

Syracuse University

SURFACE at Syracuse University

Center for Policy Research

Maxwell School of Citizenship and Public
Affairs

6-2019

How New York State Stole \$20 Billion from School Children in New York City

John Yinger

The Maxwell School, Syracuse University, joyinger@syr.edu

Follow this and additional works at: <https://surface.syr.edu/cpr>



Part of the [Economic Policy Commons](#), [Economics Commons](#), [Education Policy Commons](#), and the [Public Policy Commons](#)

Recommended Citation

J. Yinger, 2019. "How New York State Stole \$20 Billion from School Children in New York City," *It's Elementary*, June.

This Policy Comment is brought to you for free and open access by the Maxwell School of Citizenship and Public Affairs at SURFACE at Syracuse University. It has been accepted for inclusion in Center for Policy Research by an authorized administrator of SURFACE at Syracuse University. For more information, please contact surface@syr.edu.

It's Elementary

A Column by John Yinger (EFAP Director)

June 2019

How New York State Stole \$20 Billion from School Children in New York City

The 2006 decision in *Campaign for Fiscal Equity v. New York (CFE)* required New York State to pay at least \$1.93 billion more in annual operating aid to New York City. After issuing the decision, the Court of Appeals removed itself from oversight of this case and left the implementation to the State's elected officials.

These elected officials did increase aid to New York City in the years immediately following the *CFE* decision. As shown in Figure 1, aid per pupil increased for New York City in 2008 and 2009, and it was higher than aid per pupil in the rest of the state in those years.¹ By 2010, however, it had dropped back down to the same level as the rest of the state and has been below that level ever since. Moreover, New York City's share of total state aid has fallen far below its share of the state's students, despite the temporary reversal of this situation right after the *CFE* decision. See Figure 2.

At the time of the *CFE* ruling, 1,018,982 students attended the City's schools, so one could also say that *CFE* decision required the state to increase its aid to New York City by \$1.93 billion divided by 1,018,982 students, which equals \$1,894.08 per pupil. To make this figure comparable across years, it must be adjusted for inflation.² The most recent accessible data on aid to New York City applies to the 2016-2017 school year, for budgets set in 2016 with 2016 prices. The *CFE* mandate was set in 2006—in 2006 prices. Translated into 2016 prices, the \$1,894.08 figure becomes \$ 2,259.77.³ In other words, the *CFE* decision calls for an increase in

¹ The data for Figures 1 and 2 can be found at:
http://www.oms.nysed.gov/faru/Profiles/profiles_cover.html .

² Comparing figures in 2006 dollars with figures in 2016 dollars is like comparing apples and oranges. An inflation adjustment is critical. Moreover, the 2006 *CFE* decision explicitly recognizes that the \$1.93 figure "must be adjusted for inflation."

³ This calculation makes use of the consumer price index (available at: <https://www.bls.gov/cpi/tables/supplemental-files/home.htm>). The implicit price deflator for state and local government purchases (available at: <https://fred.stlouisfed.org/series/A829RD3Q086SBEA>) is an alternative; it results in somewhat higher measures of aid shortfalls for NYC.

aid to NYC in 2016-17 equal to \$2,259.77 per pupil.⁴ With 1,018,982 pupils, this requirement calls for \$2.303 billion in state aid above the 2007 baseline. In fact, however, state aid in 2016-17 was only \$0.095 billion above this baseline, leaving a gap of \$2.302 billion – \$0.095 billion = \$2.208 billion. See Table 1. These calculations hold the number of pupils constant at the 2006-2007 level. In fact, the number of pupils in New York City increased significantly over this period. As shown in Table 1, accounting for this increase raises the 2017 state aid gap to \$2.436 billion.⁵

Two further adjustments are needed to calculate the state aid shortfall in earlier years. First, the \$1.93 billion was expected to phase in over four years. Second, it seems reasonable to allow a lower aid increase in a recession year. The *CFE* decision did not mention this possibility, of course, but if the court had retained jurisdiction, it might well have allowed such an adjustment. State aid to districts outside New York City actually increased above the 2008 baseline in the first recession year, 2009, by 2.4 percent, but it decreased almost 4 percent relative to this baseline in 2010. Moreover, constant-dollar spending outside the City did not exceed this baseline until 2016. To place a lower bound on the remaining gaps in state aid, my calculations assume a considerably larger reduction in the required minimum aid to New York City. To be specific, I reduce this minimum by 10 percent in 2009 and 25 percent in 2010, and then gradually return to the 2008 baseline with a 5 percent increase each year.

The results of these calculations are presented in Table 1. After the phase-in of the increased aid to New York City and the recession, state aid to the City falls more than \$2.1 billion short of the *CFE* minimum in every year. The cumulative gap in actual aid compared to the required *CFE* minimum amounts to an astonishing \$18.646 billion. Adding shortfalls for 2018 and 2019 would bring this figure to at least \$20 billion. Most of this gap reflects the failure of New York State to take the \$1.93 billion requirement seriously, but \$1.181 billion of it comes from the failure of New York State to account for the increased enrollment in New York City schools. In any case, these results demonstrate that the \$1.93 billion aid increase in the *CFE* decision is nowhere in sight.⁶

⁴ The \$1.93 billion comes from a calculation in which the level of school performance is fixed. One could also argue that the \$1.93 billion should grow (in real terms) as the State's school performance target grows. This approach is not pursued in this column.

⁵ I am by no means the first person to point out New York State's failure to meet its *CFE* obligations. See, for example, Stephanie D. Ashley, 2017, "New York's Persistent Denial of New York City Educational Rights: Ten Years After *Campaign For Fiscal Equity V. New York*," *Seton Hall Law Review* 47: 1045-1075.

⁶ New York State might have increased aid to some other NYC department expecting the money that was thereby freed up to be spent on education. No sign of such a deal appears in the non-education state aid to NYC, which has not grown in real terms since 2007 (<https://ibo.nyc.ny.us/fiscalhistory.html>). Moreover, this approach does not meet the *CFE* mandate.

The results in Table 1 can be thought of as a lower bound because they assume that the *CFE* spending requirement is lowered substantially in recession years. This issue is not addressed in the *CFE* decision, so an alternative approach, which yields an upper bound, is to eliminate the recession adjustment. In this case, the gaps do not change in 2016 and 2017, but the cumulative gap increases by about \$1.6 billion.

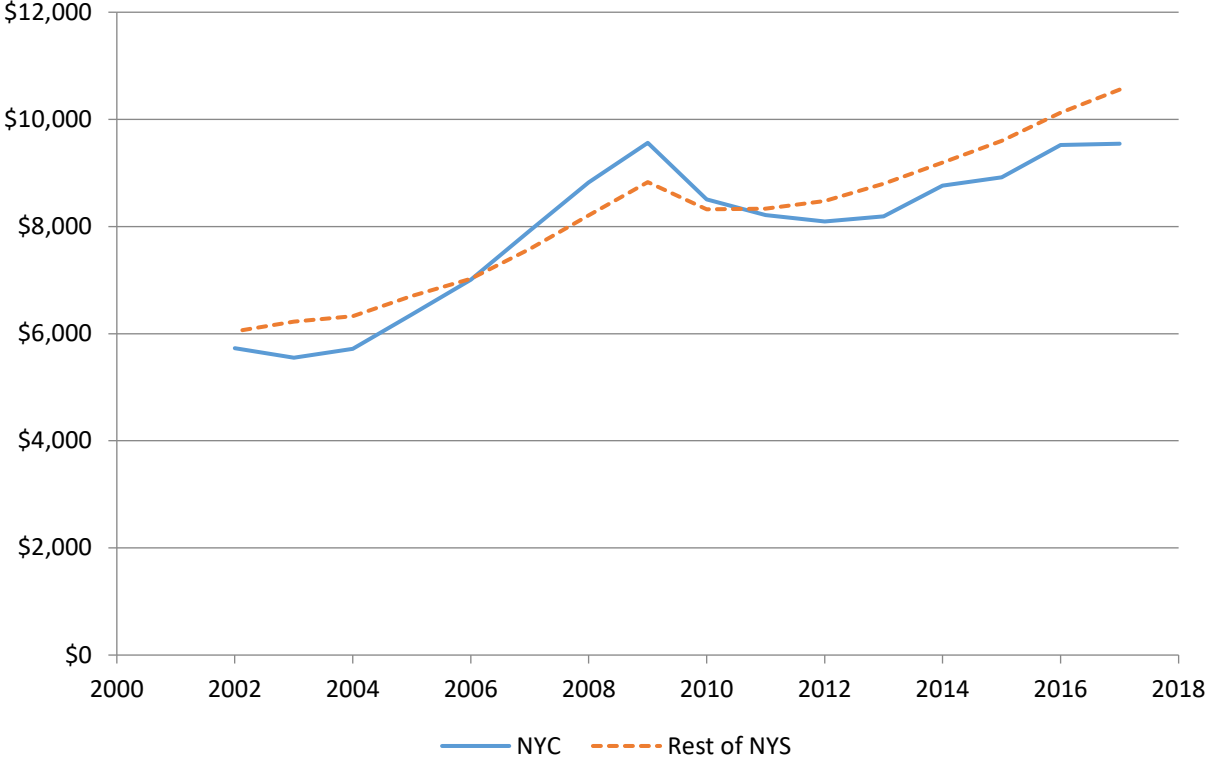
In short, despite the *CFE* funding requirement, elected officials in New York State have returned to shortchanging school children in New York City. In recent years, annual state aid to New York City has fallen roughly \$2.5 billion short of this requirement, and the cumulative shortfall now exceeds \$20 billion. In a few more years, state aid may have increased enough in real terms so that these annual shortfalls disappear. Even in this case, however, the cumulative shortfall—\$20 billion and counting—will remain unpaid.

Table 1. Shortfalls in Reaching *CFE* Spending Minima for NYC
(in billions of 2016 dollars)

Year	Shortfall Based on 2006-07 Pupil Count	Shortfall Due to Increase in Pupils, 2007-2017	Total Shortfall
2017	\$2.208	\$0.228	\$2.436
2016	\$2.032	\$0.201	\$2.232
2015	\$2.653	\$0.233	\$2.886
2014	\$2.510	\$0.158	\$2.667
2013	\$2.867	\$0.143	\$3.010
2012	\$2.670	\$0.118	\$2.788
2011	\$2.047	\$0.077	\$2.124
2010	\$1.074	\$0.028	\$1.102
2009	-\$0.310	-\$0.002	-\$0.313
2008	-\$0.285	-\$0.001	-\$0.286
Cumulative	\$17.465	\$1.181	\$18.646

Shortfall = *CFE* required minimum aid increase minus actual aid above 2006-07 level. The *CFE* minimum is phased in from 2008 to 2011. In addition, the *CFE* minimum is reduced in recession years (by 10% in 2009 and 25% in 2010 and then phased back it at 5 percentage points per year). Adjustments for inflation use the CPI.

**Figure 1. State Education Aid Per Pupil,
New York City and the Rest of New York State**



**Figure 2. New York City's Share of Pupils
and of State Education Aid**

