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# Accounting for Disadvantaged Students in Foundation Aid Formulas

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# *It's Elementary*

A Monthly Column by EFAP Director John Yinger  
October 2016

## **Accounting for Disadvantaged Students in Foundation Aid Formulas**

This column presents the slides I used for my presentation at the Fourth Annual NYSASBO/Rockefeller Institute School Finance Symposium on October 18, 2016. References have been added.

### **1. It Costs More to Educate Disadvantaged Students**

- A clear scholarly consensus concludes that it costs more for a school district to achieve any given student performance objective when a large share of its students come from disadvantaged backgrounds.<sup>1</sup>
- My own research supports this conclusion in studies of New York, California, Kansas, Massachusetts, and Missouri.<sup>2</sup>
- These higher costs reflect the need for additional spending on remediation, counseling, health, and safety, among other things.

### **2. Added Costs for Disadvantaged Students Need to Be Estimated**

- The added spending “weight” for a disadvantaged student depends on a state’s learning objectives, educational practices, and student characteristics.
- My latest estimates (based on data through 2011) indicate that to meet NYS’s basic test performance requirements, a district must spend more than twice as much for a student from a poor family as for a student from a non-poor family (measured by eligibility for a free lunch).<sup>3</sup>
- A district’s costs also increase with the share of its students who have disabilities or who speak English as a second language.

### **3. Correcting State Aid for the Added Costs of Disadvantaged Students is a Constitutional Requirement**

- The New York State Court of Appeals has ruled that every student should receive a “meaningful high school education.”
- The Court of Appeals also explicitly rejected “the premise that children come to the New York City schools ineducable, unfit to learn” because of “socioeconomic disadvantage.”
- Thus, accounting for students’ needs is a constitutional principle, applicable to all school districts in New York State.

#### **4. Including Pupil Weights in State Aid Benefits All New Yorkers—Not Just Disadvantaged Students**

- The use of pupil weights is not a zero-sum game.
- A recent study in a leading economics journal finds that for low-income students, “increasing per pupil spending by 10% in all school-age years reduces the annual incidence of poverty in adulthood by 6.1 percentage points.”<sup>4</sup>
- Lower poverty is associated with more productive workers, lower dependence on safety-net programs, lower costs for the criminal justice system, and higher tax revenue—effects that benefit New York State as a whole.<sup>5</sup>

#### **5. Current Estimates of Pupil Weights in New York State Are Not Available**

- Estimates of pupil weights requires extensive data collection efforts and sophisticated (but well known) statistical procedures.
- In New York State, these data come from many different sources and are difficult for scholars to acquire, update, and expand.
- So far as I know, no office in the New York State Education Department or in any other part of the New York State government has either collected these data or developed the capacity to conduct this type of statistical analysis.

#### **6. Foundation Aid Formulas Can Easily Accommodate Pupil Weights**

- Like the vast majority of other states, New York uses a foundation formula for its main education aid program.<sup>6</sup>
- A district’s foundation aid equals an estimate of the amount it must spend to achieve a state’s school performance objectives minus the amount the district is expected to contribute out of its own funds.
- Virtually all states use pupil weights to adjust the foundation spending amount for a district’s concentration of disadvantaged students.<sup>7</sup>

#### **7. The 2007 NYS Foundation Aid Formula Included Pupil Weights**

- The CFE III ruling in 2006 focused on state aid to NYC, but, along with earlier rulings, it established constitutional principles for state aid around the state, including the need to account for student disadvantage.
- The 2007 state aid formula implemented these principles for all school districts in the state using a foundation formula with adjustments for disadvantaged students.
- These adjustments were based, in part, on estimates of pupil weights using appropriate data and statistical methods.

#### **8. Changes Since 2007 Have Undermined Adjustments for Disadvantaged Students**

- When a recession began in 2009, the phase-in of the 2007 formula was halted and aid cuts were implemented.

- These aid cuts could have been designed simply to increase the expected contribution of the districts themselves, but instead they imposed a much higher loss of aid per pupil on poorer districts.<sup>8</sup>
- Some of these aid cuts has been restored, but a March 2016 report gave NYS a “D” in funding fairness and NYSASBO estimates that the current aid formula still leaves high-need districts \$2.9 billion below the amount they would have received with full implementation of the 2007 formula.<sup>9</sup>

### **Recommendation 1: Set Up an Office to Estimate Pupil Weights**

- Careful estimation of pupil weights for various categories of disadvantaged students is a critical part of designing a state education aid formula.
- Simply looking at weights other states use is not sufficient; many of these weights reflect political compromises instead of careful estimation, and even the estimated weights may not be appropriate for New York’s performance objectives and student characteristics.
- New York recognizes the importance of analytical capacity for other key issues, such as budget forecasts, and should add the capacity it needs to estimate and update pupil weights, presumably in the New York State Education Department.

### **Recommendation 2: Support Updated Pupil Weights in Foundation Aid**

- The 2007 education aid formula was a major step forward because it used careful analysis to account for the added spending required in school districts with a high concentration of disadvantaged students.
- A foundation aid formula based on careful estimation of pupil weights is consistent with constitutional principles established by the Court of Appeals and provides benefits to all New Yorkers.
- Citizens and elected officials from all parts of the state should support a foundation formula that includes estimated pupil weights.

### **Notes**

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<sup>1</sup> A review of this literature can be found in William D. Duncombe, Phuong Nguyen-Hoang, and John Yinger, “Measurement of Cost Differentials.” In *Handbook of Research in Education Finance and Policy*, 2<sup>nd</sup> Edition, M.E. Goertz and H.F. Ladd (eds.), New York: Routledge, 2015, pp. 260-278.

<sup>2</sup> See William D. Duncombe and John Yinger, “Making Do: State Constraints and Local Responses in California’s Education Finance System.” *International Tax and Public Finance* 18 (3) (June 2011): 337-368; William D. Duncombe and John Yinger, “Are Education Cost Functions Ready for Prime Time? An Examination of their Validity and Reliability.” *Peabody Journal of Education: Issues of Leadership, Policy and Organizations* 86 (1) (2011): 28-57; Tae Ho Eom, William Duncombe, Phuong Nguyen-Hoang, and John Yinger, “The Unintended Consequences of Property Tax Relief: New York State’s STAR Program.” *Education Finance and Policy* 9 (4) (Fall 2014): 446-480; and Phuong Nguyen-Hoang and John Yinger, “Education Finance Reform,

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Local Behavior, and Student Performance in Massachusetts.” *Journal of Education Finance* 39 (4) (2014): 297-322.

<sup>3</sup> This estimate is from Eom et al. (2014).

<sup>4</sup> This article is C. Kirabo Jackson, Rucker C. Johnson, Claudia Persico, “The Effects of School Spending on Educational and Economic Outcomes: Evidence from School Finance Reforms,” *Quarterly Journal of Economics* 131 (1) (February 2016), pp. 157-218. See also, Julien Lafortune, Jesse Rothstein, and Diane Schanzenbach, “Can School Finance Reforms Improve Student Achievement?” Policy Brief, Institute for Research on Labor and Employment, University of California at Berkeley, March 2016 (available at: <http://www.irle.berkeley.edu/policybriefs/20160316-SchoolFinanceReform.pdf> ).

<sup>5</sup> See my September 2016 column.

<sup>6</sup> See Deborah A. Verstegen and Robert C. Knoepfel, “From Statehouse to Schoolhouse: Education Finance Apportionment Systems in the United States,” *Journal of Education Finance* 38 (2) (Fall 2012): 145-166.

<sup>7</sup> Verstegen and Knoepfel (2012).

<sup>8</sup> See my November 2013 column.

<sup>9</sup> The funding fairness report is Bruce Baker, Danielle Farrie, Theresa Luhm and David G. Sciarra, “Is School Funding Fair? A National Report Card,” Fifth Edition (March 2016), Rutgers Graduate School of Education (available at: [www.schoolfundingfairness.org](http://www.schoolfundingfairness.org) ). The NYSASBO report is New York State Association of School Business Officials, Supporting Our Schools: A Study of New York State Foundation Aid and Recommendations for Legislative Action for School Year 2017-18, October 3, 2016 (available at: <http://www.nysasbo.org/> ).