVERNMENT EXPENDITURES

FOR EDUCATION - 1972

COUNTY	PERCENT FOR EDUCATION	COUNTY	PERCENT FOR EDUCATION	COUNTY	PERCENT FOR EDUCATION
Albany	31.22%	Madison	47.30%	Tioga	67.50%
Allegany	47.50	Monroe	40.57	Tompkins	44.35
Broome	35.47	Montgomery	49.06	Ulster	50.17
Cattaraugus	49.01	Nassau	40.67	Warren	52.26
Cayuga	44.79	Niagara	42.40	Washington	60.22
Chautauqua	41.76	Oneida	37.71	Wayne	59.92
Chemung	43.04	Onondega	39.94	Westchester	41.97
Chendago	58.67	Ontario	48.98	Wyoming	39.38
Clinton	51.05	Orange	48.47	Yates	46.65
Columbia	59.67	Orleans	57.38		
Cortland	49.25	Oswego	44.69	N.Y.C.	21.78
Delaware	50.51	Otsego	53.78		
Dutchess	55.15	Putnam	63.67	Total N.Y.S. (excluding N.Y.C.)	44.92
Erie	37.23	Rensselaer	46.75		
Essex	41.35	Rockland	54.63		
Franklin	51.65	St. Lawrence	50.23	Total N.Y.S.	33.38
Fulton	53.76	Saratoga	66.35		
Genesee	46.81	Schenectady	49.19		
Greene	34.27	Schoharie	55.43		
Hamilton	30.25	Schuyler	45.15		
Herkimer	41.58	Seneca	49.50		
Jefferson	48.09	Steuben	47.87		
Lewis	42.90	Suffolk	57.75		
Livingston	44.89	Sullivan	34.69		

Source: State of New York, State Comptroller, Special Report on Municipal Affairs for Local Fiscal Years Ending in 1972, Table 8.

TABLE 10-10

LOCAL GOVERNMENT EMPLOYMENT

1972

COUNTY	EMPLOYMENT PER 1,000 POPULATION		
	TOTAL	EDUCATION	NON-EDUCATION
Albany	36.6	16.7	19.8
Allegany	41.4	22.2	19.3
Broome	42.7	22.5	20.2
Cattaraugus	43.4	24.4	19.0
Cayuga	39.4	23.4	15.9
Chautauqua	39.0	21.6	17.3
Chemung	38.2	19.1	19.2
Chendago	39.5	26.9	12.7
Clinton	37.9	23.5	14.5
Columbia	37.6	23.5	14.0
Cortland	33.3	19.2	14.1
Delaware	43.0	24.6	18.4
Dutchess	31.6	20.7	10.9
Erie	35.6	17.3	18.2
Essex	40.1	20.5	19.6
Franklin	44.3	26.9	17.3
Fulton	35.7	19.9	15.8
Genesee	38.0	24.7	13.3
Greene	45.2	23.1	22.1
Hamilton	72.3	28.4	43.9
Herkimer	46.3	28.7	17.6
Jefferson	39.0	22.9	16.0
Lewis	47.5	25.0	22.5
Livingston	31.8	17.1	13.5
Madison	41.1	23.0	18.1
Monroe	34.6	20.3	14.3
Montgomery	35.9	19.6	16.2
Nassau	38.8	20.8	18.0
Niagara	38.0	20.7	17.3
Oneida	32.9	19.2	13.7
Onondega	37.8	21.2	16.6
Ontario	33.7	22.8	10.9
Orange	35.7	22.8	12.9
Orleans	35.7	21.2	14.5
Oswego	38.6	22.9	15.7
Otsego	32.6	19.2	13.4
Putnam	34.9	23.6	11.3
Rensselaer	35.0	20.3	14.7
Rockland	35.0	23.4	11.6

TABLE 10-10 (Cont'd.)

LOCAL GOVERNMENT EMPLOYMENT

1972

COUNTY	EMPLOYMENT PER 1,000 POPULATION		
	TOTAL	EDUCATION	NON-EDUCATION
St. Lawrence	36.7	21.8	14.8
Saratoga	35.5	25.3	10.2
Schenectady	33.8	18.6	15.2
Schoharie	37.0	22.9	14.1
Schuyler	35.7	19.8	15.9
Seneca	34.1	19.4	14.7
Steuben	35.1	21.9	13.2
Suffolk	36.7	24.7	12.0
Sullivan	43.1	23.3	19.8
Tioga	32.2	23.3	8.9
Tompkins	38.9	19.4	19.5
Ulster	35.6	22.0	13.6
Warren	43.7	23.5	20.2
Washington	39.0	24.1	14.9
Wayne	37.0	24.5	12.6
Westchester	36.0	18.0	18.1
Wyoming	39.0	15.4	23.5
Yates	33.5	19.5	14.1
N.Y.C.	48.4	15.9	32.5
Total N.Y.S. (Excluding N.Y.C.)	36.9	21.0	16.0
Total N.Y.S.	41.9	18.8	23.1

Source: 1972 Census of Governments, Public Employment, Vol 3, No. 2, Table 17.

TABLE 10-11

IMPACT OF ADJUSTING FOR MUNICIPAL SERVICES OVERBURDEN

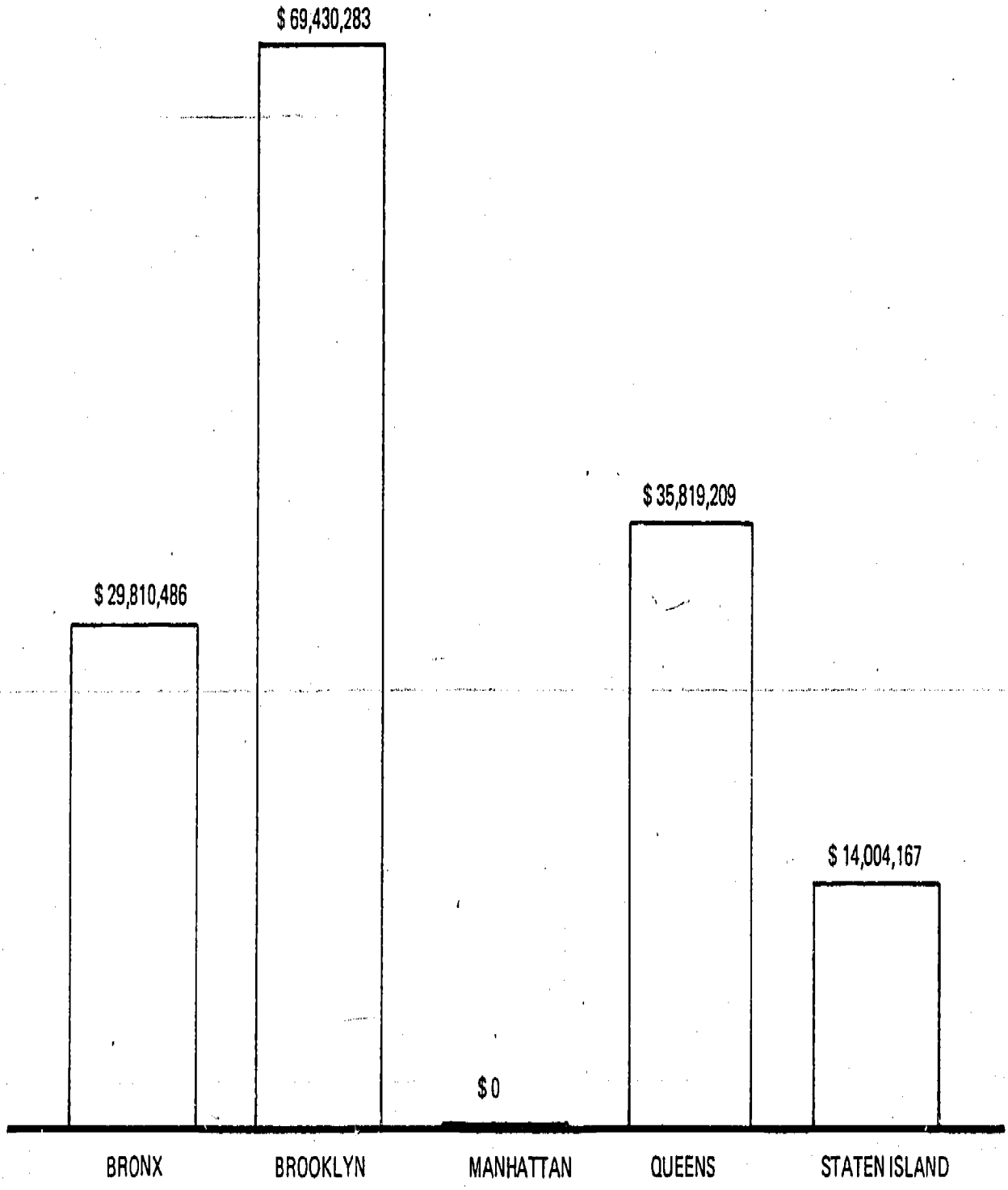
1974-1975

	BRONX	BROOKLYN	MANHATTAN	QUEENS	STATEN ISLAND	CITY
Resident WADA	211,755.07	360,808.62	153	239,171.50	52,447.54	1,017,500.27
Total Aidable Pupil Units	214,201.96	369,506.56	157,[illegible]5.63	239,817.95	54,629.09	1,035,384.25
Full Value	$5,613,576,185	$12,913,788,959	$25,364,599,915	$16,117,047,330	$2,892,989,964	$62,396,766,526
Adjusted Full Value	$3,648,818,670	$8,393,962,823	$16,487,249,945	$10,476,080,765	$1,880,443,477	$40,557,896,242
Full Value Per Resident WADA	$26,510	$35,791	$165,047	$67,387	$55,160	$61,324
Adjusted Full Value Per Resident WADA	$17,232	$23,264	$107,280	$43,802	$35,854	$39,861
Actual Aid	$171,864,943	$245,034,580	$56,602,328	$94,394,743	$22,170,670	$590,067,264
Adjusted Aid	$201,675,429	$314,464,863	$56,602,328	$130,213,952	$36,174,837	$739,131,409
Gain In Aid	$29,810,486	$69,430,283	$0	$35,819,209	$14,004,167	$149,064,145
Percent Gain In Aid	17.3%	28.3%	0%	37.9%	63.2%	25.3%

FIGURE 10-5

GAIN IN AID DUE TO ADJUSTING FOR MUNICIPAL SERVICES OVERBURDEN

TOTAL = $ 149,064,145



An adjustment in wealth is needed. The aid formula uses total wealth. Only part of this wealth is available for education and it is the wealth available for education that determines a district's ability to pay for education. Ability to pay should, therefore, be measured by the wealth that is available for education.

An adjustment to district wealth is necessary. Districts with higher than average non-educational demands on their resources have less wealth available for education while districts with lower than average non-educational demands have more wealth available for education.

District full value should be adjusted to reflect the percent of revenues that are available for education. Districts with lower than average proportions of wealth available for education should have their full value decreased while districts with higher than average proportions of their wealth available for education should have their full value increased. The adjustment to full value should be proportionate to the percent of wealth available for education relative to the state average.

For example, education expenditures comprise 21.78 percent of total expenditures in New York City. This is 65.25 percent of the state average of 33.38 percent. For every dollar available in the average county for education, New York City has only 65.25 cents. Full value in New York City should be adjusted downward by 65.25 percent.

Table 10-11 makes the appropriate adjustment to full value for the five New York City boroughs. The total gain in aid by New York City is over $149 million, a gain of over 25 percent (Figure 10-5).

II. MEASURING EDUCATIONAL RESOURCE NEEDS

The resources a district needs to provide for education are determined by the number of pupils served and the type of services and facilities required by different kinds of pupils. The definitions used in calculating number of pupils and services required can determine whether an equitably conceived formula remains equitable or not. These definitions must be carefully analyzed for their real effect on equal educational opportunity for all youth.

A. Two Different Pupil Counts Used

The state aid formula employs two different definitions of the number of pupils served for the purpose of calculating educational spending requirements. Although slightly different from each other, they are supposed to measure the same thing, namely, the educational resource needs of the school district. The first, Resident WADA, (resident weighted average daily attendance) is the number of resident pupils in attendance at public schools, weighted for half-day kindergarten and high school pupils (0.50 and 1.25 respectively). The second, TAPU, (total aidable pupil units) in addition includes weights for summer- and evening school pupils, the educationally needy, and non-severely handicapped pupils.

Given the current New York State policy of measuring wealth per public school child, there does not appear to be a need for two measures of aidable pupils at two places in the formula. If the State were to switch to measuring wealth according to population or all pupils, a need for counting the number of children to receive aid separately from

the number of people used in calculating wealth per person would become apparent.

Full valuation per aidable pupil unit should measure the wealth available in the district to support educational expenditures. Since resident WADA does not give extra weight to handicapped pupils or pupils who score far below grade level on standard tests, and does not count summer and evening school pupils at all, resident WADA is not an adequate measure of district resource needs. By not counting these pupils at all, they are denied equal protection under the law. They are not receiving their fair share of aid. TAPU is a more accurate and complete measure.

Since TAPU accounts for more pupils than resident WADA, it is generally greater than resident WADA. Therefore, full value per resident WADA overstates wealth per pupil so that aid per pupil comes out too low.* For example, the City School District of New York would gain $5.8 million more state aid if only one measure of aidable pupils, TAPU, were used (Table II-1 and Figure II-1).

* Using TAPU would also simplify the state aid formula. For example, the basic aid formula

$$\text{Total Aid} = \left[\$1{,}200 - .015 \times \left(\frac{\text{Full Value}}{\text{Resident WADA}}\right)\right] \text{TAPU}$$

becomes

$$\text{Total Aid} = [\ \$1{,}200 \times \text{TAPU}\ ] - [\ 0.015 \times \text{Full Value}\ ].$$

B. Enrollment or Attendance?

The present state aid formula counts pupils based on average attendance, not enrollment. This is a potential violation of the State Constitution (Article I, Section II) and the Constitution of United States (Fourteenth Amendment), which provide for equal protection under the laws to every pupil, not every pupil in average daily attendance.* In addition, basing aid on attendance rather than enrollment appears to be a violation of Article II, Section 1, of the State Constitution which provides that the State shall run the schools fairly and equally - equally for every pupil in the State, not equally for every pupil in average daily attendance.

If a district has an average attendance rate of 85%, it receives no aid for the 15% of pupils absent on an average day. This penalizes all pupils in the district.

- The aid received must be shared among 100% of the students.
- An 85% average attendance rate does not mean the same children are absent every day. On the contrary, books, desks, and teachers must be furnished to all pupils who are enrolled.
- Part of each student's share of the aid must be used to support other pupils who are not included in the average attendance figure and do not receive aid.
- If the average attendance at an 85% rate is 30 and there are 30 seats in the classroom, what happens if all thirty-five children come one day?

* The City School District of New York, along with other city school districts, has filed a suit in the Supreme Court of New York against the State challenging the legality of the present state aid formula. One of the complaints is that basing aid on attendance rather than enrollment is unconstitutional.

TABLE II-1

IMPACT OF BASING STATE AID ON ONLY TOTAL AIDABLE PUPIL UNITS

1974-1975

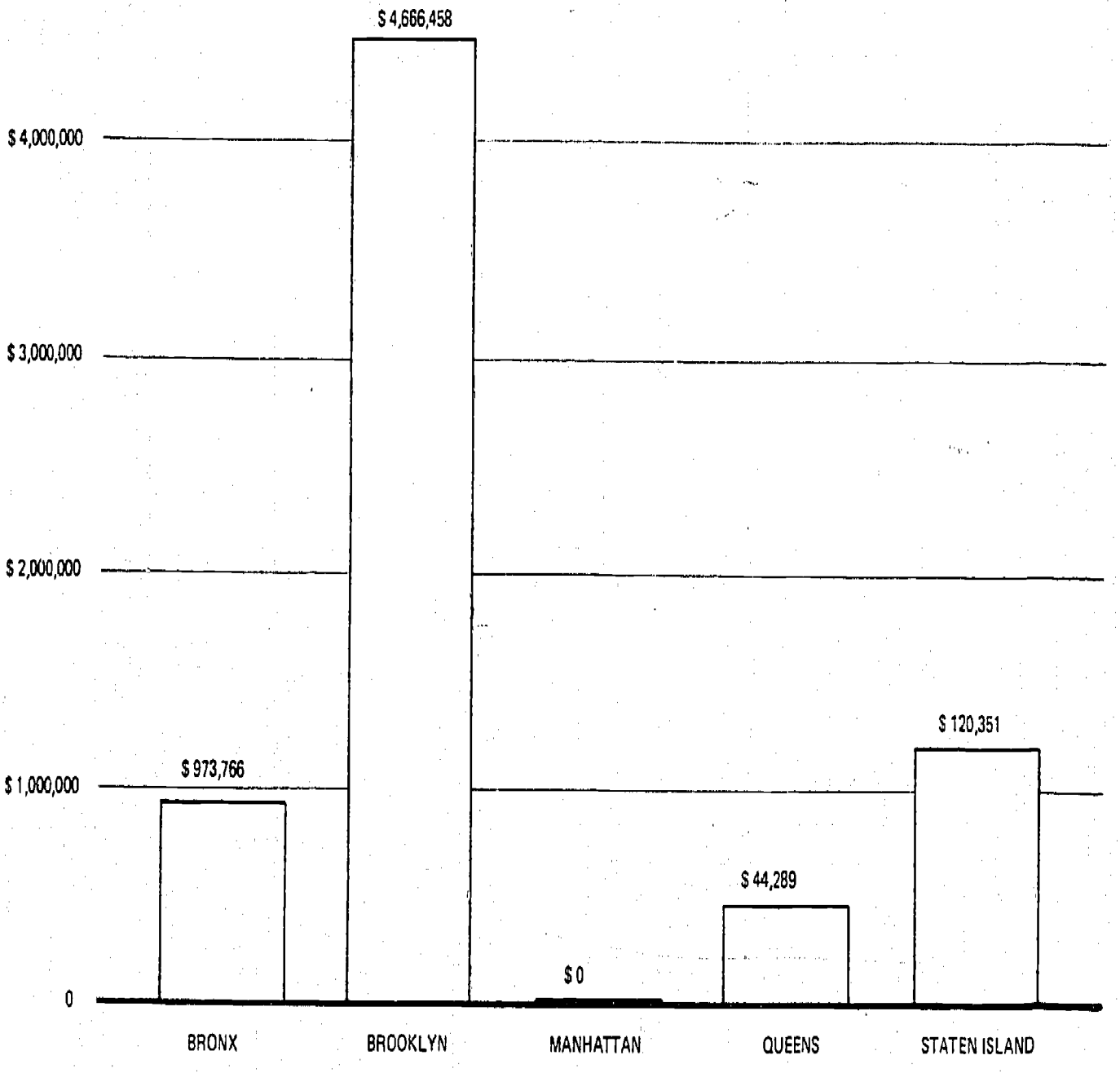
	BRONX	BROOKLYN	MANHATTAN	QUEENS	STATEN ISLAND	CITY
Full valuation of Real Property	$5,613,576,185	$12,913,788,959	$25,364,999,915	$16,117,047,330	$2,892,989,964	$62,396,766,528
Total Aidable Pupil Units	214,201.96	369,506.56	157,228.70	239,817.96	54,629.09	1,035,384.27
Most Favorable Aid Formula	Basic	Basic	Flat Grant	Minimum	Minimum	...
"Foundation" Amount	1,200	1,200	360	461	461	...
"Required" local Tax Rate	0.015	0.015	0	0.001	0.001	...
Total Aid Using Only TAPU*	172,838,709	249,701,038	56,602,328	94,439,032	22,291,021	595,872,128
Actual Total Aid	171,864,943	245,034,580	56,602,328	94,394,743	22,170,670	590,067,264
Gain in Aid	973,766	4,666,458	0	44,289	120,351	5,804,864
Percent Gain in Aid	0.6%	2%	0%	0.05%	0.5%	1%

*Total Aid using only TAPU = ("Foundation" Amount) x (TAPU) - ("Required" Local Tax Rate) x (Full Value)

FIGURE 11-1

GAIN IN AID FROM USING ONLY TOTAL AIDABLE PUPIL UNITS

TOTAL = $ 5,804,864



The rationale for using average daily attendance was to encourage districts to reduce their truancy and drop-out rates, but this has simply not occurred.* While reducing truancy is a sound educational objective, attempting to achieve it by withholding state aid is potentially illegal and self-defeating.

Compare three districts with equal full valuations and equal numbers of pupils. If a hypothetical District A has a 100% average attendance rate, it receives more aid than a hypothetical District B with a 95% attendance rate. District B with a 95% average attendance rate receives more aid than District C with an 85% attendance rate. District A receives 2% more aid than District B and 6% more aid than District C (Table 11-2). Every pupil is entitled to equal educational opportunity and equal protection under the laws. Yet, under the present formula, District B with a 95% attendance rate receives $38 more aid per pupil than District C.

Table 11-3 and Figure 11-2 show that the City School District of New York would receive $193 million more aid for 1974-75 if enrollment were used instead of attendance. This large amount is due to an increase in the aid per pupil and an increase in the total aidable pupil units.

* Fleischmann Commission Report, P. 2.15

TABLE 11-2

EFFECT ON STATE AID OF USING PUPIL COUNT BASED ON AVERAGE ATTENDANCE

	DISTRICT A	DISTRICT B	DISTRICT C
Full Valuation	$5,000,000,000	$5,000,000,000	$5,000,000,000
Enrollment	248,000	248,000	248,000
Attendance Rate	100%	95%	85%
Average Daily Attendance	248,000	235,000	210,000
Full Valuation Per Pupil In Average Daily Attendance	$20,161	$21,277	$23,810
Aid Per Pupil	$898	$881	$843

TABLE II-3

EFFECT ON STATE AID OF USING PUPIL COUNT BASED ON ENROLLMENT

1974-1975

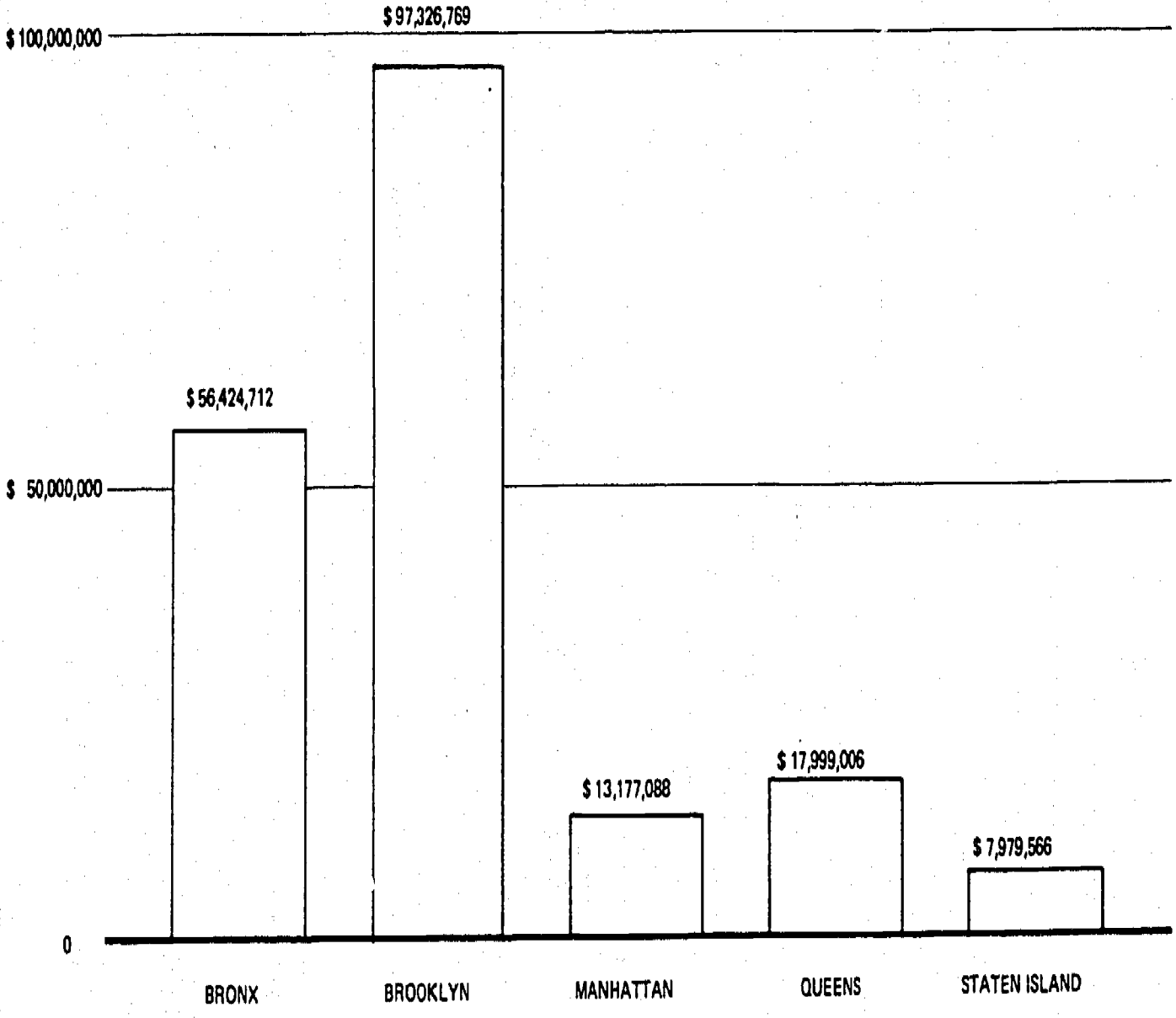
	BRONX	BROOKLYN	MANHATTAN	QUEENS	STATEN ISLAND	NEW YORK CITY
Attendance Rate*	82%	82%	81%	86%	87%	83%
Based on Enrollment						
Resident Weighted Pupils	258,239.89	440,010.51	189,732.15	278,106.40	60,284.53	1,226,373.48
Full Valuation per Resident Weighted Pupil	$21,738	$29,349	$133,688	$57,953	$47,989	...
TAPU	261,221.90	450,617.76	194,109.49	278,858.08	62,792.06	1,247,599.29
Aid per Pupil	$873.93	$759.76	$360.00	$403.05	$480.16	...
Total Aid	$228,289,655.07	$342,361,349.34	$69,879,416.40	$112,393,749.14	$30,150,235.53	$783,074,405.48
Total Aid Based On Attendance	$171,864,942.61	$245,034,580.20	$56,602,328.40	$94,394,743.29	$22,170,669.89	$590,067,264.39
Difference in Total Aid Dollars	$56,424,712.46	$97,326,769.14	$13,277,088.00	$17,999,005.85	$7,979,565.64	$193,007,141.09
Percentage Difference in Total Aid	+33%	+40%	+23%	+19%	+36%	+33%

* The attendance rate is based on the October 31, 1973 register and the aggregate attendance for the school year 1973-74. Attendance and enrollment in special schools for severely handicapped pupils are not included.

FIGURE 11-2

GAIN IN AID FROM COUNTING PUPILS ENROLLED

TOTAL = $ 193,007,141



Looking at it from the point of view of the individual student, why should a student who attends school 90% of the time be penalized because someone else in the district attends only 80% of the time? This would be the case in a district with an 85% average attendance rate. The 90% student would receive less aid than if he lived in a district where everyone else averaged a 90% attendance rate also. This result does not provide equal protection under the laws to all students. The use of pupils in attendance rather than enrollment in effect constitutes a variable weight on each pupil among districts. In a district with an 85% attendance rate, each pupil is assigned a weight of 0.85. In another district with a 95% attendance rate, each pupil is weighted 0.95.

An additional factor penalizing a district with low attendance is cost. Aid is given only to the average number of pupils in attendance. Yet extra services such as "catch-up" instruction and attendance teachers for absent pupils must be provided to students for whom no aid is received. Low attendance is symptomatic of other problems such as inadequate facilities and poor performance. Thus, the districts that are being penalized the most are those which can least afford it.

C. Pupil Weightings

Certain pupils, such as those with special educational needs or those with physical handicaps, require more resources per pupil than the average. The State has made it a matter of policy to distribute more money to those in greater need. The mechanism used is an extra weighting of pupils with special needs or handicaps in the count of pupils in the district. This means pupils with special needs count as more than one pupil, which allows them more money.

Undermining Special Educational Needs Weighting

Pupils with learning problems who scored at a low level on the state administered Pupil Evaluation Program (PEP) tests are given an extra weight of 0.25. This means that in calculating TAPU each pupil with special educational needs counts as 1 1/4 pupils. This extra weight was given because it is widely recognized that these pupils need extra help. However, through the process of weighting for secondary school pupils, the effect of all special educational needs weighting is wiped out. The law provides that all secondary school students are weighted an extra 0.25 if they had not previously been weighted.* If a student had previously received the extra 0.25 weighting for special educational needs, he or she does not receive the 0.25 secondary school weighting. Therefore, all secondary school pupils receive the same weight (1.25) whether or not they have serious learning problems (Figure 11-3). This totally nullifies the impact of special educational needs extra weight for secondary school pupils.

* Chapter 718 of the Laws of New York, 1974, Section 6.

FIGURE 11-3

WEIGHTING SECONDARY PUPILS

1974-1975

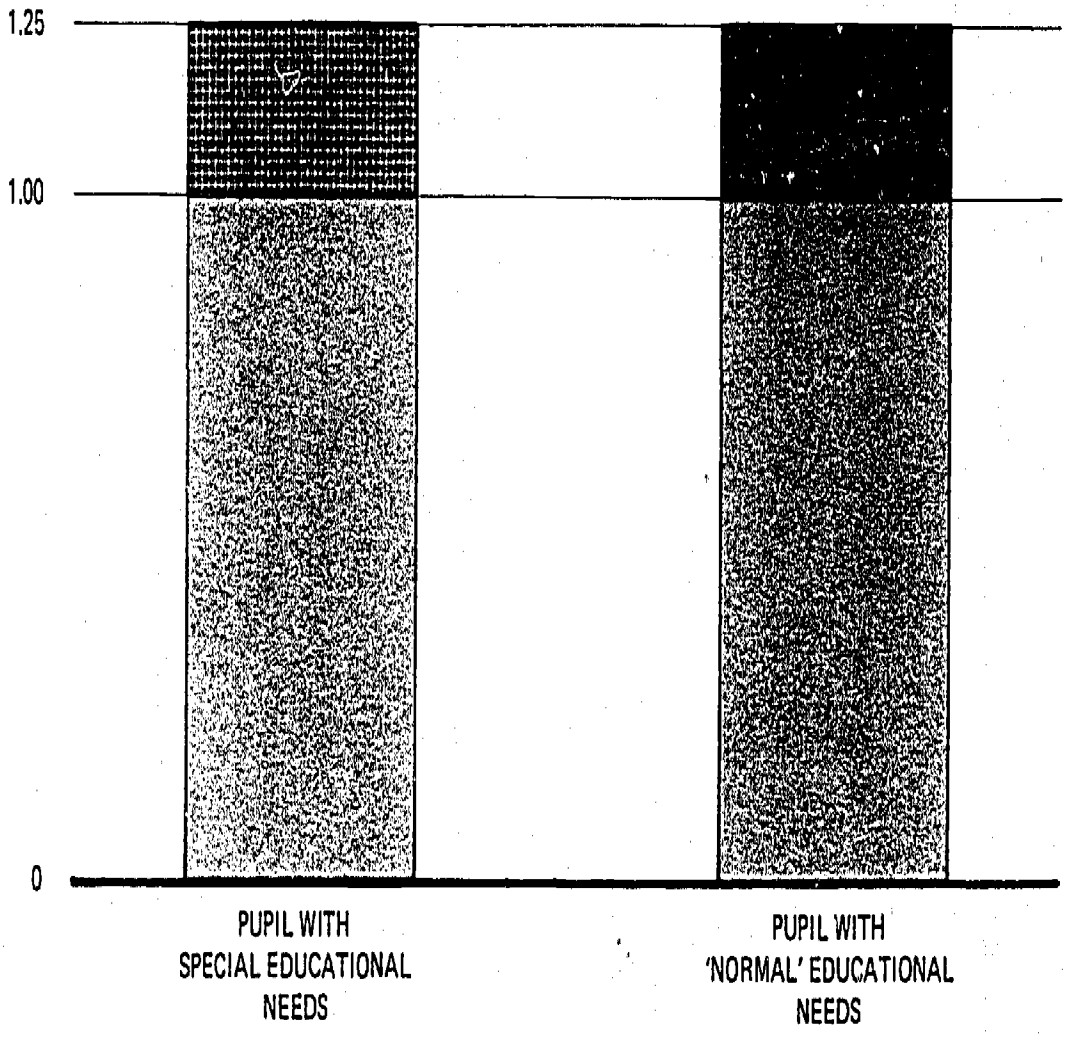


Table 11-4 and Figure 11-4 illustrate how the effect of special educational needs weighting is cancelled by the use of an extra secondary weighting. Using extra secondary weights and the special educational needs weighting, the number of total aidable pupil units and the amount of total aid is the same for two hypothetical districts, although the first district has twice as many pupils with special educational needs. This is because every secondary school student ends up being weighted the same 1.25, either because of special educational needs or the extra secondary weights. If the $2,025,000 total aid is redistributed on the basis of total aidable pupil units without secondary weights, District A with twice as many pupils with special educational needs gains 3% in aid while District B loses 3%. An extra weight should be allowed for special educational needs, above and beyond the secondary school weighting.

Secondary vs. Elementary School Weights

The problem of special educational needs weighting raises the related question of whether secondary school pupils should receive extra weight at all. The implied policy of weighting high school students more heavily than others is that high school education should cost more and resources should be concentrated in that direction. Current educational theory finds that the most productive period in which to invest extra resources is the years from kindergarten to third grade. As the Fleischmann Commission reports:

TABLE 11-4

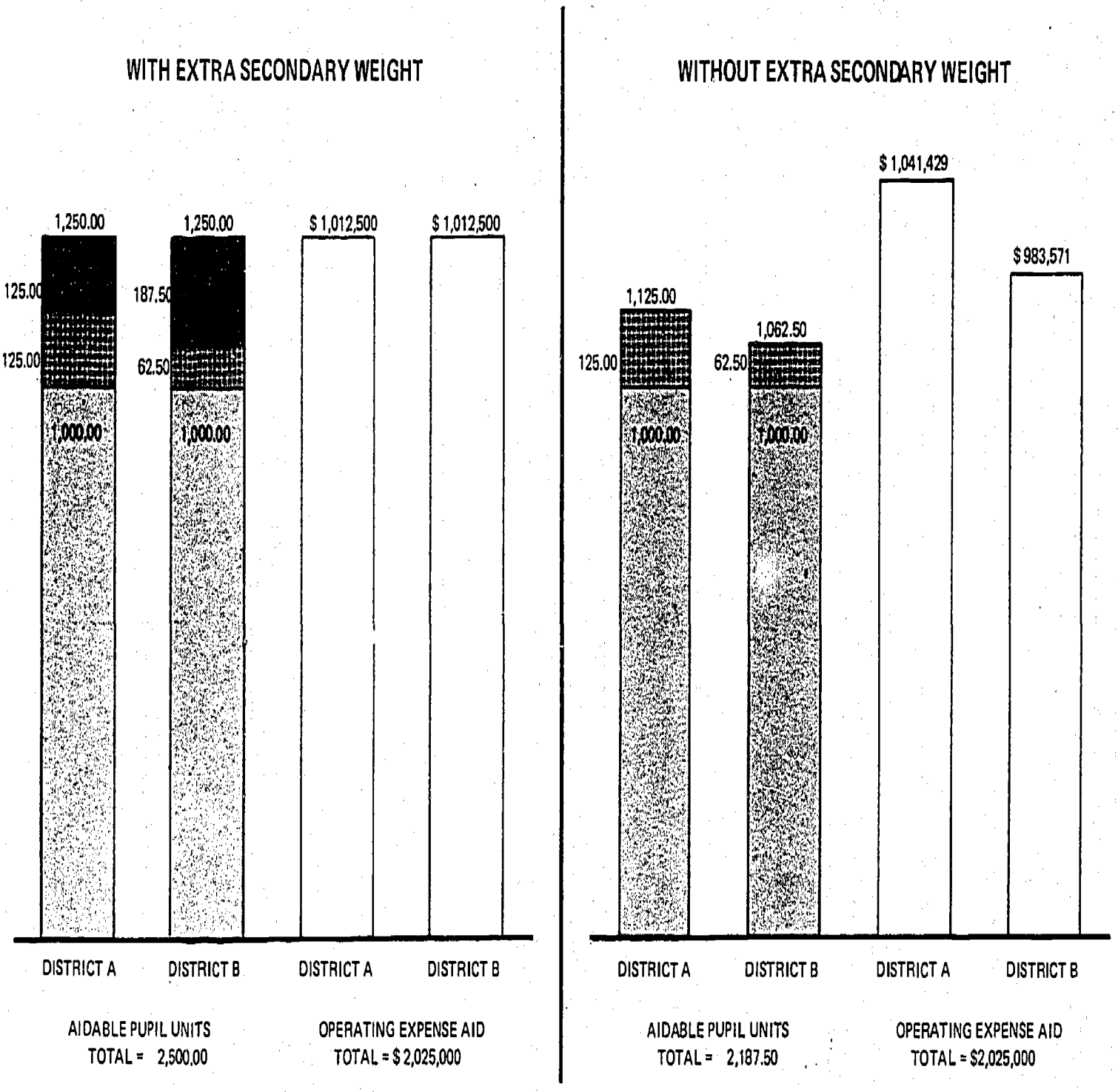
SPECIAL EDUCATIONAL NEEDS WEIGHTING IS CANCELLED BY EXTRA SECONDARY WEIGHTING*

	DISTRICT A		DISTRICT B		TOTAL
	(1) NUMBER OF PUPILS	(2) AIDABLE PUPIL UNITS	(3) NUMBER OF PUPILS	(4) AIDABLE PUPIL UNITS	(5) COLUMNS (2) + (4)
Aidable Pupil Units					
Adjusted Average Daily Attendance (1.00 weight)	1,000	1,000.00	1,000	1,000.00	2,000.00
Special Educational Needs (0.25 weight)					
Percent with Special Educational Needs	50%		25%		
Number of Pupils	500	125.00	250	62.50	187.50
Total Aidable Pupil Units Without Secondary Weights		1,125.00		1,062.50	2,187.50
Extra Secondary Weight (0.25 weight)					
Pupils without Special Educational Needs	500	125.00	750	187.50	312.50
Total Aidable Pupil Units with Secondary Weights		1,250.00		1,250.00	2,500.00
Aid With Secondary Weights					
Aid Per Pupil		$810.00		$810.00	$810.00
Aidable Pupil Units		1,250.00		1,250.00	2,500.00
Total Aid		$1,012,500		$1,012,500	$2,025,000
Aid Without Secondary Weights					
Aid Per Pupil		$925.71		$925.71	$925.71
Aidable Pupil Units		1,125.00		1,062.50	2,187.50
Total Aid		$1,041,428.57		$983,571.43	$2,025,000
Percentage Difference in Aid		+3%		-3%	0%

* For illustrative purposes the table uses secondary students only. Including elementary pupils would not change the results.

FIGURE 11-4

SPECIAL EDUCATIONAL NEEDS WEIGHT AND EXTRA SECONDARY WEIGHT



> . . . the pedagogical wisdom of weighting secondary students more heavily than elementary students is questionable: we suspect that in many instances it might be good policy to spend more money per student in the elementary grades than in the secondary, but the present weighting factor has a psychological effect of suggesting that all districts should spend more money on secondary students.*

At one time a high school education did cost more, but this may no longer be the case. Additionally, the proportion of elementary vs high school students is relatively constant among all school districts: hence the weighting factor in the current distribution formula has little influence on the inter-district distribution of funds. Perhaps these secondary school weights should be dropped altogether.

Adequacy of Chosen Weights

Since the State has decided to supply extra resources to the handicapped and those with learning problems, are the weights used adequate for the purposes? The Fleischmann Commission recommends:

> . . . that students who score at a low level in reading and mathematics achievement be weighted at 1.5, as against a weighting of 1.0 for other children . . .**

* Volume I, p. 2.15.

** Volume I, p. 2.17.

It is a difficult task to turn around the performance of a low achieving student. There must be an influx of attention, experimentation, and educational effort. Basic reading and mathematics skills are too important a tool in our society to be neglected. Raising the special educational needs weighting to 1.5 and requiring that the extra resources be actually spent for the child that generated them will direct more resources in this direction.

Non-severely handicapped students are currently assigned an extra weight of 1.0, for a total weight of 2.0. Severely handicapped pupils are aided separately from another formula. Contributing to the high cost of educating handicapped children are small classes, part-time professional support from physicians and other specialized personnel, special teaching materials and special transportation arrangements.

The Fleischmann Commission calculated a set of median cost indices for the total current operations cost of educating handicapped children as compared to "regular" children, as shown below.*

Educable Mentally Retarded	1.87
Trainable Mentally Retarded	2.10
Auditorily Handicapped	2.99
Visually Handicapped	2.97
Speech-Handicapped	1.18
Physically Handicapped	3.64
Special Learning Disorders	2.16
Emotionally Disturbed	2.83
Multiple-Handicapped	2.73

* Volume 2, p. 9.79.

Weighting these indices by the corresponding proportion of the State's handicapped pupils, the Commission arrived at an overall weight for handicapped children of 2.05. However, New York City has higher proportions of pupils with high cost handicaps than the state average. New York City's overall weight for handicapped children is approximately 2.71, using the above indices (Table 11-5). In order to better provide for handicapped children, the individual cost indices for the type of handicap should be used as weights in calculating state aid. This would allow each locality to be reimbursed according to its real costs.

Because of the Commissioner's Riley Reid decision ordering the provision of adequate educational services to all handicapped children on demand, increased resources will have to be allocated for these purposes. It is imperative to resolve immediately the question of weights for pupils with handicapping conditions.

Poverty Factor

It is widely recognized that family income and educational levels have a strong effect on a child's school performance. As the Fleischmann Commission reported:

> . . . The most striking fact that emerged from our studies of school performance in New York State is the high correlation shown between school success and the socio-economic origin of its pupils.*

* Volume 1, p. 1.28

TABLE 11-5

WEIGHTED COST INDICES FOR HANDICAPPED CHILDREN

NEW YORK CITY

HANDICAP*	(1) MEDIAN COST INDICES**	(2) PROPORTION OF NEW YORK CITY HANDICAPPED PUPILS	(3) WEIGHTED COST INDICES (COL. 1 X COL. 2)
Educable Mentally Retarded	1.87	0.282	0.527
Trainable Mentally Retarded	2.10	0.076	0.160
Hearing Impaired	2.99	0.028	0.084
Visually Handicapped	2.97	0.004	0.022
Speech-Impaired	1.18	0.001	0.001
Physically Handicapped	3.64	0.242	0.881
Emotionally Handicapped	2.83	0.342	0.968
Multiple Handicapped	2.73	0.026	0.071
TOTAL		1.00	2.714

* The categories used in the 1970 Fleischmann Commission Report do not correspond exactly with categories currently in use.

** Fleischmann Commission Report, P. 9.79

The report continues:

> . . . The close parallel between school success and the child's socio-economic origin suggests that something is wrong with the way our educational system operates. ... Equality in educational opportunity does not exist for the students of New York State.*

Assuming, as we must, that increased resources can help to overcome the consequences of poverty, the state aid formula should explicitly take poverty into account, as it now does not.

In two New York City community school districts with approximately equal median family incomes and equal percentages of children below poverty level, one receives more than twice as much aid per pupil (Table 11-6 and Figure 11-5). Since the aid formula is based on full value per pupil, poor people living in an extremely rich area are overshadowed by the wealth around them. District 4 in Manhattan looks wealthy because of the large amount of expensive commercial property in Manhattan, yet more than 40% of the children in District 4 live in poverty. Because of the commercial real estate wealth, state aid per pupil is at the minimum level, $360.

The match between income and property values is not very close in the cities. Large urban areas have lots of commercial property and also many poor people. The size of the tax base does not accurately reflect the educational needs of the children living in the city.

* Volume 1, p. 1.29

In rural and suburban areas, the match between income and property values is generally close. This is due to the small amount of non-residential property in these areas.

Some state aid should be allocated solely on a poverty (income) basis under separate formula. This would encourage school districts to provide additional educational resources to poverty household children. A reallocation of resources must be undertaken in an attempt to counterbalance the negative effects of socio-economic status on school performance and thus on skills developed for later life.

TABLE II-6

HOW STATE AID DOES NOT EQUALIZE FOR POVERTY

	STATE	MANHATTAN	DISTRICT 4 MANHATTAN	DISTRICT 7 BRONX	SALMON RIVER FRANKLIN COUNTY	LEVITTOWN NASSAU COUNTY	POCANTICO HILLS WESTCHESTER COUNTY
1969 Median Family Income**	$10,609	$8,983	$5,765	$5,836	$7,870*	$13,083	$19,266***
Index	100	85	54	55	74	123	182
Percentage of Children Under 18 in Families Below Poverty Level - 1969 **	12.5	26.5	41.6	43.1	18.4*	11.5****	0.0
Index	100	212		333	147	92	0
Full Value Per Pupil	$43,300	$165,047	$165,047*	$26,510*	$5,303	$22,731	$218,967
Index	100	381	381	61	12	52	506
Aid Per Pupil	$550.50	$360.00	$360.00*	$802.35*	$1,120.46	$859.03	$360.00
Index	100	65	65	146	163	140	65

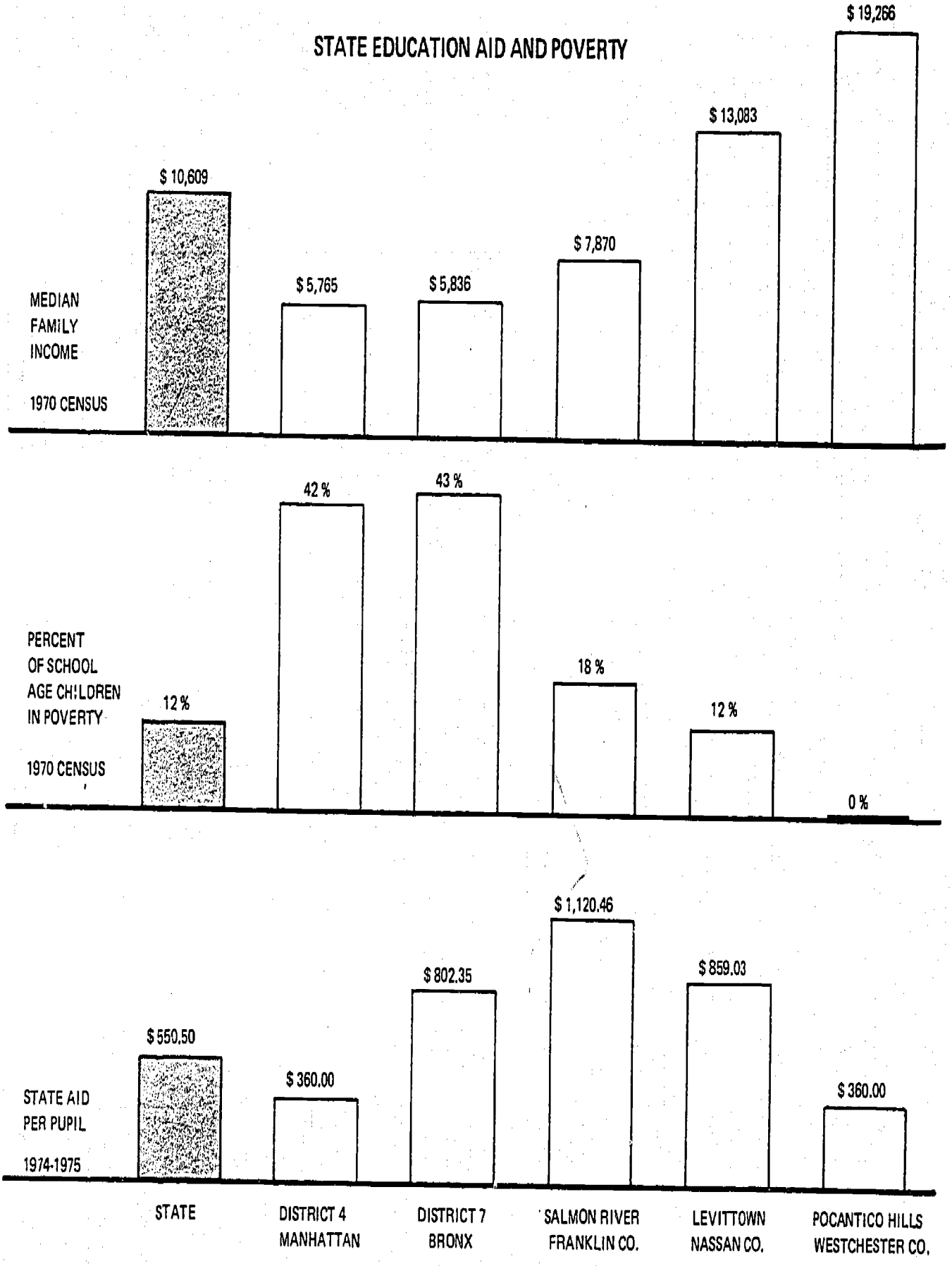
* Figures for entire county or borough

** Source: 1970 Census

*** Data from Tract 117 in town of North Tarrytown which is slightly larger than Pocantico Hills

**** Figure for City of Hempstead, of which Levittown is a part

FIGURE 11-5


STATE EDUCATION AID AND POVERTY
MEDIAN FAMILY INCOME
1970 CENSUS
$ 10,609
$ 5,765
$ 5,836
$ 7,870
$ 13,083
$ 19,266
PERCENT OF SCHOOL AGE CHILDREN IN POVERTY
1970 CENSUS
12 %
42 %
43 %
18 %
12 %
0 %
STATE AID PER PUPIL
1974-1975
$ 550.50
$ 360.00
$ 802.35
$ 1,120.46
$ 859.03
$ 360.00
STATE
DISTRICT 4 MANHATTAN
DISTRICT 7 BRONX
SALMON RIVER FRANKLIN CO.
LEVITTOWN NASSAN CO.
POCANTICO HILLS WESTCHESTER CO.

12. SPECIAL SERVICES AID

Special services aid is available only to cities whose population exceeds 125,000 persons. The "Big 5" cities qualify:

CITY	1970 POPULATION
New York City	7,895,563
Buffalo	462,768
Rochester	296,233
Syracuse	197,297
Yonkers	204,297

This aid is specifically for pupils with severely handicapping conditions. Smaller school districts in the State are permitted to form Boards of Cooperative Education Systems (BOCES) for educating severely handicapped pupils. The Big 5 city school districts are prohibited from joining BOCES and in effect are their own BOCES.

Two kinds of special services aid are available:

- Occupational education, grades 10-12.
- Pupils with severely handicapping conditions, all grades.

A. Occupational Education

Occupational education is a high school program, grades 10-12. Each pupil in average daily attendance is given a weight of 1.00. Since all these pupils are counted in a district's total aidable

pupil units for operating expense aid, special services aid has the same effect as giving all occupational education pupils an extra weighting of 1.00.

The formula for computing occupational education aid is identical to the basic aid formula developed for operating expense aid:

DISTRICT OCCUPATIONAL EDUCATION STATE AID PER PUPIL = $1,200 - [0.015 × DISTRICT FULL VALUE PER RESIDENT WADA]

- For the City School District of New York, occupational aid per pupil for 1974-1975 is $280.14:

NEW YORK CITY OCCUPATIONAL EDUCATION STATE AID PER PUPIL = $1,200 - [0.015 × $61,324]

= $1,200 - $919.86

= $280.14

Total occupational education aid is obtained from multiplying the aid per pupil by the number of pupils in average daily attendance.

DISTRICT TOTAL OCCUPATIONAL EDUCATION AID = DISTRICT OCCUPATIONAL EDUCATION STATE AID PER PUPIL X DISTRICT OCCUPATIONAL EDUCATION PUPILS

- The City School District of New York receives $8,026,011.00* in occupational education aid for 1974-1975:

*As of March 1975, this amount is an estimate because the final 1973-1974 ADA has not yet been established.

NEW YORK CITY TOTAL OCCUPATIONAL EDUCATION AID	=	$280.14 x 28,650	
	=	$8,026,011.00	

Notice that only the basic aid formula can be used to compute occupational education aid. The minimum aid and flat grant aid formulas do not apply. This is in spite of the fact that the special services aid for occupational education is supposed to be an extra 1.00 weighting for all of these pupils. Only New York City and Yonkers of the Big 5 cities are adversely affected by this totally inequitable restriction because their full value per resident WADA is greater than $52,786, the point after which the minimum aid formula is more favorable than the basic aid formula.

		OCCUPATIONAL EDUCATION AID PER PUPIL				
		ACTUAL		MOST FAVORABLE		
CITY	FULL VALUE PER RESIDENT WADA	AMOUNT	FORMULA	AMOUNT	FORMULA	GAIN
New York	$61,324	$280.14	Basic	$399.67	Minimum	$119.53
Buffalo	31,487	727.70	Basic	727.70	Basic	0
Rochester	48,606	470.91	Basic	470.91	Basic	0
Syracuse	40,515	592.27	Basic	592.27	Basic	0
Yonkers	62,230	266.55	Basic	398.77	Minimum	132.22

If the City School District of New York had been permitted to use the minimum aid formula, $3,424,534.50 more aid would have been received in 1974-1975 because the aid per pupil would have been $399.67 instead of $280.14.

Also notice that the City School District of New York is not permitted to compute occupational education aid on a borough basis. This compounds the inequity of this formula because every occupational education pupil in the City does not receive an equal extra weight. Every pupil does not even receive a full 1.00 extra weight (Figure 12-1).

BOROUGH	OPERATING EXPENSE AID		EXTRA OCCUPATIONAL EDUCATION AID		TOTAL AID	
	AID PER PUPIL	WEIGHT	AID PER PUPIL	WEIGHT	AID PER PUPIL	WEIGHT
Bronx	$802.35	1.00	$280.14	0.35	$1,082.49	1.35
Brooklyn	663.14	1.00	280.14	0.42	943.28	1.42
Manhattan	360.00	1.00	280.14	0.78	640.14	1.78
Queens	393.61	1.00	280.14	0.71	673.75	1.71
Staten Island	405.84	1.00	280.14	0.69	685.98	1.69

- For the Bronx, $280.14 is only 35% of $802.35.
- For Manhattan, $280.14 is 78% of $360.00.

There is only one way to correct this totally inequitable situation:

- Occupational education aid should be computed from the same three formulas as operating expense aid.
- The City School District of New York should be permitted to compute occupational education aid on a borough basis.

These changes will carry out the intent of occupational education aid to give all eligible pupils a full 1.00 extra weight. These reforms would permit the City School District of New York to receive $7,713,821.50

FIGURE 12-1

OCCUPATIONAL EDUCATION WEIGHT PER PUPIL
1974-1975

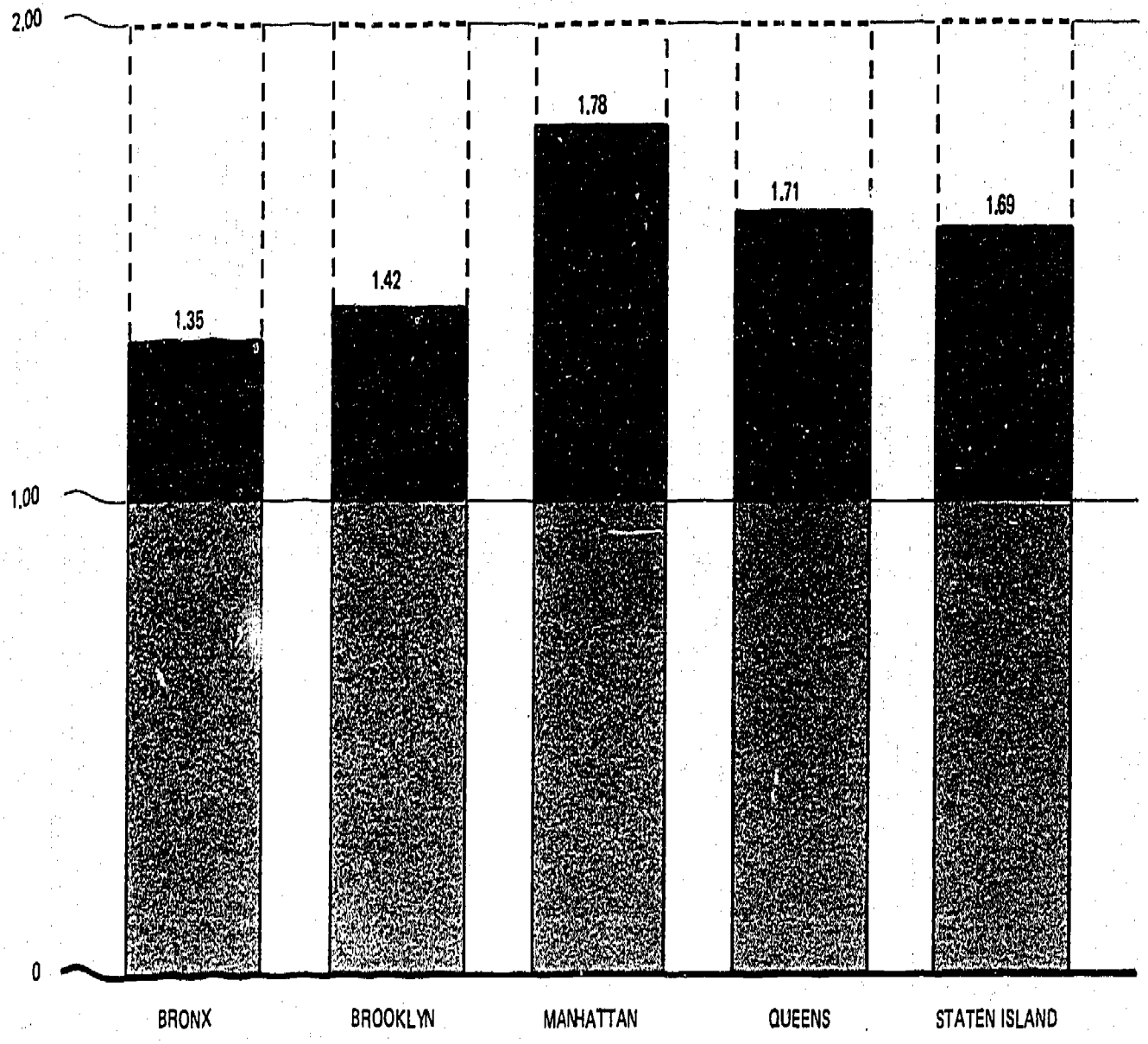
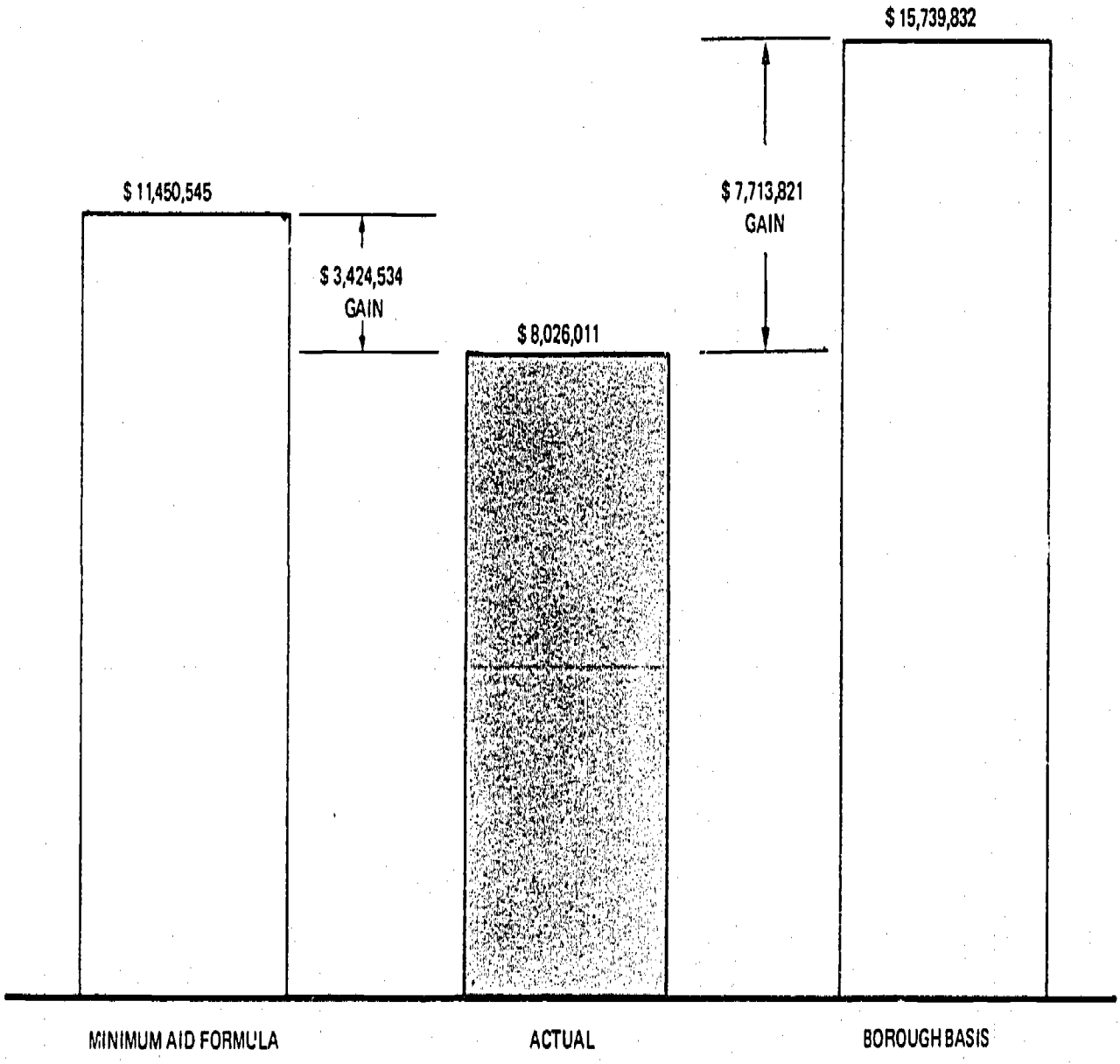


FIGURE 12-2

OCCUPATIONAL EDUCATION AID
CITY SCHOOL DISTRICT OF NEW YOTK
1974-1975



more for occupational education aid. This would be nothing more than a ful , fair share (Figure 12-2).

BOROUGH	AID PER PUPIL	1973-1974 OCCUPATIONAL EDUCATION ADA	TOTAL AID	
Bronx	$802.35	3,950	$ 3,168,887.50	
Brooklyn	663.14	11,425	7,576,374.50	
Manhattan	360.00	7,225	2,601,000.00	
Queens	393.61	5,050	1,987,730.50	
Staten Island	405.84	1,000	405,840.00	
City	-	-	$15,739,832.50	Borough Basis
City	$399.67	28,650	$11,450,545.50	Minimum Aid Formula
City	$280.14	28,650	$ 8,026,011.00	Actual Aid
		Gain from using minimum aid formula	$ 3,424,534.50	
		Gain from borough basis	$ 7,713,821.50	

B. Severely Handicapped

Aid for pupils with severely handicapping conditions is allocated by a separate formula that differs from the operating expense aid formulas only in the foundation amount, which is $3,000 per pupil.

$$\text{DISTRICT SEVERELY HANDICAPPED STATE AID PER PUPIL} = \$3{,}000 - [0.015 \times \text{DISTRICT FULL VALUE PER RESIDENT WADA}]$$

- For the City School District of New York, aid per pupil with severely handicapping conditions is $2,080.14 for 1974-1975:

NEW YORK CITY SEVERELY HANDICAPPED STATE AID PER PUPIL	=	$3,000	-	[0.015	x $61,324]
	=	$3,000	-	$919.86	
	=	$2,080.14			

Total aid for pupils with severely handicapping conditions is obtained by multiplying the aid per pupil by the number of pupils in average daily attendance.

DISTRICT TOTAL SEVERELY HANDICAPPED AID	=	DISTRICT SEVERELY HANDICAPPED STATE AID PER PUPIL	X	DISTRICT SEVERELY HANDICAPPED PUPILS

- The City School District of New York receives $17,213,158.50* in aid for pupils with severely handicapping conditions for 1974-1975:

NEW YORK CITY TOTAL SEVERELY HANDICAPPED AID	=	$2,080.14	x	8,275
	=	$17,213,158.50		

As with occupational education aid, aid for pupils with severely handicapping conditions is computed from a "basic" aid formula and is not on a borough basis.

*As of March 1975, this amount is an estimate because the final 1974-1975 ADA has not yet been established.

- If aid for pupils with severely handicapping conditions were computed from a "minimum" aid formula, the City School District of New York would receive $989,110.75 more (Figure 12-3).

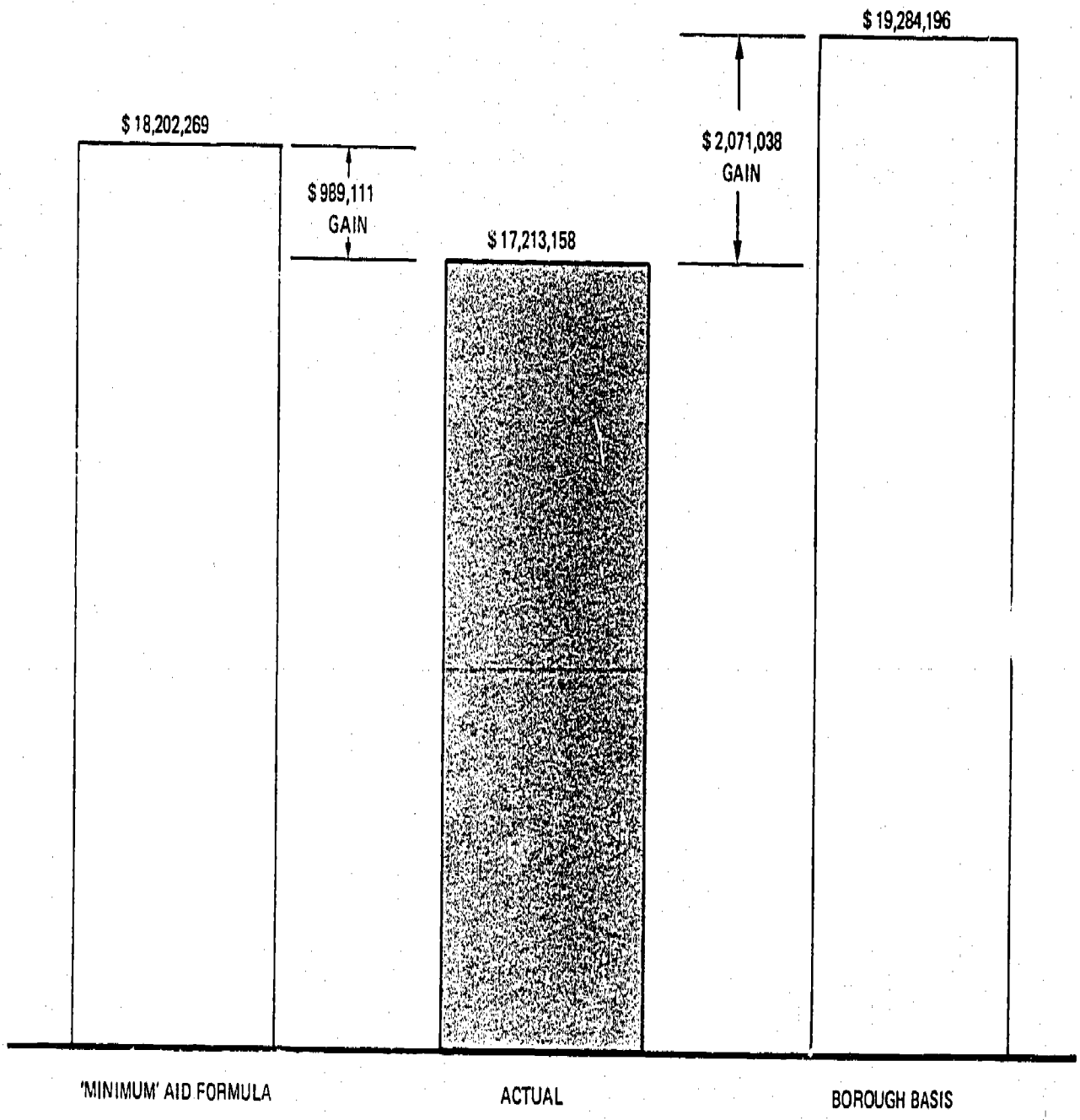
- If aid were computed on a borough basis, the City School District would receive $2,071,038.05 more.

	AID PER PUPIL	1974-1975 SEVERELY HANDICAPPED ADA	TOTAL AID	
Bronx	$2,602.35	1,785	$ 4,645,194.75	
Brooklyn	2,463.14	1,770	4,359,757.80	
Manhattan	2,160.00	2,385	5,151,600.00	
Queens	2,193.61	1,880	4,123,986.80	
Staten Island	2,205.84	455	1,003,657.20	
City	-	-	$19,284,196.55	Borough Basis
City	$2,199.67	8,275	$18,202,269.25	"Minimum" Aid Formula
City	$2,080.14	8,275	$17,213,158.50	Actual Aid
		Gain from using "minimum" aid formula	$ 989,110.75	
		Gain from borough basis	$ 2,071,038.05	

There is a more fundamental deficiency in the formula for aiding pupils with severely handicapping conditions. The foundation limit of $3,000 for each severely handicapped pupil is not nearly adequate. Taking a look at State mandated class size limits alone, a class for the severely handicapped numbers between eight and ten pupils. A normal class has 30 pupils. This means a class for the handicapped

FIGURE 12-3

SEVERELY HANDICAPPED AID
CITY SCHOOL DISTRICT OF NEW YORK
1974-1975



requires three to three and a half times the resources of a normal class. Yet the $3,000 foundation amount is only 2 1/2 times the foundation limit of $1,200 used in the state aid formula for regular students.

This problem of the amount of aid to the severely handicapped may be resolved by adopting a recommendation of the New York State Regents that the State fund the total cost of educating the severely handicapped pupil less the average cost of a normal pupil's education in the district where the child resides.*

*Major Recommendations of the Regents for Legislative Action - 1975, p. 12.

IV. HOW FAIR IS THE FORMULA TO NEW YORK CITY?

ARE PUBLIC SCHOOL PUPILS LIVING IN NEW YORK CITY DENIED EQUAL EDUCATIONAL OPPORTUNITIES BECAUSE OF INEQUITIES IN THE NEW YORK STATE SYSTEM OF FINANCING PUBLIC EDUCATION?

Our analysis shows that the answer to this question is yes. Numerous inequities exist. Preliminary analysis shows that New York City lost approximately $455 million this year in state education aid in six major areas.

Lag in Equalization Data for Full Valuation	$ 29 Million
Use of Attendance Rather Than Enrollment	193
Higher Cost of Doing Business in New York City .	68
Municipal Overburden	149
Two Counts of Pupils	6
Special Services Aid	10
T O T A L	$455 Million

Other inequalities that are more difficult to quantify mean the loss in aid was even greater than $455 million.

The following inequities in the conception and execution of the state aid formula adversely affect New York City:

- The failure to use the most recent equalization rates available to provide the most accurate and timely estimate of full valuation. New York City market values have grown only 1.44 percent annually in recent years while the State average jurisdiction has grown 9.78 percent each year.
- The use of average daily attendance rather than enrollment means that some students are weighted more heavily for aid purposes than others. Each student is not treated equally under the law. New York City's aid would increase 33 percent if enrollment were used rather than attendance.

- Districts must support services other than education. Large city school districts must devote larger than average proportions of their wealth to non-educational services. These districts have less monies available for education, but the aid formulas do not consider this in determining aid. These extra burdens result from:

  - Large percent of poor persons
  - Large daytime commuter population
  - Low pupil to population ratio
  - Large proportion of property exempt from taxation
  - Inflated property values because of intensive municipal services.

- The cost of doing business is much higher than average in New York City. No allowance is made for this cost variation in the formula so that New York City is able to purchase less educational services with its aid.

- The foundation amount and required tax rates have not kept pace with actual expenses. Poorer districts are forced to bear an increasingly heavier burden to make up for the inadequate state aid.

- Local tax rates required by the formula are totally perverse. Poorer districts must tax themselves more heavily than richer districts.

- The lack of any specific aid provision to provide more resources for pupils from poverty households means that children who live in a property-rich district, although they are themselves poor, are not supplied with extra resources to compensate for the detrimental effect their background has on their school performance.

- Secondary school pupils with special educational needs receive no more weight than any other secondary school pupil.

- The formula currently has two counts of pupils to measure the educational resource needs of a district, TAPU and Resident WADA.

- Restrictions on the manner in which special services aid is calculated mean that New York City receives only one-third to three-quarters of the mandated 1.00 extra weight per pupil.

- Weighting handicapped pupils on an average cost basis means that districts with more than the average number of pupils with high cost handicaps are hurt. New York City's average weight is 2.71 compared to a state average of 2.05.

IF THE NEW YORK STATE SYSTEM OF FINANCING PUBLIC EDUCATION IS INEQUITABLE, WHAT CHANGES SHOULD BE CONSIDERED IN REFORMING THE PRESENT SYSTEM?

THE GOVERNOR AND THE LEGISLATURE SHOULD IMPLEMENT THE RECOMMENDATION OF THE FLEISCHMANN COMMISSION FOR FULL STATE FUNDING OF EDUCATION.

Failing a full reform of the state education financing system, we recommend some short term reforms that will remove some of the discriminating impact of the present aid formula:

- The most recent market value surveys available from the State Board of Equalization and Assessment should be used in setting equalization rates and full valuation.
- Pupils should be counted on the basis of enrollment rather than average daily attendance.
- The measure of wealth should be adjusted by a municipal overburden factor so that wealth available for education is used.
- A cost of doing business factor should be built into the foundation amount.
- The foundation amount should be adjusted annually to keep pace with expense increases.
- Some state aid should be allocated solely on a poverty (income) basis to attempt to counterbalance the negative effects of socioeconomic status on school performance.
- A special educational needs weight should be provided above and beyond the secondary weighting.
- TAPU should be used as a pupil count in place of resident WADA.
- Special services aid should be computed on a borough basis with a most favorable aid provision.

The injustice to public school pupils in New York City is summarized by a few pertinent facts.

- The City School District of New York presently receives 27% of all state education aid.
- The City School District of New York has:
  - 32% of all pupils.
  - 50% of all pupils scoring two or more years below their grade level, below minimum competency, in reading and mathematics tests.
  - 63% of all school age children from families with incomes below the poverty level.
  - 90% of all hispanic students.

The most educationally needy children who are supposed to receive the most financial assistance from the State are being denied an equal educational opportunity and are not receiving equal protection of the laws.