Despite a decade of reform efforts, important policy questions concerning the efficiency and equity of the current financing system remain unanswered. This paper examines New York State fiscal and educational outcome data for 1985/86 through 1989/90. Data are presented for school district expenditures and teacher salaries; local revenue bases and fiscal effort; and teaching conditions and educational outcomes. Data categories are presented for the state as a whole and then by four strata of school districts: urban; upstate suburban and small city; downstate suburban and small city; and rural. During the late 1980s, New York school district operating expenses grew from $12.8 billion to $17.2 billion, or 34.2 percent in nonadjusted dollars or 15 percent in constant 1985/86 dollars. Teacher salaries increased 39.5 percent (or 19.5 percent in constant dollars) and outpaced the cost of living. Per pupil expenditures rose from $5,039 to $6,883. State and local revenue shares rose slightly, but local revenue bases rose dramatically. After significant increases in state resources, secondary students achieved only modest improvements in educational outcomes, with urban students still lagging behind. Local tax effort declined substantially. These are symptoms of an inefficient and inequitable system. Resources must be redistributed in a more administratively efficient manner. Policymakers should abolish small special interest categorical grants and rechannel funds to achieve broader policy goals. (Contains 10 references.) (MLH)
The State of New York School Finance: 
A Post-Reform Perspective

by

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A Paper Presented to the Annual Conference of
The American Educational Research Association
San Francisco, California
April 1992
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Introduction

Few states face the challenge of New York's economic, demographic, and social diversity in regard to construction of an equitable and efficient school finance system. To their credit state policymakers, historically and at present, have not shied away from this challenge, and as a result, the current school finance system reflects the state's complexity.¹ In addition, New York has had a rich history of education reform with the 1980s representing a particularly active time.² Yet in spite of a decade of reform, important policy questions as to the efficiency and equity of the current financing system remain unanswered, particularly in light of significant increases in state resources allocated to schools. This paper examines state level fiscal and educational outcome data in order to offer insights to policymakers. While the approach is admittedly descriptive, openly acknowledging that further research needs to be done, particularly with inferential statistical analysis, it represents a needed overview and context for future analysis.

State Resources and Educational Returns

This section of the paper presents data on state resources dedicated to public elementary and secondary education and
educational returns for the 1985/86 through 1989/90 school years. More specifically, data is presented on the following: school district expenditures and teacher salaries; local revenue bases and fiscal effort; conditions of teaching and educational outcomes. These categories of data are first presented for the state as a whole and then by four strata of school districts: urban; upstate suburban and small city; downstate suburban and small city; and rural. All data unless noted otherwise were provided by New York State Department of Education.

New York state has consistently ranked among the highest in per pupil expenditures in the nation for many years, and this trend continued during the 1980s. (Digest of Education Statistics, 1990, p.157) Even when measured in constant dollars, the growth of educational expenditures during the latter part of the 1980s was phenomenal. During this time period operating expenditures for school districts grew from $12.8 billion to $17.2 billion or 34.2% in non-adjusted dollars or 15% in constant 1985/86 dollars.3

Teacher salaries accounted for a substantial portion of increased expenditures, rising from $5.49 billion in 1985/86 to $7.66 billion in 1989/90, an increase of 39.5% or 19.5% in constant dollars. At all career stages, teacher salaries outpaced the cost of living. For those in the early years of their careers (0-5 years experience), the average salary rose 32.3% or 13.4% in constant dollars. The average salary rose from $21,318 to $28,210. Those at midcareer (11-15 years experience) saw their salaries increase 24.5% or 6.7% in constant dollars, with the average salary
rising from $29,448 in 1985/86 to $36,654 in 1989/90. Teachers in the later stages of their careers (21 to 25 years experience) achieved a salary increase of 31.0% or 12.2% in constant dollars for this period. The average salary rose from $36,769 to $48,033.

While expenditures for education in general and teacher salaries in particular rose dramatically, enrollments declined slightly, from 2,546,675 to 2,501,091 students, or 1.8%.

A more precise gauge of educational spending is per pupil expenditure; over the five year period, it rose from an average of $5,039 to $6,883. These figures represent a 36.6% increase or 17.1% in constant dollars, revealing that the magnitude of increase in expenditure when measured in per pupil terms is even greater than the bottom line of total expenditure.

On the revenue side, it is helpful to examine the relative shares by levels—local or school district, state, and federal—as well as the revenue bases. Over the five year period the relative proportions remained stable: the state and local shares rose slightly, from 41.3% to 41.5% at the state level and from 54.7% to 54.9% at the local level while the federal share declined from 4.0% to 3.6%. However during this period, local revenue bases, defined as real property and personal income, rose dramatically. Real property, measured as property value per pupil, increased 47.5%, from an average of $94,100 to $138,800 in nominal dollars. Income per pupil was not far behind with a gain of 44.4%, from an average of $47,300 to $68,300 in nominal dollars. As revenue bases were rising steadily, local property tax effort was falling
substantially, from an average tax rate of $26.19 per $1,000 assessed valuation in 1985/86 to $19.49 in 1989/90, a decrease of 26%.

With regard to student outcomes, the picture over the last five years was one of modest gains. Here two types of educational outcome data are presented: student test scores at or above the state reference point, a measure of minimal competency, at the third and sixth grade levels in reading and mathematics; and the percentage of high school graduates pursuing postsecondary education.

In terms of reading scores, there were slight improvements in the percentage of third and sixth graders who scored at or above the state reference point. Eighty-one percent of third graders scored at or above the state reference point in 1989/90 as compared to 79% in 1985/86, an increase of 2%; while 84% of sixth graders did so in 1989/90 as compared to 79% in 1989/90, an increase of 5%. Greater gains were made in mathematics. In 1989/90, 94% of third graders met or exceeded the state reference point, an increase of 8% from 1985/86. Ninety-one percent of sixth graders scored at or above the state reference point in 1989/90 as compared with 82% in 1985/86, an increase of 9%. The percentage of high school graduates pursuing post-secondary education increased 5.4% during this time period, from 71.3% in 1985/86 to 76.7% in 1989/90.

Teaching conditions, such as student/teacher ratio and class size, showed marked improvement over the five year period. Other conditions, such as number of periods taught and preparations for
subject matter teachers remained stable. Student/teacher ratios dropped from an average of 15.9/1 to 14.7/1, and class size at all levels from kindergarten to high school decreased, with average class sizes in 1989/90 ranging from a low of 21.4 students in kindergarten to a high of 24.9 students in ninth grade math. At the same time the average number of periods taught by teachers remained stable, around 5 per day, and the number of preparations for subject matter teachers remained around 2.

While not insignificant, the magnitude of improvement in student outcomes might be viewed with disappointment given major infusions of resources, improved teacher salaries, and teaching conditions. In addition, the erosion of local tax effort should raise concern on the part of state policymakers.

Urban School Districts. The urban stratum contains school districts in the six largest cities in New York: Buffalo, Rochester, New York City, Syracuse, Yonkers. During the five year period educational expenditures for urban school systems grew at a rate slightly above the state average; that is, for urban school districts expenditures increased at 36.2% in nominal dollars or 16.7% in constant 1985/86 dollars compared with the state average of 34.2% and 15.0% respectively.

Total expenditures for teacher salaries in urban school districts rose from $4.27 billion in 1985/86 to $5.81 billion in 1989/90, an increase of 36.0% or 16.6% in constant dollars--while somewhat below state averages, this still represents a substantial increase. Consistent with state trends, average teacher salaries
in urban centers rose faster than the cost of living although teachers in the early and later stages of their careers garnered larger increases than those at midcareer. For teachers early in their careers, average salaries increased 33.1% or 14.1% in adjusted dollars, from $22,343 to $29,740. Teachers at midcareer saw the smallest gains of 18.2% or 1.3% in adjusted dollars; their average salaries rose from $33,425 to $39,506. Those in the later stages of their careers received salary increases of 31.4% over the 5 year period or 12.6% in adjusted dollars, with the average salary rising from $38,050 to $50,000. At all stages of their careers, teachers in urban school districts outearned their statewide counterparts. As educational expenditures and teacher salaries increased in urban centers, student enrollments declined slightly from 1,951,952 to 1,948,612 students, a decrease of .2%.

Per pupil expenditures rose at approximately the same rate as the statewide average. From 1985/86 through 1989/90, average per pupil expenditures in urban centers increased from $4,852 to $6,622, an increase of 36% or 16.6% in adjusted dollars, as compared to the state average of 36.6% and 17.1% respectively. However, urban centers spent at a level 4% below the state average of $6,883 per pupil for 1989/90.

In terms of the local, state, and federal shares in financing education, urban school districts experienced a shift toward a greater state share. Over the five year period, the state share of educational revenues rose from 38.9% to 43.9% while the local share declined from 53.7% to 49.7%. At the same time, the federal share
declined slightly from 7.4% to 6.4%. The shift toward greater state support was not mirrored statewide as state and local shares remained fairly constant at 41.5% and 54.8% respectively. Although urban revenue bases increased sharply during this period with property value per pupil rising 45% and income per pupil, 38%, both lagged a few percentage points behind statewide averages. Average property value per pupil rose from $88,501 to $128,391 while income per pupil increased from $50,441 to $69,618 in nominal dollars. However, local property tax rates for education, a measure of local tax effort, plummeted 34% from an average rate of $27.25 per $1,000 assessed valuation in 1985/86 to $17.83 in 1989/90. The latter fell below the state average of $19.49, indicating urban property taxpayers were making a smaller effort than their statewide counterparts while utilizing a relatively larger share of state resources.

Although educational outcomes in urban centers improved over time, they fell short of state averages in reading and mathematics. With regard to reading scores, 66% of third graders met or exceeded the state reference point in 1989/90 as compared to 61% in 1985/86, an improvement of 5%, substantially below the state average of 81%. Seventy-two percent of sixth graders scored at or above the state reference point in reading, an increase of 8% over 5 years prior, but still below the state average of 84%. Improvements in mathematics were more dramatic. In 1989/90, eighty-eight percent of third graders scored at or above the state reference point as compared with 70% in 1985/86, a marked increase of 18%, but below
the state average of 94%. Eighty-one percent of sixth graders scored at or above the state reference \textit{cutoff} in 1989/90 as compared to 65% in 1985/89, a substantial improvement of 16%, yet 10% below the state average. The percentage of high school graduates pursuing post-secondary education rose 2.8%, during this period to 79% in 1989/90, a rate of 2.3% above the statewide average.

Conditions of teaching improved with student/teacher ratios declining from 17.8/1 to 16.4/1 over this period. At all levels class size decreased. Elementary classes decreased from 27.6 to 26.8 student, significantly higher than the state average of 23.5 students. For subject matter teachers in urban schools, periods taught per day and number of preparations remained stable at 4.6 and 1.9 respectively. While urban teachers taught larger classes than their statewide colleagues, their teaching load was somewhat lighter.

Upstate Suburban and Small City School Districts. School districts in suburbs that ring major urban areas and small cities in upstate New York comprise this stratum. This approach to grouping suburban and small city school districts was taken after a preliminary review of the data revealed greater similarities in the revenue bases when these school districts were grouped by geographic region than by type of population center. This stratum contains 293 school districts, 50 located in small cities and 243 in suburbs, representing approximately 30 percent or 729,536 of the state's 2.5 million students.

From 1985/86 to 1989/90, educational expenditures for this
group of school districts increased from $3.23 billion to $4.32
billion, and increase of 33.5% in nominal dollars or 14.4% in
adjusted dollars, a rate of growth slightly below that of the state
as a whole. However, expenditures on teacher salaries grew at a
slightly faster pace, rising from $1.34 billion to $1.92 billion,
an increase of 43% or 22.4% in adjusted dollars. Statewide,
expenditures on teacher salaries grew 39.5% or 13.4% in adjusted
dollars. Average salaries for teachers at all stages of their
careers increased more rapidly than the cost of living and outpaced
state averages. For teachers in the early years of their
careers, the average salary rose from $18,254 to $25,478, an
increase of 39.5% or 19.5% in constant dollars. At midcareer
levels, teachers did not fare as well as their junior and senior
colleagues. Their average salaries increased from $24,830 to
$31,785, an increase of 28.0% or 9.7% in constant dollars.
Teachers in the later stages of their careers saw their average
salaries increase from $31,171 to $41,573 or 33% or 14.2% in
adjusted dollars. During this period as expenditures and average
salaries rose, student enrollments fell one percent, from 736,124
to 729,536.

For upstate suburbs and small cities, per pupil expenditures
rose from an average of $4,426 to $5,964, an increase of 35% or
15.4% in adjusted dollars. While the rate of growth on
expenditures on teacher salaries exceeded that statewide, growth in
per pupil expenditure lagged behind the state average.

Unlike their urban counterparts, upstate suburban and small
city school districts saw a shift toward a smaller state share of educational revenues and a larger local burden. From 1985/86 to 1990, the state share dropped from 53.9% to 46.6% of educational revenues while the local share rose from 43.5% to 50.8%, with the federal share remaining the same, 2.6%. In 1989/90 this group of school districts more closely resembled the statewide average shares for the various levels of government. However, the revenue bases for this group of school districts did not grow as rapidly as the state average. Average property value per pupil rose 34% over this period, from $84,206 to $112,622; income per pupil increased from $40,875 to $57,269 or 40%. Property tax rates declined slightly, from an average of $21.59 per $1,000 assessed valuation to $20.70, the latter slightly above the state average of $19.49.

Educational outcomes for this group of upstate school districts showed modest improvement in all areas except third grade reading where the percent of student scores exceeding the state reference point dropped one percentage point, to 89% in 1989/90. The percentage of sixth graders scoring at or above the state reference point rose 5 percentage points over the 5 year period, from 86% to 91%. Percentages for mathematics scores showed improvement at both levels. At the third grade level, the percentage of students meeting or exceeding the state reference point increased slightly from 96% to 98%. The percentage of sixth graders increased from 91% in 1985/86 to 97% in 1989/90. All of these exceed the state averages by several percentage points. Finally, the percentage of high school graduates pursuing
postsecondary education rose from 66.1% to 73.3% over the five year period, an increase of 7.2%, below the state average of 76.7%.

At all levels, elementary and secondary, teachers in this group taught somewhat smaller classes than their statewide colleagues. For upstate school districts, the student/teacher ratio in 1989/90 was 14.2/1 as compared with 15.4/1 in 1985/86. Class sizes at the elementary levels remained stable at 22.3 while kindergarten classes dropped .5 students to 20.7. At the secondary level decreases in class size were more notable; for example, American Studies classes averaged 22.0 students in 1989/90, 1.9 students below the average 5 years earlier.

**Downstate Suburban and Small City School Districts.** This stratum contains 176 school districts, 7 in small cities and 169 in suburbs, and represented 514,549 students in 1989/90, or approximately 20 percent of the state's student population.

Over the 5 year period, educational expenditures rose from $3.65 million to $4.76 million, a 30.0% increase in nominal dollars or 11.4% in adjusted dollars while statewide expenditures increased 34.2% or 15.0% in adjusted dollars for the same time period. Expenditures for teacher salaries, while increasing substantially from $1.52 million in 1985/86 to $2.06 million in 1989/90 fell below the state rate of growth. For downstate districts teacher salary expenditures grew 35.0% or 15.4% in constant dollars; statewide the rate was 39.5% or 19.5% in constant dollars. Expenditures on education in general and teacher salaries in particular for this group of school districts rose less rapidly.
than the state average.

At all stages of their careers teacher salaries grew at a rate considerably above the cost of living. For teachers early in their careers, the average salary increased 37.0% or 17.5% in adjusted dollars, or from $24,286 in 1985/86 to $33,322 in 1989/90. At midcareer levels, the average salary increased from $34,515 to $44,757, an increase of 30% or 11.4% in adjusted dollars. Teachers later in their careers also saw improvements in average salaries, from $40,213 to $54,100; over the 5 years, this represents an increase of 35.0% or 15.4% in adjusted dollars. At all levels average teacher salaries for downstate school districts exceeded state averages.

Per pupil expenditures grew at a rate slightly above that of the state, but downstate school districts chose to spend at much higher levels. In 1985/86, this group of school districts spent $6,901 per pupil compared to the state average of $5,039. By 1989/9, the gap had widened considerably with downstate school districts spending on average $9,548 per pupil, almost $3,000 above the state average of $6,883 in nominal dollars.

Given the tremendous difference in revenue bases and levels of expenditures, it is not surprising that these districts relied more heavily upon local resources to finance education. Over the five year period, the state share declined slightly while the local share rose with the federal share remaining stable. The state share grew from 65.1% in 1985/86 to 69.7 in 1989/90 while the local share declined from 33.0% to 28.5%. The federal share changed from
1.9% to 1.8%. At the same time, local tax effort diminished by approximately one-third, from a tax rate of $29.65 to $20.21, placing these districts slightly above the state average of $19.49. The growth in revenue bases far exceeded the state rate of growth. With regard to per pupil property values, the average rose from $127,484 to $206,422, an increase of 62.0%. While less dramatic, per pupil income rose from $68,779 to $108,229, a 57% increase in nominal dollars.

While educational outcomes exceeded state averages, for the most part they did not improve to the same extent, and with regard to third grade reading, the percentage of students meeting or exceeding the state reference point actually fell three percentage points, from 93.0% to 90.0%. The percentage of sixth graders scoring at or above the state reference point in reading rose 4%, from 87% to 91%. For mathematics there were also small gains. At the third grade level, 98% of third graders met or exceeded the state reference point, an increase of only 1%, but exceeding the state average of 94%. At the sixth grade level, 96% scored at or above the state reference point, an improvement of 3%. The percentage of high school graduates pursuing postsecondary education also rose from 73.7% to 77.2%, the latter slightly above the state average of 76.7%.

At all levels, class size declined and remained below the state averages. The overall student/teacher ratio declined from 13.8/1 to 12.6/1, substantially below the state average of 14.7/1. Secondary classes showed the largest decline; for example, American
studies declined from an average of 22.3/1 in 1985/86 to 20.4/1 in 1989/90.

Rural School Districts. New York's 220 rural school districts contained 225,463 students in 1989/90, approximately 10%, of the state's student population of 2.5 million.

Of all groups, rural school districts evidenced the most dramatic increases in total operating expenditures and teacher salaries. Educational expenditures grew 40.3% or 20.2% in adjusted dollars from 1985/86 to 1989/90, from $914 million to $1.28 billion. Teacher salary expenditures increased 51.5% or 29.8% in constant dollars, from $362 million to $548 million. Average teacher salaries also grew from 30% to 40% in nominal dollars during this time period. At the early career stages, average salaries increased from $17,100 to $24,091, an increase of 40.9% or 20.7% in adjusted dollars. For teachers at midcareer, average teacher salaries increased from $22,470 to $29,524, an increase of 31.4% or 12.6% in constant 1985/86 dollars. At the later career stage, average salaries increased 34.4% or 15.2% in adjusted dollars, from $27,972 to $37,593. As expenditures rose steeply, student enrollment increased 1.5%, from 222,036 to 225,463. Per pupil expenditures rose 38% over this period, from an average of $4,120 in 1985/86 to $5,693; however they remained well below the state average of $6,883.

More consistent with state trends, the relative revenue shares of local school districts, state, and federal government remained stable. In 1989/90, 38.5% of revenues came from the local level,
58.9% from the state, and 2.6% from the federal government. Five years earlier, these shares were 38.4%, 59.0%, and 2.6% respectively. However rural revenue bases did not benefit from the same rate of growth as other parts of the state. Average per pupil property values rose 24.1% from $77,817 to $96,566 while average per pupil income rose more rapidly or 40.9%, from $25,606 to $36,065. At the same time, property tax effort increased slightly, from $18.95 to $19.23, but remained below the statewide average of $19.49.

Educational outcomes for rural school districts exceeded the state averages even though the percentage of third graders that met or exceeded the state reference point for reading fell 1% to 89%. At the sixth grade level there was a 6% improvement, from 86% to 92% of students scoring at or above the state reference point in reading. The percentage of students scoring at or above the state reference point in mathematics increased at both third and sixth grade levels. At the third grade level, 98% of students met or exceeded the state reference point in 1985/86 as opposed to 96% in 1989/90. For sixth graders, the degree of improvement was more dramatic, rising from 90% in 1985/86 to 97% in 1989/90. In both reading and mathematics, these percentages exceeded state averages by several points. The percentage of high school graduates pursuing postsecondary education also rose over this time period, from 73.7% to 77.2%, an increase of 3.5%, placing the rate slightly above the state average of 76.7%.

Rural school districts enjoyed smaller classes and a lower
student/teacher ratio than the state average in both 1985/86 and 1989/90. The average student/teacher ratio fell from 14.8 to 13.8 for rural school districts, below the state averages of 15.9 in 1985/86 and 14.7 in 1989/90. Average class sizes increased slightly at the elementary level, from 21.1 to 21.5 students; however this is still below the state average of 23.5. At the secondary level class size remained stable or dropped. For example ninth grade math classes decreased from 21.6 to 20.4 students over the five year period.

Conclusions and Policy Implications

What does all of this mean for state policymakers? At best the trends displayed here are cause for concern and at worst reason for alarm. After five years of significant increases in state resources, public elementary and secondary students achieved only modest improvements in educational outcomes, with urban students still lagging behind. While the state allocated greater resources to education, local tax effort declined substantially in most areas of the state, by as much as one-third. These are symptoms of an inefficient and inequitable system. Realistically the state cannot continue a massive influx of dollars to education as the last two budget cycles indicated. Hence policymakers must focus on more efficient use of the current level of resources with all local school districts making a state-prescribed minimum effort in order receive state funds. Equity goals will not be achieved not through the infusion of new dollars to level up but by careful examination
of current formulas with the goal being a redistribution of current resources in a more administratively efficient manner.

Policymakers must resist the temptation to add to an already overly complex configuration of funding formulas but instead cut out the underbrush of small special interest categorical grants and rechannel those funds to achieve broader policy goals. Simultaneously the basic aid formula must be pruned of guarantees and save harmless provisions that benefit more affluent districts and prevent the equalizing portions of the formula from having their intended effect. In their place must be placed minimum property tax effort provisions that require all districts, rich and poor, to make a reasonable effort to support education. While much research needs to be done which may lead to broader recommendations, the above represent small, but significant steps toward greater efficiency and equity in funding education in New York.
Notes


2. Education reform here refers to the range of education reform, including programmatic and fiscal. The most recent of comprehensive reform proposals, currently in the process of implementation, is A New Compact for Learning (Albany, NY: The University of the State of New York, State Education Department, 1990).

3. Tuition, transportation, and debt service were excluded from this calculation, but when they were added, the percentages remained approximately the same.

4. On the heels of several years of large increases of resources to education, the state faced reducing appropriations to education midyear, 1990-1991. For details, see State Aid for Public School Districts and Deficit Reduction Assessments (Albany, NY: New York State Education Department, 1991).
References


