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**Testimony of George Sweeting Before the
Education Committee of the New York City Council,
September 23, 2002**

I am George Sweeting, a deputy director of the City's Independent Budget Office (IBO). Thank you, Chairwoman Moskowitz and members of the committee for the opportunity to testify this morning. In my remarks I will be discussing a project that IBO undertook last winter at the request of Council Member David Yassky concerning the cost of one possible resolution to the CFE case. Our initial findings were reported to him last February. A copy of that letter is attached to my written statement. Last month, Council Member Yassky asked IBO to update our analysis with more current data.

Last winter, we found that meeting the standard suggested by Council Member Yassky would require increasing spending on New York City schools by \$3.3 billion. The more recent data suggest that the cost of this particular solution is now somewhat smaller, although it is still a substantial \$2.5 billion. In addition to discussing these results, my testimony this morning will highlight the fact that policymakers will have several different methods of costing-out an adequate education for city students to choose from—assuming that the trial court decision is ultimately upheld. Some of these methods yield estimates that are even higher than the one suggested by Council Member Yassky.

Educational adequacy and the need for state education finance systems to ensure adequacy has been at the core not only of New York's CFE case but of most recent education equity cases across the country. The new focus on raising student performance standards and school accountability has brought additional attention to the question of what constitutes an adequate education and how it should be paid for. Not surprisingly, a number of methods for costing-out an adequate education have now emerged, each with its own strengths and limitations. Despite the differences, each depends on three steps.

- First, a standard of adequacy must be defined based on a level of student performance.
- Second, a set of benchmark districts meeting the standard are identified.
- Third, spending levels in the benchmark districts are adjusted to account for differences in regional costs and other characteristics of the districts that fail to meet the adequacy standard.

Although the first step is conceptually the easiest to accomplish, in reality it demands the greatest care. If the performance standard is set too high then the cost of attaining it may become too high to be politically achievable. Set the performance standard too low and

an opportunity to significantly change the allocation of educational resources could be missed.

Council Member Yassky's request was prompted by an unreleased 1999 New York State Education Department (SED) study. SED used the most straightforward of the common methods. They began by identifying a group of high-performing school districts as those in which at least 80 percent of the students were passing five Regents exams. SED's criterion reportedly yielded 65 high-performing districts. After adjusting spending in these districts for regional differences in costs and in the level of student needs, overall spending in the high-performing districts was compared with overall spending in New York City. The difference equals the cost of bringing performance in the city (and other less well performing districts) up to the level in the high-performing districts.

With the report unavailable, Council Member Yassky asked the IBO to replicate the study. It should be noted that consistent with IBO's role as a nonpartisan source of analysis and information, our work on this option does not constitute an endorsement of this particular definition of adequacy or the particular costing-out methodology used by SED.

Our analysis of publicly available SED data found 74 districts meeting the 80 percent pass rate criterion in the 1999-2000 school year. Average per pupil spending in those districts was \$2,332 higher than in New York City. Adjusting the spending to account for differences in regional cost factors increased the gap between the city and the high-performing districts by \$364 per pupil. We also needed to account for differences in the educational needs of the students. We adjusted for this by using the Extraordinary Needs Index (ENI), an SED measure used in some state aid formulas. Not surprisingly, the city's ENI is higher than the ENI of any of the high-performing districts, and is 1.3 times higher than the average for the 74 districts. Applying the ENI added \$333 per pupil to the difference in spending levels.

These adjustments brought the spending difference between the city's public schools and those in the high-performing districts to \$3,029 per pupil. With the city system's enrollment of 1.1 million students, IBO concludes that equalizing the city's spending with the level in the high-performing districts would require \$3.3 billion. We believe that this result was similar to SED's.

Our update of this analysis using newly available data highlights a shortcoming of efforts to equate adequacy with fixed performance standards. Higher state graduation standards are currently being phased in, and districts have been putting more effort into preparing students for the Regents exams. As a result the pass rate on major Regents exams has increased. In addition, some new Regents exams introduced in the last few years appear to have significantly higher pass rates than those they replaced. With more students passing, IBO found 95 districts meeting the criterion of 80 percent of students passing five Regents exams in the 2000-2001 school year. With more districts included in the high-performance category, the difference between the educational needs of high-performing schools and New York City's public schools has declined. Moreover, the

city's per pupil spending was \$849 higher than in the previous year. Thus, the adjusted difference in per pupil spending between the city and the high-performing districts was \$2,287, meaning that total spending on the city's public schools would need to grow by \$2.5 billion to equalize spending with the high-performing districts.

As I noted above, there are other ways to cost-out an adequate education which can yield different results. One of the most rigorous methods uses statistically derived cost functions to provide much more sensitive adjustments factors when equating spending between districts. Researchers at the Maxwell School at Syracuse University have published a series of papers using the cost function approach. These papers conclude that providing an adequate education in New York City would require per pupil expenditures of \$17,400, suggesting that overall spending would have to grow by over \$9 billion.

In short, the methodology SED used in its 1999 study may actually understate the full cost of providing an adequate education that meets the state's increasingly rigorous performance standards.

I would be pleased to answer any questions you may have.