

Syracuse University

## SURFACE at Syracuse University

---

Center for Policy Research

Maxwell School of Citizenship and Public  
Affairs

---

9-2016

### All New Yorkers Would Benefit from a Fairer School Aid Formula

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, 2016. "All New Yorkers Would Benefit from a Fairer School Aid Formula," *It's Elementary*, September.

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](mailto:surface@syr.edu).

# *It's Elementary*

A Monthly Column by EFAP Director John Yinger  
September 2016

## **All New Yorkers Would Benefit from a Fairer School Aid Formula**

Elected officials in New York do not seem to understand that all New Yorkers lose by the state's failure to improve educational outcomes in low-income school districts.

To show why this is true, consider first the important study, authored by C. Kirabo Jackson, Rucker C. Johnson, Claudia Persico, which assembles a national data set following individuals from childhood to adulthood, complete with information about their families and the schools they attended.<sup>1</sup> The key identification strategy in this study is to estimate how adult outcomes change when a child attends a school in which school-finance reform, a type of external shock, led to increased spending. The study is thorough and thoughtful and it is published in a high-quality journal.

The results are striking. The study's (statistically significant)

estimate for children from low-income families indicates that increasing per pupil spending by 10% in all school-age years reduces the annual incidence of poverty in adulthood by 6.1 percentage points (p. 203).

Imagine that. A 10 percent permanent increase in spending (in real terms) would reduce the adult poverty rate for children from poor families by about 6 percentage points.

The paper also finds that the adult income gains for students who experience from this type of education finance reform are roughly three times as large (in present value terms) as the added expenditures on education. This looks like a pretty good investment.

So why should taxpayers around the state care about this? The answer is that increased income for the grown-up children from poor families saves state taxpayers a lot of money,

The most obvious savings for taxpayers is a reduction in spending on social safety-net programs. According to a recent report, New York spends about \$6.7 billion per year on federally mandated programs for health insurance for low-income families (Medicaid/CHIP) and income support for

---

<sup>1</sup> 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. The working-paper version of this study was discussed in my August 2014 column.

low-income parents (TANF or Temporary Assistance for Needy Families).<sup>2</sup> Eligibility for these programs depend on household income,<sup>3</sup> and this report shows that

higher wages and employer provided health care [which may accompany better jobs at higher wages] would lower both state and federal public assistance costs, and allow all levels of government to better target how their tax dollars are used.

The connection between household income and safety-net spending is well documented. The loss of income and jobs during the Great Recession pushed millions of families into Medicaid and added 14.7 percent to Medicaid spending between 2007 and 2009.<sup>4</sup> Moreover, despite the time limits and work requirements associated with TANF, the number of TANF recipients increased significantly during the Great Recession. One study focuses on the years in which each state's unemployment rate was rising and finds a 30 percent increase in the TANF caseloads, on average.<sup>5</sup> Given New York State's large safety-net budget, increases in income associated with education finance reform are likely to save the state's taxpayers a great deal of money.

Increases in income are also associated with reductions in crime and hence with lower costs for the criminal justice system. One study found, for example, that "a 50 percent increase in income reduces male arrests by 20 percent."<sup>6</sup> Reductions in crime associated with income increases also benefit taxpayers directly because they lower criminal victimization.

Moreover, lower poverty and higher income in one generation lead to fewer children growing up in poverty in the next generation, which results, in turn, in higher school performance and lower future costs on state taxpayers. These cost savings to school districts are, of course, the flip side of the added costs from a concentration of students from poor families. As many studies have documented and many of my previous columns have discussed, the cost of providing a given

---

<sup>2</sup> This report is Ken Jacobs, Ian Perry and Jenifer MacGillvary, "The High Public Cost of Low Wages," U.C. Berkeley Labor Center, April 13, 2015. Available at: <http://laborcenter.berkeley.edu/the-high-public-cost-of-low-wages/>.

<sup>3</sup> The role of income in eligibility for Medicaid is described at <https://www.medicaid.gov/medicaid-chip-program-information/by-topics/eligibility/eligibility.html>. Comparable information for TANF can be found at <http://www.cbpp.org/research/policy-basics-an-introduction-to-tanf>.

<sup>4</sup> See "Medicaid Spending Growth and the Great Recession, 2007-2009," Kaiser Commission on Medicaid Facts, February 2011. Available at: <https://kaiserfamilyfoundation.files.wordpress.com/2013/01/8157.pdf>.

<sup>5</sup> Ron Haskins, Vicky Albert, and Kimberly Howard, "The Responsiveness of the Temporary Assistance for Needy Families Program during the Great Recession," The Brookings Institution, August 2014. Available at: [https://www.brookings.edu/wp-content/uploads/2016/06/responsiveness\\_tanf\\_great\\_recession\\_haskins.pdf](https://www.brookings.edu/wp-content/uploads/2016/06/responsiveness_tanf_great_recession_haskins.pdf).

<sup>6</sup> Sara B. Heller, Brian A. Jacob, Jens Ludwig, "Family Income, Neighborhood Poverty, and Crime," In P. J. Cook, J. Ludwig, and J. McCrary, editors, *Controlling Crime: Strategies and Tradeoffs* (Chicago: University of Chicago Press, 2011), pp. 419-459.

level of student performance is higher in a district with a high concentration of students from poor families than in district with low poverty.<sup>7</sup> An equivalent statement is that lowering the concentration of students from poor families in a school district will allow the district to provide the same level of student performance at lower cost.

The design of a school aid formula in New York is often seen as a zero-sum game, with each district fighting for its share. This is a short-sighted way to characterize the issue. All New Yorkers would gain from more school spending in the state's poorest districts, especially its big cities.

It is, of course, also true that the children in poor districts deserve access to an adequate education. This standard has been endorsed by the New York Court of Appeals, but it is far from being met in many districts. Citizens and elected officials who are not moved by this standard should nevertheless support more state aid for the state's poorest districts because it is in their own interest to do so.

---

<sup>7</sup> See, for example, Duncombe, William, Phuong Nguyen-Hoang, and John Yinger. 2015. "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, 260-278. See also my column for July 2016.