



CAMPAIGN FOR FISCAL EQUITY, INC.

CFE/NYSSBA Community Forums Affirm Broad Public Support Statewide for Justice DeGrasse's Funding System Reform Principles

*A Report on the Spring 2001 Community Forums
Co-Sponsored by the Campaign for Fiscal Equity, Inc.
and the New York State School Boards Association*

Introduction

In spring 2001, the Campaign for Fiscal Equity (CFE) and the New York State School Boards Association co-sponsored a series of ten community forums around New York State to discuss the implications of the recent court decision declaring the state's school finance system unconstitutional. Designed to elicit public opinion on the implementation of the reforms ordered in the *CFE v. State of New York* decision, the free public engagement forums were held in Albany, Saranac Lake, Horseheads, Utica, Goshen, New York City, Dix Hills, Shortsville, White Plains, and Lancaster. Together they drew over 600 school board members, parents, teachers, administrators, and other interested citizens from these diverse communities.

The Public Engagement Process

CFE has used public engagement extensively over the past several years to inform and enrich its legal and advocacy work. Initial public engagement sessions in New York City led to critical strategic decisions to engage in statewide collaborations. Past rounds of statewide public engagement strongly influenced CFE's legal argument in *CFE v. State of New York*. CFE's proposed definition of a "sound basic education," which was largely accepted by Justice DeGrasse, was based on a consensus definition that had emerged from more than 30 statewide forums held over a two-year period.

In this recent round of public engagement, forum participants from every part of New York State offered numerous cogent and creative ideas about how best to implement the CFE decision, and they displayed widespread consensus on many important matters. Most significantly, New Yorkers around the state strongly confirmed the cogency of the basic principles for reform of the state education finance system that Justice DeGrasse set out in his ruling. Throughout the state, forum participants called for a new funding system that is based on actual education costs, that makes sure each district has the funds it needs to provide the education its students require, that accounts for regional cost differences, that provides longer term and more predictable funding, that is easy to use and to understand, and that ensures accountability. Ideas for implementation of these reforms ranged widely, yet each and every forum supported the validity of each of Justice DeGrasse’s six individual principles—and they stressed the interdependence of this set of principles and the importance of implementing the judge’s set of guidelines as an integral whole.

Justice DeGrasse’s Principles for Reforming the State School Funding System

On January 10, 2001, Justice Leland DeGrasse of the New York State Supreme Court issued an historic decision in the case of *Campaign for Fiscal Equity, Inc. v. the State of New York*. Finding in favor of the plaintiffs, Justice DeGrasse ruled that the state’s system for funding public education is unconstitutional because it deprives New York City students of the sound basic education guaranteed them by the state constitution. He ordered the state to scrap this system and create a new one that is based on the actual costs of a sound basic education.

In Justice DeGrasse’s words, the new funding system must:

1. As a threshold task, ascertain, to the extent possible, the actual costs of providing a sound basic education in districts around the State.
2. Ensure that every school district has the resources necessary for providing the opportunity for a sound basic education.

3. Take into account variations in local costs.
4. Provide sustained and stable funding in order to promote long-term planning by schools and school districts.
5. Provide as much transparency as possible so that the public may understand how the state distributes school aid.
6. Ensure a system of accountability to measure whether the reforms implemented by the legislature actually provide the opportunity for a sound basic education and remedy the disparate impact of the current finance system.

While he set clear guidelines for the reforms needed to remedy the constitutional violations of the current funding system, Justice DeGrasse left the actual reform design and implementation to the legislature. The CFE/NYSSBA forums provide important input from public-school stakeholders, and other concerned community members, to aid the legislature in this effort.

Forum Format

At each forum, participants heard presentations from CFE giving background the lawsuit and a summary of the decision and from NYSSBA giving an overview of the present education finance system and an explanation of NYSSBA's Standards for Education Funding Reform. NYSSBA will be reconsidering these standards at its October statewide convention and was seeking input on the points that should be included in an updated set of principles. Based on this information and their own experiences, participants were then asked to discuss in small groups and then in a plenary session a series of questions. The questions, based on Justice DeGrasse's principles for creating a new school funding system, address how best to implement the decision.

Discussion Questions

1. The Court has ordered the State to determine the actual costs of providing a sound basic education in districts across the state. How should this be done?
2. How can New York State make sure that each school district has the money to provide a sound basic education to all the students?
3. In some areas of the state, it costs more to live than it does in other areas. Should education funding be adjusted to reflect these costs? If so, what factors should the adjustment be based on?
4. How can the state ensure that there is a sustained and stable level of education funding that enables long-term planning by school districts?
5. How can the legislature ensure that the State education funding system is easily understood by school officials, parents and taxpayers of New York State?
6. What additional accountability measures do we need to ensure that any funding increase and funding reforms enacted by the legislature actually provide the opportunity for a sound basic education to all children.

Input from the Forums

Question 1. The Court has ordered the State to determine the actual costs of providing a sound basic education in districts across the state. How should this be done?

In his landmark ruling, Justice DeGrasse set a “threshold task” for designing a new school funding system; he directed the state to determine the actual costs of providing a sound basic education in each district across the state. The legislature must decide exactly how to undertake this task. Participants in each forum discussed how they thought this threshold task should be accomplished.

Consensus emerged at the forums for the general idea of gathering a group of education and economic experts to assess the costs of the elements of a sound basic education, accounting for regional cost differences. CFE has called for the legislature to establish an independent panel of experts to conduct an assessment of the actual costs

of a sound basic education. Opinions expressed at the forums supported this way of proceeding. Some forum participants thought these experts should be academics; others thought business people and superintendents should make up such a committee. As to how to do the costing-out study, ideas ranged from seeking successful districts and assessing their expenditures to creating a hypothetical school district and calculating what it would cost to provide the elements of a sound basic education there.

Additional important suggestions included the following:

- Costs should be reassessed every five years.
- The costs of all federal and state mandates must be assessed and funded.
- School leadership teams should be given a role in identifying needs at the school level.
- Another costing-out approach is to use a two-step process that assesses (1) start-up needs—what it would cost to get all schools in a district to offer the opportunity for a sound basic education—and (2) maintenance needs—what it would cost for these schools to sustain the ability to offer a sound basic education.

Question 2. How can New York State make sure that each school district has the money to provide a sound basic education to all the students?

Justice DeGrasse’s decision requires the state to ensure that each school district has sufficient resources for all schools to offer the opportunity for a sound basic education to all students. It is up to the legislature to determine how to do this. Forum participants discussed alternative ideas.

Forums throughout the state came to the clear consensus that the first step toward ensuring that each school district can provide a sound basic education is to determine what this will actually cost, accounting for regional cost differences. To cover these costs, it was widely agreed, the state’s share of education costs must increase. In several forums, it was suggested that the state should pay the entire cost of a sound

basic education in each district and should fully fund all mandated programs. In short, the state should make education funding a higher priority.

Forum participants around the state urged less reliance on local property taxes. Many groups supported the idea of diversifying the local tax base for school funding to include, for example, income and sales tax along with property tax. Some called for the state to revisit how wealth is calculated for a fairer method (e.g., greater emphasis on income than property).

Another broad area of agreement related to spending discretion. Participants in many forums called for simplifying the formula to increase operating aid and provide districts with more spending flexibility. A related opinion, expressed in many forums, was that educational rather than political concerns should determine the funding formula.

Other ideas that received significant support were as follows:

- Spending should be “leveled up” so that no district loses existing funding.
- Areas that can afford to pay must do so; others must be helped;
- Maintenance of effort is critical in dependent districts.
- In dependent districts, money must go directly to schools on a timely basis.

Question 3. In some areas of the state, it costs more to live than it does in other areas. Should education funding be adjusted to reflect these costs? If so, what factors should the adjustment be based on?

Though the state’s current funding formula does not account for regional cost differences, forum participants around the state unanimously recognized that cost of living and cost of education affect education spending significantly. Each forum where this question was addressed supported Justice DeGrasse’s principle of adjusting education funding based on regional costs.*

*Because of time constraints, this question was not covered in the New York City forum.

Forum participants around the state suggested a host of different factors on which that adjustment might be based; these included the consumer price index, and regional costs such as the cost of living index, the costs of housing and utilities, the regional wage level, construction costs, teachers' salaries, real estate values, and special education costs. Many participants made the distinction between the cost of living and the cost of education and suggested that the cost of education was the more appropriate measure.

Consensus also emerged statewide about the complexity of this issue. Forum participants recognized that different cost factors affected different parts of the state. There was widespread agreement, moreover, that no single principle, like a cost of living adjustment, will create fair funding around the state—only the overall reform of the funding formula can do this. For example, a cost of living adjustment may drive needed money downstate, but necessary funding for upstate districts will need to come from costing out their educational needs.

Other ideas that drew support in forums around the state were as follows:

- The cost of living adjustment should be applied only to poor districts.
- The index must be apolitical.
- Multiple indexes should be used.
- The cost index must be kept current.

Question 4. How can the state ensure that there is a sustained and stable level of education funding that enables long-term planning by school districts?

Presented with convincing testimony and evidence of the devastating effects on educational planning caused by unpredictable budgets, Justice DeGrasse ordered the state to provide school districts with sustained and stable funding that promotes long-term planning. All ten forums unequivocally affirmed the importance of long-term

educational planning and school districts' dependence on predictable funding for such planning.

Participants verified that most districts plan on a 3-5 year basis; for this planning to be effective, districts need to be able to count on a funding commitment from the state that covers a similar span of time. Forum participants statewide emphasized the importance of creating a multi-year budget and of passing the state budget by the April 1 deadline in order to allow school districts a sustained and stable level of funding. There was strong support around the state for the Assembly's current two-year education budget strategy. It was extremely important to participants that the funding formulas no longer change annually or be "wed to political whims"; instead in nearly every forum participants called for the new funding formula to be simple, clear, consistent, and predictable from year to year. Statewide, a lot of cynicism surfaced about political wheeling and dealing in state budget negotiations. In a number of forums, participants urged the state to pass education budgets a year or two in advance. One forum yielded the idea of a year's waiting period for any change to the formula.

In half the forums there was a call to reduce or eliminate categorical aids, which complicate long-term planning. Another area of agreement was the importance of consistent and complete funding of state mandates.

Other suggestions for affording sustained and stable funding included the following:

- Property tax reliance should be diminished in favor of a more stable funding source.
- Education funding should be made a high priority mandate like debt reduction that the state must pay every year before other expenses.
- Lottery money should be dedicated to education as promised.

Question 5. How can the legislature ensure that the State education funding system is easily understood by school officials, parents, and taxpayers of New York State?

Evidence presented at trial demonstrated that not only is the funding formula so complex that only a few insiders understand it, but also its complexity lends itself to manipulation. Justice DeGrasse ordered the state to make the new funding formula as transparent and easily understood as possible. In the forums that addressed how to accomplish this, the answer was obvious and unanimous: keep the funding formula simple and consistent from year to year.*

Beyond this, many forum participants endorsed the following suggestions:

- The state should start with the costing-out figures—what each of the elements of a sound basic education would actually cost in each district.
- The funding formula should be simple enough to be understood by students who have received a sound basic education.
- The state should use a professional video and a website to make education-funding information available to the public in lay terms, keep track of the flow of money, and make that flow easy for the public to follow.
- The state share of education funding should be included on school report cards.
- Legislators should be tested on their knowledge of the funding formulas.

Participants in many forums voiced the opinion that the current formulas are intentionally obscure—so that they can be “tweaked” to produce the desired distribution. Many demanded that budget deliberations be public instead of the current private negotiations among the governor and senate and assembly leaders known as “three men in a room.”

* Because of time constraints, this question was not addressed in the Albany forum.

Question 6. What additional accountability measures do we need to ensure that any funding increase and funding reforms enacted by the legislature actually provide the opportunity for a sound basic education to all children?

Justice DeGrasse directed the legislature include a system of accountability in the new funding system. Forum participants around the state had both general and specific suggestions for such a system. A number of forum sites expressed support for creating accountability measures aligned with “principles of a sound basic education,” that is, with Justice DeGrasse’s definition of the skills students should attain and the seven resources areas he requires the state to provide. In other words, a new accountability system should measure the extent to which the state provides sufficient resources in each of the seven areas and how the provision of these resources affects student outcomes.

To make public the data from these measures, several forums introduced the idea of a state report card that would evaluate the state government’s efforts and ensure legislative accountability. To complement this, others suggested, districts should report on the funds that went to each of the seven resources areas or undergo an annual audit or inventory of these resources.

Many forum participants stressed that simply simplifying the funding formula, reducing the number of categorical aids and allowing districts more spending discretion, as well as creating real budgeting transparency, would go a long way toward improving accountability. In a similar vein, members of certain school communities felt that the state’s current academic accountability system was sufficient and that what districts really needed was the elimination of selected regulations that limited district and administrative autonomy, like those that govern the hiring and firing of teachers.

Other specific suggestions about improving accountability included adding incentives for improved performance, creating strong maintenance of effort laws for the Big 5 cities, using outside evaluators, reducing dependence on student testing as the sole accountability measure, introducing more competition into the public school

system, creating accountability measures for inputs instead of outputs, and promoting parent responsibility and accountability.

Conclusion

Despite the wide variety of responses to each question that was registered over the course of this series of statewide community forums, there were also clear areas of consensus. Participants in every forum strongly supported Justice DeGrasse's six principles as an appropriate set of parameters for a new funding system. There was also wide agreement that this set of six principles was interdependent and all necessary (e.g., accountability requires funding actual costs, transparency, and stability; costing out allows for stability, planning, regional cost variations) to create a funding system that ensure the opportunity for a sound basic education for all the students in the state.